

sixth edition

# Business

Ricky W.  
Griffin

Ronald J.  
Ebert

Sixth Edition

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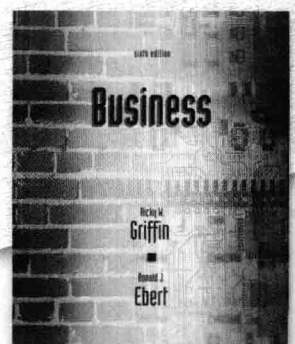


## From the Authors Ricky Griffin and Ron Ebert

At about the time we sat down to assemble this preface, we both kept seeing a TV ad promoting "Financial Knowledge for the New Economy" as the number-one ingredient for business success. Generally speaking, you can't argue with the premise, but we feel that, especially for introductory business students, "knowledge for the new economy" has to go beyond the "financials." Students need to know something about every aspect of business and the environment in which business prospers. And make no mistake about it: We have prosperity because—or maybe despite the fact that—the rules of the game are constantly changing throughout the business environment and across the entire range of business practices. There are new forces at work. Nowadays, companies come together on short notice for collaborative projects and then, just as quickly, return to their original shapes as separate (and often competing) entities. Employees and companies share new ideas about work—about when and where it takes place, about how it gets done, about who determines roles and activities in the workplace. With communications technologies having shattered the barriers of physical distance, tight-knit teams with members positioned around the world share information just as effectively as groups huddled together in the same room.

In nearly every aspect of business today, from relationships with customers and suppliers to employees and stockholders, there are new ways of doing things, and a lot of them are surpassing traditional business practices, with surprising speed and often with better competitive results. Along with new ways come a host of unique legal and ethical (and financial) issues to challenge the creativity and judgment of people who do business. For all of these reasons we, as authors and teachers, felt a certain urgency when it became obvious that, in revising *Business* for its sixth edition, we had to capture the flavor and convey the excitement of the new economy in all of its rapidly evolving practices.

Ricky Griffin  
Ron Ebert



# Rewired for E-Business & E-Commerce

Griffin/Ebert, *Business, Sixth Edition* explores the full range of the new economy, from the raft of start-up dot-coms to the fleet of traditional flagship companies, with a number of innovative features.

## New! It's a Wired World

Chapter 3 Understanding the Global Context of Business / 11

### It's a Wired World

#### • Nokia Puts the Finishing Touches on a Telecommunications Giant

On the surface, one would assume that the major industrialized countries—the United States, Germany, and Japan—would be leading the way in information technology. But while this is generally true, a surge is upstart (Nokia Corp.) in a relatively remote part of the world (Finland) is in the forefront of today's emerging global communication network.

Initially, conditions in Finland actually provide a unique catalyst for the Nokia success story. Many parts of the Finnish landscape are heavily forested, and vast regions of the country are sparsely populated. Creating, maintaining, and updating wired land-based communication networks in difficult and extremely expensive. But wireless digital systems are a relative breeze in Asia.

As a result, conditions were perfect for an upstart, forward-looking company like Nokia ([www.nokia.com](http://www.nokia.com)) to strike gold.

Nokia was formed in 1865 by Fredrik Idestam, a Finnish engineer

whose early success in textile combined with the theory of comparative advantage. Idestam's young company set up shop on the Nokia River in Finland to manufacture pulp and paper, using the area's lush forests as raw material. Nokia flourished in anonymity for about a century, focusing almost exclusively on its domestic market.

In the 1950s, however, management decided to expand regionally. In 1957, with the government's encouragement, Nokia took over two collapsed firms, Finnish Rubber Works and Finnish Cable Works. But it was in 1980 that a seminal event dramatically altered Nokia's destiny. Because it had done so well with the Rubber and Cable operations, the Finnish government offered to sell Nokia 51 percent ownership of the state-owned Finnish Telecommunications Co.

Because Nokia had already been developing competencies in digital technology, the firm seized the opportunity and started pushing

aggressively into a variety of telecommunications businesses. For example, Nokia created Europe's first digital telephone network in 1982. A series of other acquisitions and partnerships subsequently propelled Nokia into the number one position in the global market for mobile telephones. Today, the firm commands a 27 percent market share in cellular telephones, comfortably ahead of second place Motorola's 17 percent.

But Nokia hasn't been content to rest on its laurels. To the contrary, the company continues to expand into new and emerging markets. A key element among these is technology for providing cellular phones with reliable and affordable Web content. Nokia was first out of the gate in this area and quickly established its own innovation, WAP (an acronym for wireless application protocol), as the likely standard that other firms will have little choice but to license for their own use.

In each chapter, boxes titled “It's a Wired World” offer concise, concrete descriptions of the steps that established businesses are taking to keep pace with both new and old competitors in the e-business environment. Each box describes the situation faced by a real firm or industry, showing how the challenges of a business function is being met by the introduction of technology.

## New! Life Cycle of an e-Business

In every chapter a box titled “Life Cycle of an e-Business” features Garden.com, an innovative e-business that won awards for its innovations but fell victim to the risky nature of such Internet ventures. There are some important lessons to be learned: namely, that the business world is fraught with risk, threats, and the potential for failure.

Chapter 3 Understanding the Global Context of Business / 83

### Life Cycle of an e-Business

#### Setting Out Roots Across Borders

One of the most significant things about the Internet from a business standpoint is its amazing ability to reach and connect people no matter where they are. Some would be web entrepreneurs envision buying and selling around the world from a single location. Unfortunately, it's not always that easy. For one thing, when a business is literally thinking in terms of shipping products across national boundaries, numerous issues must be addressed.

The managers at Garden.com quickly became all too familiar with the constraints that national boundaries can impose on any business. Agricultural products—growing plants, seeds, chemicals, and the like—are among the most highly regulated in the world. In most cases, it's actually illegal to transport them from one country to another. As a result, virtually all of Garden.com's business was conducted within the boundaries of the continental United States.

But does this mean that a firm like Garden.com is forever confined to its home country? By no means. In fact, Garden.com had every intention of entering the European market at the earliest possible opportunity. As early as 1999, there were already a few upstart e-businesses in Europe attempting to pattern themselves after Garden.com. One option the company considered, therefore, was identifying one of the most promising of these firms and buying it outright. Another option was launching its own business in Europe. Given the complexities of doing business in the European Union, however, the firm had a clear preference for buying an existing operation—if it could have found just the right one and acquired it for just the right price.

# Face-to-Face Business Connections...

Like its predecessors, the sixth edition of **Business** focuses on people in business and the decisions they make on a daily basis. We have taken this commitment to new levels in an effort to provide more **personal**—and, at the same time, more **practical**—access to people who do business by letting students ask them questions about cutting-edge business issues and practices.

## New! Two Part Vignettes

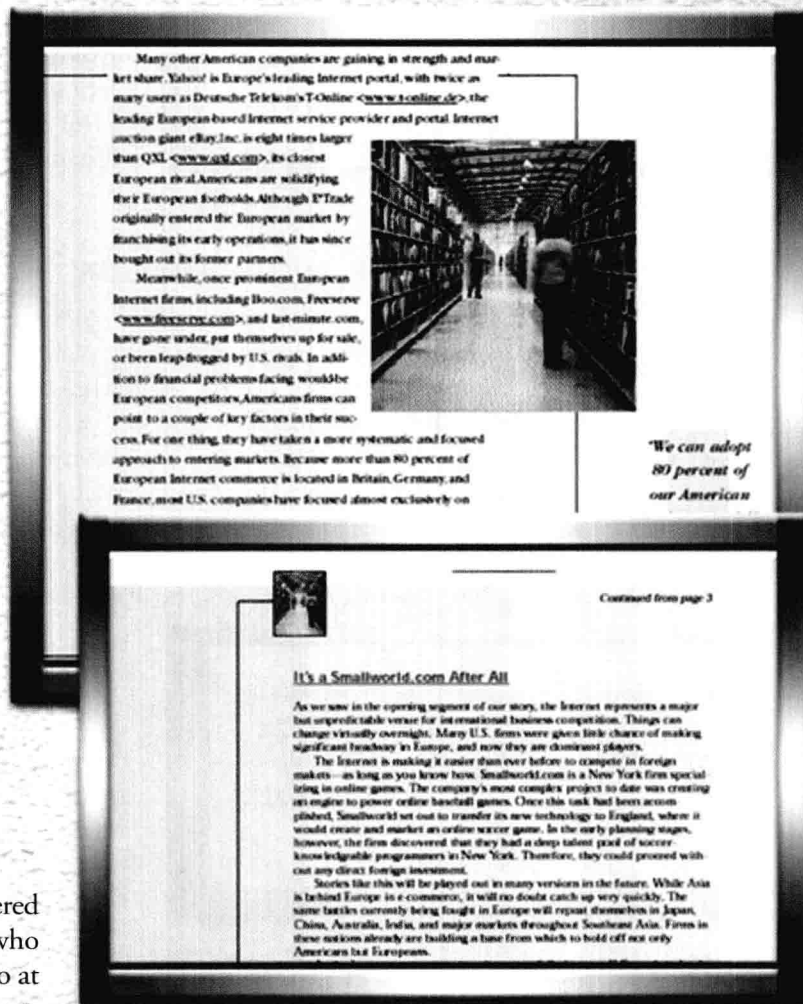
To engage students in real-life business situations, each chapter now opens with a vignette describing how an individual or organization has responded to an opportunity or challenge related to the topic of the chapter. The story is then revisited at the end of the chapter, where it concludes with more information and follow-up questions tailored to help students analyze the case, either on their own or in class as a group activity.

## New! Student Q&A's

Each chapter contains three student questions—questions that real students have asked about the facts and ideas presented in the chapter. Each question is revisited on a free student CD-ROM where it is answered by a panel of business professionals—real people who not only work in different businesses but who do so at different levels of experience. Throughout the text, questions are indicated by a CD-ROM icon.

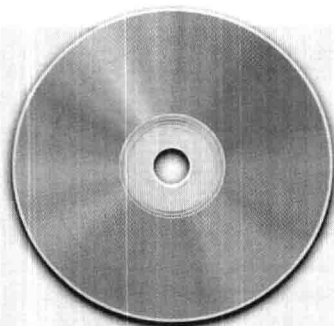


What can explain the exporting boom in the United States over the past 15 years?



## Free! Student CD-ROM

This **FREE** student CD-ROM provides students with a first-hand look at real business issues. In each chapter, a cross section of business professionals at a variety of career stages respond to a wide-range of practical student questions. Their responses reflect their own real-life experiences and apply them to chapter content in a way that brings concepts to life and gives students a unique perspective on contemporary business.





# Exciting End-of-Chapter Activities...



## VIDEO EXERCISE

### ENTERING THE GLOBAL MARKETPLACE: LANDS' END AND YAHOO!

#### Learning Objectives

The purpose of this video exercise is to help you

1. Understand the different reasons businesses undertake international expansion.
2. Identify the financial and marketing issues involved in selling products and services internationally.
3. Recognize the influence of culture on business decisions made by international firms.

#### BACKGROUND INFORMATION

- Yahoo! ([www.yahoo.com](http://www.yahoo.com)) is an Internet search engine headquartered in Santa Clara, California. Its principal product is an ad-supported Internet directory that links users to millions of Web pages on demand. Yahoo! leads the field in volume of traffic (over 95 million pages viewed each day) and now has offices in Europe, Asia, and Canada, as well as a global network of 22 world properties.
- Lands' End ([www.landsend.com](http://www.landsend.com)) began in 1963 by selling sailing equipment through a catalog. Today the publicly owned firm is one of the largest apparel brands in the United States.

# New!

**Video Exercises.** We're proud to introduce a brand-new video library for the sixth edition of *Business!* Each chapter now concludes with an engaging Video Exercise that puts chapter concepts into a dramatic real business context. Each video exercise asks students to analyze a real company and perform specific activities with follow-up discussion questions and assignment material.

# New!

## Crafting Your Business Plan Exercises.

Chapter-ending exercises apply chapter material to the task of developing a business plan. Students are first encouraged to examine sample plans from a variety of businesses and then to personalize their own plans using Windows-based *Business Plan Pro* 4.0. This intuitive software offers the beginning student a step-by-step approach to understanding and building professional business plans. With version 4.0, planners can also publish to a protected Internet site, where readers can access all or part of posted plans. The educational version of the best-selling *Business Plan Pro* Software can be packaged with the text for \$10.00.



## CRAFTING YOUR BUSINESS PLAN

### Considering the World

#### THE PURPOSE OF THE ASSIGNMENT

1. To acquaint you with the process of navigating the *Business Plan Pro* (BPP) software package (Version 4.0).
2. To familiarize students with issues faced by a firm that has decided to go global.
3. To determine where, in the framework of the BPP business plan, global issues might appropriately be presented.
4. To prepare students to enter international business considerations into a firm's business plan through BPP.

#### Assignment

After reading Chapter 3 in the textbook, open the BPP software and examine the information dealing with the topic of global business considerations that would be of concern to the sample firm of Acme Consulting. Then respond to the following items:

1. What products does Acme plan to offer and in which international markets will they be competing? (Go to see in BPP for this assignment.) In the Plan Outline screen, click on 1.0 Executive Summary; then click on 1.2 Mission



## EXPLORING THE WEB

### Tapping into the CIA

One of the best sources of information about foreign countries is the CIA's *World Factbook*. Visit its Web site and then consider the following questions.

[www.cia.gov/cia/publications/factbook/index.html](http://www.cia.gov/cia/publications/factbook/index.html)

1. Assume that you are a manager interested in learning more about the market potential for

your firm's products in a certain foreign country. What information from this site might be most helpful?

2. How accurate and reliable would you expect this information to be? Why?
3. What additional information do you think you might need? How and where might you go to look for it?

# New!

## Exploring the Web Exercises.

In these exercises, students are directed to the Internet and given hands-on activities designed to enhance their understanding of important chapter topics.

# Fully Updated!

## Building Your Business Skills.

These popular end-of-chapter exercises consist of activities that allow students to apply their knowledge and critical-thinking skills to an extended problem drawn from a wide range of realistic business experiences. Each of these exercises has been specifically designed to satisfy the general criteria laid out in the Secretary of Labor's Commission of Achieving Necessary Skills (SCANS) requirements.



## BUILDING YOUR BUSINESS SKILLS

### I Intend To Be a Global Company

This exercise enhances the following SCANS workplace competencies: demonstrating basic skills, demonstrating thinking skills, exhibiting interpersonal skills, and working with information.

#### GOAL

To encourage students to apply global business strategies to a small-business situation.

#### BACKGROUND

Some people might say that Yolanda Lang is a bit too confident. Others might say that she needs confidence—and more—to succeed in the business she's chosen. But one thing is certain: Lang is determined to grow INSE, her handbag design company, into a global enterprise. At only 28 years of age, she has time on her side—and she makes the right business moves now.

These days, Lang spends most of her time in Milan, Italy, backed by \$50,000 of her parents' personal savings, she is trying to compete with Gucci, Fendi, and other high-end handbag makers. Her target market: American women who are willing to spend \$200 and more on a purse. Ironically, Lang was forced to set up shop in Italy because of the unbusinesslike of these same customers, who only buy high-end bags if they're European-made. "Strangely enough," she notes, "I used to be in Europe to sell America."

To succeed, she must find ways to keep production costs down, which is a tough task for a woman working in a male-dominated business culture. Her fiancé, Paolo, is an important advantage, but she often turns down inappropriate dinner invitations. She also has to figure out how to get her 22-bag collection into more worldwide. Although retailers are showing her bags in Italy and Japan, she's had little luck in the United States. "I need to be a global company," says Lang. The question is how to succeed first as a small business.

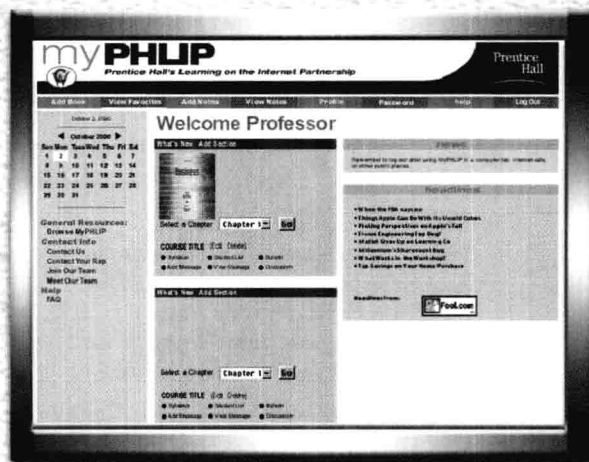
# Free Companion Website... myPHILIP

Prentice Hall's New myPHILIP Companion Web Site  
[www.prenhall.com/griffin](http://www.prenhall.com/griffin)

This powerful Prentice Hall Web site offers **chapter-specific current events, Internet exercises, and downloadable supplements.** The site also includes an **online study guide** containing true/false, multiple-choice, and essay questions.

## Special Features:

- **Individual homepages** for students and faculty. These pages provide easy, one-click navigation to our vast, dynamic database of online teaching and learning resources. Faculty and students can organize online resources for all of their classes on this single, customizable homepage.
- **A powerful new point-and-click syllabus-creation tool** that faculty can use for each course and section. Teachers can also annotate and link each resource on myPHILIP to their syllabi. They can even upload their own personal resources to our site and make them available to students via personalized syllabi. Students and faculty can easily communicate with one another via e-mail, either directly or through custom homepages.
- **Faculty can post messages set to appear automatically** on every student homepage for any length of time.
- **Students can view each course syllabus** with a SmartCalendar showing the daily activities for every course that he or she is taking.
- **Students and faculty can leave notes for themselves on their own homepages.** Messages are stored in personal accounts and can be retrieved at any time.



## Prentice Hall Online Courses We make it easy for you!

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



**WebCT** [www.prenhall.com/webct](http://www.prenhall.com/webct)

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



**Blackboard** [www.prenhall.com/blackboard](http://www.prenhall.com/blackboard)

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

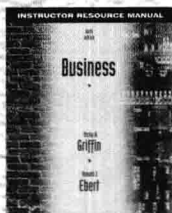


**CourseCompass** [www.coursecompass.com](http://www.coursecompass.com)

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



# Unsurpassed Instructor & Student Supplement



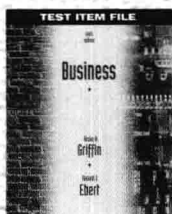
## New! Fully Integrated Instructor's Resource Manual

In the revision, we've focused our efforts on creating a new fully integrated Instructor's Resource Manual that's chock-full of time-saving resources to make prepping this course a snap. Our goal is to **simplify your life** by offering a fully comprehensive yet easy-to-use resource tool. Each chapter of the Instructor's Resource Manual contains:

- *Changes to the new edition*
- *Brief chapter outline and summaries*
- *Detailed lecture outlines customized for both PowerPoint users and acetate users, featuring traditional lecture notes and an all new feature "Hero" Notes.*
- *Sample syllabi*
- *Pop quizzes for every chapter*
- *Answers to all end-of-chapter questions, problems, and assignments*
- *A detailed Video Guide with answers to video exercise questions*
- *Suggested classroom exercises, projects, and supplemental cases*
- *Useful Web sites*

With the integrated Instructor's Resource Manual, you can get up to speed quickly and ensure that all concepts, features, and exercises hang together in your presentation of the course. This manual is **the ultimate teaching companion!**

## New! Test Item File



This new **two-volume Test Item File** contains **over 4,000 questions**, all of which have been carefully checked for accuracy and quality. This comprehensive set consists of multiple-choice, true/false, and essay questions. Each test question is ranked by level of difficulty (easy, moderate, or difficult) and contains section and learning objective references to allow the instructor a quick and easy way to balance the level of their exams or quizzes. In addition, we've included a special section that contains test questions for all boxed features and vignettes in each chapter. If that's not enough, this test item file features **two pre-created sample tests** for every part plus a mid-term and final exam for immediate use or distribution—an arrangement that provides both maximum flexibility and ease of use.

## New! Prentice Hall's Computerized Test Manager 4.2-ESATEST 2000

(Windows Version)

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

- *Import Test Questions from Word Processors*
- *Import/Export Tests*
- *Correlate Charts*
- *Select by Query*
- *Select by Review*
- *Select by Criteria*
- *Archive Database Capability*
- *Analyze Test Bank Items*
- *Export Grades to Excel*
- *Weight Grades*
- *Record Grades in a New Spreadsheet Format and Create a Grade Database*
- *Control Online Testing*



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

## New! PowerPoint Slides



Enhance your classroom presentations with this well-developed PowerPoint presentation set. **More than 500 text-specific PowerPoints** highlight fundamental concepts by integrating key graphs, figures, and illustrations from the text. PowerPoint slides come **complete with lecture notes**, which are available in the Instructor's Resource Manual or on the Instructor's Resource CD. Free to adopters, PowerPoints are available on CD or can be downloaded from the Instructor's Resource Web site at [www.prenhall.com/griffin](http://www.prenhall.com/griffin).

## New! Unique Overhead Transparencies

This extensive set of over **300 full-color overhead transparencies** is not a derivative of the PowerPoint presentation. These overheads put an additional spin on basic and important concepts by focusing on the main points of the chapter with illustrations and figures. Overhead transparencies come **complete with lecture notes**, available either in the Instructor's Resource Manual or on the Instructor's Resource CD.

## New! Custom Video Library



We're proud to introduce a **brand-new video library** with *Business, Sixth Edition*. Each chapter now concludes with an engaging video exercise that puts concepts into real business contexts. Each exercise asks students to analyze a real-world situation and to perform specific activities through discussion questions and follow-up exercises.

We provide a variety of company and business situations to simulate a diverse business climate. Exercises are designed as conversation starters to bring concepts to life and are tied to **critical-thinking exercises** and **class-activity guidelines contained in the text**. A variety of follow-up exercises are provided to further in-class discussion or furnish homework assignments.



## New! Instructor's Resource CD-ROM

This all-in-one multimedia product is an invaluable asset for professors who prefer to work with electronic files rather than traditional print supplements. This CD-ROM contains the Instructor's Resource Manual, PowerPoints, Test Item File, and Prentice Hall Test Manager.

## New! Student Study Guide

The Student Study Guide reinforces key concepts and tests student comprehension. For each chapter, the Guide includes learning objectives, questions (true/false, multiple-choice, short-answer, essay, and critical-thinking), instructional games matching terms and definitions, word scramble, and brain teaser, plus study skills/study tips for students.

## New! E-Business Online Supplement: E-Business

This **unique online supplement** is keyed to the five parts of *Business, Sixth Edition* and includes learning objectives, real-world examples, discussion questions, group activities, and Internet exercises. In-depth coverage of the latest trends and concepts in e-commerce includes "Internet Privacy and Security," "Internet Davids vs. Goliaths," "Managing the Virtual Organization," "Virtual Training and Development," "Hot Online Pricing Strategies," "Internet IPOs," "IT and Communication in the Internet Age," "Emerging Legal Issues in E-Commerce," and "Preparing for a Career in E-Commerce."

## New! E-Biz: Prentice Hall Guide to E-Business and E-Commerce



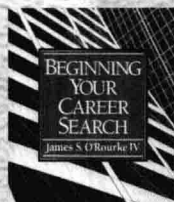
In the new world of business, you'll run into e-commerce no matter what direction you turn. Take your students behind the scenes to explore the dynamic world of e-business with this new value-pack supplement. This unique print supplement provides an overview of the basic concepts of e-business and e-commerce, an introduction to popular search sites, a wide range of business-related sites and addresses, and an up-to-the minute look at online job searches and career sites. The **Web component** of this supplement provides updated coverage of the latest trends, challenges, and hot concepts in e-commerce, plus additional interactive exercises. Go to [www.prenhall.com/ebiz](http://www.prenhall.com/ebiz). This great supplement can be value-packaged with the text for free.



**Business  
PlanPro™**



7 Steps To Creating  
A Winning Business Plan



## *New!* Business Plan Pro Software

Business PlanPro 4.0 (BPP) provides students with a step-by-step approach to creating a comprehensive business plan. The software is designed to stimulate student thinking about the many tasks and decisions that go into planning and running a business. Preformatted report templates, charts, and tables do the mechanics so that students can focus on the thinking. With version 4.0, planners can also publish to a protected Internet site, where readers can access all or part of posted plans. Business Plan Pro can be packaged with the textbook for a nominal fee of \$10.

## *Beginning Your Career Search*

This concise book by James S. O'Rourke IV offers some straightforward, practical advice on how to write a résumé, where and how to find company information, how to conduct yourself during an interview, and tips on the interview process. Included are copies of sample introductory, cover, follow-up, and thank-you letters. This is a free value pack item.

## Self-Assessment Library

Organized according to individual, group, and organizational needs, the Self-Assessment Library features self-assessment tools designed to give students insight into their skills, abilities, and interests. The Self-Assessment Library CD is available for \$5.00.



# Introducing the Mastering Business Series and Mastering Business Essentials

## What Is The *Mastering Business* Series?

It's the **most extensive cross-platform, multimedia business education resource in the world**—a "case study on steroids." *Mastering Business* is the **first fully integrated series of video-enhanced interactive exercises that span the core business education curriculum**. Modules span the business curriculum with individual episodes in each of seven disciplines-plus Business Essentials. Each episode uses a **multilayered instructional design**. Designed to supplement and extend the undergraduate business education experience, Mastering Business explores real-world situations in a way that makes key theories and concepts practical tools in the study of business.

## How Does *Mastering Business* Work?

Every module of Mastering Business allows students to view each problem or decision **in a format that closely mimics actual real-world scenarios**:

- Set in an e-business called CanGo, every episode includes three separate video segments. The first clip introduces the episode topics by identifying a current problem or issue at CanGo and then proceeds to a series of multilayered exercises including multiple-choice, true/false, fill-in, matching, ranking-choices, and one- or two-sentence written-answer formats.
- Students then watch a second video clip that presents one of the possible solutions to CanGo's challenge. As in everyday business life, the resolution may be either successful or unsuccessful or even be left unresolved. Students are encouraged to respond to the situation, either individually or in teams.
- Finally, students watch the case video—a final segment followed by discussion questions. The exercise now casts episode-related topics in a new situation with questions that probe related issues.



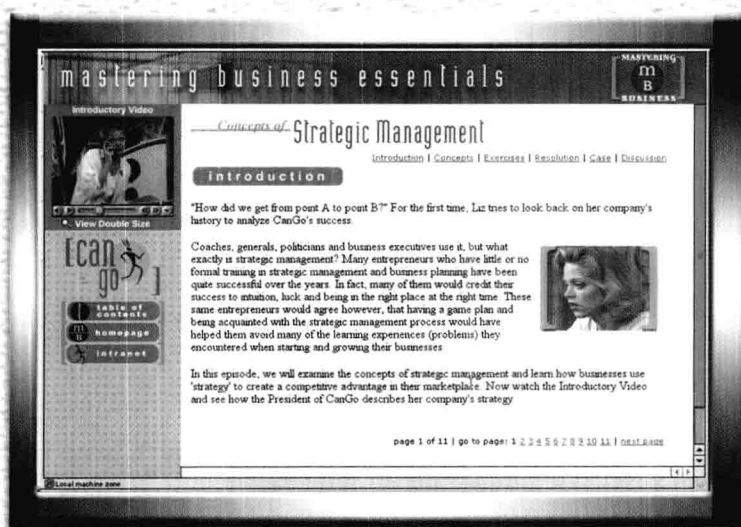


specifically developed to introduce students to the core concepts—the essentials—of the business education curriculum.

## What Is Mastering Business Essentials?

It's a **specially designed module of *Mastering Business***, Prentice Hall's brand-new eight-discipline series of CD-ROM-based interactive exercises. Mastering Business Essentials has been

## What's Special about Mastering Business Essentials?



The Mastering Business Essentials module gives students an introduction to **the wide range of concerns facing businesses today**. These videos and exercises help students apply the lessons of the classroom and the textbook to **all the key areas of business**. At the fictional online entertainment company CanGo, they will encounter **the same problems as the CEO and the directors of marketing, finance, accounting, human resources, and operations**. Because all of the videos in Mastering Business Essentials visit the same team of managers and their staffs, students will see how the concerns of one department affect the efforts of the others.

## The following topics are covered:

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

Mastering Business Essentials can be shrinkwrapped to this textbook for an additional \$5.00. The comprehensive cross-disciplinary Mastering Business Series (Strategy, Management, Accounting, Finance, Economics, Marketing, and Operations Management) can also be purchased separately. Contact your local Prentice Hall representative for details.

## FINANCIAL TIMES

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## ● PART ONE

### Understanding the Contemporary Business Environment 2

#### CHAPTER 1 — Understanding the U.S. Business System 2

##### What's Hot on the Cyberspace Hit List 2

The Concept of Business and the

Concept of Profit 5

Economic Systems Around the World 5

*Factors of Production* 6

*Types of Economic Systems* 6

**Life Cycle of an e-Business** *Sowing the Seeds of a Good Idea* 7

**It's a Wired World** • *Electronic B2B in the Auto Industry* 10

The U.S. Economic System 11

*Markets, Demand, and Supply* 11

*Private Enterprise* 12

*Degrees of Competition* 14

Evaluating Economic Systems 17

*Economic Goals* 17

*Assessing Economic Performance* 19

*Managing the U.S. Economy* 22

The Global Economy in the Twenty-First Century 23

*Three Major Forces* 23

*Projected Trends and Patterns* 24

**Sounding Out the Music Industry Oligopoly** 26

**Summary of Learning Objectives** 27

**Questions and Exercises** 28

**Exploring the Web** *Knowing the Difference Between Right and Left* 28

**Building Your Business Skills** *Analyzing the Price of Doing e-Business* 29

**Crafting Your Business Plan** *Making Scents of Competition* 29

**Video Exercise** *Factors to Consider: Lands' End* 31

#### CHAPTER 2 — Conducting Business in the United States 32

**Twin Pacts** 32

A Short History of Business in the United States 34

*The Factory System and the Industrial Revolution* 34

*Laissez-Faire and the Entrepreneurial Era* 34

*The Production Era* 35

*The Marketing Era* 36

*The Global Era* 36

*The Internet Era* 37

**Types of Business Organizations** 38

*Sole Proprietorships* 38

*Partnerships* 39

*Cooperatives* 42

*Corporations* 43

**Life Cycle of an e-Business** *Getting Off the Ground at Garden.com* 48

**Managing a Corporation** 50

*Corporate Governance* 50

**It's a Wired World** • *Profit Is No Object* 53

**Special Issues in Corporate Ownership** 55

*Joint Ventures and Strategic Alliances* 55

*Employee Stock Ownership Programs* 55

*Institutional Ownership* 56

*Mergers, Acquisitions, Divestitures, and Spin-Offs* 56

**Alliance by Location** 58

**Summary of Learning Objectives** 59

**Questions and Exercises** 59

**Exploring the Web** *Striking It Rich or Striking Out?* 60

**Building Your Business Skills** *The Ups and Downs of Widget Ownership* 60

**Crafting Your Business Plan** *Demonstrating Good Business Form* 61

**Video Exercise** *Doing Business Privately: Amy's Ice Creams* 62

**Mastering Business Essentials** 63

## CHAPTER 3 — Understanding the Global Context of Business 64

- The New ETO (European Theater of Operations) 64
- The Rise of International Business 66
  - The Contemporary Global Economy* 66
  - The Major World Marketplaces* 66
  - Forms of Competitive Advantage* 71
- It's a Wired World** • *Nokia Puts the Finishing Touches on a Telecommunications Giant* 73
  - Import-Export Balances* 74
  - Exchange Rates* 75
- International Business Management 77
  - Going International* 77
  - Levels of Involvement* 79
  - International Organizational Structures* 80
- Barriers to International Trade 82
  - Social and Cultural Differences* 82
  - Economic Differences* 82
- Life Cycle of an e-Business** *Setting Out Roots Across Borders* 83
  - Legal and Political Differences* 83
- It's a Smallworld.com After All** 86
- Summary of Learning Objectives** 87
- Questions and Exercises** 87
- Exploring the Web** *Tapping into the CIA* 88
- Building Your Business Skills** *I Intend to Be a Global Company* 88
- Crafting Your Business Plan** *Considering the World* 89
- Video Exercise** *Entering the Global Marketplace: Lands' End and Yahoo!* 90

## CHAPTER 4 — Conducting Business Ethically and Responsibly 92

- A Tale of Two Companies** 92
- Ethics in the Workplace 95
  - Assessing Ethical Behavior* 95
  - Company Practices and Business Ethics* 98
- It's a Wired World** • *When It Comes to Privacy, It's a Small World After All* 98
- Social Responsibility 101
  - The Stakeholder Model of Responsibility* 101
  - The Evolution of Social Responsibility* 102
  - Contemporary Social Consciousness* 103

- Areas of Social Responsibility 103
  - Responsibility Toward the Environment* 103
- Life Cycle of an e-Business** *Putting Down Good Roots at Garden.com* 105
  - Responsibility Toward Customers* 107
  - Responsibility Toward Employees* 109
  - Responsibility Toward Investors* 111
- Implementing Social Responsibility Programs 111
  - Approaches to Social Responsibility* 112
  - Managing Social Responsibility Programs* 114
  - Social Responsibility and the Small Business* 115
- Some Ethical Rants and Raves** 115
- Summary of Learning Objectives** 116
- Questions and Exercises** 117
- Exploring the Web** *Setting Sites on Ethics* 118
- Building Your Business Skills** *To Lie or Not to Lie: That Is the Question* 118
- Crafting Your Business Plan** *Going in the Ethical Direction* 119
- Video Exercise** *Catering to Serious Users: Patagonia* 120
- Mastering Business Essentials** 121

## • PART TWO

### The Business of Managing 122

## CHAPTER 5 — Managing the Business Enterprise 122

- Grounds for the Defense** 122
- Setting Goals and Formulating Strategy 125
  - Setting Business Goals* 125
  - Formulating Strategy* 127
  - Contingency Planning and Crisis Management* 130
- Life Cycle of an e-Business** *Preparing for Plan B at Garden.com* 131
- The Management Process 132
  - Planning* 132
  - Organizing* 132
  - Directing* 133
  - Controlling* 133

Types of Managers	134
<i>Levels of Management</i>	135
<i>Areas of Management</i>	135
Basic Management Skills	137
<i>Technical Skills</i>	137
<i>Human Relations Skills</i>	137
<i>Conceptual Skills</i>	137
<i>Decision-Making Skills</i>	137
<b>It's a Wired World • How to Spot the e-CEO</b>	138
<i>Time Management Skills</i>	139
<i>Management Skills for the Twenty-First Century</i>	139
Management and the Corporate Culture	140
<i>Communicating the Culture and Managing Change</i>	141
<b>Down East Showdown</b>	142
<b>Summary of Learning Objectives</b>	143
<b>Questions and Exercises</b>	144
<b>Exploring the Web</b> There's Coffee, and Then There's Coffee	144
<b>Building Your Business Skills</b> Skillful Talking	145
<b>Crafting Your Business Plan</b> Furnishing Yourself with Management Skills	146
<b>Video Exercise</b> The Management Picture: Quick Takes Video (I)	147
<b>Mastering Business Essentials</b>	147

## CHAPTER 6 — Organizing the Business Enterprise 148

<b>Forging e-Connections</b>	148
What Is Organizational Structure?	151
<i>Determinants of Organization</i>	151
<b>It's a Wired World • Hot-Wiring Ford</b>	152
<i>Chain of Command</i>	152
The Building Blocks of Organizational Structure	153
<i>Specialization</i>	153
<i>Departmentalization</i>	154
Establishing the Decision-Making Hierarchy	155
<i>Assigning Tasks: Responsibility and Authority</i>	156
<i>Performing Tasks: Delegation and Accountability</i>	157

<i>Distributing Authority: Centralization and Decentralization</i>	157
<i>Three Forms of Authority</i>	160
Basic Forms of Organizational Structure	161
<i>Functional Organization</i>	161
<b>Life Cycle of an e-Business</b> Structuring Garden.com	162
<i>Divisional Organization</i>	162
<i>Matrix Organization</i>	163
<i>International Organization</i>	164
<i>Organizational Design for the Twenty-First Century</i>	165
Informal Organization	167
<i>Formal Versus Informal Organizational Systems</i>	168
<i>Intrapreneuring</i>	168
<b>Building on Cybersites</b>	169
<b>Summary of Learning Objectives</b>	170
<b>Questions and Exercises</b>	170
<b>Exploring the Web</b> How to Organize a Magic Kingdom	171
<b>Building Your Business Skills</b> Getting with the Program	171
<b>Crafting Your Business Plan</b> Doctoring the Organization	172
<b>Video Exercise</b> The Management Picture: Quick Takes Video (II)	173

## CHAPTER 7 — Understanding Entrepreneurship and the Small Business 174

<b>Please Turn to Chapter 11</b>	174
What Is a Small Business?	176
<i>The Importance of Small Business in the U.S. Economy</i>	176
<i>Popular Forms of Small-Business Enterprise</i>	179
Entrepreneurship	183
<i>The Distinction Between Entrepreneurship and Small Business</i>	183
<i>Entrepreneurial Characteristics</i>	184
Success and Failure in Small Business	185
<i>Trends in Small-Business Start-Ups</i>	185
<i>Reasons for Failure</i>	189
<i>Reasons for Success</i>	190
Starting and Operating the Small Business	191