

David J. Rachman, Michael H. Mescon, Courtland L. Bovée, and John V. Thill

Business Today

EIGHTH EDITION

David J. Rachman

Department of Marketing Bernard M. Baruch College of the City University of New York

Michael H. Mescon

Regents Professor of Human Relations and Holder of the Bernard B. and Eugenia A. Ramsey Chair of Private Enterprise Georgia State University

Courtland L. Bovée

Professor of Business Administration C. Allen Paul Distinguished Chair Grossmont College

John V. Thill

Chief Executive Officer
Communication Specialists of America

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iterally millions of students have learned about business from *Business Today*, and its popularity continues. *Business Today* is relied on for its consistency of topics covered, content, currency, ancillary package, service, and commitment to students. *Business Today* presents a balanced view of business—the strengths, weaknesses, successes, failures, problems, and challenges. With its vast array of features, it gives students a solid underpinning for more advanced courses, and it explains the opportunities, rewards, and challenges of a business career.

Business Today, Eighth Edition, continues its respected tradition of excellence. Students not only read about business but also experience it firsthand in every chapter through a variety of highly involving activities that no other textbook can match. Students appreciate its up-to-date real-life examples, its carefully integrated in-depth coverage, its lively conversational writing style, and its eye-opening contemporary graphics. With its powerful Video Exercises, integration of international examples and concepts throughout the book, coverage of current events, exploration of important ethical and societal issues, activities that foster critical thinking, and wealth of assignments to improve students' business communication skills, this edition implements the guidelines for undergraduate business programs of the American Association of Collegiate Schools of Business.

The Eighth Edition has been extensively revised and updated, with two important goals in mind: (1) to provide a clear and complete description of the concepts underlying business, and (2) to illustrate with real-life examples and cases the remarkable dynamism and liveliness of business organizations and of the people who operate them. Every chapter in this edition has been improved and enriched to give students an even better learning experience.

Preface

INTEGRATED VIDEO EXERCISES TEACH IMPORTANT CONCEPTS

The ability to drive home a point—to excite the human mind and to stimulate action—is what makes videos so incredibly powerful. Now you can harness this power and bring the drama and immediacy of real-world business into your classroom. The high-quality videos that accompany this text allow students to meet, on location, a cross section of real people who work for some of the world's most fascinating companies—including small, medium, and large firms as well as nonprofit and international organizations. Most important, these videos enable you to challenge your students with the unique set of exercises placed at the end of each chapter.

Business Today videos and exercises do more than simply relate to end-of-chapter cases. Each video is integrated with chapter material, and the exercises are far more involving than simple discussion questions. Students are asked to react to the videos by responding to questions, making decisions, and taking the initiative to solve real business problems, Closely integrated with the content of the chapter, and offering instructors maximum flexibility in selecting various types of student assignments, the exercises for each video contain 10 labeled components: analysis, application, decision, comunication, integration, ethics, debate, teamwork, research, and role playing. These critically acclaimed videos and valuable exercises surpass those offered with any other text and are unparalleled in helping students understand how business principles and concepts in the chapter are applied in the workplace. Examples are

- · China: An Economic Miracle?
- ServiceMaster Serves Up Motivation
- · McDonald's Covers the World with Fast Food and Good Times
- Acuvue Commercial Gives Consumers a New Look at Contact Lenses

INTERNATIONAL EXAMPLES OFFER A GLOBAL PERSPECTIVE

When students enter the business world, they will most likely be facing competition not only from home but also from abroad. As it becomes harder and harder to separate the domestic business climate from the growing global economy, students have a vital need to understand international business. Thus today's business texts must have a global perspective, and *Business Today* integrates hundreds of international examples throughout its 22 chapters. These examples describe U.S. companies doing business overseas, as well as overseas organizations doing business in the United States and other countries. Specifically, coverage of international business includes

- A complete chapter (see Chapter 2) on international business
- A series of "Exploring Global Business" boxes throughout the book

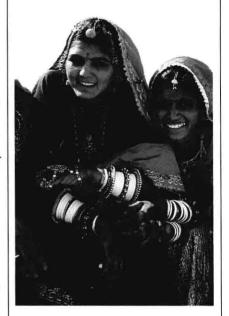
- Cases such as "Ford Steers Toward Global Operations," "Pepperoni Wrapped in Red Tape," and "Flying High on Worldwide Horizontal Links."
- Numerous examples throughout the book that focus on international principles and practices
- "Video Exercises" focusing on multinational companies, such as McDonald's in Europe
- New "Mastering the Geography of Business" exercises at the end of each major part of the book
- Maps on the endpapers, with a coded system for locating many of the companies and countries discussed in the text

ETHICAL AND SOCIETAL MATERIAL EXPLORES TODAY'S MOST IMPORTANT ISSUES

Whether small enterprises or multinational corporations, companies throughout the world are attempting to resolve ethical dilemmas. Today's students need to understand social responsibility as it relates to the environment, consumers, employees, and investors. This edition includes a well-rounded chapter (see Chapter 3) that discusses ethical decision making on both the individual and the corporate levels.

This text fires students' enthusiasm and respect for business, but it doesn't pretend that business is without problems or critics. By pointing out ethical dilemmas and by reminding students of the responsibilities that accompany the rights of free enterprise, *Business Today* helps prepare the next generation of conscientious businesspeople. In addition, a series of "Thinking About Ethics" boxes appear throughout the book so that students can see that nearly every aspect of business presents ethical questions. Here are just a few of the social and ethical issues discussed in the book:

- · AIDS in the workplace
- Employee drug testing
- English-only rules on the job
- Environmental pollution
- Glass ceiling
- Negligent hiring
- Computerized dialing systems
- Privacy versus company security
- Employee strikes versus public welfare
- Privacy and marketing databases
- Product liability
- · Sexual harassment
- · Insurance fraud



Business Today has no examples promoting alcohol. The authors certainly support companies' rights to market their products, but considering that many students taking this course are not of legal drinking age and that alcoholism among college students is increasing, the authors believe that an emphasis on alcoholic products in a textbook is inappropriate. Business Today also avoids tobacco examples (other than those instances in which tobacco products are the subject of critical discussion). The business literature offers thousands of great examples that students can relate to, and this edition takes advantage of those.

SPECIFIC ELEMENTS STIMULATE AND DEVELOP CRITICAL THINKING

National test results show a serious weakness in the ability of U.S. students to reason, analyze, interpret, synthesize, and solve problems. According to respected reports on the state of higher education by the National Commission on Excellence in Education, the National Institute of Education, and the Association of American Colleges, fostering students' ability to think critically should be one of the major focuses of an undergraduate education.

Moreover, labor forecasters predict that between now and the end of this century, the majority of the workforce in the United States will change jobs, change careers, or need retraining. Therefore, if students are to make a successful transition from the classroom to the workplace and maintain uninterrupted, rewarding employment, they must apply the critical thinking skills that will make them adaptable workers.

Critical thinking calls for skills such as observing, classifying, interpreting, criticizing, summarizing, analyzing, comparing, hypothesizing, collecting and organizing information, making decisions, and applying knowledge to new situations. Specific features in *Business Today* have been designed to stimulate critical thinking and to develop these vital skills more effectively than any other introductory business text. These features include the questions that conclude chapter-opening "On the Job: Facing Business Challenges" vignettes, end-of-chapter "On the Job: Meeting Business Challenges" case studies/simulations, chapter-ending review questions, chapter-ending "A Case for Critical Thinking" exercises, "Building Your Communication Skills" exercises, "Keeping Current Using *The Wall Street Journal*" exercises, part-ending "Mastering the Geography of Business" exercises, and experiential Video Exercises.



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PREFACE

SMALL BUSINESS TAKES CENTER STAGE

More than any other recent group of students, today's business students have strong entrepreneurial interests. Although comparatively few will ever be self-employed, many will work for small enterprises. In either case, they have an obvious need to understand the risks, rewards, problems, and perils of small business. An entire chapter is devoted to this subject (see Chapter 5), and throughout this book, smaller businesses are used as examples.

RELIABLE AND EFFECTIVE PEDAGOGY SPARKS STUDENT LEARNING

Business Today includes an extraordinary number of pedagogical devices that simplify teaching, facilitate learning, maintain interest and enjoyment, and illustrate the practical application of chapter concepts. In short, these devices make this new edition the most effective teaching tool ever published for introductory business.

"On the Job: Facing Business Challenges" Introduces Each Chapter

As a glance at the table of contents will reveal, each chapter begins with "On the Job: Facing Business Challenges" a slice-of-life vignette that attracts student interest by vividly portraying business challenges faced by a real executive. The vignette closes with thought-provoking questions that help draw students into the chapter and that provide a rationale for studying the chapter. Throughout the chapter, references to the opening vignette help students see the connection between the chapter's content and the real world of business. The special dimension of reality provided by these vignettes helps students develop a genuine interest in the world of business, which is the first step in learning about it.

"On the Job: Meeting Business Challenges" Concludes Each Chapter

Each chapter concludes with an end-of-chapter case study/simulation that (1) elaborates on the actions taken by the executive featured in the opening vignette and (2) analyzes the results in light of the concepts presented in the chapter. Then the student takes over, playing a role in the executive's organization by making business decisions in four carefully chosen scenarios. These case studies/simulations include

- Microsoft: Struggling to Survive Success
- Johnson & Johnson: Keeping Employees in the Pink and the Company in the Black

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- · Nike: Running a Race That Never Ends
- · Orville Redenbacher: Personality with a Pop
- Ben & Jerry's Homemade: Can a Company Be Both Profitable and Socially Responsible?

Special Feature Boxes Revolve Around Five Well-Integrated Themes

Special Feature boxes are strategically placed in every chapter to help make the world of business come alive. Based on extensive research in business literature, they further enhance the practical flavor of the book.



Focusing on Cultural Diversity

This series of boxes focuses student attention on how business is affected by the increasing diversity of the workforce—whether at home or abroad. Topics include "How to Avoid Business Blunders Abroad," Managing the Multinational Workforce," "Importing Japanese Teamwork," and "Organizations Learn the Value of Diversity."



Thinking about Ethics

These Special Feature boxes present current ethical issues in business. Topics include "Does Capitalism Cause Pollution?" "How Do Your Ethics Measure Up?" "Should Corporate Cultures Stress Only English on the Job?" "Employee Privacy versus Company Security," and "Healthy Competition or Unhealthy Control?"



Exploring Global Business

These boxes demonstrate to students the impact of international business on virtually every concept presented in this text. Topics include "Gift versus Bribe:When a Friendly Exchange Turns into Risky Business," "Merging Hand-Made Craftsmanship and World-Class Manufacturing," "Can Universal Appeal Overcome Cultural Differences?" "Toys 'R' Us Stores Play Santa Internationally," and "International Insurance: Don't Leave Home without It."



Understanding the High-Tech Revolution

This series of boxes exemplifies the ever-growing influence of technology on business. Topics include "Technology Helps Your Small Company Level the Playing Field," "Smart Factories and the Revival of U.S. Manufacturing," "Computerized Creativity in New-Product Design," "The Mixed Blessing of Advertising Technology," and "Cutting the Cables with Wireless Communications."



Gaining the Competitive Edge

These boxes exemplify timely issues of vital importance to contemporary business. Some of them offer "how-to" guidelines to

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demonstrate how business concepts can be applied in a practical way. Topics include "Managing the Changing Organization," "The Challenge of Organizing Today's Workforce," "Steps to an Effective Sales Presentation," and "How to Read an Annual Report."

Cases Present Challenging Business Problems

At the end of each chapter, "A Case for Critical Thinking" provides further illustration and practical application of key concepts. This classic device assists students in evaluating situations, using good judgment, learning to make decisions, and developing critical thinking skills. The case questions reinforce major points made in the chapter. Case topics include

- Mail Boxes Etc.: Putting a Stamp on the Market
- General Electric: New Management Techniques for Electrifying Performance
- Domino's Pizza: The Pizza Distribution Olympics: A Question of Dough . . .
- Minivans: Families Love the Convenience; Chrysler Loves the Profits
- Hub-and-Spoke Is Wheel of Fortune for Federal Express

New "Mastering the Geography of Business" Exercises Help Develop Geographic Literacy

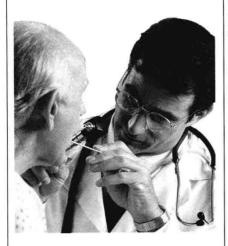
Now that so many businesses are affected by global affairs, students need a stronger understanding of geography. You'll find a "Mastering the Geography of Business" exercise at the end of each major part in this text. Each of these new exercises describes a real-world business situation and asks students to complete an activity that requires geographic knowledge or research. The maps appearing on this book's endpapers can be useful in completing these exercises.

Special Exercises Build Communication Skills

The ability to communicate well—whether listening, speaking, reading, or writing—is a skill students must possess to have a successful career. Because of their extensive research and writing in the area of communication, the authors are especially equipped to help your students develop these skills. You'll find unique "Building Your Communication Skills" exercises near the end of each chapter. Students are called on to practice a wide range of communication activities, including one-on-one and group discussions, class debates, personal interviews, panel sessions, oral and written reports, and letterwriting assignments.



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The Wall Street Journal Exercises Keep Students Current

To emphasize the link between today's business news and *Business Today*, a "Keeping Current Using *The Wall Street Journal*" exercise is provided at the end of each chapter. Students are asked to choose an article they are interested in and are provided a structure for analyzing the article in the context of the material covered in the chapter. These exercises offer interesting and useful ways to use *The Wall Street Journal* in the classroom and give students practice in the critical skill of interpreting business news.

Real-Life Examples Translate Theory into Practice

Educational experiments demonstrate that students learn more and are more interested in their studies when actual people, organizations, and events are presented. True-to-life examples also help prepare students for the world of work by showing them how theory translates into practice. One of the most important characteristics of *Business Today* is its realism. In addition to having a factual chapter-opening vignette and real cases, each chapter has abundant examples from businesses of every size and from a wide range of industries.

Learning Objectives Establish Benchmarks for Measuring Success

Each chapter begins with a list of objectives that summarizes exactly what students should learn as a result of studying the chapter. Organized to reflect the sequence of topics within the chapter, these objectives guide the learning process and help motivate students to master the material.

At the end of each chapter, the "Summary of Learning Objectives" restates the learning objectives and summarizes chapter highlights, a feature designed to reinforce learning of basic concepts.

Four-Way Approach Reinforces Business Terminology

Because business has its own special terminology, an important goal of this textbook is vocabulary development. First, each key term is printed in boldface within the text. Second, a definition appears in the margin adjacent to the term. Third, an alphabetical list of key terms appears at the end of each chapter, with convenient cross-references to the pages where terms are defined. Fourth, all marginal definitions are also assembled in an alphabetical Glossary at the end of the book. With this four-way method of vocabulary reinforcement, students should be able to learn the basic terminology of the course with ease.

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New Career Guide Helps Students Prepare for Today's Workplace

The competition for jobs and promotions is increasing as we approach the twenty-first century, and at the same time, the stability of employment relationships is much less dependable. This edition of *Business Today* provides a special appendix for students: "Career Guide: The Employment Search." This new appendix helps students plan and research their pursuit of employment, but it doesn't stop there. It also guides students in their preparation of such documents as résumés and application letters. In addition, this new appendix discusses ways for students to build careers rather than simply hunt for jobs.

Readable Writing Style Motivates Students

The reading level of this book has been carefully monitored to ensure accessibility for students. The lucid writing style makes the material pleasing to read and easy to comprehend. Every line of text has been carefully edited to ensure that it reads clearly and that there is a smooth transition from one idea to the next.

New Magazine Layout and Full-Color Graphics Reflect State-of-the-Art Design

Business Today, Eighth Edition, looks the way it does for more than just artistic reasons. Students are used to reading popular magazines with lots of headings, paragraphs, and boxed material. Because of the pervasive influence of television and film, students expect to be visually stimulated while they learn. To accommodate today's media sophisticates, Business Today has been designed to resemble the layout of a magazine, to be engrossing and attractive, and yet to be businesslike and professional.

Because of a firm belief that effective design serves both to invite the reader's interest and to reinforce learning, striking new three-dimensional artwork and graphic examples have been created for this new edition. The art program—numerous exhibits and photographs—amounts to a course in itself. Combined with the instructive captions, the art serves as both a preview and a review of each chapter. Boxes, photos, and illustrations appear at the top or bottom of the page or in the margin to avoid interfering with students' attention and concentration.



COMPREHENSIVE RESEARCH PROVIDES A SOLID FOUNDATION

A successful textbook must be revised to reflect changes in the course for which the book is designed. For the Eighth Edition of Business

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Today, over 500 professors of business contributed their viewpoints on trends in instructional methodology for the introductory business course. Their recommendations, as well as those of a distinguished panel of more than 20 academic and business experts, helped shape this new edition.

In addition, the authors conducted an exhaustive study of the literature of business, including hundreds of the very latest articles, reports, monographs, and books. As a glance at the extensive References and Credits sections near the end of this book will show, *Business Today* is the most carefully researched and documented introductory business textbook on the market. This attention to detail is in keeping with the goal of accurately portraying the changing nature and emerging trends of business.

CAREFUL PREPARATION OFFERS THE UNIQUE ADVANTAGE OF CURRENCY

For any textbook to meet the needs and expectations of both students and professors, it must reflect the rapid changes occurring every day in the business world. Extraordinary measures have been taken to ensure that *Business Today* is the most up-to-date textbook on the market, with more 1995 references than any other text. Topic coverage includes

- The trend toward competing on the basis of speed, quality, service, and customer satisfaction
- The attempts of entrepreneurs and governments to convert from planned to free-market economies in countries such as Poland and China
- The current status of NAFTA, GATT, and the European Union
- The growing use of multidomestic and transnational management approaches
- The trend toward more ethical business practices, including such issues as ethics officers, whistle-blowing, and ethics hot lines
- The rise in shareholder lawsuits
- The reemergence of the conglomerate in the 1990s, including comparisons with 1960s-style conglomerates
- The growing importance of the quality of work life, including its relationship to motivation
- The legality of employee-involvement programs such as unionmanagement teams, including how Xerox used these teams to boost efficiency and quality and keep production jobs in the United States
- The growth of geodemographics—the newest and most promising technique for analyzing and segmenting the consumer market
- The emergence of electronic retailing, including direct-response television and computer-interactive retailing



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- The popularity of selling over the Internet
- The move by Procter & Gamble toward everyday low pricing (EDLP) and away from massive trade discounts—the first major consumer-goods producer to do so
- The continuing influence of technology on business, including the information highway, multimedia, client/server technology, and the Internet
- The use of virtual reality systems to simulate new equipment designs, including an example from Caterpillar
- The interstate banking now allowed by the Interstate Banking and Efficiency Act of 1994
- The more than 700 government laboratories that are offering to partner with private companies to develop new products.
- The serious and growing problems of insurance fraud
- The cost-control efforts in the health-care industry, including Oregon's controversial rationing program



MASTER REFINEMENTS ENHANCE THE BOOK

The following list is a brief overview of some of the refinements made in *Business Today*, Eighth Edition. For a more detailed list of changes, see the beginning of each chapter in the Creative Lectures in the Instructor's Manual. Revisions in this edition include

- Rearranging the chapters in the first part of the book to reflect the growing importance of, and the increased focus on, international business and ethical and social responsibilities in business
- Updating dramatic changes in the global economy, with greater emphasis on ever-accelerating technological development, diversity in both the workforce and the consumer market, and the strategic value of information
- Updating the legislative and regulatory actions relating to social responsibility
- Discussing greater efforts toward workforce diversity
- Presenting information on why leveraged buyouts are risky and why their record is mixed
- Clarifying the definitions of public and private corporations to distinguish those that are owned by regular stockholders and those that are owned by governments
- Exploring the impact of social and economic factors on the development of small businesses
- Updating the crisis-management material to focus on Jack-in-the Box
- Strengthening coverage of cultural diversity, including how Japanese automakers adapted their team approaches when they opened U.S. plants

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- Exploring how Swissair uses horizontal organization to conduct business around the world
- Clarifying the definition of corporate culture to include the roles played by values and norms
- Analyzing Victor Vroom's contribution to expectancy theory
- Introducing new information on changes in the workforce, including worker demographics, women in the workforce, and cultural diversity.
- Presenting information on assessment centers to show how companies can assess a candidate's abilities in a simulated workplace environment
- Broadening the discussion of health and safety programs to explain the role of OSHA in setting safety standards
- Updating the discussion of worker associations as a tool unions can use to build a long-term relationship with workers who may become interested in union representation in the future.
- Presenting marketing management, strategy, and segmentation in one integrated discussion to make the importance of these topics easier to grasp
- Adding new material to the discussion of marketing research: how
 research can help the marketing effort, the major types of marketing research (including exploratory, descriptive, and causal), and
 the four major steps in the research process (define the problem,
 design the research, collect the data, analyze the data)
- Examining the growing importance of service as a way of distinguishing increasingly similar basic products
- Addressing the issue of growing competition between national and private-label brands
- Tempering the discussion of physical distribution to deemphasize the technical and administrative complexity and to emphasize the growing strategic importance of physical distribution
- Updating the discussion of information systems to make it a more practical description of how companies use computers throughout the organization
- Updating and condensing the discussion of the evolving banking environment to delineate the impact of deregulation on competition
- Reworking and expanding "Government as Watchdog and Regulator" with sections covering the five major areas of regulation: competition, consumer rights, employee rights, investor rights, and the environment
- Adding a discussion of uncertainty avoidance, which covers such diverse tasks as marketing research and advanced information systems that lower the risk of decision making by increasing the flow of relevant information

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INTEGRATED SUPPLEMENTARY MATERIALS MAKE BUSINESS TODAY A COMPLETE LEARNING PACKAGE

The supplementary package has been thoroughly revised, and several new elements have been added. The instructor's materials are not only comprehensive, but also totally integrated with the text.

Study Guide

Stanley Garfunkel, CUNY, Queensborough Community College Dennis Guseman, California State University, Bakersfield

Creative Lectures (two-volume Instructor's Manual) Judith G. Bulin, Monroe Community College

Test Bank (two volumes) and Computerized Test Bank George Ruggiero

The Community College of Rhode Island

Guide for Non-Native Speakers to accompany Business Today J. Marcia Leroy, Englobus Communications and Development Group

PowerPoint Presentation Package

Ronald G. Cheek, University of New Orleans

Business Week (selected readings on the PRIMIS system)

Acetate Transparency Program

The Business Today Videodisc

The Business Today Integrated Video Series

Career, Communication, and Critical Thinking: A Student Guide

Les R. Dlabay, Lake Forest College William J. Hisker, St. Vincent College Courtland L. Bovée, Grossmont College

John V. Thill, Communication Specialists of America

Software: Testmaker (Computerized Test Bank)

Threshold: A Competitive Management Simulation

PC CASE: Computerized Cases 2e Computerized Instructor's Manual

Report Card: Classroom Management Software

SHOES: A Marketing Simulation

SIMEX, 3e

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ACKNOWLEDGMENTS

A key reason for the continued success of *Business Today* is an extensive market research effort. In this revision, the advice of hundreds of instructors around the country aided us in our attempt to create a textbook suited to the unique needs of the introductory business market. Our sincere thanks are extended to the individuals who responded to our market questionnaires.

We wish to extend a sincere appreciation to the professionals within the College Division of The McGraw-Hill Companies. The editorial, production, and design qualities of *Business Today*, Eighth Edition, are the result of

an exemplary team effort. We are indebted to our publisher, Gary Burke, and our editor, Karen Westover for their persevering management of this project. Marketing manager, Dan Loch, has creatively and diligently once again lead the marketing charge.

We are grateful to senior editing supervisor Ira C. Roberts and developmental editor Bob Greiner for their steadfast, careful work and deep commitment to quality in producing the text and supplementary materials; their conscientious work kept the project on schedule. Thanks are also due to Alice Jaggard for a superb job of copyediting; Kalista Johnston-Nash for outstanding proofreading; Penny Hoblyn for her sharp editorial assistance; and Caroline Iannuzo, frontmatter editor, for the coordination of the introductory portions of text and ancillaries. Valerie Raymond efficiently assisted in the research and development of the videodisc program.

A very special acknowledgment goes to George Dovel and Marian Wood for their insights and tremendous wisdom. Their wealth of real-world experience and creativity provides the book with a true reflection of the business world. Our deep gratitude is extended to both Terry Anderson and Jackie Estrada. Their stellar communication and organizational skills aided throughout the preparation of this project.

John Odam gave the book its attractive and professional design. Annette Mayeski's management of the production process was simply amazing. Jorge Ramirez coordinated the manufacturing details. Finally, Susan Holtz's photo research was outstanding in creating a pedagogically sound visual program, with a keen aesthetic sensibility.

Survey Reviewers

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