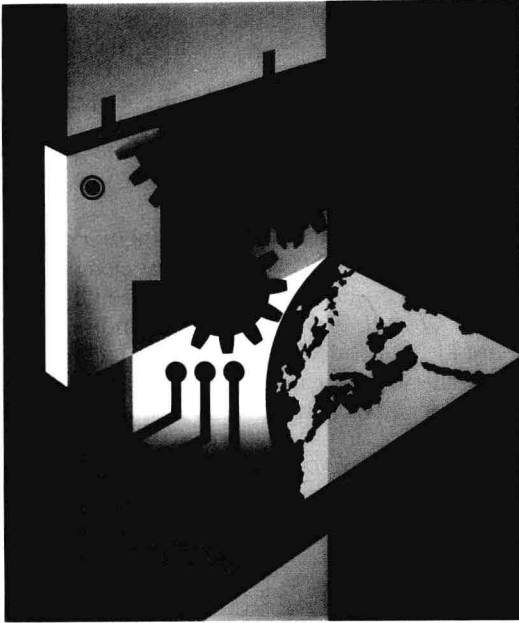


BUSINESS



*Cunningham
Aldag
Block
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IN A
CHANGING
WORLD



BUSINESS IN A CHANGING WORLD

Third Edition

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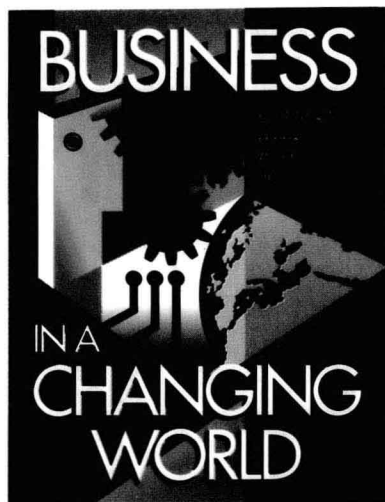
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The cover illustration for *Business in a Changing World* is representative of several elements in today's changing business world. Symbolized by the globe, circuit board, gears, robotic arm, and human figure are the international environment, technology, manufacturing, management, social and ethical considerations, and human resources.

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To my wife Isabella, son John, and parents Earl and Ann.
—*Bill Cunningham*

To my wife Holly, daughters Elizabeth and Katherine,
and parents Melvin and Joyce.
—*Ray Aldag*

To my wife Cathy, children Michelle and Randy, and
mother Mary.
—*Stan Block*

TO THE INSTRUCTOR

If there is one thing for certain in the world of business, it is change. New technologies, new discoveries, new needs, and new competition precipitate and drive change in all facets of business. While change itself is not new, the changes in today's business world seem to be greater and to occur more rapidly than ever before. And, like dominoes, change in one area of business affects another and another. Sooner or later, everyone and everything—including you, your students, and your course—are affected. The challenge is to keep up with change. This is precisely why *Business in a Changing World*, Third Edition, was developed—to meet your changing needs as an instructor and your students' changing needs as they prepare for careers in today's world.

Even in the short three years since the second edition of this text was published, there have been dramatic changes in our world that have impacted and will continue to impact the course of business: The fall of the Soviet economy. The emergence of global markets. Our recent economic swings. A continuing rise in dual-income households and the effect on the workforce as well as on the traditional family structure. Politics and public policy initiatives. The federal deficit. The immense changes in the banking and savings and loan industries. Challenges to America's role as world leader. Racial unrest. The AIDS problem. The aging American population. The ever-increasing importance of women and minorities in the workplace. FAX machines and cellular phones. These are but a few of the changes that affect the world of business.

Teaching students in a world so complex and ever changing is a challenge no one understands better than you. That very challenge is met in this third edition—a text changed so significantly from its predecessor that we even changed its name—from *Introduction to Business* to ***Business in a Changing World***.

A TEXT AND SUPPLEMENT PACKAGE CHANGED TO MEET YOUR CHANGING NEEDS

Business in a Changing World is a single-source, introductory business text that provides comprehensive business basics in the context of our world as your students know it. The book has every feature and supplement currently available in introductory business texts. But that's not why you should choose it. *You should choose it because it takes you beyond the expected.* For example, it emphasizes critical thinking skills for students. Our cases will challenge students to think analytically. Read more about this topic on page vii of this preface. The book also emphasizes potential careers. In fact, it clearly stands in first place on this topic, thoroughly covering this very large concern of your students.

The text's material is fresh, relevant, accurate and as current as the Los Angeles riots and Barcelona Olympics. It is written in a quick-reading style and highlighted with abundant real-world terms, cases, profiles, and meaningful, relevant examples. We've purposely avoided speaking in abstracts or academic terminology. As experienced educators, we know the importance of "taking the students with us" on every page of the book.

The text and supplementary materials also have been developed in response to another change you face—the ever-increasing constraints and demands on

your time. You can rely on *Business in a Changing World* to be the text package that lets you enter the classroom prepared and ready to teach. And you can trust it to be valid, current, and accurate from its content to the test bank, transparencies, annotations, and study guide.

Making the text unique among competitive texts is its *authors' expertise*. There are more than 50 years of combined classroom experience among the three authors. Each of us represents expertise in one of the three major areas of business—marketing, management, and finance. No other business introductory text can make this claim. While other texts are often written by professional textbook authors, *Business in a Changing World* comes from experienced educators and business practitioners. We think our real-world backgrounds and first-hand experiences with the material add a dimension to the text that educators like yourselves will appreciate.

THE EASY WAY TO MEET THE CHALLENGE OF CHANGE

Business in a Changing World meets the challenge of change. It covers all of the basic material and principles, but goes a step further to integrate those principles with today's business environment. The text is truly mainstream—real world in its wording, topics, and examples. Examples cover the full scope of business, from Gonzalez's Garage (extended example throughout Chapter 5) to General Motors. We wrote the text specifically to make it easy for you to keep your course up-to-date with today's changing world of business without making any dramatic changes to your teaching style. In fact, it eases your teaching with what we feel are the most helpful textbook features and tips, and the most complete assortment of support materials available.

The goal of the text was two-fold: (1) to equip you with a complete, accurate, and current text package that lets you easily adapt your course to the changing world of business and (2) to help students learn the basics of business as they relate to today's business climate, the first step to successful career preparation. We hope you'll agree that *Business in a Changing World* achieves these goals.

FEATURES OF BUSINESS IN A CHANGING WORLD

Critical to developing this Third Edition was that it quickly catch the interest of students with features that speak about a changing world of business—the world your students know. The text accomplishes this with special features including:

Current Topics/New Concepts

Current topics and new concepts in business can be found in all 25 chapters. Among those discussed are fetal protection policies, world class manufacturing, electronic bulletin boards, downfall of the Communist party and the new economic order in the former Soviet Union, competitive changes in the airline industry, slow growth of the U.S. economy, the savings and loan crisis and changing practices in banking, characteristics of entrepreneurs with a special profile of Ross Perot, the goal of stockholder wealth maximization (a text exclusive), the new European Community, and the use of insurance to help defray the costs of the Los Angeles riots.

A Major Focus on Careers

In response to your students' pressing concerns over landing a job and developing a career, *Business in a Changing World* provides students the most comprehensive look at career possibilities of any business introductory text. The text offers:

- A full chapter on careers.
- A careers appendix that highlights growing career fields.
- "Business Career" annotations throughout the text that provide a brief description and average salary of career options.
- A *Business Career Planning Guide*, by James D. Porterfield of The Pennsylvania State University (sold separately). This guide systematically leads students to assess their abilities and interests, match these characteristics to business career possibilities, and conduct a successful job search.
- Five regional and numerous city supplements accompany the guide. These outline economic conditions, quality of life, present and future employment prospects, and growing career fields in each region or city. These supplements are written by local experts who accurately provide the local flavor, attitudes, and business climate. The supplements let you customize the guide to your area or the area of interest to your students.

Learning Objectives Integrated among Text and Support Materials

At the beginning of each chapter is a list of learning objectives covering all key concepts. Next to each is a numbered icon: **1**. We have employed these icons to integrate the learning objectives throughout the text and all support materials. You'll see that the icons reappear in the margins of the chapter next to the related materials and again in the summaries and review questions, identifying where that learning objective is fulfilled. The icons also appear in the *Instructor's Resource Guide*, *Test Bank*, and *Study Guide*. This concept helps you and your students use the text's wealth of material to meet all learning goals. When students need further review to meet a certain objective, you and they can quickly identify the material covering that objective by simply looking for the icon.

Critical Thinking Cases To Help Teach Decision-Making Skills

Our society has an enormous capacity for generating data, but our ability to use the data to make good decisions has lagged behind. Experts contend that this is because too often we accept the data presented to us at face value, rather than evaluating it critically and making the effort to understand and interpret it. In the hope of better preparing the next generation of business leaders, many educators are beginning to place greater emphasis on developing critical thinking skills in students.

Business in a Changing World does so with an integrative "Critical Thinking Case" at the end of each of the text's six major parts. In the cases, the student is exposed to bias, propaganda, inadequate evidence, and poor decision making. Because you are dealing with an introductory course, we have specially designed the cases to be short, yet provocative. The cases cover topics from buying a company to the business side of intercollegiate sports. They challenge students to

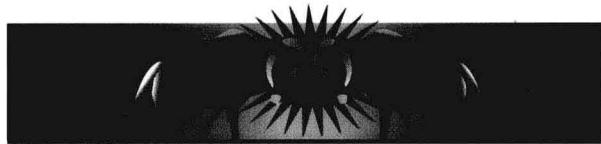
“dig” to get at the true issues; to not only find the solution, but sometimes also identify the problem; to identify cause and effect relationships, and to reconsider their original thinking once a new piece of information is introduced.

Real-Life End-of-Chapter Cases

Nothing teaches like example. That's why we have included so many examples from actual companies. Fifty end-of-chapter cases are featured throughout the text, relating chapter material to reality. Your students will read about such companies as R.J. Reynolds, Beech-Nut, GM Saturn, Disney, Citicorp, Union Carbide, Hewlett-Packard, Philip Morris, Carnival Cruise Lines, Blockbuster Video, IBM, Frito-Lay, McDonalds, and more.

Boxed Features

Students learn material best when it is presented visually. Therefore, we have highlighted in colored boxes issues and examples students will find both interesting and particularly relevant to today's business world:



C O N T R O V E R S I A L I S S U E

The text addresses many of the most controversial topics in business today. Among them ... Are unions dying? Should whistleblowers be protected? Is there a glass ceiling? Do stock prices move in a random fashion? Should health insurance be nationalized? Should accounting data be reported on the basis of current values rather than historical costs?



E T H I C A L I S S U E

Ethics are a growing concern in business today. Students need to understand that there is often no clear right and wrong to many ethical issues. The text helps students think through some ethical dilemmas with features like “Genetic Testing,” “Clean Manufacturing,” “To Go Along To Get Along Or Not,” and “A Verdict on Greed: The Michael Milken Case.”



I N T E R N A T I O N A L E X A M P L E

More and more the world is becoming the marketplace. Multinational firms are breaking down traditional national boundaries to produce and sell internationally. Students are given a taste of the trend toward internationalization with

features like “Decision Support for the 1992 Barcelona Olympics,” “McDonald’s Franchise in Russia,” “The Pirating of U.S. Intellectual Property,” and “Nestle, Coke and South Korea.”



Students are intrigued by business leaders and their stories of success or failure. The text profiles 25 business leaders representing a wide variety of industries. Some of those included are: Ross Perot, the “Billionaire Boy Scout” businessman whose independent candidacy for President shook U.S. politics; Rear Admiral Grace Hopper, the driving force behind the development of COBOL; Edwin Gray, who presided over the S&L industry and whose warnings of impending crisis fell on deaf ears; Sam Walton, founder of Wal-Mart and the wealthiest person in the U.S. prior to his death in April, 1992; Ben Cohen, the off-beat CEO of Ben & Jerry’s Homemade Inc.; Liz Claiborne, founder and Chairwoman of the Board for Liz Claiborne, Inc.; Myra McDaniel, distinguished attorney; Erroll Davis, President and CEO of WPL Holdings; and others.



Our Lighter Side features provide students with a look at the humorous side of business, with boxes such as “How To Succeed in Business the Unusual Way,” “Leakers,” and others.

Pedagogy Designed to Aid Comprehension

Learning Objectives The text and supplements are organized around goals for student learning.

Chapter Opening Vignettes To grab students’ attention, we open each chapter with a brief business scenario that pulls students into the chapter’s material.

Margin Definitions These bold definitions highlight and define key words where they are first introduced. Terms and definitions are compiled in a glossary at the end of the book for quick reference.

End-Of-Chapter Features

- **Summary Points** The main points of the chapter are succinctly summarized and related back to the learning objectives at the beginning of the chapter, via numbered icons.

- **Key Terms** Important terms are listed with the page number where they are introduced.
- **Review Questions** These questions are designed for students to check their understanding of chapter material, and also are integrated with the learning objectives through the numbered icons.
- **Discussion Questions** Written to provoke lively classroom discussion, these questions challenge students to “think” about the material presented.
- **Experiential Exercises** These exercises get students out of the classroom and into the business world to interview local business people, research current topics, or observe people at work.

ABUNDANT ANNOTATIONS PUNCTUATE INSTRUCTOR'S EDITION

In this Third Edition, we have gone to great lengths to include in the *Instructor's Edition* all of the margin information you want most—the tips, asides, and teaching aids that enrich your course, ease your preparation, and encourage classroom discussion.

- **Example** Usually from business publications, these interesting examples can be used in your lectures to further illustrate text concepts.
- **For Discussion** These provocative questions can help you spark lively classroom discussion.
- **Transparencies** Cues in the margin indicate the appropriate point in the lecture to show the corresponding transparency and provide key points to emphasize or questions to ask.
- **Class Activity** These are ideas for instructive group activities that can be done during class time or as outside projects.
- **Teaching Tip** These tips mark places where students often have difficulty, and provide hints and points to stress to help them understand.
- **Additional Information** To enhance your lectures, these notes provide information that goes beyond the text presentation.

VIDEODISC TECHNOLOGY MAKES LECTURES COME ALIVE

Laser videodisc technology is a new addition to the instructor package. The *Business in a Changing World* videodisc contains over 90 minutes of text-related video, as well as over 1,000 definitions, transparencies, and text illustrations for classroom projection. The videos and illustrations can be viewed in any order you choose, and, with an optional computer and South-Western software, you can prepare a complete video “script” of your classroom presentation ahead of time. An accompanying *Videodisc Guide* describes how to integrate this technology in your classroom. A compatible “CAV-type” videodisc player is required to use this ancillary.

A CRATE FULL OF SUPPLEMENTARY MATERIALS EQUIP YOU FOR SUCCESSFUL TEACHING

The text package for *Business in a Changing World* is flexibly designed to adapt to any teaching style. It includes all of the support materials you told us you need most. The support materials are organized to shorten your preparation time and ease your teaching load. Specifically, supplementary materials are bound, but perforated, so that you can remove all materials relating to a chapter and place them together in the preprinted manila chapter folder (included). This enables

you to carry to class only the materials you need. For your convenience, many of the support materials are packed in a crate that accommodates hanging file folders. The crate is easy to handle and store. Every item in the text package provides an opportunity to further enhance your course and enlighten your students to the changing world of business.

Included in the crate:

- Manila folders, printed with the 25 chapter titles, plus “front matter” and “back matter.”
- *Annotated Instructor's Edition* of the text, which is 3-hole punched and looseleaf.
- *Instructor's Resource Guide*. Along with learning objectives, chapter summaries, and complete solutions to text questions and cases, this comprehensive guide contains a course organizer for easy planning plus lecture outlines you can really use—not just a list of headings. At the end of the guide are additional discussion topics and activities to supplement your lectures.
- 150 multicolor acetate *Transparencies*, accompanied by *Transparency Lecture Notes*.
- *Test Bank*. More than 3,700 questions, each with a page reference indicating where the concept is covered in the text, a level-of-difficulty rating, and a numbered icon referencing it to the learning objective.
- *Business Documents* for handouts or overhead display.
- “*The Great Crate*” - a unique departure from conventional handling and storage methods.

Additional items not in the crate:

- *Annotated Instructor's Edition* (hardbound version).
- *Study Guide*, integrated with the learning objectives in the text and containing an abundance of questions that will help your students prepare for tests.
- *Business Career Planning Guide*. With this text-workbook you may choose from among five regional supplements and numerous city supplements to suit your students' needs.
- 25 custom-produced *videos* enhancing key topics covered in the text.
- *Video Instructor's Manual*, which includes descriptions, discussion questions, suggested uses, teaching objectives, chapter integration, and multiple-choice questions for each video.
- *Videodisc* and *Videodisc Guide* (discussed on p. x of this preface).
- *Lecture Presentation Manager*, a dynamic presentation software with graphics capabilities for customizing and delivering your lectures.
- *Computerized Test Bank* (MicroSWAT III). This software contains all test questions from the printed test bank, with a pull-down menu that allows you to edit, add, delete, or randomly mix questions for customized tests. The grade book feature affords easy grade calculation and recordkeeping.
- *Lecture Outline Software*. This software contains all the lecture outlines from the *Instructor's Resource Guide*, so you can easily adapt them to your needs.

A SPECIAL THANKS

Of all those whose efforts made *Business in a Changing World* possible, we would like to extend our special thanks to Chris Rogers, Professor of Business Administration at Miami-Dade Community College, and Joe Andrew for their help in preparing support materials. Chris also served as a consultant on the text. We would particularly like to thank Dr. Cathy Block, Professor of Education at Texas

Christian University, for her help and guidance in the development of material in the area of critical thinking, and Cinci Stowell for her exceptional work as the developmental editor for this book. For their research assistance, valuable suggestions, and support, we extend our appreciation to Nora Freed, Kim Parrell, Monica Tobin, Glen Allen, Connie Saathoff, Anita Mote, and Joyce Moos.

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TO THE STUDENT

What a world it is you live in, and how very different the business environment is today from that of past generations as they prepared to enter the working world. While some prefer to look at today's business climate pessimistically, we as authors, instructors, and real-world practitioners encourage you to look at it as a challenge—a challenge that is exciting and surmountable through understanding and adapting to the changes around you. We hope this text will help you view business as an intriguing area of study, and see the ever-changing business world as a place that offers opportunities for future business leaders like yourself.

This book is for every student. No matter where your future interests lie, a solid grounding in business will help you reach your goals. All of us interact with business through products we buy, advertisements we see, and money we invest in savings, stocks, bonds, and other securities. Knowledge of business and how it operates empowers us to make better decisions and be less vulnerable to bad investments, business mistakes, and other threats to our financial well being.

In writing an introductory business text, we had to make many choices about what to include and what not to include. Certain basics must be covered, and they are. Beyond the basics, however, we wanted this text to address the issues that concern you most and those that will best equip you for a successful future. We know that many of you are greatly concerned about how to land a job and build a career . . . how to live as well or better than your parents . . . and how to achieve personal success in our unpredictable economy.

Our goal in this text is to respond to those concerns and help you see your goals within reach. How? First, with a comprehensive overview of the business world and business basics as they relate to you today. You'll find coverage of all of the many dimensions of business—its organization, management, marketing, and financial operations. You'll find a special emphasis on reasons for today's changing business environment and how and why the changes affect business. The topics used to illustrate these points are as current as the Los Angeles riots, Barcelona Olympics, changing practices in banking, competitive changes in the airline industry, the recent recession, and dozens more.

Second, we provide a special focus on *careers*. Displayed in the margins of each chapter are descriptions of one or more career options for your consideration. Also, Chapter 25 and the Appendix are devoted to helping you evaluate your career options and get the job you want. If you want an even more in-depth, systematic approach to deciding on a career that is right for you and a plan to land a job in that field, you can purchase the accompanying *Business Career Planning Guide*. This guide helps you assess your abilities and interests, match these to career choices, and conduct a successful job search. This is not just another lesson in how to write a resume or dress for an interview. The guide offers a national outlook on labor market trends, as well as five regional and numerous city supplements. Each supplement outlines the local economic conditions, quality of life, present and future employment prospects, cost of living information, starting salaries and salary growth, and the growing career fields in each region or city. Our intent was to give you concrete information you can put to use now, not just another presentation of hypothetical situations.

Third, we present the business world to you through real people and real companies. In "Profiles," you will read intriguing accounts of 25 business leaders

and gain insight into the thinking and actions that led to their success. Find out more about “Billionaire Boy Scout” Ross Perot. Learn about ice cream guru Ben Cohen, co-founder and CEO of Ben & Jerry’s Homemade, Inc. Discover how Liz Claiborne combined creativity and good business sense into a Fortune 500 company. Learn how Fran Tarkenton has turned winning on the football field into winning at the successful Tarkenton Productivity Group. Get an inside look at Famous Amos, a successful businessman who created a world-famous cookie company. These are just a sampling of the human-interest side of business that the text presents.

In “Cases,” you will gain an understanding of business through real-life corporate situations, including: “Tying Managers’ Pay To Performance” (a look at high-level executive’s salaries); “Permanent Replacements at Ravenswood Aluminum Corporation” (the heated confrontation between labor and management following the firm’s decision to hire permanent replacements for over 1,000 employees); “100% Pure” (the ethical questions behind Beech-Nut’s 100% pure apple juice claim); “Carnival Cruise Lines” (the service problems faced by this major discount cruise line); “Blockbuster Video” (an examination of the marketing strategy of one of America’s newest and most successful businesses), and more.

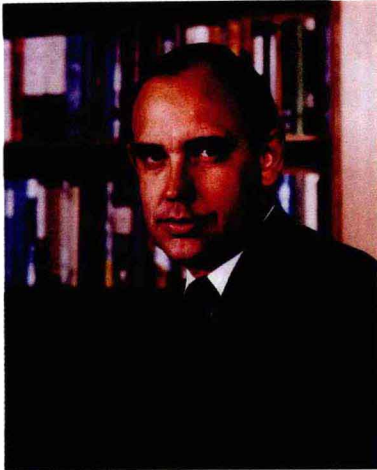
To encourage you to form your own thoughts and opinions on business issues, we have included “Controversial Issues,” “Ethical Issues,” and “Critical Thinking Cases.” These features invite you to think about and discuss some of the most important issues in business today, and to evaluate information, rather than accept it at face value. Employers complain that employees today are too quick to accept data, rather than make the effort to understand and interpret it. We hope to help you avoid this criticism.

A final uniqueness—and, we hope, strength—of *Business in a Changing World* is what we bring to the book as its authors. While many texts are written by professional textbook authors, this text is written by three authors and instructors who also have real-world business experience. Each of us represents expertise in one of the three major areas of business—marketing, management, and finance. We feel our backgrounds and credentials enable us to provide you with a text that is accurate and up-to-date, and reflects the current business climate.

The true measure of any text is in the students’ response to it. The finest texts not only instruct and inform, but inspire, motivate, and generate enthusiasm for the material. A well-written textbook speaks to you in terms you can understand, and provides information you can use. Only then does the text rise above something you “have” to read, to something you “want” to read. We hope you will find that *Business in a Changing World* meets these criteria and, more importantly, arms you with the solid background in business you will need to enter today’s changing world of business with confidence.

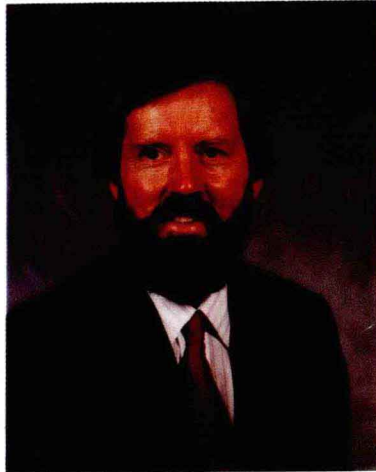
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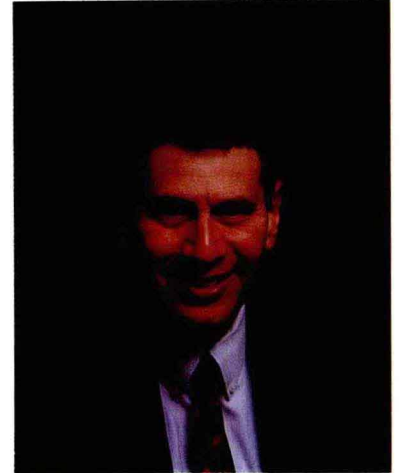
WILLIAM H. CUNNINGHAM

Dr. William Cunningham became the 7th Chancellor of The University of Texas System in 1992. He holds the Lee Hage and Joseph D. Jamail Regents Chair in Higher Education Leadership and the James L. Bayless Chair for Free Enterprise and is a Professor of Marketing. Prior to becoming Chancellor, he served as President of The University of Texas at Austin and as Dean of its College and Graduate School of Business Administration. Dr. Cunningham is a nationally-known marketing scholar and former editor of the *Journal of Marketing*. His research interests include marketing management and research and strategic market planning. Dr. Cunningham has won seven teaching awards from The University of Texas and has written 10 books. He is a member of the Board of Directors of five major corporations. He earned his B.A., M.B.A., and Ph.D. degrees from Michigan State University.



RAMON J. ALDAG

Professor Ramon Aldag is Professor of Management and Co-Director of the Center for the Study of Organizational Performance in the Graduate School of Business at the University of Wisconsin - Madison. He has 25 years of teaching experience, and is President of the National Academy of Management, a professional organization with 9,000 members in more than 60 countries. He has published more than 50 journal articles, has coauthored five books, and is Associate Editor for the *Journal of Business Research*. Professor Aldag has served in many roles in professional organizations and as a consultant for organizations in a number of industries. He holds a B.S. degree in Mechanical Engineering, an MBA in Production Management, and a Ph.D. in Management, all from Michigan State University. He has worked as a thermal engineer on various aerospace projects. He is a Fellow of the Academy of Management and is listed in *Who's Who In America*.



STANLEY B. BLOCK

Professor Stanley Block has served on the faculty of Texas Christian University for the past 25 years, holding such positions as chairman of finance, acting dean, and Texas American Bank Distinguished Professor of Finance. He received his Bachelor's degree from The University of Texas at Austin, his MBA degree from Cornell University, and his Ph.D. from Louisiana State University. He has written 20 books and numerous articles in leading academic journals. He has served on the board of directors of the Financial Management Association and as a past president of the Southwestern Finance Association. While at Texas Christian University, he has received many honors, including the \$2,500 Burlington Northern Excellence in Teaching Award. He is a Chartered Financial Analyst (CFA) and serves on a number of corporate boards. He also serves on the editorial board of the *Journal of Economics and Business*. He is listed in *Who's Who in America*.



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