



Third Canadian Edition

BUSINESS

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Prentice Hall Canada Inc., Scarborough, Ontario

Canadian Cataloguing in Publication Data

Griffin, Ricky W.
Business

3rd Canadian edition
Includes index.
ISBN 0-13-790437-1

1. Industrial management. 2. Business enterprises. 3. Industrial management—Canada.
4. Business enterprises—Canada. I. Ebert, Ronald J. II. Starke, Frederick A., 1942–
III. Title.

HD31.G75 1999 658 C98-930165-6



© 1999, 1996, 1993 Prentice-Hall Canada Inc., Scarborough, Ontario
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Prentice-Hall, Inc., Upper Saddle River, New Jersey
Prentice-Hall International (UK) Limited, London
Prentice-Hall of Australia, Pty. Limited, Sydney
Prentice-Hall Hispanoamericana, S.A., Mexico City
Prentice-Hall of India Private Limited, New Delhi
Prentice-Hall of Japan, Inc., Tokyo
Simon & Schuster Southeast Asia Private Limited, Singapore
Editora Prentice-Hall do Brasil, Ltda., Rio de Janeiro

ISBN 0-13-790437-1

Publisher: Patrick Ferrier
Acquisitions Editor: Mike Ryan
Senior Marketing Manager: Ann Byford
Senior Developmental Editor: Lesley Mann
Production Editor: Kelly Dickson
Copy Editor: Susan Broadhurst
Production Coordinator: Deborah Starks
Permissions/Photo Research: Susan Wallace-Cox
Cover and Interior Design: Alex Li
Cover Image (Background): Greg Pease/Tony Stone Images;
Insert Images: 1, 4: Digital Vision Ltd.; 2, 3: P. Crowther and S. Carter/Tony Stone Images
Page Layout: Debbie Fleming/Joan M. Wilson

Original English Language edition published by Prentice-Hall Inc.,
Upper Saddle River, New Jersey, 07458
Copyright © 1996, 1993, 1991

1 2 3 4 5 CC 03 02 01 00 99

Printed and bound in the USA.

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PREFACE

This is the third Canadian edition of *Business*. Our intent in this edition is to excite and inform students about today's business world, and to support instructors with an interesting and attractive book that explains the basic ideas that beginning business students must learn.

This new edition maintains the strengths that made the first two editions so successful. The text is well-organized, with a logical flow from one concept to another. It contains hundreds of examples of business practice, which help students bridge the gap from theory to practice. The text is globally focused, with examples from business firms around the world. The book retains its full-colour design, which attracts and holds students' attention.

Objectives

This third Canadian edition of *Business* was developed and guided by the following fundamental objectives:

- We wanted it to be *comprehensive*, providing a thorough survey of all the important facets of business.
- We wanted it to be *accurate*, with all statements of fact based on scientific research and/or actual managerial practice.
- We wanted it to be *current*, with illustrative examples and cases from business situations in Canada and elsewhere that are still unfolding.
- We wanted it to be *readable*, so that students will enjoy the experience of reading this edition as much as they tell us they have liked earlier editions.

We believe that we have met all these objectives, as the third Canadian edition of *Business* continues to offer significant coverage of both traditional topics and newer ideas.

The Theme of Change

The main theme of this edition is *change as a fact of life and a source of enrichment in the world of business*. This theme is evident in all aspects of this book—the opening chapter cases, the boxed inserts, the examples of business practice, the end-of-chapter cases, and the video cases. Change presents an exciting array of challenges, both externally and internally, including threats and opportunities that affect the ways in which contemporary companies are forced to develop and manage their activities. Today, more than ever, volatile environments demand day-to-day reactions along with longer-term adjustments for planned change. Our goal has been to communicate the theme of change by describing how real-world business firms cope with organizational change and conflict in the modern business world.

Other Themes

In support of our overall theme of change, the organization and content of this edition reflect six of today's major business subthemes—issues that will continue to gain in importance as the 20th century draws to a close and the 21st century dawns.

The growth of international business. Many analysts and businesspeople see the globalization of the economy as the dominant challenge to business firms at the close of the 20th century. To keep students aware of this challenge, we've based many of the examples and cases in this book on the experiences of global companies (and the global experiences of Canadian companies). We've also included material throughout the book that focuses student attention on important issues in international

business. For example, Chapter 16 contains a new section on Product Development for International Markets; Chapter 19 contains a section on International Accounting; and Chapter 20 contains a section on International Banking and Finance. There is also an entire chapter devoted to Understanding International Business.

The role of ethics and social responsibility. Business ethics and social responsibility, while not new topics, continue to generate a great deal of discussion and debate. We reflect the attention that these topics deserve by devoting an entire chapter to them (Chapter 5, Business Ethics, Social Responsibility, and Business Law). Because ethical and social issues are so pervasive in the business world, we present them early in order to provide a continuing frame of ethical reference throughout the book.

The significance of small business. Because we recognize that many students will not go to work for major corporations, we have provided balanced coverage of both large and small companies throughout the text. In various chapters, the implications of the ideas for small business are discussed, and one full chapter is devoted to an analysis of small business in Canada (Chapter 8, Understanding Entrepreneurship and Small Business).

The need to manage information and communication technology. In our information-based society, the people and organizations that learn how to obtain and use information will be the ones that succeed. The explosive growth in these systems stems from the emergence of communication technologies such as multimedia communication systems. We cover this important topic in Chapter 18. Equally important, we make information available to both students and instructors through an unmatched set of resources: the text itself, an instructor's resource manual, a test bank, video cases at the end of each major part in the text, electronic transparencies, colour acetates, a Companion Website, and more.

The growth of the service sector. The 1990s have witnessed the continued growth of the service sector across the globe. We stress the importance of this sector by devoting a full chapter (Chapter 13) to the production of services, and by discussing the service sector in several other chapters as well.

The quality imperative. Quality and productivity became the key to competitive recovery for many companies in the global marketplace during the 1990s. These topics continue to be of special interest as we approach the 21st century. Chapter 14, Increasing Productivity and Quality, was born during intense debate at a reviewers' conference over the best means of presenting these important issues. The issues of quality and productivity are also discussed in various chapters throughout the text.

Changes to the Third Edition

The third edition of *Business* incorporates changes suggested by professors and students who used the first two editions. It also includes changes suggested by reviewers. Most chapters contain new or updated opening cases that describe real Canadian companies and the challenges and opportunities they face. Many new boxed inserts, end-of-chapter cases, video cases, and examples are contained in this edition. The boxed inserts, which describe Canadian and foreign business firms in action, are arranged on two themes: The Canadian Business Scene and International Report.

Chapters Containing Significant Revisions

Several chapters have been significantly revised to take into account new developments in the modern business world or to present to students interesting examples of business practice. These include:

Chapter 1: A new opening case detailing the nickel discovery at Voisey's Bay shows how the basic ideas of risk-taking, business activity, and profit are related. There are also two new end-of-chapter cases in this chapter.

Chapter 2: Two new end-of-chapter cases are included in this chapter.

Chapter 3: New material on the important trend of downsizing is included in this chapter. The chapter also includes in-depth treatment of the topic of business-government relations. Two new end-of-chapter cases are also included in this chapter.

Chapter 4: Several new boxed inserts focusing on international business are presented in this chapter. In addition, the section on free trade agreements has been revised and updated.

Chapter 6: Major revisions have been made to this chapter, which now focuses on planning and goal setting, the management process, and corporate culture. Two new end-of-chapter cases are included in this chapter.

Chapter 7: This chapter has also been significantly revised. It now focuses on organizing the business enterprise.

Chapter 13: Several new boxed inserts and a new opening case are presented in this chapter.

Chapter 14: The productivity paradox facing the industrialized nations is described in this chapter.

Chapter 15: A new section focusing on the external environment of marketing is introduced in this chapter.

Chapter 16: A new section on international promotion strategies is presented in this chapter. It describes the growth of worldwide advertising and the emergence of a global perspective in marketing.

Chapter 17: This chapter contains considerable new material, including an opening case describing Eaton's bankruptcy, a new section on distribution as a marketing strategy (including a discussion of the various types of distribution "hubs" that companies use), and two new end-of-chapter cases.

Chapter 18: This chapter contains new information on two issues that have recently received a great deal of publicity: the year 2000 problem and computer security.

Chapter 20: Major changes have been made to this chapter. The opening case presents an interesting description of how fluctuations in the value of a currency affect the people of a country. A new section on international banking and the international payments process is also presented in this chapter. This information is important, given the rapid rate of globalization of business activities that is taking place. Information on the latest technological developments in banking (such as smart cards and e-cash) is also included. The major changes that are taking place in banking and what Canadian banks are doing to cope with these changes are also discussed.

Chapter 21: A new opening case discusses the Bre-X scandal. New information is provided in this chapter on technological developments that are influencing securities markets. Cyberspace brokerage (buying stocks over the Internet) is one such important development. The chapter also includes information on mutual funds and their importance in securities markets in the 1990s.

Chapter 22: This chapter contains two new boxed inserts describing how insurance works in the field of entertainment, as well as a new Canadian box on insurance investigators.

Organization of the Text

The text is organized into seven parts as follows:

Part I: Introducing the Contemporary Business World

This section introduces students to the basic ideas underlying business activity. Chapter 1 describes how business activity is oriented towards making a profit by satisfying consumer needs. Several types of economic systems are also described. Chapter 2 presents a brief history of Canadian business and focuses on the different kinds of business ownership—sole proprietorships, partnerships, corporations, and cooperatives—that can be used to run a business. Chapter 3 describes how the interrelationship of business firms with consumers, the workforce, and government presents both challenges and opportunities for businesses. A major section of this chapter deals with business-government relationships. Chapter 4 describes the critical area of international business and free trade, and the importance of international business for Canada. The various levels of involvement in international business that are possible are also described. In Chapter 5, the impact of business ethics, social responsibility, and business law are discussed.

Part II: The Business of Managing

The chapters in this section focus on the general management activities that are necessary in business firms. Chapter 6 introduces the functions of management—planning, organizing, leading, and controlling—and the three basic types of management skills—technical, human relations, and conceptual. Chapter 7 focuses in detail on the planning and organizing functions. In Chapter 8, general management principles are applied to small business.

Part III: Understanding People in Organizations

The chapters in this section focus on the most important resource in business firms: people. Chapter 9 describes the activities that are necessary in order to recruit, hire, train, and compensate the company's human resources. Chapter 10 deals with managerial activities that are necessary to motivate and lead employees so that they are both satisfied and productive. Chapter 11 presents information on Canadian labour unions, and the way that unions affect management activity.

Part IV: Managing Operations

This section describes those managerial activities that are necessary to convert raw materials into finished products and services that are needed by consumers. Chapter 12 focuses on the production of goods, while Chapter 13 deals with the “production” of services. In Chapter 14, the crucial issue of productivity and quality is examined.

Part V: Managing Marketing

The chapters in this section explain the key activities that are carried out by marketing managers. Chapter 15 introduces the “4 Ps of marketing”—product, place, promotion, and price. Other activities—such as marketing research and the study of consumer behaviour—help marketing managers carry out the marketing function effectively. Chapter 16 looks in detail at the development and promotion of products, while Chapter 17 focuses on pricing and distributing goods and services.

Part VI: Managing Information

The chapters in this section describe the increasingly important activity of managing information for business success. Chapter 18 presents information on the dynamic and rapidly developing area of computers in business. The chapter focuses on how managers use information to make business decisions. Chapter 19 describes the accounting function and the financial statements that accountants develop for managers and investors.

Part VII: Managing Financial Issues

The chapters in this section introduce students to the key financial activities of business firms. Chapter 20 explores the nature of money, the various financial intermediaries that exist in Canada, and the role of the Bank of Canada. Chapter 21 looks at securities markets and the buying and selling of stocks, bonds, and other investments. Chapter 22 examines the reasons that business firms need funds, and the way they go about acquiring these funds. The role of the financial manager is also described.

Major Features of the Text

Each chapter in this text contains the following features to stimulate student interest in, and understanding of, the material that is being presented about business:

Part Opener

At the beginning of each of the seven parts of the book is a brief outline introducing the material that will be discussed in that part. By revealing the rationale for the structure of the part, it gives students a glimpse of the “big picture” as they head into a new area of the business world.

Chapter Materials

Each *chapter* contains several features that are designed to increase student interest and understanding of the material being presented. These features are as follows:

Opening case. Each chapter begins with a one-page description of an incident that happened in a real Canadian company. The subject matter of this opening case is relevant to the material being presented in that chapter. This helps the student bridge the gap from theory to practice.

Learning objectives. A list of learning objectives is found at the beginning of each chapter. These guide students in determining what is important in each chapter.

Boxed inserts. Each chapter contains several boxed inserts describing activities in Canadian or international companies. These inserts are designed to clearly show students how theoretical concepts are put into actual practice by business firms. There are two types of boxes: “The Canadian Business Scene” (which focuses on Canadian businesses) and “International Report” (which focuses on examples of business activity from around the world).

Examples. In addition to the boxed inserts, each chapter contains numerous examples of how businesses operate. These examples will further help students understand actual business practice in Canada and elsewhere.

Figures and tables. The latest data available have been used to update Tables and Figures throughout the text. Our “Top 10” feature gives fascinating figures for top performers and issues.

Weblinks. Internet addresses are supplied throughout the text for many of the organizations discussed.



End-of-Chapter Material

Several important pedagogical features are found at the end of each chapter. These are designed to help students better understand the material that was presented in the chapter. The features are as follows:

Summary of learning objectives. The material in each chapter is concisely summarized to help students understand the main points that were presented in the chapter.

Key terms. In each chapter, the key terms that students should know are highlighted and defined in the text, repeated in the margin, and listed at the end of the chapter (with page references).

Study questions and exercises. There are three general types of questions here: questions for review (straightforward questions of factual recall), questions for analysis (requiring students to think beyond simple factual recall and apply the concepts), and application exercises (requiring students to visit local businesses or managers and gather additional information that will help them understand how business firms operate).

Building your business skills. This feature is an in-depth exercise that allows students to examine some specific aspect of business in detail. The exercise may ask the student to work individually or in a group to gather data about some interesting business issue and then develop a written report or a class presentation based on the information that was gathered.

Exploring the Net. This new feature gives students the opportunity to carry out interesting, business-related assignments by using the Internet. By doing so, students will gain important skills in locating and using information from Canadian and international Web sites.

Case studies. Each chapter concludes with two case studies that focus on real Canadian or international companies. These cases are designed to help students see how the chapter material can be applied to a real company that is currently in the news. At the end of each case, there are several questions that guide students in their analysis. Classic cases from previous editions are included in the Instructor's Resource Manual.



End-of-Part Material

Each part concludes with several additional pedagogical features. These are designed to help the student master the material and think analytically about it.

CBC video cases. There are two CBC video cases at the end of each part; each case is based on a recent episode of such CBC series as *Venture*, *The National Magazine*, or *Market Place*. The instructor can show the episode in class and then either have a class discussion using the questions at the end of the written case as a guideline, or ask students to turn in a written assignment which contains answers to the questions at the end of the case. This approach to teaching will add a major new dynamic to classes.



Lands' End video cases. While the CBC videos described above deal with many different companies, the Lands' End videos at the end of most parts describe activity in the different functional areas of one company. This allows students to gain a better understanding of how the different areas of a business firm must work together in order for the organization to be successful.



Experiential exercise. These exercises, which typically require one or two hours to complete, are positioned at the end of six of the text's seven Parts. They are set up so that students can "experience" a realistic business situation and thereby gain increased understanding of business.

Careers in business. Students have a keen interest in the kinds of jobs they might take when they leave college or university. This new feature provides information about careers that are available, occupations which are in high demand, pointers on interviewing for jobs and preparing a resume, and other related career information. This should be of great practical use to students.

Supplementary Material

For the Instructor

Instructors Resource Manual with Cases, Video Guide and Web Exercise Answers.

This supplement contains suggestions on how to use the text effectively. It also provides suggested lecture outlines and answers to end-of-chapter materials, including questions, cases, CBC video cases, and Exploring the Net exercises. Available in paper or on disk. (ISBN: 0-13-081103-3; disk: 0-13-081102-5)

Test Item File. With approximately 75 multiple choice, 25 true/false, and 15 essay questions per chapter, this supplement provides a total of almost 2200 questions for class tests. Available in paper or on disk. (0-13-081112-2)

WIN PH Custom Test. Prentice Hall's computerized test file uses a state-of-the-art software program that provides fast, simple, and error-free test generation. Entire tests can be previewed on-screen before printing. PH Custom Test can print multiple variations of the same test, scrambling the order of questions and multiple-choice answers. Tests can be saved to ASCII format and revised in your word-processing system. (ISBN: 0-13-081111-4)

CBC/Prentice Hall Video Library. This dynamic collection of hand-picked CBC video clips includes segments from *Venture*, *The National Magazine*, and *Market Place*. Each clip is an average of eight minutes long and almost all have been replaced from the second edition to ensure students' access to the most current issues in Canadian business. Written summaries with questions are provided at the end of each Part in the text, and answers are discussed in the Instructor's Resource Manual. (Please contact your Prentice Hall sales representative for details. These videos are subject to availability and terms negotiated upon adoption of the text.)



Venture

<http://www.tv.cbc.ca.venture>

ON LOCATION! Lands' End Videos. Prepared exclusively for Prentice Hall, these six video segments focus on Lands' End Inc., a major catalogue retailer. The purpose of these videos, which were shot on location and include interviews with managers and employees at Lands' End, is to anchor exercises focusing on the operations of a successful American company that deals with both goods and services on a global scale. Each segment is eight to 10 minutes long. Written summaries with questions are provided at the end of Parts 1 to 5 in the text, and answers are discussed in the Instructor's Resource Manual. (Please contact your Prentice Hall sales representative for details. These videos are subject to availability and terms negotiated upon adoption of the text.)

Transparency Resource Package. Expanded and improved for the third edition, this supplement contains 20 slides per chapter in PowerPoint 4.0 plus lecture notes that include a summary, questions for discussion, and page references to the text. All slides and lecture notes have also been printed out as black-and-white masters for those who prefer to create their own acetates. (ISBN: 0-13-081107-6)



Prentice Hall Canada

<http://www.prenticehall.ca/griffin>

Colour Transparencies. Also expanded and improved, this full-colour set of transparencies presents numerous graphic illustrations from the text. Lecture notes with a summary, questions for discussion, and page references to the text are included in the package. (Please contact your Prentice Hall sales representative for details.)

Companion Website with Online Study Guide. Our exciting new Website includes a comprehensive online study guide with multiple choice and true/false review questions, as well as Internet destinations and search tools, CBC video case updates, and more. See www.prenticehall.ca/griffin and explore.

For the Student:

Study Guide. The Study Guide enables students to review the introductory business concepts presented in the text and help them gain insight into the application of these concepts. (ISBN: 0-13-081104-1)

EZ Write Business Plan Software. This exceptionally easy-to-use software, available on a 3.5-inch disk for IBM and compatibles, provides a template for a complete business plan, and includes examples of financial documents on Lotus templates.

Acknowledgements

We owe special thanks to Susan Broadhurst for her excellent copyediting; Kelly Dickson, Production Editor; for her efficient management of this project; and Susan Wallace-Cox for finding so many fine photo illustrations. Thanks are also due to Pat Ferrier, Publisher; Mike Ryan, Acquisitions Editor; Lesley Mann, Senior Developmental Editor; Ann Byford, Senior Marketing Manager; and all the members of the Prentice Hall sales team.

In addition, we would like to acknowledge the contribution of Todd Mercer, who prepared Canadian Exploring the Net exercises and compiled Weblinks for the text, and Reg Litz of the University of Manitoba for writing the CBC video cases.

We appreciate the insights and suggestions of the following individuals who reviewed the manuscript:

Richard F. Barnes, CGA
Chuck Bridges, Saint Mary's University
Edward V.G. Brown, Langara College
Patricia Draves, Seneca College
Richard H.G. Field, University of Alberta
Ibrahim Hayani, Seneca College
Les Lewchuk, Kwantlen College
John P. Logan, Ryerson Polytechnic University
Karen Murkar, DeVry Institute

Their comments were carefully considered and implemented wherever possible.

Frederick A. Starke
1998

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