

An abstract painting featuring a city skyline composed of geometric blocks in shades of blue, yellow, and white. A large, vibrant rainbow arches over the city against a dark blue sky. A small white jet is visible in the sky, leaving a white trail. The overall style is expressive and modern.

# BUSINESS

THIRD  
EDITION

Samuel C. Certo  
Stewart T. Husted  
Max E. Douglas



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# BUSINESS

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THIRD EDITION

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Lynchburg College in Virginia

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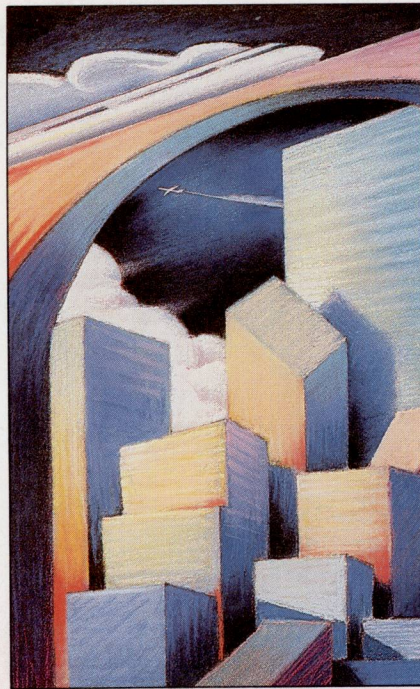
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THE

BUSINESS

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# BUSINESS

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# PREFACE

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## FEATURES OF THIS TEXT

As with previous editions, the purpose of this text is to provide students with a realistic introduction to the world of business. Business today is far more than theoretical concepts. It is excitement, hard work, and challenge! The focus of this book is to give students a thorough understanding of important business principles as well as an appreciation for the overall environment in which they are practiced.

The acceptance and support of our ideas and concepts contained in the first two editions has served as both inspiration and motivation in designing and implementing this revision. *Business* and its ancillaries represent the fulfillment of the stringent standards we set for ourselves during the revision process. In developing this edition, we had three main objectives: (1) to provide students with an appropriate body of business concepts; (2) to present these concepts in a way that would be interesting and yet help students to learn what they read, and (3) to provide instructors with valuable support materials that could be used to enrich individual learning environments.

We were fortunate to receive many thoughtful comments from both instructors and students who had firsthand experience using these support materials. Our personal experiences in teaching introduction to business supplemented these comments. Based upon this feedback and personal experience we laid out an ambitious and innovative revision for the third edition.

## A REVISION TO REFLECT CURRENT BUSINESS PRACTICE

The text of the new third edition of *Business* is designed to strengthen the features of earlier editions, both with new teaching features and new coverage of current business principles and practice. Through a series of focus groups, a careful evaluation of course objectives was made for the new edition to insure that the text's coverage of business topics was comprehensive, precise, well-balanced, and up-to-date.

Building on an already complete system of learning aids, the third edition introduces several new learning resources and makes a renewed commitment to a concise presentation of key business concepts. Both in the text discussion and in the new *margin notes* placed beside these discussions, key definitions are clearly stated to help reinforce student understanding of terms and concepts. To strengthen comprehensive and balanced coverage, many new topics have been added or amplified to reflect the current practice of today's business. Users of earlier editions will find several areas of new coverage: in the management areas of motivation, leadership, organization, and human resources; in the financial areas of corporate finance, fundraising, and investment; and in every functional



area, new coverage of services and especially of global influences on the competitiveness of U.S. business.

Above all, in its examples and topic coverage, this third edition provides students with a thoroughly current view of business practice by focusing on several new themes:

- *Entrepreneurship and innovation* as key ingredients in the U.S. business scene. This theme is reinforced throughout the text, appearing in the introductory “Business Practice Example” cases (starting with the entrepreneur Ted Turner) and the “Highlights in Business Practice” boxes in all twenty-three chapters.
- *The rise of a global economy and its impact on the competitive position of U.S. business enterprises.* In addition to a chapter on International business, nearly every chapter features a major topic, key example, or box, to highlight and remind students of the influence of global competition on current business practice.
- *The pursuit of excellence as a necessary ingredient in the competitive power of U.S. business.* More than half of the Business Practice Examples and video interviews (discussed below) focus on the components of excellence in overcoming challenges in each functional area of management, marketing, and finance. This theme lends itself particularly well to classroom exploration of real-world examples provided by the taped video interviews from CNN Broadcast News. These twenty taped interviews with key people in American business have been packaged *especially for integrated instructional use*, specifically illustrating and amplifying the major concepts and examples that appear in the text.

## THE BUSINESS PRACTICE EXAMPLE CONCEPT

The Business Practice Example cases provide superior reinforcement of text material for the student. The reason for this is both the basic form and the execution of this feature, which begins as an introductory case (“Business Practice Example”) and then continues three times within the chapter (“Business Practice Example Continues”). Each chapter begins with an example of a current business practice, which raises key issues and introduces students to the significance of the topics that will be covered in the chapter. “Business Practice Example Continues” sections are placed at three strategic points within each chapter, reinforcing the business concepts discussed within the chapter through the extension of the Business Practice Example. In this way, students can see concepts illustrated in the context of a well-known, real-world company. Our teaching and feedback from adopters have convinced us that these continuing examples help students better organize the many concepts they learn in Introduction to Business. They also make chapters more interesting to students, and this usually results in increased learning.

All of the examples of business practice are new to this edition and focus on real, undisguised companies. For instance, in Chapter 3, “Social Responsibility and Ethics,” students learn that the Levi Strauss Company is one of the world’s foremost corporate practitioners of social responsibility. As the chapter progresses, individual “Business Practice Continues” segments illustrate Levi Strauss’s specific social responsibility practices. These practices are concrete evi-



dence of material introduced in the text and serve to both broaden and strengthen student comprehension.

## HIGHLIGHTS IN BUSINESS PRACTICE

Highlights in Business Practice boxes provide additional real-world examples of business practices. Two to three highlights appear in each chapter, on topics ranging from Merck Pharmaceutical's donation to third world nations of a drug to cure river blindness (Chapter 3, "Social Responsibility and Ethics"); to management consultant Tom Peters' newest thinking of organizational competitiveness (Chapter 7, "Motivation and Leadership in Organizations"); to a comparison of real purchasing power around the globe (Chapter 1, "Entrepreneurial Excellence in the American Economy").

## ADDITIONAL LEARNING AIDS IN THE TEXT

*Chapter Outlines.* Each chapter is introduced with a chapter outline. This outline can help students keep chapter content in perspective while reading as well as help them both preview and review chapter information.

*Learning Objectives.* Each chapter is introduced through a set of learning objectives. These objectives direct the student to key study areas and provide a framework for self-learning.

*Key Terms.* Each chapter's key terms are boldfaced and defined upon introduction to help ensure that students note important concepts. A list of key terms, cross-referenced to the page number on which they first appear, is provided at the end of each chapter.

*Margin Definitions.* Key terms are fully defined in margin notes, helping students focus on important concepts and aiding significantly in student review of chapter material. This feature is new to this edition.

*Summaries.* Each chapter contains a concise summary of the important points discussed in the chapter.

*Check Your Learning.* Each chapter includes a self test. Students respond to several objective questions that directly relate to the learning objectives stated at the beginning of the chapter. By answering these questions, the students actively focus on and review key concepts. An answer key with referenced page numbers is provided at the end of the chapter.

*Questions for Review and Discussion.* Each chapter ends with several questions. Some simply focus on reviewing chapter material. Others are more loosely tied to chapter content and are intended to stimulate critical thinking for classroom discussion.

*Concluding Case.* Each chapter ends with a short concluding case that asks students to analyze contemporary business practices as they relate to the operation of a specific organization. Business practices at companies such as Digital Equipment Corporation, Safeway Stores, and AT&T are explored.

*Glossary.* Key business terms and their definitions appear at the end of the text. Because students may need more than a definition to gain a full understanding of the term, each term is followed by page numbers where related discussion can be found.



## ADDITIONAL STUDENT LEARNING AIDS

Study Guide  
Best of Business Readings  
Stock Market Practice Set  
Software Packages

## INSTRUCTOR'S RESOURCE MATERIAL

Annotated Instructor's Edition  
Test Bank  
Computerized Test Bank  
Transparencies  
Detailed Chapter Outline  
Ready-to-Duplicate Materials  
CNN Videotapes  
Allyn and Bacon Business Line

## ACKNOWLEDGEMENTS

The compliments and congratulations that we have received over the years concerning *Business* have been very satisfying. In reality, many of these positive comments have resulted from and are based upon the work of a number of our colleagues. We appreciate this opportunity to "set the record straight" by giving credit to the many professionals who have made significant contributions to this text and its ancillaries.

Robert Hartl, Indiana State University, has played an important role in the development of this text. Professor Hartl served as a special reviewer and contributor for the finance chapters. His contribution in updating and generally improving the finance material has been invaluable.

We are pleased to see that the package of ancillaries that accompanies this new edition is indeed outstanding! It is important to keep in mind that the development of these ancillaries did not occur by chance. Several talented introduction to business instructors from across the country have spent many long, hard hours developing and producing these ancillaries.

In particular, Michael Kauffman, Director of Business Development, Santa Barbara Community College prepared the Instructor's Manual and annotations for this edition. We would again like to thank James B. Pettijohn, Southwest Missouri State University, for his work on the Lecture Enrichment Items in the Instructor's Manual. The Test Bank was prepared by Max E. Douglas, Indiana State University, and Philip Weatherford, Embry-Riddle Aeronautical University. Nathan Himmelsstein of Essex Community College prepared the Detailed Chapter Outline, provided in a separate supplement. Finally, the Study Guide was written by business communications/training specialist Stewart Husted, and Janet A. Fye, Indiana Vocational Technical College.



We would like to thank each of these ancillary authors for the valuable contribution he or she has made to this new edition of *Business*.

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Samuel C. Certo  
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Max E. Douglas



# TEXT AND ILLUSTRATION CREDITS

## Chapter 1

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# BRIEF CONTENTS

---

## PART

### I

#### FOUNDATIONS OF OUR BUSINESS SYSTEM 2

1. Entrepreneurial Excellence in the American Economy 4
2. The Free Enterprise System in a Global Economy 32
3. Social Responsibility and Ethics 66

## PART

### II

#### STARTING UP A BUSINESS 96

4. Selecting a Form of Business Ownership 98
5. Small Business and Entrepreneurship 126

## PART

### III

#### MANAGING ORGANIZATIONS 160

6. Management Fundamentals 162
7. Motivation and Leadership in Organizations 192
8. Organizing a Business 220
9. Human Resource Management 250
10. Labor-Management Relations 278
11. Production and Operations Management 306

## PART

### IV

#### MARKETING FOR TODAY'S CONSUMER 340

12. The Marketing Concept 342
13. Developing and Pricing Products to Sell 372
14. Distributing Goods and Services 402
15. Promoting Goods and Services 430

## PART

### V

#### FINANCING BUSINESS VENTURES 462

16. Money and the Banking System 464
17. Accounting: Understanding the Language of Business 496
18. Managing the Firm's Financing 524
19. Investments and Securities 556
20. Insurance and Risk Management 588

## PART

### VI

#### A NEW WORLD OF BUSINESS OPPORTUNITY 618

21. Computers and Information Management 620
22. The Legal Environment of Business 646
23. Business in a Global Environment 672

Appendix: Career Information Summaries 702

Glossary 717

Index 733



# CONTENTS

---

PREFACE xix

## PART

### I

## FOUNDATIONS OF OUR BUSINESS SYSTEM 2

### CHAPTER 1

---

#### ENTREPRENEURIAL EXCELLENCE IN THE AMERICAN ECONOMY 4

Business Practice Example: Ted Turner: Media Entrepreneur 6

The Importance of Business 7

Types of Economic Activities 8

Purpose and Objectives of Business 10

Why Are Profits Important? 10

Profit and Loss System 10

Uses of Profits 11

Economic Survival 11

The Role of Profits in Our Economy 11

Expansion of the Economy 12

Efficient Use of Resources 13

Higher Quality of Life and Prosperity 14

The Role of Competition 15

Highlight in Business Practice: Purchasing Power 16

Free-Market Concept 17

The Roots of the Modern American Economy 18

The Mercantile System and Adam Smith 19

The Industrial Revolution and the Nineteenth Century 19

Business Creativity and the Twentieth Century 20

Highlight in Business Practice: Tips on Creativity 21

Highlight in Business Practice: Genentech: Entrepreneurial Excellence Right from the Start 23

Summary 27

Key Terms 27

Check Your Learning 28

Questions for Review and Discussion 29

Concluding Case: The Invisible Hand versus the 1987 Crash 29

Notes 30

Check Your Learning Answer Key 30

### CHAPTER 2

---

#### THE FREE ENTERPRISE SYSTEM IN A GLOBAL ECONOMY 32

Business Practice Example: Hong Kong . . . Capitalism or Communism? 34

The Economy 35

Why the American Economy Works 35

Consumers 35

Producers 38

Highlight in Business Practice: Armand Hammer—Entrepreneur for a Peaceful Future 42

The Roles of Government in the American Economy 43

Promoting a Balanced Economy 46

World Economic Systems 50

The Private Enterprise System 50

Planned Economies in Socialist Systems 53

Highlight in Business Practice: China's Rocky Road to Economic Reform 54

Communist Planned Economic Systems 55

Changes in Planned Economic Systems 55

Mixed Economic Systems 57

The Global Economy 57

Highlight in Business Practice: Japan Wins Hearts in Tennessee 59

Summary 61

Key Terms 62

Check Your Learning 62

Questions for Review and Discussion 63

Concluding Case: Minimum-Wage Increase—A Small-Business Perspective 64

Notes 65

Check Your Learning Answer Key 65

### CHAPTER 3

---

#### SOCIAL RESPONSIBILITY AND ETHICS 66

Business Practice Example: Levi Strauss: The Company with a Conscience 68

Fundamentals of Social Responsibility 69

Areas of Social Responsibility Involvement 70

Views on Social Responsibility 70