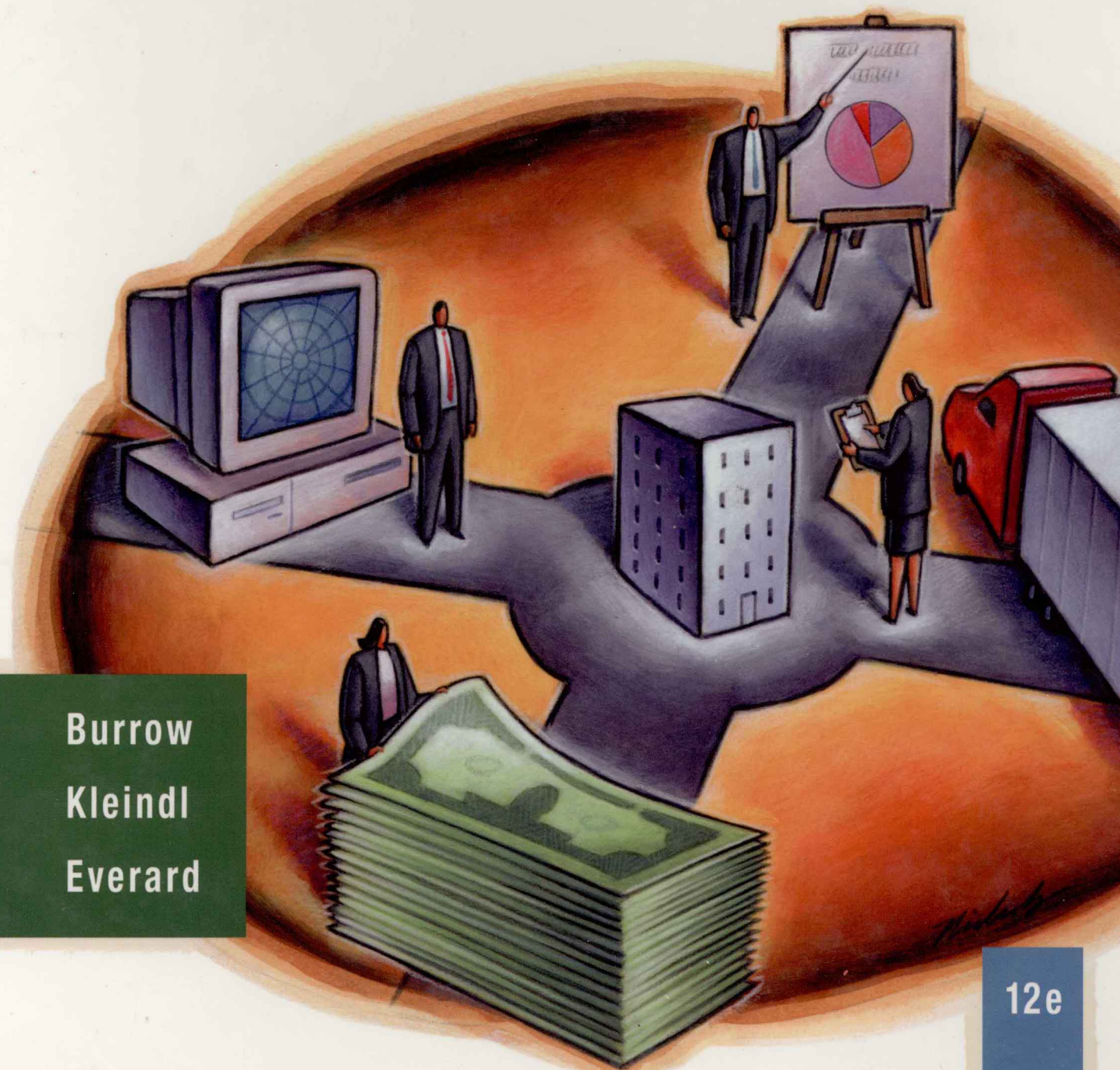


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BUSINESS PRINCIPLES AND MANAGEMENT

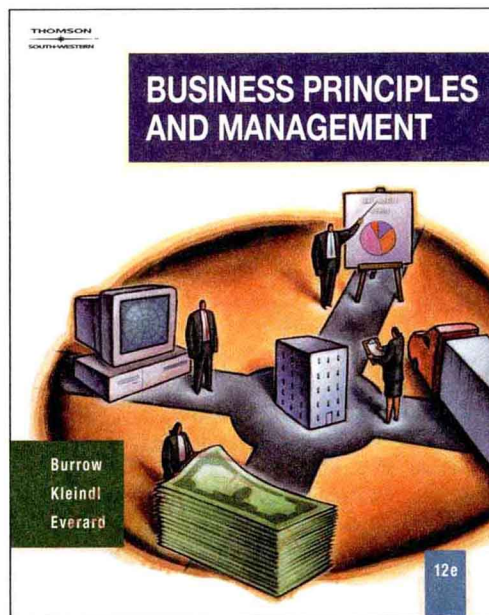


Burrow
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Everard

12e

BUSINESS PRINCIPLES AND MANAGEMENT

12e



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Business Principles and Management, Twelfth Edition
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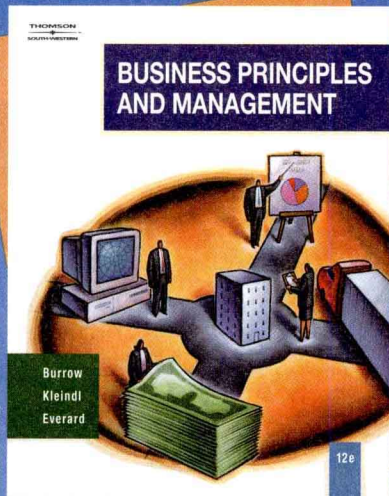
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Chapters are broken into several class-length lessons. The Lesson Numbers and Titles provide an overview of the chapter content.

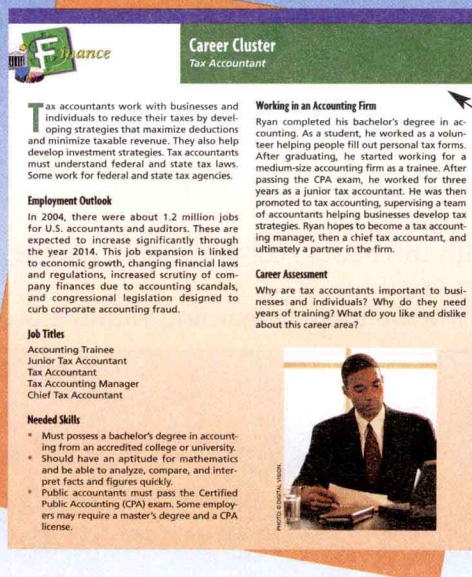
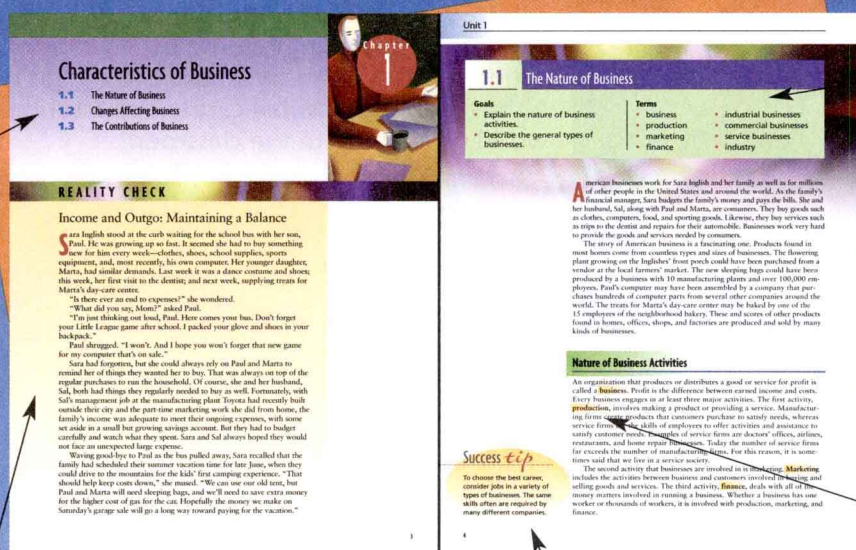
Reality Check presents a story written to introduce concepts in the chapter using real-world examples.

Success Tips present insightful, practical tips on behavior and skills that lead to success.

Career Cluster presents the needed skills, education, work experience, and industry opportunities for a variety of business-related career paths.

Prepare students to READ each lesson effectively by previewing Goals and Terms.

Key Terms, first introduced in the Lesson Openers, are bold and highlighted with yellow in the text, emphasizing their importance and allowing students to find them easily.



Focus On... takes a look at current events, technology topics, international trends, innovation, change, and other important issues that impact the business environment.

Chapter 1 • Characteristics of Business

Focus On...
Business Innovation-Dell Direct

Companies can satisfy customers in many ways. Most buyers want a high-quality product at the lowest possible price and immediate help when trouble occurs with a product. Successful firms in recent years have introduced innovative ways to meet customer expectations. Not only pizza businesses make home deliveries, now many furniture companies make deliveries to the customer's home on the day of purchase. United Parcel Service and Federal Express not only make door-to-door deliveries but also pick up packages to be shipped from customers' homes. Best Buy offers home repairs of computers and other electronic equipment using their Geek Squad.

Dell Computer Corporation, however, was the first to do what everyone said would surely fail—sell computers using a toll-free phone number. Michael Dell, the founder of the firm, was told that people want to see, touch, and try highly technical products before they buy. However, those critics were proven wrong.

Michael Dell, who had always looked for easier and faster ways to get things done, got an idea while in college that he believed would serve the computer customer well. He would provide customers with a catalog of computers and computer parts. When they knew what they wanted, they could call his toll-free number, place the order with a credit card, and expect to have the computer shipped directly to their homes or offices within a brief period. Dell worked with computer parts suppliers and assemblers to quickly build the specific computer for each customer once the order was received. Because he didn't incur the expense of maintaining a physical store or a large inventory of parts and supplies, Dell was able to keep prices low.

To further make customers happy, he provided a guarantee, and later an extended repair contract offering efficient mail-in or local service if anything went wrong. The idea worked beyond anyone's imagination. Within a few years, his business was profitable and growing rapidly. With the development of the Internet as a method for customers to quickly locate and purchase products, Dell extended its direct sales efforts through an interactive website. Dell is now one of America's largest firms, with computers sold around the world using many of the same ideas that Michael Dell created in 1983, when the business was launched.

Many other computer firms have copied his low cost, fast service, and customer satisfaction guarantee and have initiated direct sales efforts. Many other firms in different businesses soon adopted Michael Dell's ideas to gain the effectiveness and efficiency that lead to satisfied customers.

Think Critically

1. Why do you think buyers like to purchase from Dell Computer Corporation using the Internet or telephone?
2. What specific actions did Michael Dell take to make his company effective?
3. What specific actions did he take to make his company efficient?

Unit 1

FIGURE 1-1 Employment in Major Industries

No. of employees (in millions)

Source: Occupational Outlook Handbook, 2005

1.1 Assessment

UNDERSTAND MANAGEMENT CONCEPTS
Determine the best answer for each of the following questions.

1. An organization that produces or distributes goods or services for a profit is
a. a producer
b. a manufacturer
c. a business
d. an industry
2. A lawn-mowing business is an example of
a. a service business
b. an industrial business
c. a manufacturing business
d. a marketing business

THINK CRITICALLY
Answer the following questions as completely as possible.

3. Why are service businesses growing faster than other types of businesses in the United States?
4. How do commercial businesses support the work of industrial businesses?

Xtra! Study Tools

Figures provide a summary of important information, graphically organizing information for the student and visually detailing the links and associations between data and corresponding analysis.

Assessment ends every Lesson, allowing you to evaluate student comprehension and progress frequently. Think Critically evaluates higher-order thinking skills.

Xtra! Study Tools, available on the free Web site are flash-based game reviews for every Lesson.

Emerging Business Issues Team Event

This team event (two or three members) challenges FBLA members to develop and demonstrate research and presentation skills for an emerging business issue. Your research should help you develop affirmative and negative arguments for each topic.

- Citizenship for Illegal Immigrants Working in the U.S.
- Consumer Credit in the Economy
- Conducting Trade Throughout the World
- Tax Cuts in the Market Economy
- Investment in the Development of Alternative Fuel Products
- Making English the National Language in the United States
- Increasing Security at the Border of the U.S. and Mexico
- Raising the Minimum Wage in the U.S.

PERFORMANCE INDICATORS EVALUATED

- Understand the given emerging business issue.
- Present a relevant affirmative or negative argument for the topic.
- Conduct research to support your argument with relevant quality evidence.
- Demonstrate persuasive speaking and oral presentation skills.
- Involve all team members in the research and presentation.

For more detailed information about performance indicators, go to the FBLA Web site.

Fifteen minutes before your presentation time, you will draw to determine whether you will present an affirmative or negative argument for your emerging business issue. Each presentation may last no more than five minutes. Following each oral presentation, the judges have five minutes to ask questions. Each team should be prepared to defend its affirmative or negative argument. Any presentation that lasts more than five minutes will receive a five-point deduction.

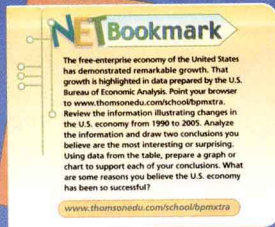
THINK CRITICALLY

1. Why is it important to consider both sides of an issue before presenting your viewpoint?
2. Why is it important to list pros and cons for an issue when trying to sell your viewpoint?
3. Why is it important to determine the demographics of your audience before presenting a speech?

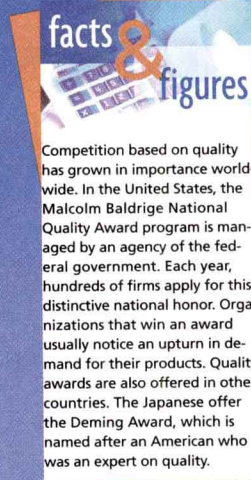
<http://www.fbla-pbl.org/>

Winning Edge prepares students for BPA, DECA, and FBLA competitive events, while encouraging critical-thinking and decision-making skills.

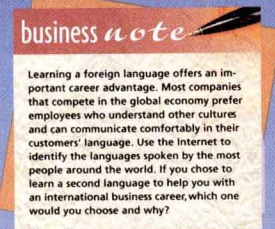
Student-Focused Features for Hands-on Practice



NET Bookmark encourages students to use the Internet for research. The Web Site provides a safe portal for students to gather real data for analysis.



Competition based on quality has grown in importance worldwide. In the United States, the Malcolm Baldrige National Quality Award program is managed by an agency of the federal government. Each year, hundreds of firms apply for this distinctive national honor. Organizations that win an award usually notice an upturn in demand for their products. Quality awards are also offered in other countries. The Japanese offer the Deming Award, which is named after an American who was an expert on quality.



Business Note asks students to relate what they've learned to a real business setting and provides tips for business success.

Facts & Figures presents interesting information, including statistics and numerical representations, that helps students understand the breadth and scope of business enterprises and activities.



Career Tips present helpful insights into a variety of business related career opportunities.



American car producers have learned to equal or exceed foreign car makers in the quality of their products. Is quality an important factor when you buy a car or other expensive product?

The photos and captions contain questions that ask students to think beyond the obvious in considering what's going on in the picture.

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Integrated Assessment Puts Practical Knowledge to the Test

Xtra! Quiz Prep provides online chapter review, immediate feedback for students, and a report on results to teachers.

Chapter Concepts provides a brief review of the key topics from every lesson in the chapter.

Review Terms and Concepts assesses knowledge of basic chapter content and vocabulary.

price of the goods, it sells in the U.S. market compared?

24. Explain how it is possible for the United States to have a deficit in its current account but not a trade deficit.

MAKE CONNECTIONS

25. With the current accounts of the imaginary nation of Utopia for the past three years are given below in millions of dollars.

	Year 1	Year 2	Year 3
Exports of goods	\$100	\$120	\$125
Imports of goods	\$175	\$185	\$205
Exports of services	\$80	\$100	\$105
Imports of services	\$40	\$60	\$80
Other income from abroad	\$30	\$25	\$40
Other payments abroad	\$50	\$70	\$70

Given the above information, answer the following questions:
Does Utopia have a deficit or surplus in its current account in Year 1, Year 2, and Year 3? Calculate the balance on merchandise trade for Year 1, Year 2, and Year 3. If you were the president of an American company, would you set up a business in Utopia? Why or why not? Suggest ways by which Utopia can reduce its deficit or surplus.

26. **Selling!** An Australian sheep farmer who sells much of his wool in the United States has seen the exchange rate for the Australian dollar (AUD) change from U.S. \$1 = AUD \$1.20 to U.S. \$1 = AUD \$1.45 over the past six months. Use spreadsheet software to answer the following questions, assuming the farmer sells 1,000 AUDs worth of wool.
a. Will this change in currency rates help or hurt his sales in the United States?
b. What may be some of the reasons for the change in the currency rates?
c. Do American consumers gain or suffer with the change in the currency rates?

CASE IN POINT

CAME 2-1: Corporate Generosity or Tax Deduction?

Greenpeace, a nongovernmental organization in the United States, sells packaged foods such as vegetables, fruits, cereal, and meats in its warehouses. The quality of the food in the case, bottles, and boxes declines over time. Therefore, an expiration date is stamped on each container, after which the product cannot be sold, even though the food is not spoiled and is still edible. There is a set of strict rules laid down by the government; the expiration date could result in the product being thrown away and the food would not be fit for human consumption. Packages with expired dates are returned to Greenpeace, where they are destroyed. Recently an opportunity appeared for Greenpeace to use the expired food packages. A business had donated parts of Mexico, leaving people homeless and without food. Greenpeace decided to make a generous donation of two packages of food to the disaster victims, and this was associated with great fanfare. The U.S. military transported the food on one of its relief flights. The donation was reported in the national media, and Greenpeace received favorable publicity as a socially responsible firm engaging in its lowest human misery in the high-end tradition of American generosity.

Make Connections cross-curricular assessment activities connect business principles to math, communication, writing, reading, technology, research, and other academic subjects.

Case in Point presents in-depth scenarios related to the chapter content and then asks students to analyze the cases using critical-thinking skills.

My Business, Inc. is an ongoing project in which students apply the concepts they've learned while running a juice bar. In every chapter, students build on previous knowledge as they build their business.

CHECKPOINT

Why must companies be concerned about both effectiveness and efficiency?

Checkpoints throughout the chapter provide opportunities for informal evaluation of learning.

project: MY BUSINESS, INC.

FIRST DECISIONS

Throughout this course, you will participate in a continuing project in which you will plan your own business—a juice bar. This project will require you to gather and analyze information and make decisions about your new business. The section called "Project: My Business, Inc." at the end of each chapter will guide you through the next step in business planning, as you apply what you learned in the chapter to realistic new business ventures. Develop written answers to each of the Data Collection and Analysis activities identified by your teacher using a computer if possible. After you have completed each chapter's activities, save your work in the notebook you have prepared.

Just here are a part of two industries—fast food and health foods. Although juice bars are popular today, you will want your business to be successful in the future. It is not practical to start a business that may not be needed in a few years. In this project, you will study information to help you determine the future of your business and make the first specific decisions about it.

DATA COLLECTION

1. Gather information about the size and growth of the health and fitness market as well as the fast-food industry from newspapers, magazines, and other publications.
2. In your city or neighborhood, identify the types of businesses that exist in the areas of fast food and health foods. Try to include the very small businesses that operate as part of a larger business such as a supermarket or health club. List the name of each business, a brief description of the business, the type of products offered, and the business location.
3. Find information that identifies the future rate of new fast-food businesses and health and fitness businesses.
4. Using the Internet and the library or by visiting businesses in your area, identify the common types of products offered by juice bar businesses.

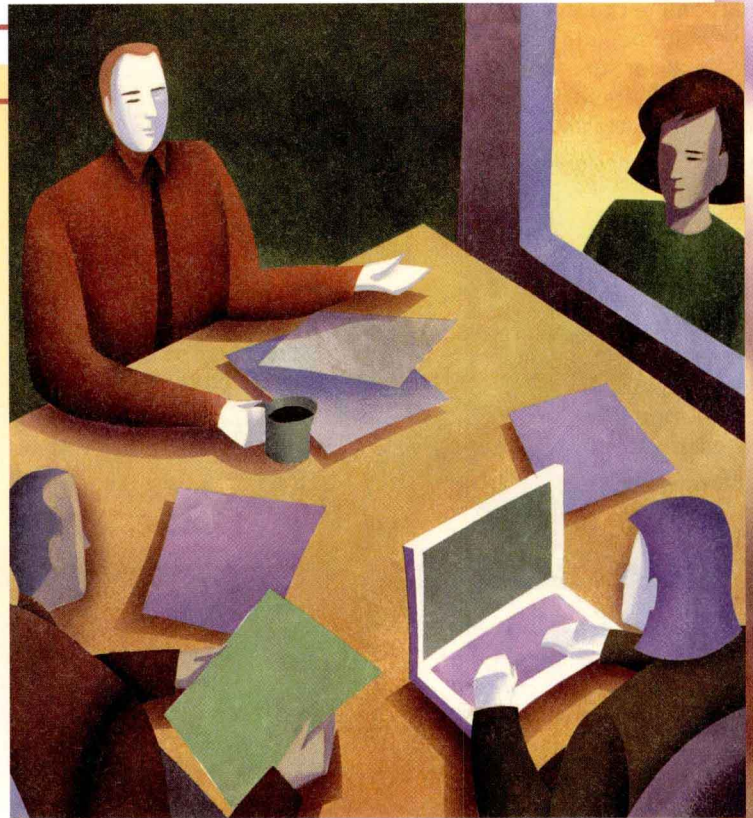
ANALYSIS

1. What factors have led to the growth of juice bars? Is there any evidence that this type of business may not be as successful in the future?
2. What are the advantages and disadvantages of starting a small juice bar business in your community?
3. Create a name for your business. A good business name is short and easy to remember. It should relate to the type of business being operated, should be appealing to prospective customers, and should be different from other similar businesses. You may want to create an interesting design for your business name that could be used on signs and in promotion.
4. Develop an initial business concept—one to two-paragraph statement that describes the business and a possible location, the most likely customers, and the primary products and services that could be offered.

Business and Its Environment

CHAPTERS

- 1** Characteristics of Business
- 2** Social and Ethical Environment of Business
- 3** Economic Environment of Business
- 4** International Environment of Business



“ . . . in developing countries, the central challenge is no longer to make manual work productive—we know, after all, how to do it. The central challenge will be to make knowledge workers productive. Knowledge workers are rapidly becoming the largest single group in the work force . . . It is on their productivity, above all, that the future prosperity and indeed the future survival of the developed economies will increasingly depend. ”

Peter F. Drucker

Characteristics of Business

- 1.1 The Nature of Business
- 1.2 Changes Affecting Business
- 1.3 The Contributions of Business

REALITY CHECK

Income and Outgo: Maintaining a Balance

Sara English stood at the curb waiting for the school bus with her son, Paul. He was growing up so fast. It seemed she had to buy something new for him every week—clothes, shoes, school supplies, sports equipment, and, most recently, his own computer. Her younger daughter, Marta, had similar demands. Last week it was a dance costume and shoes; this week, her first visit to the dentist; and next week, supplying treats for Marta's day-care center.

"Is there ever an end to expenses?" she wondered.

"What did you say, Mom?" asked Paul.

"I'm just thinking out loud, Paul. Here comes your bus. Don't forget your Little League game after school. I packed your glove and shoes in your backpack."

Paul shrugged. "I won't. And I hope you won't forget that new game for my computer that's on sale."

Sara had forgotten, but she could always rely on Paul and Marta to remind her of things they wanted her to buy. That was always on top of the regular purchases to run the household. Of course, she and her husband, Sal, both had things they regularly needed to buy as well. Fortunately, with Sal's management job at the manufacturing plant Toyota had recently built outside their city and the part-time marketing work she did from home, the family's income was adequate to meet their ongoing expenses, with some set aside in a small but growing savings account. But they had to budget carefully and watch what they spent. Sara and Sal always hoped they would not face an unexpected large expense.

Waving good-bye to Paul as the bus pulled away, Sara recalled that the family had scheduled their summer vacation time for late June, when they could drive to the mountains for the kids' first camping experience. "That should help keep costs down," she mused. "We can use our old tent, but Paul and Marta will need sleeping bags, and we'll need to save extra money for the higher cost of gas for the car. Hopefully the money we make on Saturday's garage sale will go a long way toward paying for the vacation."

1.1

The Nature of Business

Goals

- Explain the nature of business activities.
- Describe the general types of businesses.

Terms

- business
- production
- marketing
- finance
- industrial businesses
- commercial businesses
- service businesses
- industry

American businesses work for Sara English and her family as well as for millions of other people in the United States and around the world. As the family's financial manager, Sara budgets the family's money and pays the bills. She and her husband, Sal, along with Paul and Marta, are consumers. They buy goods such as clothes, computers, food, and sporting goods. Likewise, they buy services such as trips to the dentist and repairs for their automobile. Businesses work very hard to provide the goods and services needed by consumers.

The story of American business is a fascinating one. Products found in most homes come from countless types and sizes of businesses. The flowering plant growing on the Englishes' front porch could have been purchased from a vendor at the local farmers' market. The new sleeping bags could have been produced by a business with 10 manufacturing plants and over 100,000 employees. Paul's computer may have been assembled by a company that purchases hundreds of computer parts from several other companies around the world. The treats for Marta's day-care center may be baked by one of the 15 employees of the neighborhood bakery. These and scores of other products found in homes, offices, shops, and factories are produced and sold by many kinds of businesses.

Nature of Business Activities

An organization that produces or distributes a good or service for profit is called a **business**. Profit is the difference between earned income and costs. Every business engages in at least three major activities. The first activity, **production**, involves making a product or providing a service. Manufacturing firms create products that customers purchase to satisfy needs, whereas service firms use the skills of employees to offer activities and assistance to satisfy customer needs. Examples of service firms are doctors' offices, airlines, restaurants, and home repair businesses. Today the number of service firms far exceeds the number of manufacturing firms. For this reason, it is sometimes said that we live in a service society.

The second activity that businesses are involved in is marketing. **Marketing** includes the activities between business and customers involved in buying and selling goods and services. The third activity, **finance**, deals with all of the money matters involved in running a business. Whether a business has one worker or thousands of workers, it is involved with production, marketing, and finance.

Success tip

To choose the best career, consider jobs in a variety of types of businesses. The same skills often are required by many different companies.