

THE BEST OF

THE FUTURE OF BUSINESS

<http://gitman.swcollege.com>

GITMAN & McDANIEL

- > **Lawrence J. Gitman**
San Diego State University
- > **Carl McDaniel**
University of Texas, Arlington

Australia · Canada · Mexico · Singapore · Spain · United Kingdom · United States



The Best of the Future of Business

By Lawrence J. Gitman and Carl McDaniel

Vice President/Editor-in-Chief:

Jack Calhoun

Vice President/Team Leader:

Melissa Acuna

Acquisitions Editor:

Steve Hazelwood

Developmental Editor:

Mary Draper

Production Editor:

Kelly Keeler

Manufacturing Coordinator:

Diane Lohman

Compositor:

Pre-Press Company, Inc.

Printer:

Courier, Kendalville, IN

Design Project Manager:

Michael H. Stratton

Internal Designer:

Michael H. Stratton

Cover Designer:

Casey Gilbertson

Cover Images:

PhotoDisc, Inc.

Photography Manager:

Deanna Ettinger

Photo Researcher:

Darren Wright

COPYRIGHT © 2003

by South-Western, a division of
Thomson Learning. Thomson
Learning™ is a trademark used
herein under license.

Printed in the United States of America

1 2 3 4 5 05 04 03 02

For more information
contact South-Western,
5191 Natorp Boulevard,
Mason, Ohio 45040.

Or you can visit our Internet site at:
<http://www.swcollege.com>

ALL RIGHTS RESERVED.

No part of this work covered by the
copyright hereon may be reproduced
or used in any form or by any means-
graphic, electronic, or mechanical,
including photocopying, recording,
taping, Web distribution or information
storage and retrieval systems-without
the written permission of the publisher.

For permission to use material from
this text or product, contact us by
Tel (800) 730-2214
Fax (800) 730-2215
<http://www.thomsonrights.com>

Library of Congress Cataloging-in-
Publication Data

Gitman, Lawrence J.
The best of the future of business /
Lawrence J. Gitman, Carl McDaniel.
p. cm
Includes bibliographical references
and index.

ISBN: 0-324-18374-7 (soft cover)
1. Management—United States.
2. Business enterprises—United
States. I. McDaniel, Carl D.
II. Title.

HD70.U5 G5295 2002
658—dc21

2002022762

Lawrence J. Gitman

Lawrence J. Gitman is a professor of finance at San Diego State University. He received his Bachelor's Degree from Purdue University, his M.B.A. from the University of Dayton, and his Ph.D. from the University of Cincinnati. Professor Gitman is a prolific textbook author and has over 50 articles appearing in *Financial Management*, *Financial Review*, *Journal of Financial Planning*, *Journal of Risk and Insurance*, *Journal of Financial Research*, *Financial Practice and Education*, *Journal of Financial Education*, and other publications.

His singly authored major textbooks include *Principles of Managerial Finance: Brief*, Second Edition, *Principles of Managerial Finance*, Ninth Edition, and *Foundations of Managerial Finance*, Fourth Edition. In addition, he is co-author of *Introduction to Finance* with Jeff Madura. Other major textbooks include *Personal Financial Planning*, Ninth Edition, and *Fundamentals of Investing*, Eighth Edition, both co-authored with Michael D. Joehnk. Gitman and Joehnk also wrote *Investment Fundamentals: A Guide to Becoming a Knowledgeable Investor*, which was selected as one of 1988's ten best personal finance books by *Money* magazine.

An active member of numerous professional organizations, Professor Gitman is past president of the Academy of Financial Services, the San Diego Chapter of the Financial Executives Institute, the Midwest Finance Association, and the FMA National Honor Society. In addition he is a Certified Financial Planner (CFP) and a Certified Cash Manager (CCM). Gitman recently served as Vice-President, Financial Education for the Financial Management Association, Director of the San Diego MIT Enterprise Forum, and member of the CFP Board of Standards. He lives with his wife and two children in La Jolla, California, where he is an avid bicyclist.

Carl McDaniel

Carl McDaniel is a professor of marketing at the University of Texas—Arlington, where he is Chairman of the Marketing Department. He has been an instructor for more than 20 years and is the recipient of several awards for outstanding teaching. McDaniel has also been a District Sales Manager for Southwestern Bell Telephone Company. Currently, he serves as a board member of the North Texas Higher Education Authority, a one billion dollar financial institution.

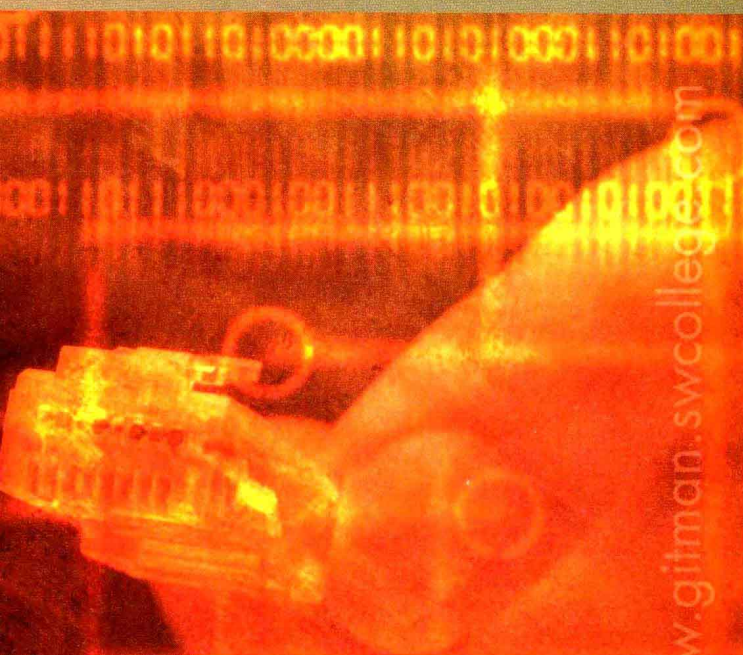
In addition to this text, McDaniel also has co-authored a number of textbooks in marketing. Professor McDaniel's research has appeared in such publications as *Journal of Marketing Research*, *Journal of Marketing*, *Journal of Business Research*, *Journal of the Academy of Marketing Science*, and *California Management Review*.

He is a member of the American Marketing Association, Academy of Marketing Science, Society for Marketing Advances, Southwestern Marketing Association, and Western Marketing Association. Professor McDaniel is the past president of the Southwestern Marketing Association.

Besides his academic experience, McDaniel has business experience as the co-owner of a marketing research firm. Recently, McDaniel served as senior consultant to the International Trade Centre (ITC), Geneva, Switzerland. The ITC's mission is to help developing nations increase their exports. McDaniel also teaches international business each year in France. He has a Bachelor's Degree from the University of Arkansas and his Master's Degree and Doctorate from Arizona State University.

Special Feature

THE BEST OF THE FUTURE OF BUSINESS



www.gitman.swcollege.com

Remember way back in the ancient history of commerce, when running a business was so much simpler? Say 2000 or so? So much has changed since then. Only those few short years ago managers could focus on producing a competitive product or service, keeping workers motivated, holding down costs, and keeping prices in line.

Today's managers must manage these same issues, and so much more. Our new interactive economy demands new skills, new perspective, and new resources. In this new century, the primary competitive tool of many organizations is knowledge. Organizations that obtain it, harness it, and apply it faster than competitors will reap extraordinary results. Technology is another tool organizations use to create a competitive advantage. Yesterday's companies competed locally, statewide, and sometimes nationally. In the blink of an eye, the Internet has enabled even the smallest entrepreneur to produce and sell in the global marketplace. Moreover, domestic markets that once had relatively little connection with the rest of world now are utilized and served by giant global corporations.

To succeed in our rapidly changing, increasingly interactive and interconnected business environment, a successful organization—now more than ever—requires fast and accurate knowledge. To help prepare students for their futures in business, ***The Best of The Future of Business***, showcases the dramatic changes occurring in the business environment.

NEW ANGLES ON BUSINESS: UNIQUE CHAPTER STRUCTURE

The new shape, pace and spirit of the global economy require new ways of looking at business and careers. We've organized every chapter of **The Best of The Future of Business** with a unique chapter structure to support three essential themes:

BUSINESS IN THE 21ST CENTURY Students begin their study of each chapter with a glimpse into the strategies of popular business organizations. These lively vignettes draw students into the chapter and stimulate classroom discussion.

Each chapter delivers a comprehensive overview of current business principles and practices. Students will learn what is happening in today's businesses with examples from the largest global corporate giants, such as Ford and Airbus Industries, to the smallest Internet start-ups.

314 / part five Marketing: Delivering Value to the Customer
Business in the 21st Century

BUSINESS IN THE 21ST CENTURY

marketing

The process of choosing the right mix of products, services, and channels to deliver value to customers and then promoting, selling, and distributing those products and services to customers or end users.

exchange

The process of exchanging one good or service for another good or service. In a typical exchange, a consumer trades money for a good or service.

in marketing in 2000 model

Donald Christy conducted research to find out what potential buyers wanted and needed and then designed the car to satisfy those needs and wants.



THE MARKETING CONCEPT

marketing concept

Identifying customer needs and then producing the goods and services that will satisfy those needs while creating a profit for the organization.

If you study today's best organizations, you'll see that they have adopted the marketing concept, which involves identifying customer needs and then producing the goods or services that will satisfy those needs while making a profit. The marketing concept is oriented toward satisfying customers by offering value. Specifically, the marketing concept involves:

- Focusing on customer wants, the organization can distinguish its products from competitors' offerings.
- Integrating all of the organization's activities, including production, to satisfy those wants.

98 / part one Participating in the Global Business Environment
Capitalizing on Trends in Business

social investing

The practice of investing investments in securities of companies that behave in accordance with the investor's beliefs about ethical and social responsibility.

concept check

- How do businesses carry out their social responsibilities to customers?
- What is corporate philanthropy?
- Is a company's only responsibility to its investors to make a profit? Why or why not?

CAPITALIZING ON TRENDS IN BUSINESS

strategic giving

The practice of using philanthropic funds to support the corporate mission or goals and targeting donations to specific areas of a company's operations.

economic responsibility to make a profit might seem to be its main obligation to its shareholders, many investors increasingly are putting more emphasis on other aspects of social responsibility. Some investors are limiting their investments to securities that fit within their beliefs about ethical and social responsibility. This is called **social investing**. For example, a social investment fund might eliminate from consideration the securities of all companies that make tobacco products or liquor, manufacture weapons, or have a history of polluting. Not all social investment strategies are alike. Some ethical mutual funds will not invest in government securities because they help to fund the military; others freely buy government securities, with managers noting that federal bonds also support the arts and pay for AIDS research. Today, about \$100 billion is invested in social investment funds. When investors are dissatisfied with corporate managers, they are less passive than in the past. They are pressuring corporations with tactics such as requests on television and other media and calling government attention to perceived wrongdoings. Groups of investors are pressuring companies to increase productivity, link executive pay to performance, and use efficient management. Consequently, executives and managers are giving more weight to the concerns of stakeholder in the decision-making process. For example, shareholders of pharmaceutical giant Pfizer forced the company to stop selling flavonoid agents to tobacco companies. In the 1990s, a number of chief executives from major corporations—General Motors, IBM, Apple, and Eastman Kodak, to name a few—were expelled by dissatisfied investors.²⁰

Three important trends related to ethics and social responsibility for the new millennium are changes in corporate philanthropy, a new social contract between employers and employees, and the growth of global ethics and social responsibility. This section will examine each trend in turn.

Trends in Corporate Philanthropy

Corporate philanthropy has typically involved seeking out needy groups and then giving them money or company products. Today, the focus is shifting to **strategic giving**, which ties philanthropy more closely to the corporate mission or goals and targets donations to regions where a company operates. Thomas Kumble is the chairman of the General Motors Foundation, which is GM's philanthropic organization. Kumble notes, "Prior to 1997 our giving was simply for unselfish purposes. Now our thinking is that we need to balance unselfish giving with strategic donations to target groups." Most of the foundation's gifts now go to areas such as education, health and human services, and public policy that are related to GM's corporate goals such as lowering costs. Funding for research on a major health threat such as cancer makes both social and economical sense, GM believes. "Health care was the company's highest cost, so funding health, especially cancer-related research, became a priority," explains Kumble.²¹ Similarly, IBM focuses like a laser beam "on areas related to its mission as 'an information technology solutions provider,'" says Sandra Linton, IBM's director of community relations.²² As we noted earlier, product and research donations account for most of the more than \$100 million IBM contributes to philanthropy.

APPLYING THIS CHAPTER'S TOPICS

This unique feature, found only in **The Best of The Future of Business**, brings the chapter topics to life for students with relevant and interesting tips for making the most of a professional career or becoming a smart consumer. Students can utilize these suggestions throughout their careers; many are applicable immediately after reading the chapter in everyday life. In Chapter 4 (Forms of Business Ownership), students explore their readiness for starting a franchise or learn how to protect their jobs during a merger.

CAPITALIZING ON TRENDS IN BUSINESS

The second part of each chapter explores new business trends and how they are reshaping today's business and altering tomorrow's competitive environment. Technology and the global economy are covered extensively in every trends section. We expose students to the fundamental factors that are reshaping the business world in which they will soon begin professional careers. With this preview of the future, students gain a keen advantage when entering the workplace.

Capitalizing on Trends in Business

130 / part two Applying This Chapter's Topics
Starting and Growing a Business

APPLYING THIS CHAPTER'S TOPICS

Clearly, you need to understand the benefits of different forms of business organization if you start your own company. If you decide to work for someone else, this information will help you match a business entity with your goals. Suppose you are considering two job offers for computer programming positions: a two-year-old consulting firm with 10 employees owned by a sole proprietor or a publicly traded software developer with sales of \$500 million. In addition to comparing the specific job responsibilities, consider the following:

- Which company offers the better training? Do you prefer the on-the-job training you'll get at the small company, or do you want formal training programs as well?
- Which position offers the chance to work on a variety of assignments?
- What are the opportunities for advancement? Employee benefits?
- What happens if the owner of the young firm gets sick or decides to sell the company?
- Which company offers a better work environment for you?

Answering these and similar questions will help you decide which job meets your particular needs.

Is Franchising in Your Future?

If the franchise route to business ownership interests you, begin educating yourself about the franchise process and investigate various types of franchise opportunities. You should research a franchise company thoroughly before making a financial commitment, because there are considerable differences among the more than 2,000 franchise systems. Once you've narrowed your choices to several specific franchises, ask for the *Franchise Offering Circular (FOC)* from the franchise and read it thoroughly. The Federal Trade Commission (FTC) requires franchises to prepare this document. The FOC provides a wealth of information about the franchise, including its history, operating style and management, past or pending litigation against the franchise, the franchise's financial obligations, and any restrictions on the sale of units. Interviewing current and past franchisees is another essential step.

Would the franchise owner be a successful owner of small business ventures such as *the Entrepreneur* and *Entrepreneur's* *How To Buy* for industry trends, ideas on promising franchise opportunities, and advice on how to choose and run a franchise. The International Franchise Association Web site at www.franchise.org has links to *Franchise World* magazine and other useful sites. (For other franchise-related sites, see the *Franchise* box and the *Working the Net* questions.)

Is franchising for you? As an investor, desire to be someone who, willingness to make a substantial time commitment, passion about the franchise concept, optimism, patience, and integrity rank high on franchisee lists. Prior business experience is also a definite plus, and some franchisees prefer or require experience in their field. The information in Exhibit 4.10 can help you make a realistic self-assessment and increase your chances of success.

THE INTERACTIVE PERSPECTIVE: MAJOR BUSINESS TOPICS UP CLOSE

In 16 chapters, *The Best of The Future of Business* explores important business issues and trends that are reshaping today's workplace. Students will be exposed to these and other important topics:


- Customer value
- Knowledge management
- Relationship management
- Euro and the European Union
- New Internet economy
- Multinational corporations
- Entrepreneurs/intrapreneurs
- Database marketing
- Mass customization
- Integrated marketing communications
- Decision support systems (DSS)
- Global management skills
- Motivational job design
- Work cell design
- Online trading
- Online banking
- Risk management
- Agile manufacturing
- Intranets and extranets
- Electronic data interchange (EDI)

TECHNOLOGY AND E-COMMERCE

Technology not only touches all areas of business; it often revolutionizes it. That's why each chapter addresses how businesses are applying technology to improve processes and maximize value to the customer.

Enrichment Chapter A, Using the Internet for Business Success, looks at the impact of the Internet on business operations. Found on the CD that accompanies this book, this chapter describes the growth of e-commerce in both consumer and business-to-business markets. This chapter also explores the process for launching an e-business and looks ahead to the future of the Internet in business.

Technology issues are integrated throughout the chapters, where appropriate, and featured in Applying Technology boxes. For example, the Applying Technology box in Chapter 5 (Entrepreneurship: Starting and Growing a Business) describes how travel-related companies have thrived in an online environment.



APPLYING TECHNOLOGY

RESERVATIONS ABOUND, YET SO DO PROFITS

While many dot-com companies were disappearing from sight, travel-related companies continued making inroads into the e-tail space. This sector accounts for about 30 percent of online consumer spending. These companies are a natural for online operations, because they don't have physical products that require warehouse and shipping. Most tickets and confirmations can be delivered electronically, keeping overhead to a minimum.

Dallas-based Hotel Reservations Network operates several discount reservations sites. Established in 1991 as a telephone-based reservations service, founder David Litman added the first Web site, www.hoteldiscount.com, in 1995. Moving online provided a cost-effective way for the company to grow quickly and reach a global customer base. "It didn't change what we do," says Litman. "It just put the company on steroids."

Since 1995 the company's average annual revenue growth has been 80 percent, compared to an estimated 20 percent to 30 percent if it hadn't migrated to the Web. As more customers discovered how easy it was to save 10 percent to 30 percent over the lowest published fares, demand grew. Hotels liked the service, too, which gave them an inexpensive distribution channel to fill unbooked rooms. The Web also allowed the company to track rates so it could guarantee customers the best prices and follow booking trends to decide what cities to add. The 1997 introduction of interactive

technology improved the company's efficiency even more. About two-thirds of customers now book online instead of by phone, saving staffing costs.

With its own system firmly in place, the company launched an affiliate program to be the exclusive hotel booking resource on other travel sites. Arrangements with such sites as Travelocity.com and [Cheap Tickets](http://CheapTickets.com) now account for over half its business, and that figure is growing. The affiliates receive about 5 percent of hotel sales booked at their sites.

To broaden its product line even further, Hotel Reservations added condominium and vacation rentals to its main site. In mid-2001 the company went upscale with its second Web site, www.allluxuryhotels.com, for four- and five-star hotels. On the drawing boards were sites dedicated to boutique hotels and budget lodging.

Critical Thinking Questions:

1. What are the advantages to Hotel Reservations Network of adding Web-based reservations to its phone-based service? Disadvantages? Are hotel reservations and the Internet a good fit?
2. Would you book hotel reservations online through www.hoteldiscount.com? Why or why not? What features should Hotel Reservations Network offer at its sites to improve the reservations process?

GLOBAL BUSINESS ECONOMY

Chapter 2 (Competing in the Global Marketplace) offers a complete and exciting picture of competition in the global marketplace. We discuss why global trade is important to the United States, why nations trade, barriers to international trade, how companies enter the global marketplace, and a host of other international concepts and topics. The trends section found in each chapter frequently explains how globalization will affect specific business activities. For example, the trends section in Chapter 9 (Managing Human Resources) examines the unique problems faced by human resource managers as more and more companies "go global."

ENTREPRENEURSHIP AND SMALL BUSINESS MANAGEMENT

Because many students will either open their own businesses or go to work for small organizations, entrepreneurship and small business principles are presented throughout the text. Chapter 5 (Entrepreneurship: Starting and Growing a Business) delivers insightful discussions on issues related to starting and managing a small business including the advantages and disadvantages of small business ownership.

In addition, each chapter contains a feature called Focusing on Small Business that offers practical insights into the challenges and rewards of actually owning and managing a small business. In Chapter 11, for example, the Focusing on Small Business box explains how Michael Bracken's small landscape nursery took on Wal-Mart and Home Depot and survived. In Chapter 10 (Motivating Employees and Creating Self-Managed Teams), students see how a small technology start-up business motivates employees to perform their best.

FOCUSING ON SMALL BUSINESS



GOING DIRECT WITH NIPHIX

Companies that are too small to trade in the OTC market no longer have to wait to qualify for Wall Street to tap the equity markets. Electronic trading networks like Niphix Investments provide an alternate route to the capital markets.

Niphix—itsself a small company—is the first Internet-based direct stock market. "We cater to companies that are too small for Nasdaq, but we hope they can grow at Niphix," says Nimish Ghandi, Niphix's founder. At Niphix, microcap companies (with a market capitalization of less than \$50 million) find the value of their equity—under \$50 million—find services designed for their needs. Niphix helps small companies market and sell their stock without using an underwriter. Such issues are called direct public offerings (DPOs). Niphix's goal is to be a starting point for high-growth companies that will eventually move up to the more established exchanges.

To be listed on Niphix, a company must agree to full disclosure, including quarterly and annual audited reports using GAAP (generally accepted accounting principles) accounting. Standard & Poor's has agreed to cover all companies listed with Niphix. Investors who want to buy and sell shares in Niphix-listed companies simply open a standard brokerage account with Niphix. Unlike similar trading systems, Niphix operates a matching system rather than acting as an intermediary. Buyers and sellers conduct their

own online negotiations until they agree on a price. Then Niphix immediately executes the trade using its staff of registered brokers. Niphix also offers low transaction fees, ranging from \$24 to \$44.

Niphix is still young, and it is too soon to know if it will improve the liquidity of shares of companies and the DPO route. Thus far, the number of companies and investors using Niphix remains small. Tom Stewart-Gordon, editor of a DPO report, believes that investors who buy DPO shares focus on the company's products or philosophy rather than its liquidity. Supporters of exchanges like Niphix think that having a place to sell their securities will encourage more investors to consider DPOs.

Critical Thinking Questions

1. What advantages does Niphix offer a small company?
2. If you were a company owner planning to go public, would you consider Niphix? Justify your answer.
3. How does the availability of research reports for Niphix companies from a major firm like Standard & Poor's help both Niphix and the companies?

TRY IT NOW!


1. Stay Current

Keeping up with the fast pace of technology change is a real challenge, but it is necessary if you wish to remain up-to-date on the latest IT developments. The Internet has simplified this task, however. Get into the habit of visiting news sites such as ZDNet (www.zdnet.com). Its Anchor Desk is updated daily with current news. You can also link to Ziff Davis publications such as PC Week and find online classes. Another excellent site is CNet's News.com (www.news.com), which updates the technology news headlines throughout the day. It has sections on enterprise computing, the Internet, IT services, telecommunications, and

ETHICS AND SOCIAL RESPONSIBILITY

A paramount theme of this text is that business must be conducted in an ethical and socially responsible manner. Chapter 3 (Making Ethical Decisions and Managing a Socially Responsible Business) is completely devoted to business ethics and social responsibility. We discuss techniques for setting personal ethical standards and the stages of ethical development. Also presented are ways managers influence organizational ethics, tools for creating employee ethical awareness, and the concept of social responsibility.

Each chapter drives this important theme home with a Making Ethical Choices box. Each box presents sticky ethical issues, taken from actual business situations, and poses provocative questions about right and wrong. For example, the Making Ethical Choices box in Chapter 13 (Using Technology to Manage Information) tests students' reactions to false and misleading information on the Internet.



MAKING ETHICAL CHOICES

THE PAIRGAIN HOAX

At 9:27 A.M. on April 7, 1999, investors were jolted by a posting on the Yahoo! finance message board. The posting indicated that PairGain Technologies, Inc. had been acquired, and that the information had been found on the Internet site run by Bloomberg—a provider of news and financial data. The posting also provided "an electronic link to what appeared to be a news article on a Web site identified as Bloomberg.com."

As a result of this posting, heavy trading of PairGain's stock ensued, with the per share price rising by 32 percent at one point. Unfortunately for the buyers, the news story turned out to be fictitious. When investors began to discover the hoax, the stock fell, but was still up 10 percent at the end of the day. In all, PairGain's daily trading average of 2.1 million shares. The fake news story, described as a very sophisticated example of "investors being duped by false or misleading postings on the Internet," illustrates "how cheaply and easily programmers can pull off Internet hoaxes using widely available technology and the anonymity afforded by the online world." The fake Bloomberg.com Web page was posted on the free Angelfire service provided by Lycos. To sign up for this free service, a person need only fill out a brief form, including "such unverifiable information as a name and address." A workable e-mail address is also required, but someone can easily use another person's e-mail address.

Critical Thinking Questions

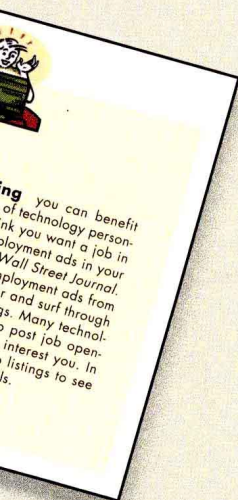
1. Do Internet services have a moral or ethical responsibility to ensure that information provided on their free sites is not false or misleading?
2. What would you do if you discovered false or misleading information on an Internet site?

CAREERS IN BUSINESS

This edition features a comprehensive online career center at <http://gitman.swcollege.com> that provides the tools, information, and resources students need to explore career options in business. Not only will students explore the step-by-step process for finding a job, they will learn more about the following:

- Preparing a cyber resume.
- Researching the history, financial status, and mission of potential employers.
- Researching economic, demographic, and climatic information about cities in which they might work.
- Calculating the cost of living in various cities and obtaining details on crime rates.
- Ensuring success in a new job and winning the first promotion.

Students will find valuable career guidance in the Hot Links activities and in the last part of each chapter, Applying This Chapter's Topics. For example, in Chapter 3 (Competing in the Global Marketplace), students are given insights into the importance of developing global management skills. Try It Now! boxes also emphasize career development. For instance, the Try It Now! box in Chapter 13 (Using Technology to Manage Information), tells students how to stay tuned to the latest information technology developments to enhance employment opportunities.



TECHNOLOGY AND SKILLS FOR

Professors told us that one of their course goals is to strengthen research, communication, business writing, Web, and teamwork skills. To aid in skills development, **The Best of The Future of Business** integrates the following features in each chapter:

1 Case: Boo.com's Big Boo-Boo

When Ernst Malmsten and Kajsa Leander announced the launch of Boo.com, they promised that their online shopping site would be a "gateway to world line." They planned to sell international sportswear brands to fashion-savvy customers in Europe and North America. The pair quickly lined up over \$130 million in capital and opened offices in New York and London.

Malmsten and Leander seemed to epitomize their target market. Both Swedish, they were in their late 20s and dressed in stylish clothes. Making sure the site focused on the coolest fashions was a critical factor, they decided, so they designated employees as "cool hunters" who observed what hip consumer groups were wearing. For example, one group of "cool hunters" spent time watching what young, chic architects in New York before the Boo.com site was launched, the firm's public relations team started publicizing its debut. A multimillion-dollar advertising campaign also began to generate interest in the site.

Products on the site were shown in three-dimensional pictures that could be rotated for a closer look. Virtual mannequins let shoppers mix and match outfits and accessories. Miss Boo, an animated personal shopping assistant, stood ready to help customers with the most advice and witty banter. However, the site had problems. It was built for high-speed access and had those advanced browsers but few Internet users had those tools. Technological and design problems meant the site couldn't start taking orders.

Although Boo.com seemed to have closed its doors, some business analysts much too quickly on advanced merchandise selection technological glitches. One analyst noted that the social process of something that an online fashion Internet for Boo.com's name concepts. Fashion.com as one of it.

Questions for

1. Analyze F possible
2. What c have re
3. What com i

SOURCE: Catwalk from h Really loadr "Boo.com"

2 HOT LINKS

For tips on how to start, grow, or manage your business, check out *Entrepreneur* magazine's "Smart Tip of the Day" at www.entrepreneur-mag.com/smarttip.htm

3 WORKING THE NET

1. Visit Sample Business Plans at <http://www.bplans.com> for all types of businesses. Select an idea that interests you, and using information from this site, develop a business plan.
2. Visit the American Venture Capital Exchange and find a business idea you like or dislike. Evaluate a good business idea or not. List additional information you should have about starting this business and Web using a search engine.
3. Check out the international trade Web links at <http://www.international-trade.com> and pick two or three Trade Web Resources. Compare them in terms of the businesses that want to venture into overseas markets and why?
4. Explore the SBA Web site at <http://www.sba.gov> and find out what classes does the SBA offer. What about financing assistance? Do you have a goal of being a one-stop shopping reseller? Why or why not?
5. Select a type of business that interests you. Represented at <http://www.bizmove.com/>, determine the Feasibility of Your Business. If you study, should you continue to invest in this business?

1 E-Commerce cases. Because leading-edge companies are quickly embracing e-commerce as an avenue for future growth and profitability, **The Best of The Future of Business** takes a peak inside 16 different organizations that use state-of-the-art information technology to launch online business ventures. In each e-commerce case, students are invited to explore business strategies of various companies, analyze business decisions and prepare open-response comments.

2 Hot Link activities. Hot Links take students to the web sites of well-known companies and show them how to find the web's most reliable and valuable business resources. These activities demonstrate actual e-commerce practices and policies, covering issues as diverse as online security, new distribution systems, mass customization and more.

3 Working the Net activities. These guide students through a step-by-step analysis of actual e-business practices and give them opportunities to build online skills.

THE INTERACTIVE WORKPLACE

4

PREPARING FOR TOMORROW'S WORKPLACE

1. Divide the class into teams of five. Each group should select a form of applicant testing and defend why their form of testing should be used for screen applicants.
2. What kind of training and development program would be best for assembly line workers? For first-line supervisors? For industrial sales representatives? For maintenance workers? For computer programmers?
3. Would an overseas job assignment be good for your career development? If so, what country would you prefer to live and work in for three years, and what type of job would you like to have in that country?
4. The fringe benefit package of many employers includes numerous voluntarily provided items such as health insurance, life insurance, paid vacations, tuition reimbursement, employee price discounts, products of the firm, and paid sick leave. At your age, what are the most important benefits? Why? Twenty years from now, what will be your three or four most important benefits? Why?

5

CREATIVE THINKING CASE

Fame Proves Fleeting for Planet Hollywood

Is it possible to be star-struck? Of course, if you're a chicken strips? Of course, if you're Bruce Willis. Whoopi Goldberg generated the huge business that immediately formed eateries made it the envy of all those pecking at chicken-strips appetizer, taste. They squinted into the distance, watching oversized video screens absent from the restaurant, remember the experience.

6



INFOTRAC[®]
COLLEGE EDITION
Exclusively from Gale Group and Thomson Learning

4

Preparing for Tomorrow's Workplace. These activities, found at the end of each chapter, are designed to help students develop their writing, research, and teamwork skills.

5

Critical Thinking Activities. Each boxed feature has two purposes—to amplify and reinforce chapter concepts while encouraging in-depth analysis. Critical thinking questions can be used to generate class discussion or prompt further student analysis. In addition, each chapter contains a Creative Thinking Case featuring interesting organizations such as the New England Aquarium, the Internet Monster Board, Girl Scouts of America, Ford's Acquisition of Volvo, and the American Automobile Association.

6

INFOTRAC[™] College Edition. With InfoTrac College Edition, students have full access to articles from hundreds of scholarly journals and popular periodicals such as Newsweek, Time, and USA Today. The Gitman Web site (<http://gitman.swcollege.com>) features a list of InfoTrac[™] articles that will help students analyze the creative thinking cases within each chapter.

KEEPING PACE WITH BUSINESS: STUDENT-ORIENTED PEDAGOGY

The Best of The Future of Business is designed to engage students and arouse interest in all facets of business for today and tomorrow. Delivered in a precise, crisp writing style, each chapter includes various applications to strengthen students' understanding and involve them in actual business practices.

INTEGRATED LEARNING SYSTEM

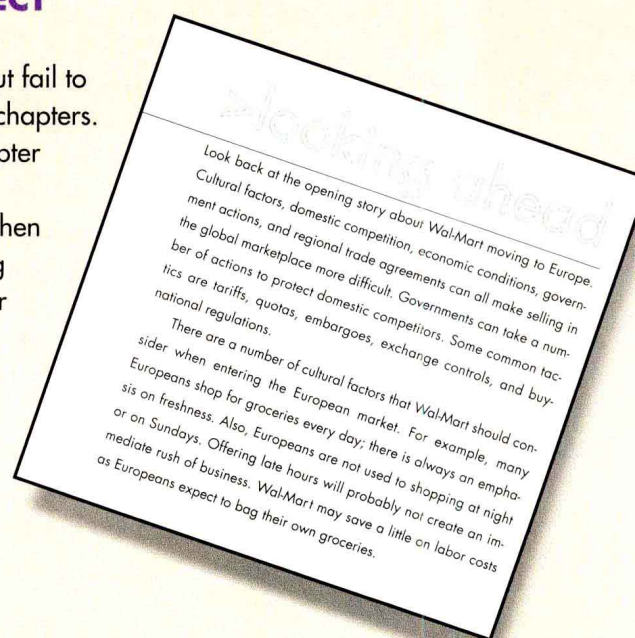
To anchor key concepts and provide a framework for study, an integrated learning system links all major concepts with the chapter, end-of-chapter, and supplements package. Learning goals at the beginning of each chapter outline the goals for study. Major headings within the chapter are identified by icons and supported with concept checks and a chapter summary. In addition, the study guide, instructor's manual, PowerPoint™ slides, and test bank are all framed around the integrated learning system. Each piece of the integrated learning system reinforces the other components to help students learn quickly and to ease lecture preparation.

HUNDREDS OF ACTUAL BUSINESS APPLICATIONS

We focused this book on the needs, abilities, and experience of the typical student. We drew on our experiences inside and outside the classroom to create the most readable and enjoyable textbook in business administration. We believe that the actual business applications interspersed throughout the chapters set the standard for readability and lucid explanation of key concepts.

OPENING VIGNETTES THAT CONNECT

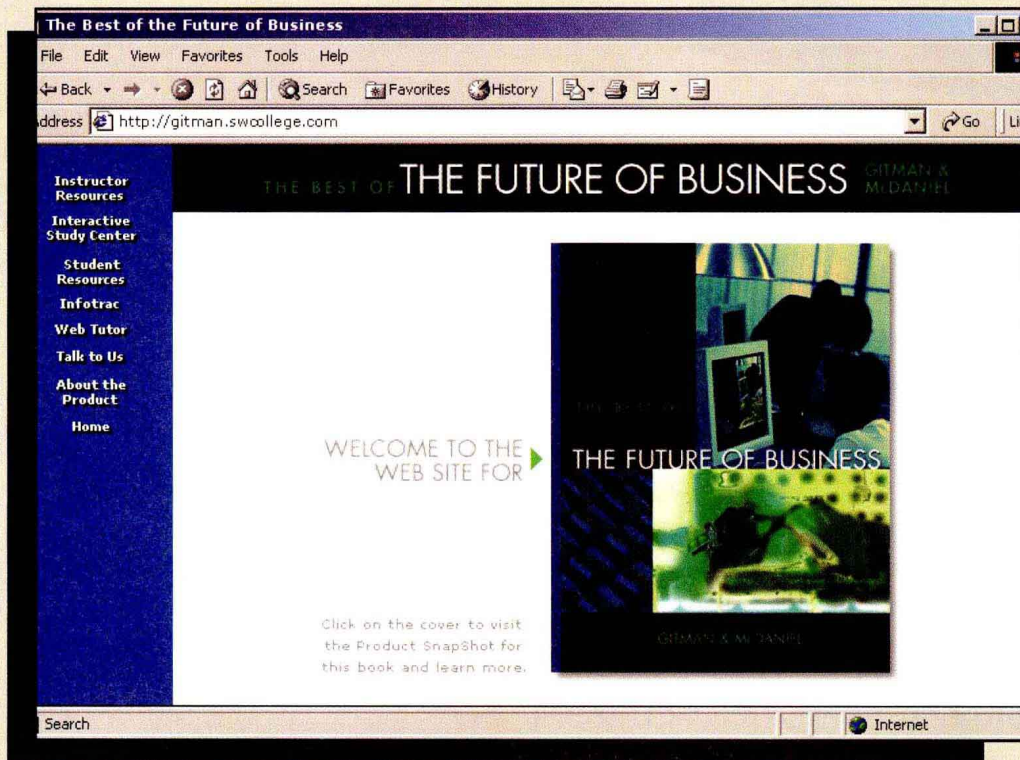
Many texts use short stories to open the chapters but fail to make connections to these stories elsewhere in the chapters. We take a different approach. We begin each chapter with a vignette about a prominent, student-friendly company that previews that chapter's content. We then provide several questions to prompt critical thinking about the chapter content. At the end of the chapter content, we provide an update on the company featured in the opening vignette and offer suggestions on how it may have to adapt to meet emerging trends.



THE BEST OF THE FUTURE OF BUSINESS STUDENT WEB SITE

(<http://gitman.swcollege.com>)

The Best of The Future of Business Web site provides rich content to maximize student learning and build online skills.



- 1** Each text chapter is supported by two online quizzes that test student understanding and offer clear, customized feedback for incorrect answers.
- 2** The Web site includes Internet Exercises that demonstrate how actual companies are applying key chapter concepts. These exercises are organized by chapter and include discussion questions and links to related Web sites.
- 3** PowerPoint™ slides overview the important concepts and principles within each chapter.
- 4** Crossword puzzles utilizing key terms from each chapters make learning business vocabulary more fun and interactive.
- 5** The Web site also offers voluminous support resources for students seeking career information and links to helpful sites.
- 6** InfoTrac Resources includes a bibliography of InfoTrac articles that relate to the critical thinking cases. These articles will help students analyze and develop responses to the critical thinking case questions. A second list of InfoTrac articles, organized by chapter, provides in-depth insight into chapter topics.

INTERACTIVE STUDENT SUPPLEMENTS

The Best of The Future of Business is supported by the following student resources to maximize success in the course and help students learn fundamental business terminology, key business concepts, and practice what they learn.



Web Tutor™ Advantage harnesses the power of the Internet to deliver innovative learning aids that actively engage students. WebTutor™ Advantage was designed to help students grasp complex concepts and to provide several forms of interactive learning reinforcements. This rich collection of content is available to students online.

In addition to a wide variety of skills activities, WebTutor™ Advantage includes new video lectures that enhance the online study of key concepts. Supplementing each PowerPoint™ slide is an audio summary that provides extra explanation of the more challenging key concepts. *Narrated and scripted by a university business professor, these video lectures are available only in WebTutor™ Advantage for this textbook.*

Student Companion CD-ROM

Free with every new textbook, the Student Companion CD-ROM contains two additional chapters, complete with skills development activities and cases. These chapters offer in-depth insight into using the Internet in business and managing personal finances:

- **Enrichment Chapter A, Using the Internet for Business Success**, explores the best strategies for using the Internet to enhance business functions.
- **Enrichment Chapter B, Managing Your Personal Finances**, introduces students to the skills needed to manage their personal finances.

Student Study Guide (ISBN: 0-324-18550-2).

Designed using the integrated learning system, the Student Study Guide tests student comprehension of concepts through the use of multiple-choice questions and matching exercises. A vocabulary builder reinforces business and non-business terms used within the text.

Zapitalism

Zapitalism, a business simulation game where students run a retail business on the imaginary island of Zapinalia, gets students excited about and involved in real business strategies. Zapitalism gives students the opportunity to make smart business decisions on investing in stocks and bonds, negotiating with unions, sabotaging competition, and advertising their products and services.

MarketingBuilder Express

An "express" version of JIAN's popular marketing builder software, this workbook and software provides everything students need to develop a marketing plan.

A NETWORK OF RESOURCES TO MEET A VARIETY OF TEACHING OBJECTIVES

Business success is stimulated by access to and mastery of vital resources. The same is true for the classroom. Whether teaching an online course or simply enhancing your course with Web resources, ***The Best of The Future of Business*** offers a vast, complementary system of teaching and learning resources designed to aid the instructor and drive student interactivity.

Each component of the comprehensive supplements package has been carefully crafted by outstanding teachers to ensure your course is a rewarding learning experience for students. The supplements package includes time-tested teaching tools as well as new supplements designed for the electronic classroom.

Comprehensive Instructor's Manual with Transparency Masters and Video Guide (ISBN: 0-324-18551-0).

Instructor's Manual with
Transparency Masters



Prepared by
James P. Hess

At the core of the integrated learning system for ***The Best of The Future of Business*** is the Instructor's Manual. Developed in response to numerous suggestions from instructors teaching this course, each chapter is designed to provide maximum guidance for delivering the content in an interesting and dynamic manner. Each chapter begins with learning goals that anchor the integrated learning system. A detailed lecture outline guides professors through key terminology and concepts. Lecture enhancers provide additional information and examples from actual businesses to illustrate key chapter concepts. Each chapter includes lecture support for teaching the e-commerce cases and guidance for integrating PowerPoint™ slides and other visuals that illustrate and reinforce the lecture. A comprehensive Video Guide includes the running time of each video segment, concepts illustrated in the video segments, teaching objectives for the case, and solutions for video case study questions. A complete set of transparency masters is available to create overhead acetates. The transparency masters include exhibits from the text and additional teaching notes designed to add fresh examples to your lectures.

PowerPoint™ Lecture System (IRCD ISBN: 0-324-18554-5).

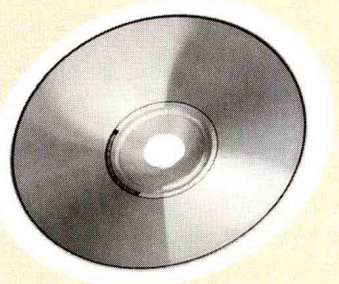
Key chapter concepts and actual business examples are available in PowerPoint™ presentation software to improve lecture organization and reduce preparation time. The PowerPoint™ slides were prepared by Carol Luce, Arizona State University.

Instructor's Resource CD (ISBN: 0-324-18554-5).

For maximum convenience, the Instructor's Manual, the PowerPoint™ slides, and the ExamView Testing System are all available on a CD.

Color Acetate Transparencies (ISBN: 0-324-18558-8).

Color acetate transparencies feature key concepts, exhibits from the text, and additional examples and exhibits not found in the text.



Test Bank (ISBN: 0-324-18557-X).

The comprehensive test bank is organized by learning goal to support the integrated learning system. Designed to provide multiple options for testing every concept in a chapter, the test bank contains true/false, multiple-choice, fill-in-the-blank, and short-answer questions. These test questions may be arranged and customized to support a variety of course objectives. The Test Bank is available in print and computerized test bank format (ExamView Testing Software: IRCD ISBN: 0-324-18554-5)

Comprehensive Video Library (ISBN: 0-324-18560-X; 0-324-185618).

Designed to enrich and support chapter concepts, each of the 16 videos presents real business issues faced by a variety of service and manufacturing organizations. The video cases challenge students to study business issues and develop solutions to business problems. The instructor's video guide outlines the key teaching objectives of each video case and suggests answers to the thinking questions.

This book could not have been written and published without the generous, expert assistance of many people. First, we wish to thank Marlene Bellamy, Writeline Associates, for her major and outstanding contributions to numerous aspects of this text. We wish to thank Jim Hess, Ivy Tech State College, for his comprehensive, creative, and timely work on the Instructor's Manual, PowerPoint slides, and e-lectures. We extend special thanks to Tom and Betty Pritchett, Kennesaw State University, for their conscientious development of the test bank. In addition, we appreciate the creative energy of Jonas Falik

and Brenda Hersh, Queensborough Community College, who wrote the study guide.

A special word of appreciation goes to the editorial team at South-Western/Thomson Learning, including Mary Draper, Steve Hazelwood, Kelly Keeler, Christine Wittmer, Amy Wilson, and Casey Gilbertson.

We have benefited from the detailed and constructive reviews provided by many individuals. In particular, we wish to thank the following educators who have served as reviewers in this and prior editions:

Joseph H. Atallah
Devry Institute of Technology

Hal Babson
Columbus State Community
College

Herm Baine
Broward Community College

Iris Berdrow
Bentley College

Susan C. Borkowski
La Salle University

Lorenzo Bowman
DeVry Institute of
Technology/Georgia

Harvey Bronstein
Oakland Community College

Bonnie R. Chavez
Santa Barbara City College

Kevin Collins
Lehigh University

M. Bixby Cooper
Michigan State University

Jonas Falik
Queensborough Community
College

Janice M. Feldbauer
Austin Community College—
Northridge

Dennis Foster
Northern Arizona University

James Giles
Bergen Community College

Carnella Hardin
Glendale College

Frederic H. Hawkins
Westchester Business Institute

Henry J. Jackson
Delaware County
Community College

Connie Johnson
Tampa College

Jerry Kinskey
Sinclair Community College

Jeffrey Klivans
University of Maine at Augusta

Raymond T. Lamanna
Berkeley College

Carol Luce
Arizona State University

Carl Meskimen
Sinclair Community College

Andrew Miller
Hudson Valley Community
College

H. Lynn Moretz
Central Piedmont Community
College

Joseph Newton
Bakersfield College

Teresa Palmer
Illinois State University

Lila Prigge
University of North Dakota

Robert F. Reck
Western Michigan University

Ann Squire
Blackhawk Technical College

Ron Weidenfeller
Grand Rapids Community
College

Dedicated to the memory of my mother,
Dr. Edith Gitman, who instilled in me the
importance of education and hard work.

To my brother and his wife,
Maxwell and Dawn McDaniel.