

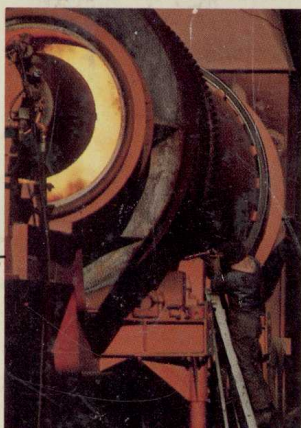
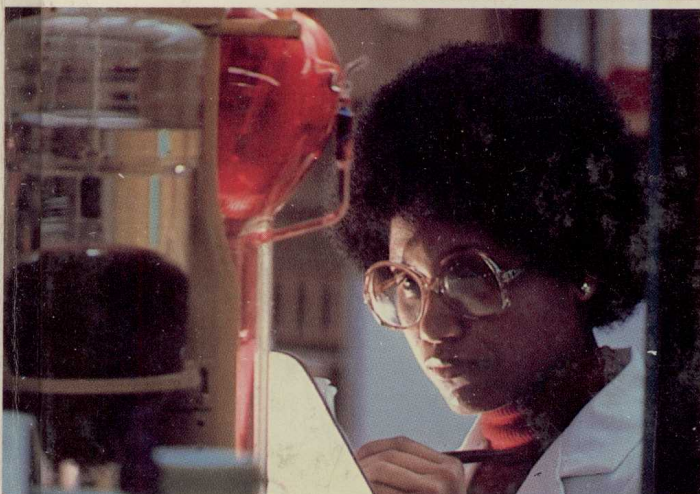
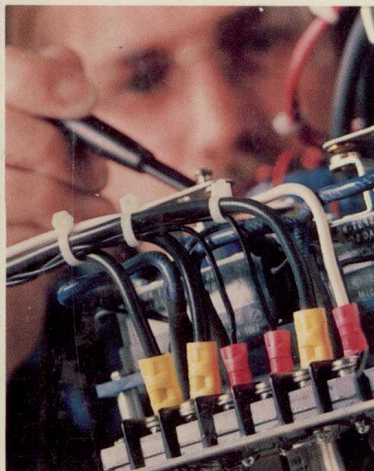
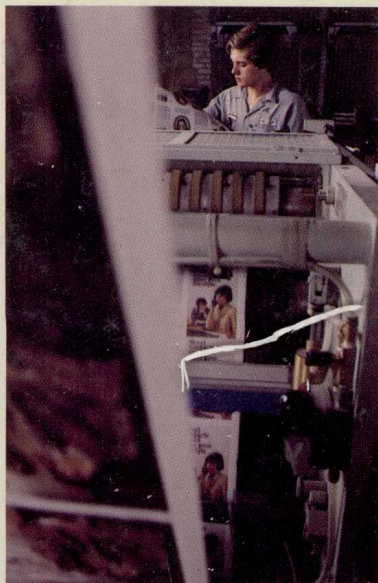
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An Introduction to

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The American  
Business Enterprise

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Jerry B. Poe

**An Introduction to**  
**The American**  
**Business Enterprise**

**Jerry B. Poe**  
College of Business Administration  
Arizona State University

**1983**



**Fifth Edition**

**RICHARD D. IRWIN, INC.**  
Homewood, Illinois 60430

*Cover Photography*

Man with Circuit Board Ted Kawalerski

Printing Press Ted Kawalerski

Man Oiling Furnace Charles St. John

Woman Chemist S. Niedorf

Two Businessmen Bob Day

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ISBN 0-256-02924-5

Library of Congress Catalog Card No. 82-82525

*Printed in the United States of America*

1 2 3 4 5 6 7 8 9 0 V 0 9 8 7 6 5 4 3

**In memory of my father, Carlyle Poe**

# Preface

You have made a wise decision to study business as part of your college program. Business performs the important functions in our society of producing goods and services and providing jobs for millions of Americans.

This Fifth Edition of *An Introduction to the American Business Enterprise* presents a balanced and comprehensive approach to the role of business in our private enterprise system. Changes occurring in business today are reflected in this edition, including changes in our system of banking and financial institutions, the impact of government on business, women's role in business, the social responsibilities of business, robotics, and labor-management relations. Because many of you have an interest in running your own business, a chapter is included early in the book on the opportunities and challenges of small business.

Chapters open with statements and pictures taken from recent annual reports of publicly-owned corporations. These chapter openings reflect the dynamic nature of American business management today.

On the first text page of each chapter is an introductory statement of the general nature of the material covered, along with several major questions which can serve as learning objectives for your study. A system of major and minor subheadings provides a guide for outlining each chapter. An end-of-chapter summary reviews the major topics discussed.

The end-of-chapter Terms for Review list some of the key concepts and terminology. Because of the importance in an introductory course of learning the language of business, an extensive glossary of approximately 600 words and terms used in the book is included.

Throughout the book a series of career opportunity features gives detailed information on careers for the 1980s. "Career Outlook" materials were taken from the *Occupational Outlook Handbook* published by the U.S. Department of Labor.

Questions at the end of each chapter draw on an understanding of specific concepts discussed in the text or require outside research or original thinking based on the background information presented in the chapter.

The Business Briefs at the end of each chapter provide a basis for understanding the dynamic nature of today's business world. Each business brief has been taken from public news reports of current interest. However, the basic issues in the business briefs reflect future problem areas as well as matters of topical interest.

The Cases contain discussion material which will help develop your capabilities for problem identification, evaluation of alternatives, and recommendations for

action. The cases also present an opportunity for specific application of your understanding of the concepts discussed in the chapters. Questions at the end of each Business Brief and Case provide a starting point for your analysis. In analyzing a case the following approach is recommended:

1. Identify and state the issues or problems in the case. Indicate the most important or central problem facing management.
2. List the alternative solutions to the problems.
3. State your recommended course of action.
4. Indicate the reasons for your decision. Why is your recommendation better than other alternatives? What will be the probable consequences of accepting your recommendation?

*A Review Guide and Workbook* to accompany this book has been prepared by Lohnie J. Boggs and Barry L. Van Hook of Arizona State University and James A. Carson of City College of San Francisco. This review guide will be useful to you in your study of the text.

I appreciate the helpful review of this manuscript by Maurice M. Sampson and his colleagues at Community College of Philadelphia.

My sincere thanks to the students and faculty members across the country who made constructive suggestions for this Fifth Edition. The following faculty members deserve special thanks for their comments for this edition: E. Wayne Chandler, Graceland College, Lamoni, Iowa; John V. Coyne, Regis College, Denver; Maneck M. Engineer, Central Y.M.C.A. Community College, Chicago; Paul N. Loveday, University of Nevada, Las Vegas; Mark D. Montanus, Glendale Community College, Arizona; Otis S. Romine, Indiana University at South Bend; William Russ Shaver, J. Sargeant Reynolds Community College, Richmond, Virginia; and Joe L. Terrell, Sr. and Don Ulm, Glendale Community College, Arizona.

Also, thanks to the following doctoral students at Arizona State University who commented on the book: David Dauwalder, Bill Johnson, Karen L. Kelley, Elwin Myers, and Janet J. Palmer.

W. C. Bothwell of Drury College made available his labor arbitration files for case materials and his writing on the motivations of workers for joining labor unions.

I appreciate the cooperation of the many business people who provided case materials, examples, and pictures which illustrate the many complex issues facing business today.

The support of my family in this and previous editions has been invaluable. Special thanks go to my wife, Carol, for her editorial assistance.

**Jerry B. Poe**

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## **Section**

# I



**The economic,  
political, and social  
environment of  
business**

## Sears reports . . .

In the continuing evolution of Sears, Roebuck and Co., 1981 proved to be a landmark year. During this period, management established three strategic moves to enhance corporate growth and broaden the company's ability to better serve the consumer marketplace for years to come.

First was the decision to create the Sears U.S. Government Money Market Trust Fund, a new investment opportunity for potentially millions of consumers.

The company then announced the significant expansion of its real estate operations through the acquisition of Coldwell, Banker & Company, the largest real estate broker in the United States. Shortly thereafter, our financial services capabilities were extended with the acquisition of Dean Witter Reynolds Organization Inc., one of the nation's leading securities brokerage firms.

Sears, Roebuck and Co. recognizes that the economic and social conditions in the United States have undergone dramatic changes during the past two decades. Such changes clearly require new products and services, new ways of conducting business.

Among the most significant social changes of the past several decades are the rising consumer demand for services, increased household formation, and the emergence of the two-income family. While the two wage earner family may have contributed to the overall growth of the economy, it also has changed significantly the consumer's allocation of income.

Today's busy family places a premium on time, and therefore on services. Over the past

three decades, the percentage of disposable income spent on services—as opposed to goods—has climbed from about 30 percent to nearly 44 percent.

Shopping patterns and retail competition have taken new courses, as well. More consumers than ever before want to shop nights and weekends and are increasingly willing to buy goods by mail and phone. Sears has been at the leading edge of these trends as well as in the development of electronic shopping systems for the future.

If America wants to shop at home by cable television, Sears will be there. If America wants to buy office equipment at special retail stores, Sears will offer it. If America wants more national brands as well as Sears brands, Sears will have them. If America wants more specialized services, Sears will provide them. In fact, right now Sears makes available a spectrum of personal services, ranging from tax assistance to auto rentals to home maintenance.

For many Americans, Sears is the major source of goods and services, with its 851 U.S. retail stores and 2,388 catalog outlets. Sears, Roebuck and Co. also has 24 million active credit card accounts; 24 million catalog customers, half of whom do not have Sears credit accounts, and more than 20 million insurance policies in force.

Now, in addition, our family of companies can provide full financial services through 324 Dean Witter Reynolds offices and complete real estate services through more than 400 Coldwell Banker offices in the United States.

In all, this represents the largest customer base of any commercial institution in the world.

**From the annual report of Sears, Roebuck and Co.**

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*Photo opposite:* "Sears, Roebuck and Co. recognizes that economic and social conditions in America have undergone dramatic changes during the past two decades. Such changes require new products and services . . . new ways of doing business."