

UNDERSTANDING **Business**

TWELFTH EDITION



William G. Nickels

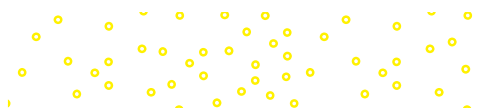
UNIVERSITY OF MARYLAND

James M. McHugh

ST. LOUIS COMMUNITY COLLEGE AT FOREST PARK

Susan M. McHugh

APPLIED LEARNING SYSTEMS



BRIEF CONTENTS

Gold Standard v

Prologue: Getting Ready for This Course
and Your Career P

PART 1

Business Trends: Cultivating a Business in Diverse, Global Environments

- 1 Taking Risks and Making Profits within the Dynamic
Business Environment 2
- 2 Understanding Economics and How It Affects
Business 26
- 3 Doing Business in Global Markets 56
- 4 Demanding Ethical and Socially Responsible
Behavior 86

PART 2

Business Ownership: Starting a Small Business

- 5 How to Form a Business 110
- 6 Entrepreneurship and Starting a Small
Business 140

PART 3

Business Management: Empowering Employees to Satisfy Customers

- 7 Management and Leadership 168
- 8 Structuring Organizations for Today's
Challenges 190
- 9 Production and Operations Management 216

PART 4

Management of Human Resources: Motivating Employees to Produce Quality Goods and Services

- 10 Motivating Employees 240

- 11 Human Resource Management: Finding and Keeping
the Best Employees 266

- 12 Dealing with Employee–Management Issues 300

PART 5

Marketing: Developing and Implementing Customer-Oriented Marketing Plans

- 13 Marketing: Helping Buyers Buy 326
- 14 Developing and Pricing Goods and Services 352
- 15 Distributing Products 380
- 16 Using Effective Promotions 408

PART 6

Managing Financial Resources

- 17 Understanding Accounting and Financial
Information 434
- 18 Financial Management 462
- 19 Using Securities Markets for Financing and Investing
Opportunities 488
- 20 Money, Financial Institutions, and the Federal
Reserve 518

Bonus Chapters

- A Working within the Legal Environment 544
- B Using Technology to Manage Information 566
- C Managing Risk 592
- D Managing Personal Finances 606

EPILOGUE 628

- Glossary 642
Name Index 661
Organization Index 669
Subject Index 673

Gold Standard v

PROLOGUE

Getting Ready for This Course and Your Career P

Learning the Skills You Need to Succeed Today and Tomorrow P-1

Using This Course to Prepare for Your Career P-2

Assessing Your Skills and Personality P-3

Using Professional Business Strategies Right Now P-3

Learning to Behave Like a Professional P-4

Doing Your Best in College P-6

Study Hints P-6

Test-Taking Hints P-8

Time Management Hints P-9

Making the Most of the Resources for This Course P-10

Getting the Most from This Text P-11

PART 1

Business Trends: Cultivating a Business in Diverse, Global Environments 2

CHAPTER 1

Taking Risks and Making Profits within the Dynamic Business Environment 2

GETTING TO KNOW ANN-MARIE CAMPBELL OF HOME DEPOT 3

Business and Wealth Building 4

Revenues, Profits, and Losses 4

Matching Risk with Profit 4

Standard of Living and Quality of Life 5

Responding to the Various Business Stakeholders 5

Using Business Principles in Nonprofit Organizations 6

The Importance of Entrepreneurs to the Creation of Wealth 7

The Five Factors of Production 8

The Business Environment 9

The Economic and Legal Environment 9

The Technological Environment 11

ADAPTING TO CHANGE UP, UP, AND AWAY 12

The Competitive Environment 13

The Social Environment 14

The Global Environment 15

REACHING BEYOND OUR BORDERS HOLLYWOOD CLIMBS THE GREAT WALL 16

The Evolution of U.S. Business 17

Progress in the Agricultural and Manufacturing Industries 17

Progress in Service Industries 18

ADAPTING TO CHANGE SERVICES EXPAND THE CIRCULAR ECONOMY 18

Your Future in Business 19

Summary 20

Key Terms 22

Career Exploration 22

Critical Thinking 22

Developing Career Skills 23

Putting Principles to Work 23

Video Case: Grubhub and the Dynamic Business Environment 24

Notes 24

CHAPTER 2

Understanding Economics and How It Affects Business 26

GETTING TO KNOW THOMAS PIKETTY, ECONOMIST 27

How Economic Conditions Affect Businesses 28

What Is Economics? 29

The Secret to Creating a Wealthy Economy 29

Adam Smith and the Creation of Wealth 30

ADAPTING TO CHANGE WORLD POPULATION IS POPPING 30

How Businesses Benefit the Community 31

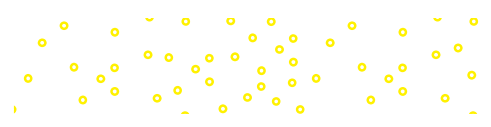
Understanding Free-Market Capitalism 32

How Free Markets Work 34

How Prices Are Determined 34

The Economic Concept of Supply 35

The Economic Concept of Demand 35



The Equilibrium Point, or Market Price 35
 Competition within Free Markets 36
 Benefits and Limitations of Free Markets 37

MAKING ETHICAL DECISIONS BAD MEDICINE FOR CONSUMERS? 37

Understanding Socialism 38
 The Benefits of Socialism 39
 The Negative Consequences of Socialism 39

Understanding Communism 39

The Trend Toward Mixed Economies 40

Understanding the U.S. Economic System 41
 Key Economic Indicators 42
 Productivity in the United States 44

REACHING BEYOND OUR BORDERS INFLATION AT THE SPEED OF SOUND 44

Productivity in the Service Sector 45
 The Business Cycle 45
 Stabilizing the Economy through Fiscal Policy 46
 Using Monetary Policy to Keep the Economy Growing 47

Summary 48

Key Terms 50

Career Exploration 50

Critical Thinking 50

Developing Career Skills 51

Putting Principles to Work 51

Video Case: Opportunity International: Giving the Poor a Working Chance 52

Notes 53

CHAPTER 3

Doing Business in Global Markets 56

GETTING TO KNOW INDRA KRISHNAMURTHY NOOYI, CEO OF PEPSICO 57

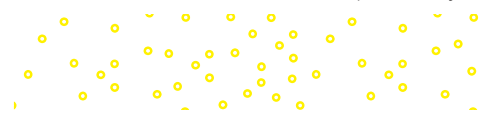
The Dynamic Global Market 58

Why Trade with Other Nations? 59
 The Theories of Comparative and Absolute Advantage 60

Getting Involved in Global Trade 60
 Importing Goods and Services 61
 Exporting Goods and Services 61
 Measuring Global Trade 61

CONNECTING THROUGH SOCIAL MEDIA MY HOME IS YOUR HOME 62

Strategies for Reaching Global Markets 64
 Licensing 64
 Exporting 65
 Franchising 65



ADAPTING TO CHANGE MANY FLAGS FLY OVER THE GOLDEN ARCHES 66

Contract Manufacturing 67
 International Joint Ventures and Strategic Alliances 67
 Foreign Direct Investment 68

Forces Affecting Trading in Global Markets 69
 Sociocultural Forces 69
 Economic and Financial Forces 70
 Legal and Regulatory Forces 72
 Physical and Environmental Forces 73

Trade Protectionism 73

MAKING ETHICAL DECISIONS EXPORTING YOUR PROBLEMS AWAY 73

The World Trade Organization 74
 Common Markets 75
 The North American and Central American Free Trade Agreements 76

The Future of Global Trade 77

The Challenge of Offshore Outsourcing 78
 Globalization and Your Future 79

Summary 80

Key Terms 81

Critical Exploration 82

Critical Thinking 82

Developing Career Skills 82

Putting Principles to Work 83

Video Case: Electra Bicycle Company 83

Notes 84

CHAPTER 4

Demanding Ethical and Socially Responsible Behavior 86

GETTING TO KNOW AARON AND EVAN STEED, CO-FOUNDER OF MEATHEAD MOVERS 87

Ethics Is More Than Legality 88
 Ethical Standards Are Fundamental 90

Ethics Begins with Each of Us 90

Managing Businesses Ethically and Responsibly 91

MAKING ETHICAL DECISIONS ETHICS BEGINS WITH YOU 91

Setting Corporate Ethical Standards 92

Corporate Social Responsibility 94

Responsibility to Customers 96
 Responsibility to Investors 98
 Responsibility to Employees 98

Responsibility to Society and the Environment 99
Social Auditing 101

International Ethics and Social Responsibility 102

REACHING BEYOND OUR BORDERS ETHICAL CULTURE CLASH 103

Summary 104
Key Terms 105
Career Exploration 105
Critical Thinking 106
Developing Career Skills 106
Putting Principles to Work 106
Video Case: Warby Parker/VisionSpring 107
Notes 107

PART 2

Business Ownership: Starting a Small Business 110

CHAPTER 5

How to Form a Business 110

GETTING TO KNOW PETER CANCRO, FOUNDER OF JERSEY MIKE'S SUBS 111

Basic Forms of Business Ownership 112

Sole Proprietorships 113

Advantages of Sole Proprietorships 113
Disadvantages of Sole Proprietorships 113

Partnerships 114

Advantages of Partnerships 115
Disadvantages of Partnerships 116

Corporations 118

Advantages of Corporations 118

MAKING ETHICAL DECISIONS GOOD BUSINESS, BAD KARMA? 118

Disadvantages of Corporations 120
Individuals Can Incorporate 121

ADAPTING TO CHANGE KICKSTARTING A BENEFIT CORPORATION 121

S Corporations 122
Limited Liability Companies 123

Corporate Expansion: Mergers and Acquisitions 125

Franchises 126

Advantages of Franchises 127
Disadvantages of Franchises 128

SPOTLIGHT ON SMALL BUSINESS UNLOCKING A GROWING FRANCHISE 129

Diversity in Franchising 130

Home-Based Franchises 130
E-Commerce in Franchising 131
Using Technology in Franchising 131
Franchising in Global Markets 131

Cooperatives 132

Which Form of Ownership Is for You? 132

Summary 133
Key Terms 135
Career Exploration 135
Critical Thinking 135
Developing Career Skills 136
Putting Principles to Work 136

Video Case: Domino's Still Rolling in the Dough 137

Notes 137

CHAPTER 6

Entrepreneurship and Starting a Small Business 140

GETTING TO KNOW TRISTAN WALKER, FOUNDER OF WALKER AND COMPANY 141

The Job-Creating Power of Entrepreneurs in the United States 142

Why People Take the Entrepreneurial Challenge 143

SPOTLIGHT ON SMALL BUSINESS STUDENT START-UPS 143

What Does It Take to Be an Entrepreneur? 144
Turning Your Passions and Problems into Opportunities 144
Entrepreneurial Teams 145
Entrepreneurship within Firms 145
Micropreneurs and Home-Based Businesses 146
Online Businesses 147
Encouraging Entrepreneurship: What Government Can Do 148

Getting Started in Small Business 150

Small versus Big Business 150
Importance of Small Businesses 150
Small-Business Success and Failure 151

Learning About Small-Business Operations 152

Learn from Others 152
Get Some Experience 152
Take Over a Successful Firm 153

MAKING ETHICAL DECISIONS SHOULD YOU STAY OR SHOULD YOU GO? 153

Managing a Small Business 154

Planning Your Business 154

Financing Your Small Business	156
Knowing Your Customers	158
Managing Your Employees	158
Keeping Records	159
Looking for Help	159
Going Global: Small-Business Prospects	160
Summary	162
Key Terms	163
Career Exploration	163
Critical Thinking	164
Developing Career Skills	164
Putting Principles to Work	164
Video Case: Launching a Business: JCF Health and Fitness	165
Notes	165

PART 3

Business Management: Empowering Employees to Satisfy Customers 168

CHAPTER 7

Management and Leadership 168

GETTING TO KNOW KEVIN PLANK, FOUNDER OF UNDER ARMOUR 169

Managers' Roles Are Evolving 170

The Four Functions of Management 171

Planning and Decision Making 172

ADAPTING TO CHANGE WILL STRATEGY ROBOTS REPLACE MANAGERS? 175

Decision Making: Finding the Best Alternative 176

Organizing: Creating a Unified System 177

Tasks and Skills at Different Levels of Management 178

Staffing: Getting and Keeping the Right People 179

CONNECTING THROUGH SOCIAL MEDIA WANT TO BE A SOCIAL MEDIA MANAGER? 179

Leading: Providing Continuous Vision and Values 180

Leadership Styles 181

MAKING ETHICAL DECISIONS WHAT DO YOU TELL THE TEAM? 181

Empowering Workers 182

Managing Knowledge 183

Controlling: Making Sure It Works 183

A Key Criterion for Measurement: Customer Satisfaction 184

Summary 185

Key Terms 187

Career Exploration 187

Critical Thinking 188

Developing Career Skills 188

Putting Principles to Work 188

Video Case: Zappos's Team Approach 189

Notes 189

CHAPTER 8

Structuring Organizations for Today's Challenges 190

GETTING TO KNOW DENISE MORRISON, CEO OF CAMPBELL SOUP COMPANY 191

Organizing for Success 192

Building an Organization from the Bottom Up 192

The Changing Organization 193

MAKING ETHICAL DECISIONS WOULD YOU SACRIFICE SAFETY FOR PROFITS? 193

The Development of Organizational Design 194

Turning Principles into Organizational Design 195

Decisions to Make in Structuring Organizations 197

Choosing Centralized or Decentralized Authority 197

Choosing the Appropriate Span of Control 197

Choosing between Tall and Flat Organizational Structures 198

Weighing the Advantages and Disadvantages of Departmentalization 198

Organizational Models 201

Line Organizations 201

Line-and-Staff Organizations 202

Matrix-Style Organizations 202

Cross-Functional Self-Managed Teams 204

Going Beyond Organizational Boundaries 204

ADAPTING TO CHANGE GOING BOSSLESS 204

Managing the Interactions among Firms 205

Transparency and Virtual Organizations 205

Adapting to Change 207

Restructuring for Empowerment 207

CONNECTING THROUGH SOCIAL MEDIA BREAKING THE CONNECTION 208

Creating a Change-Oriented Organizational Culture 209

Managing the Informal Organization 209

Summary 210

Key Terms 212

Career Exploration 212

Critical Thinking	212
Developing Career Skills	213
Putting Principles to Work	213
Video Case: Freshii's Winning Organization	214
Notes	214

CHAPTER 9

Production and Operations Management 216

GETTING TO KNOW SHAHID KHAN, CEO OF FLEX-N-GATE 217

Manufacturing and Services in Perspective 218

Manufacturers and Service Organizations
Become More Competitive 219

REACHING BEYOND OUR BORDERS CREATING SKILLED WORKERS WITH GERMAN-STYLE APPRENTICESHIPS 219

From Production to Operations Management 220

Operations Management in the Service Sector 220

Production Processes 221

The Need to Improve Production Techniques and Cut Costs 222

Computer-Aided Design and Manufacturing 223

Flexible Manufacturing 223

Lean Manufacturing 223

Mass Customization 224

Robotics 224

3D Printing 224

Using Sensing, Measurement, and Process Control 225

ADAPTING TO CHANGE THE VAST POSSIBILITIES OF 3D PRINTING 225

Operations Management Planning 226

Facility Location 226

Facility Location for Manufacturers 226

Interfirm Operations Management 227

Facility Location in the Future 227

MAKING ETHICAL DECISIONS SHOULD WE STAY OR SHOULD WE GO? 227

Facility Layout 228

Materials Requirement Planning 228

Purchasing 230

Just-in-Time Inventory Control 230

Quality Control 230

The Baldrige Awards 231

ISO 9001 and ISO 14001 Standards 231

Control Procedures: PERT and Gantt Charts 232

Preparing for the Future 232

Summary 234

Key Terms 236

Career Exploration 236

Critical Thinking 237

Developing Career Skills 237

Putting Principles to Work 237

Video Case: Production in the 21st Century 238

Notes 239

PART 4

Management of Human Resources: Motivating Employees to Produce Quality Goods and Services 240

CHAPTER 10

Motivating Employees 240

GETTING TO KNOW KIM JORDAN, CEO OF NEW BELGIUM BREWING COMPANY 241

The Value of Motivation 242

Frederick Taylor: The "Father" of Scientific Management 243

Elton Mayo and the Hawthorne Studies 244

Motivation and Maslow's Hierarchy of Needs 245

Herzberg's Motivating Factors 246

Mcgregor's Theory X and Theory Y 248

Theory X 248

Theory Y 248

Ouchi's Theory Z 249

Goal-Setting Theory and Management by Objectives 251

Meeting Employee Expectations: Expectancy Theory 251

Treating Employees Fairly: Equity Theory 252

Putting Theory into Action 253

Motivating through Job Enrichment 253

Motivating through Open Communication 253

Applying Open Communication in Self-Managed Teams 254

Recognizing a Job Well Done 255

ADAPTING TO CHANGE EMPLOYEE ENGAGEMENT'S MOOD RING 255

Personalizing Motivation 256

Motivating Employees across the Globe 256

Motivating Employees across Generations 257

CONNECTING THROUGH SOCIAL MEDIA THREE CHEERS FOR PEERS! 258

Summary	259
Key Terms	262
Career Exploration	262
Critical Thinking	262
Developing Career Skills	263
Putting Principles to Work	263
Video Case: Appletree Answers	263
Notes	264

CHAPTER 11

Human Resource Management: Finding and Keeping the Best Employees 266

GETTING TO KNOW **HAMDÍ ULUKAYA, FOUNDER AND CEO OF CHOBANI** 267

Working with People Is Just the Beginning 268

Developing the Ultimate Resource 268

The Human Resource Challenge 269

Laws Affecting Human Resource Management 270

Laws Protecting Employees with Disabilities and Older Employees 272

Effects of Legislation 273

Determining a Firm's Human Resource Needs 273

Recruiting Employees From a Diverse Population 275

CONNECTING THROUGH **SOCIAL MEDIA** NEED A JOB? 276

Selecting Employees Who Will Be Productive 277

Hiring Contingent Workers 278

CONNECTING THROUGH **SOCIAL MEDIA** LET'S FACE IT 278

Training and Developing Employees for Optimum Performance 280

MAKING **ETHICAL DECISIONS** INTERN OR INDENTURED SERVANT? 280

Management Development 282

Networking 282

Diversity in Management Development 283

Appraising Employee Performance to Get Optimum Results 283

Compensating Employees: Attracting and Keeping the Best 284

Pay Systems 285

Compensating Teams 285

Fringe Benefits 286

REACHING BEYOND **OUR BORDERS** MANAGING A GLOBAL WORKFORCE 287

Scheduling Employees to Meet Organizational and Employee Needs 288

Flextime Plans 288

Home-Based Work 289

Job-Sharing Plans 290

Moving Employees Up, Over, and Out 291

Promoting and Reassigning Employees 291

Terminating Employees 291

Retiring Employees 291

Losing Valued Employees 292

Summary 293

Key Terms 295

Career Exploration 295

Critical Thinking 295

Developing Career Skills 295

Putting Principles to Work 296

Video Case: Teach for America 296

Notes 297

CHAPTER 12

Dealing with Employee–Management Issues 300

GETTING TO KNOW **LILY ESKELSEN GARCÍA, PRESIDENT OF THE NEA** 301

Employee–Management Issues 302

Labor Unions Yesterday and Today 302

The History of Organized Labor 303

Labor Legislation and Collective Bargaining 304

SPOTLIGHT ON **SMALL BUSINESS** THE FIRE THAT SPARKED THE LABOR MOVEMENT 304

Union Organizing Campaigns 305

Objectives of Organized Labor over Time 306

Resolving Labor–Management Disagreements 307

Mediation and Arbitration 308

Tactics Used in Labor–Management Conflicts 309

Union Tactics 309

Management Tactics 310

The Future of Unions and Labor–Management Relations 310

MAKING **ETHICAL DECISIONS** WALKING A FINE LINE 311

Controversial Employee–Management Issues 312

Executive Compensation 312

Pay Equity 313

ADAPTING TO **CHANGE** PAYING FOR UNDERPERFORMING 314

Sexual Harassment 315

Child Care 315

Elder Care 316

Drug Abuse and Drug Testing	317
Violence and Bullying in the Workplace	318
Summary	319
Key Terms	320
Career Exploration	320
Critical Thinking	321
Developing Career Skills	321
Putting Principles to Work	321
Video Case: Working with Unions at Freeman	322
Notes	322

PART 5

Marketing: Developing and Implementing Customer-Oriented Marketing Plans

CHAPTER 13

Marketing: Helping Buyers Buy 326

GETTING TO KNOW MICHELLE PHAN, FOUNDER OF IPSY 327

What Is Marketing? 328

The Evolution of Marketing 329

CONNECTING THROUGH SOCIAL MEDIA SNAPPING UP A CUSTOMER BASE 330

Nonprofit Organizations and Marketing 331

The Marketing Mix 332

Applying the Marketing Process 332

Designing a Product to Meet Consumer Needs 333

Setting an Appropriate Price 334

Getting the Product to the Right Place 334

Developing an Effective Promotional Strategy 334

Providing Marketers with Information 335

The Marketing Research Process 335

The Marketing Environment 338

Global Factors 338

Technological Factors 338

Sociocultural Factors 339

Competitive Factors 339

SPOTLIGHT ON SMALL BUSINESS CREATING MASS APPEAL FOR A CUSTOM PRODUCT 339

Economic Factors 340

Two Different Markets: Consumer and Business-to-Business (B2B) 340

The Consumer Market 341

Segmenting the Consumer Market 341

Reaching Smaller Market Segments 342

Building Marketing Relationships 343

The Consumer Decision-Making Process 343

ADAPTING TO CHANGE BUILDING RELATIONSHIPS BY BUILDING SUBSCRIBERS 344

The Business-to-Business Market 345

Your Prospects in Marketing 345

Summary 346

Key Terms 348

Career Exploration 348

Critical Thinking 348

Developing Career Skills 349

Putting Principles to Work 349

Video Case: Dunkin' Donuts and the 4 Ps 350

Notes 350

CHAPTER 14

Developing and Pricing Goods and Services 352

GETTING TO KNOW ANTHONY KATZ, FOUNDER OF HYPERICE 353

Product Development and the Total Product Offer 354

CONNECTING THROUGH SOCIAL MEDIA PLAYING WITH THE SOCIAL GAMING STARS 355

Distributed Product Development 356

Product Lines and the Product Mix 356

Product Differentiation 357

Marketing Different Classes of Consumer Goods and Services 358

Marketing Industrial Goods and Services 359

Packaging Changes the Product 360

The Growing Importance of Packaging 361

Branding and Brand Equity 362

MAKING ETHICAL DECISIONS NATURAL GOODS: REALLY FROM NATURE? 362

Brand Categories 363

REACHING BEYOND OUR BORDERS PLAYING THE NAME GAME 363

Generating Brand Equity and Loyalty 364

Creating Brand Associations 364

Brand Management 365

The New-Product Development Process 365

Generating New-Product Ideas 365

Product Screening 366

Product Analysis 366

Product Development and Testing 366

Commercialization 366

The Product Life Cycle 367

Example of the Product Life Cycle 367

SPOTLIGHT ON SMALL BUSINESS MADE BY MOMMY 367

Using the Product Life Cycle 368

Competitive Pricing 370

Pricing Objectives 370

Cost-Based Pricing 370

Demand-Based Pricing 371

Competition-Based Pricing 371

Break-Even Analysis 371

Other Pricing Strategies 371

How Market Forces Affect Pricing 372

Nonprice Competition 372**Summary** 373**Key Terms** 375**Career Exploration** 375**Critical Thinking** 375**Developing Career Skills** 376**Putting Principles to Work** 376**Video Case: Developing New Products at Domino's** 376**Notes** 377**CHAPTER 15****Distributing Products** 380**GETTING TO KNOW TONY MCGEE, PRESIDENT AND CEO OF HNM GLOBAL LOGISTICS** 381**The Emergence of Marketing Intermediaries** 382

Why Marketing Needs Intermediaries 383

SPOTLIGHT ON SMALL BUSINESS WHAT WAS MINE IS NOW YOURS 383

How Intermediaries Create Exchange Efficiency 384

The Value versus the Cost of Intermediaries 385

The Utilities Created by Intermediaries 386

Form Utility 387

Time Utility 387

Place Utility 387

CONNECTING THROUGH SOCIAL MEDIA I'M LOVIN' ALL-DAY EGG MCMUFFINS 387

Possession Utility 388

Information Utility 388

Service Utility 388

Wholesale Intermediaries 389

Merchant Wholesalers 389

Agents and Brokers 389

Retail Intermediaries 390

Retail Distribution Strategy 391

Online Retailing and other Nonstore Retailing 391

Online Retailing 391

Telemarketing 392

Vending Machines, Kiosks, Carts, and Pop-Ups 392

Direct Selling 393

Multilevel Marketing 393

Direct Marketing 393

Building Cooperation in Channel Systems 394

Corporate Distribution Systems 394

Contractual Distribution Systems 394

Administered Distribution Systems 394

Supply Chains 395

Logistics: Getting Goods to Consumers Efficiently 396

Trains Are Great for Large Shipments 397

ADAPTING TO CHANGE ONLINE GROCERY SHOPPING 397

Trucks Are Good for Small Shipments to Remote Locations 398

Water Transportation Is Inexpensive but Slow 398

Pipelines Are Fast and Efficient 398

Air Transportation Is Fast but Expensive 399

Intermodal Shipping 399

The Storage Function 400

Tracking Goods 400

What All This Means to Your Career 400**Summary** 401**Key Terms** 403**Career Exploration** 403**Critical Thinking** 404**Developing Career Skills** 404**Putting Principles to Work** 404**Video Case: FedEx** 405**Notes** 405**CHAPTER 16****Using Effective Promotions** 408**GETTING TO KNOW MICHAEL DUBIN, COFOUNDER AND CEO OF DOLLAR SHAVE CLUB** 409**Promotion and the Promotion Mix** 410**Advertising: Informing, Persuading, and Reminding** 411

Television Advertising 414

CONNECTING THROUGH SOCIAL MEDIA HOW SOCIAL MEDIA MOVE TV RATINGS 414

Product Placement 415
 Infomercials 415
 Online Advertising 415
 Social Media Advertising 416
 Global Advertising 416

Personal Selling: Providing Personal Attention 417

REACHING BEYOND OUR BORDERS OREO: WORLD'S FAVORITE COOKIE? 417

Steps in the Selling Process 418
 The Business-to-Consumer Sales Process 419

Public Relations: Building Relationships 420

Publicity: The Talking Arm of PR 421

Sales Promotion: Giving Buyers Incentives 422

Word of Mouth and Other Promotional Tools 423

Social Networking 424
 Blogging 424
 Podcasting 424
 E-Mail Promotions 425
 Mobile Marketing 425

Managing the Promotion Mix: Putting It all Together 425

Promotional Strategies 426

ADAPTING TO CHANGE OUTDOOR "EYES" ARE PULLING YOU IN 426

Summary 427
 Key Terms 428
 Career Exploration 429
 Critical Thinking 429
 Developing Career Skills 429
 Putting Principles to Work 430
 Video Case: SXSW 430
 Notes 431

PART 6

Managing Financial Resources

CHAPTER 17

Understanding Accounting and Financial Information 434

GETTING TO KNOW SHELLY SUN, CEO OF BRIGHTSTAR CARE 435

The Role of Accounting Information 436

What Is Accounting? 436

The Accounting Cycle 437

Using Technology in Accounting 438

Understanding Key Financial Statements 439

The Fundamental Accounting Equation 439

The Balance Sheet 440

Classifying Assets 440

Liabilities and Owners' Equity Accounts 442

The Income Statement 443

Revenue 443

Cost of Goods Sold 444

SPOTLIGHT ON SMALL BUSINESS OUT WITH THE OLD; IN WITH THE NEW 445

Operating Expenses 445

Net Profit or Loss 446

The Statement of Cash Flows 446

The Need for Cash Flow Analysis 447

MAKING ETHICAL DECISIONS WHEN YOU ARE JUDGE AND JURY! 448

Analyzing Financial Performance Using Ratios 449

Liquidity Ratios 449

Leverage (Debt) Ratios 450

Profitability (Performance) Ratios 450

Activity Ratios 451

Accounting Disciplines 452

Financial Accounting 452

Managerial Accounting 453

Auditing 453

ADAPTING TO CHANGE ACCOUNTING: CSI 454

Tax Accounting 454

Government and Not-for-Profit Accounting 454

REACHING BEYOND OUR BORDERS THE WIDE, WIDE WORLD OF ACCOUNTING 455

Summary 456

Key Terms 457

Career Exploration 458

Critical Thinking 458

Developing Career Skills 458

Putting Principles to Work 459

Video Case: The Accounting Function at Goodwill Industries 459

Notes 460

CHAPTER 18

Financial Management 462

GETTING TO KNOW KATHY WALLER, EXECUTIVE VICE PRESIDENT AND CFO OF COCA-COLA 463

The Role of Finance and Financial Managers 464

The Value of Understanding Finance 465

What Is Financial Management? 466

Financial Planning 466

- Forecasting Financial Needs 466
- Working with the Budget Process 467
- Establishing Financial Controls 468

The Need for Operating Funds 470

- Managing Day-by-Day Needs of the Business 470
- Controlling Credit Operations 470
- Acquiring Needed Inventory 471
- Making Capital Expenditures 471

MAKING ETHICAL DECISIONS NOT WHAT THE DOCTOR ORDERED! 471

- Alternative Sources of Funds 472

Obtaining Short-Term Financing 472

- Trade Credit 473
- Family and Friends 473
- Commercial Banks 473
- Different Forms of Short-Term Loans 474
- Factoring Accounts Receivable 475

ADAPTING TO CHANGE FINANCING JUST A CLICK AWAY 475

- Commercial Paper 476
- Credit Cards 476

Obtaining Long-Term Financing 477

- Debt Financing 477
- Equity Financing 478
- Comparing Debt and Equity Financing 479

SPOTLIGHT ON SMALL BUSINESS LOOKING FOR A SLAM DUNK 480

- Lessons Learned from the Financial Crisis and Great Recession 481
- Summary 482**
- Key Terms 483**
- Career Exploration 483**
- Critical Thinking 483**
- Developing Career Skills 484**
- Putting Principles to Work 484**
- Video Case: Starting Up: Tom and Eddie's 485**
- Notes 485**

CHAPTER 19**Using Securities Markets for Financing and Investing Opportunities 488****GETTING TO KNOW JIM CRAMER, HOST OF CNBC'S MAD MONEY 489**

- The Function of Securities Markets 490
 - The Role of Investment Bankers 491
- Stock Exchanges 491

CONNECTING THROUGH SOCIAL MEDIA JOBS ACT RULES CROWDINVESTING 492

- Securities Regulations and the Securities and Exchange Commission 493
- Foreign Stock Exchanges 494

How Businesses Raise Capital by Selling Stock 495

- Advantages and Disadvantages of Issuing Stock 495
- Issuing Shares of Common Stock 495
- Issuing Shares of Preferred Stock 496

How Businesses Raise Capital by Issuing Bonds 497

- Learning the Language of Bonds 497
- Advantages and Disadvantages of Issuing Bonds 498
- Different Classes of Bonds 498
- Special Bond Features 499

How Investors Buy Securities 499

- Investing through Online Brokers 500

ADAPTING TO CHANGE R2-D2 TO THE INVESTOR'S RESCUE 500

- Choosing the Right Investment Strategy 501

MAKING ETHICAL DECISIONS MONEY GOING UP IN SMOKE 501

- Reducing Risk by Diversifying Investments 502

Investing in Stocks 502

- Stock Splits 503
- Buying Stock on Margin 503
- Understanding Stock Quotations 503

Investing in Bonds 504

- Investing in High-Risk (Junk) Bonds 505

Investing in Mutual Funds and Exchange-Traded Funds 505**Understanding Stock Market Indicators 507**

- Riding the Market's Roller Coaster 508

Summary 511**Key Terms 513****Career Exploration 514****Critical Thinking 514****Developing Career Skills 514****Putting Principles to Work 515****Video Case: Where Did All My Money Go? 515****Notes 516****CHAPTER 20****Money, Financial Institutions, and the Federal Reserve 518****GETTING TO KNOW JANET YELLEN, CHAIR OF THE FEDERAL RESERVE 519**

Why Money Is Important	520
What Is Money?	520
ADAPTING TO CHANGE SAYING GOODBYE TO BEN FRANKLIN	522
Managing Inflation and the Money Supply	523
The Global Exchange of Money	523
Control of the Money Supply	524
Basics about the Federal Reserve	524
The Reserve Requirement	524
Open-Market Operations	525
The Discount Rate	525
The Federal Reserve's Check-Clearing Role	526
The History of Banking and the Need for the Fed	527
Banking and the Great Depression	528
The U.S. Banking System	528
Commercial Banks	529
Services Provided by Commercial Banks	529
Services to Borrowers	529
Savings and Loan Associations (S&Ls)	530
Credit Unions	530
Other Financial Institutions (Nonbanks)	530
MAKING ETHICAL DECISIONS AN OPEN AND SHUT OPTION	530
The Banking Crisis and How the Government Protects Your Money	531
SPOTLIGHT ON SMALL BUSINESS BECOMING YOUR BEST FRIEND IN BANKING	532
Protecting Your Funds	533
The Federal Deposit Insurance Corporation (FDIC)	533
The Savings Association Insurance Fund (SAIF)	533
The National Credit Union Administration (NCUA)	533
Using Technology to Make Banking More Efficient	534
Online Banking	535
International Banking and Banking Services	535
Leaders in International Banking	535
The World Bank and the International Monetary Fund	536
REACHING BEYOND OUR BORDERS NEW DAY, NEW ISSUES ACROSS THE GLOBE	536
Summary	537
Key Terms	539
Career Exploration	539
Critical Thinking	540
Developing Career Skills	540
Putting Principles to Work	540
Video Case: The Financial Crisis	541
Notes	541

Bonus Chapters

A

Working within the Legal Environment 544

GETTING TO KNOW ALANNA RUTHERFORD, ATTORNEY 545

The Case for Laws 546
 Statutory and Common Law 546
 Administrative Agencies 547

Tort Law 548
 Product Liability 548

Legally Protecting Ideas: Patents, Copyrights, and Trademarks 550

Sales Law: The Uniform Commercial Code 551
 Warranties 551
 Negotiable Instruments 552

Contract Law 552
 Breach of Contract 553

Promoting Fair and Competitive Business Practices 553
 The History of Antitrust Legislation 554

Laws to Protect Consumers 555

Tax Laws 556

Bankruptcy Laws 557

Deregulation versus Regulation 560
 Summary 561

Key Terms 563

Career Exploration 563

Critical Thinking 563

Developing Career Skills 564

Putting Principles to Work 564

Notes 564

B

Using Technology to Manage Information 566

GETTING TO KNOW BEN FRIED, CIO OF GOOGLE 567

The Role of Information Technology 568

 Evolution from Data Processing to Business Intelligence 568

 How Information Technology Changes Business 569

Types of Information 571

 Managing Information 572

 Big Data and Data Analytics 573

 Using Information from Social Media 574

The Heart of Knowledge Management: The Internet 574

- Intranets 574
- Extranets 575
- Virtual Private Networks 575
- Broadband Technology 575
- Social Media and Web 2.0 577
- Web 3.0 577
- Who's the "Boss" of the Internet? 579

Virtual Networking and Cloud Computing 580**Effects of Information Technology on Management 581**

- Human Resource Issues 581
- Security Issues 582
- Privacy Issues 584
- Stability Issues 585

TECHNOLOGY AND YOU 585

- Summary** 586
- Key Terms** 587
- Career Exploration** 588
- Critical Thinking** 588
- Developing Career Skills** 588
- Putting Principles to Work** 589
- Notes** 589

C**Managing Risk 592****GETTING TO KNOW OLZA "TONY" NICELY, CEO OF GEICO 593****Understanding Business Risks 594**

- How Rapid Change Affects Risk Management 594

Managing Risk 595

- Reducing Risk 595
- Avoiding Risk 596
- Self-Insuring 596
- Buying Insurance to Cover Risk 596
- What Risks Are Uninsurable? 597
- What Risks Are Insurable? 597

Understanding Insurance Policies 598

- Rule of Indemnity 598
- Types of Insurance Companies 598

Insurance Coverage for Various Kinds of Risk 599

- Health Insurance 599
- Health Savings Accounts 599
- Disability Insurance 601
- Workers' Compensation 601

- Liability Insurance 601
- Life Insurance for Businesses 602
- Insurance Coverage for Home-Based Businesses 602
- The Risk of Damaging the Environment 602
- Protection from Cyber Attacks 602

Summary 603**Key Terms 604****Career Exploration 604****Critical Thinking 604****Developing Career Skills 604****Putting Principles to Work 605****Notes 605****D****Managing Personal Finances 606****GETTING TO KNOW ALEXA VON TOBEL, FOUNDER AND CEO OF LEARNVEST 607****The Need for Personal Financial Planning 608**

- Financial Planning Begins with Making Money 608
- Six Steps to Controlling Your Assets 609

Building Your Financial Base 612

- Real Estate: Historically, a Relatively Secure Investment 612
- Tax Deductions and Home Ownership 614
- Where to Put Your Savings 614
- Learning to Manage Credit 614

Protecting Your Financial Base: Buying Insurance 616

- Health Insurance 617
- Disability Insurance 617
- Homeowner's or Renter's Insurance 618
- Other Insurance 618

Planning Your Retirement 618

- Social Security 618
- Individual Retirement Accounts (IRAs) 619
- Simple IRAs 620
- 401(k) Plans 620
- Keogh Plans 621
- Financial Planners 622
- Estate Planning 622

Summary 623**Key Terms 624****Career Exploration 624****Critical Thinking 624****Developing Career Skills 625**



Putting Principles to Work 625

Notes 625

EPILOGUE

Getting the Job You Want 628

Job Search Strategy 629

Searching for Jobs Online 631

Job Search Resources 632

Writing Your Résumé 633

Putting Your Résumé Online 633

Writing a Cover Letter 635

Preparing for Job Interviews 638

Being Prepared to Change Careers 641

Glossary 642

Name Index 661

Organization Index 669

Subject Index 673

