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Business Essentials

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Ronald J. Ebert • Ricky W. Griffin

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Ronald J. Ebert

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Cover Image: totophotos/Shutterstock
Cover Designer: Lumina Datamatics Ltd
Printer/Binder: Vivar, Malaysia
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Pearson Education Limited
Edinburgh Gate
Harlow
Essex CM20 2JE
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www.pearsonglobaleditions.com

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Authorized adaptation from the United States edition, entitled Business Essentials, Eleventh Edition, ISBN 978-0-134-12996-9 by Ronald J. Ebert and Ricky W. Griffin, published by Pearson Education © 2017.

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ISBN-10: 1-292-15224-9
ISBN-13: 978-1-292-15224-0

British Library Cataloguing-in-Publication Data
A catalogue record for this book is available from the British Library

10 9 8 7 6 5 4 3 2 1

Typeset in Palatino LT Pro-Roman by Integra
Printed and bound by Vivar, Malaysia

For Ben Welch—A steadfast friend, an outstanding colleague,
and one of the best men that I've ever known.

—R. W. G.

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letter from the authors

Businesses today face constant change—change in their competitive landscape, change in their workforce, change in governmental regulation, change in economic conditions, change in technology, change in . . . well, you get the idea. As we began to plan this revision, we, too, recognized the need for change. Changing demands from instructors, changing needs and preferences of students, and changing views on what material to cover in this course and how to cover it have all affected how we planned and revised the book.

A new editorial team was assembled to guide and shape the creation and development of the book. Along with suggestions from many loyal users, the business world itself provided us with dozens of new examples, new challenges, new successes and failures, and new perspectives on what they must do to remain competitive. And a new dedication to relevance guided our work from beginning to end. For example, we know that some business students will go to work for big companies. Others will work for small firms. Some will start their own business. Still others may join a family business. Nonbusiness students, too, as interested citizens, are curious about the whys and hows of businesses. So, we accepted the challenge of striving to make the book as relevant as possible to all students, regardless of their personal and career goals and objectives.

We also carefully reviewed the existing book line by line, eliminating extraneous material and adding new material. Examples were updated or replaced with newer ones. We worked extra hard to make our writing as clear and as crisp as possible. More recent business practices and issues are included throughout the text. We've also engaged the student by opening each chapter with the question: "What's in It for Me?" We then answer that question by identifying the key elements in the chapter that are most central to the student's future relationship to business—be it as employee, manager, consumer, investor, or interested citizen. And, because so much work in modern organizations is performed by teams, we included the special team ethics exercise at the end of each chapter. We also retained the companion individual ethics exercises that have been so popular in previous editions.

We are proud of what we have accomplished and believe that we have taken this book to a higher level of excellence. Its content is stronger, its learning framework is better, its design is more accessible, and its support materials are the best in the market. We hope that you enjoy reading and learning from this book and its supporting resources as much as we enjoyed creating them. And who knows? Perhaps one day we can tell your story of business success to future students.

Ron Ebert
Ricky Griffin

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about the authors

Ronald J. Ebert is Emeritus Professor at the University of Missouri–Columbia, where he lectures in the Management Department and serves as advisor to students and student organizations. Professor Ebert draws on more than thirty years of teaching experience at such schools as Sinclair College, University of Washington, University of Missouri, Lucian Blaga University of Sibiu (Romania), and Consortium International University (Italy). His consulting alliances have included such firms as Mobay Corporation, Kraft Foods, Oscar Mayer, Atlas Powder, and John Deere. He has designed and conducted management development programs for such diverse clients as the American Public Power Association, the U.S. Savings and Loan League, and the Central Missouri Manufacturing Training Consortium.

His experience as a practitioner has fostered an advocacy for integrating concepts with best business practices in business education. The five business books he has coauthored have been translated into Spanish, Chinese (Simplified), Chinese (Traditional), Malaysian, Bahasa Indonesian, and Romanian languages. Professor Ebert has served as the Editor of the *Journal of Operations Management*. He is a Past President and Fellow of the Decision Sciences Institute. He has served as consultant and external evaluator for *Quantitative Reasoning for Business Studies*, an introduction-to-business project sponsored by the National Science Foundation.



Ricky Griffin joined the faculty at Texas A&M University in 1981. During his career at Texas A&M, he has taught undergraduate and graduate courses in management, organizational behavior, human resource management, and international business. Professor Griffin's research interests include workplace aggression and violence, organizational security, workplace culture, and leadership. His work has been published in such journals as *Academy of Management Review*, *Academy of Management Journal*, *Administrative Science Quarterly*, and *Journal of Management*. He served as Associate Editor and then as Editor of *Journal of Management*.

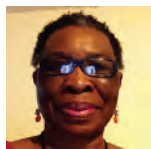
In addition, Professor Griffin has also authored or coauthored several leading textbooks and coedited three scholarly books. His books have been used at more than 500 colleges and universities on five continents and have been translated into Spanish, Russian, Polish, and Chinese. He has served the Academy of Management as Chair of the Organizational Behavior Division and as Program Chair of the Research Methods Division. He also has served as President of the Southwest Division of the Academy of Management and on the Board of Directors of the Southern Management Association. Professor Griffin is a Fellow of both the Academy of Management and the Southern Management Association. He has also won several awards for research and has been supported by more than \$400,000 in federal research funding. Professor Griffin has served as Director of the Center for Human Resource Management and Head of the Department of Management at Texas A&M University. He has also served as Executive Associate Dean and Interim Dean at the Mays Business School.



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special thanks to our super reviewers

We would like to personally thank our panel of super reviewers for their deep involvement with this edition of the book.



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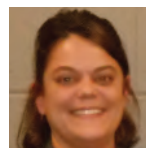
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preface

A “business” is an organization that trades goods or services to consumers in exchange for profits. “Essentials” are things that are necessary or extremely important. Together, then, these two words clearly convey the purpose of this book—to introduce current and future managers to the essentials associated with the businesses they will lead. Very few textbooks reach their eleventh edition, so the market would suggest that we have been effectively addressing the essentials of business for many years.

New to This Edition

- Five kinds of chapter-ending involvement activities—to reinforce and practice the use of chapter concepts—are back by popular demand (see detailed descriptions that follow).
- Hundreds of new real-life business examples are added throughout the text, as requested by reviewers and users.
- Each of the chapter opening cases has been updated or completely replaced. New cases appear in Chapter 4 (The Global Context of Business), Chapter 8 (Employee Behavior and Motivation), Chapter 9 (Leadership and Decision Making), Chapter 11 (Marketing Processes and Consumer Behavior), and Chapter 17 (Managing Business Finances). These cases cover everything from fair trade and embargoes to the rise of Netflix, and the reorganization of Abercrombie & Fitch to labor relations at Wegman’s. Accessible and relatable topics introduce each chapter, drawing the reader into the content and how it is used in the business world.
- We have added new coverage of social responsibility and the small business, the government and social responsibility, and managing social responsibility in Chapter 2. The chapter also has several new examples that focus on Diamond Nuts and Hewlett-Packard’s accounting errors and Panera and Nordstrom’s charitable efforts, which we use to illustrate key points.
- Chapter 3 features new coverage of distinctive competencies and sources of financing for small businesses. All statistics in this chapter have been updated, there are several new examples, and we feature expanded coverage of service businesses.
- We have added significant new coverage of the role of culture in international business in Chapter 4. This chapter also includes several new examples, such as ones that navigate relaxed laws in Asia and the Cayman Islands, and updated statistics. We also cover the emerging new relationship between the United States and Cuba.
- Chapter 5 includes new coverage of the science and art of management and key managerial roles and skills.
- In Chapter 6, we have added new coverage of functional departmentalization and the organizational grapevine, plus, several new examples center on companies such as United Airlines and Steinway.
- The substantial revisions in Chapter 7 emphasize operations for organizations that are service providers. New operations examples reinforce the prominence of service industries such as tourism, consulting, transportation, and hospitality in today’s economy.
- Chapter 8 has been expanded to include new coverage of personality traits at work, how individual attitudes are formed, cognitive dissonance, and other important individual needs.

- We added additional material on leadership and power, situational approaches to leadership, and the nature of decision making to Chapter 9. This chapter also has several new examples.
- Chapter 10 now includes new or expanded coverage of the strategic importance of human resource management, the legal context of human resource management, compensation and benefits, and developing the workforce. The chapter has also been reorganized and includes several new examples, such as one about how top software companies compete for programmers.
- After hearing the needs of and feedback from instructors, we expanded coverage of marketing topics to three chapters: Chapter 11, Marketing Processes and Consumer Behavior, includes an example of the cruise industry’s use of pretrip social networking among passengers; Chapter 13, Distributing and Promoting Products, contains new discussions on personal selling situations and personal selling processes.
- New examples in Chapter 14 discuss the abilities of service industries to customize products such as pet care and clothing designs. We also used recent examples to update the popular presentation on ethical issues arising with information technology.
- Discussion of sources for financing the small business was added to Chapter 17. Key points include the value of establishing bank credit, along with presentation of a business plan for gaining longer-term sources of funding.
- The revised Appendix on Labor Relations is an expansion of material covered in Chapter 10, providing a better understanding of how and why workers organize into labor unions, how unions and businesses relate to each other, and how the collective bargaining process works.

In-Chapter Features

“What’s in It for Me?”

Each chapter opens with a section called “What’s in It for Me?” In this section, we answer that question by identifying the key elements in the chapter that are most central to your future careers in business, be they as an employee, manager, investor, or as an outside consumer or interested citizen—making it clear why each chapter really matters.

Two-Part Chapter Case Vignettes

We’ve updated or completely replaced the chapter-opening cases, keeping them fresh, relevant, and up to date. Covering companies from Netflix to Abercrombie & Fitch, and Apple and Starbucks to Google, these chapter case vignettes pique your interest at the beginning of the chapter. Concepts you learn throughout the chapter are reinforced by adding a new case wrap-up using discussion questions at the end of the chapter. The questions require students to apply chapter content to issues in the chapter-opening case.

Entrepreneurship and New Ventures

If your plan is to work for a large corporation, start your own business, or anything in between, you need to be both entrepreneurial and *intrapreneurial*. These updated, popular boxed features touch on entrepreneurs who have really made a difference, some in large firms, others in smaller start-up companies. New “entrepreneurship and new ventures” boxes examine Chinese retail giant Alibaba, New York-based Shake Shack, and Harmless Harvest coconut water.

Managing in Turbulent Times

Whatever your role with any business, as employee, customer, or investor, you need to see the challenges and consequences firms encounter during economic downturns. Experiences from real companies reveal both disappointments and unexpected new opportunities arising from the lingering effects of the recession and the uncertainties of a prolonged economic recovery. New features look at recent IPOs, leadership in a virtual world, and workplace bullying.

Finding a Better Way

Although businesses face challenges for survival, they also find new opportunities for displacing existing business practices with more efficient ones that improve the organization's stature and competitive success in today's changing markets. This boxed feature reveals examples of organizations that are "finding a better way" to meet these business challenges and describes how they are doing it. New features cover the international organization Habitat for Humanity, entrepreneur Ruzwana Bashir, and B-corporation EcoZoom.

End-of-Chapter Features

We've also brought back several end-of-chapter features that, along with new features, are designed to help you review and apply chapter concepts and build skills.

Summary of Learning Objectives

The Summary offers a quick guide for you to review the major topics covered in each chapter.

Key Terms

key terms with page references help reinforce chapter concepts.

Questions and Exercises

This feature includes a set of questions for review, questions for analysis, and application exercises that test the students' understanding of the chapter topics.

Building a Business: Continuing Team Exercise

The team exercise is designed for student teams to develop business plans cumulatively from the ground up, chapter-by-chapter, throughout the course. Each chapter-ending assignment directs teams into discussions and applications of that chapter's contents as they apply to their team's business plan.

Team Exercises

A business situation and action steps guide students through the team activities.

Exercising Your Ethics

Exercises ask you to examine an ethical dilemma and think critically about how you would approach and resolve it.

Cases

Students are challenged to *apply* the chapter content by responding to a set of questions about the practical business situation presented in the chapter-opening case as well as an additional case.

Crafting a Business Plan

At the end of each part, there is a Crafting a Business Plan exercise, guiding students through the steps of creating a business plan related to the topics covered in those chapters.

What's in It for You?

If you're like many other students, you may be starting this semester with some questions about why you're here. Whether you're taking this course at a two-year college, at a four-year university, or at a technical school, in a traditional classroom setting or online, you may be wondering just what you're supposed to get from this course and how it will benefit you. In short, you may be wondering, "What's in it for me?"

Regardless of what it may be called at your school, this is a survey course designed to introduce you to the many exciting and challenging facets of business, both in the United States and elsewhere. The course fits the needs of a wide variety of students. You may be taking this course as the first step toward earning a degree in business, you may be thinking about business and want to know more about it, or you may know you want to study business but are unsure of the area you want to pursue. Maybe you plan to major in another field but want some basic business background and are taking this course as an elective. Or you may be here because, frankly, this course is required or is a prerequisite to another course.

For those of you with little work experience, you may be uncertain as to what the business world is all about. If you have a lot of work experience, you may even be a bit skeptical about what you can actually learn about business from an introductory course. One of our biggest challenges as authors is to write a book that meets the needs of such a diverse student population, especially when we acknowledge the legitimacy of your right to ask, "What's in it for me?" We also want to do our best to ensure that you find the course challenging, interesting, and useful.

The world today is populated with a breathtaking array of businesses and business opportunities. Big and small businesses, established and new businesses, broad-based and niche businesses, successful and unsuccessful businesses, global and domestic businesses—throughout this book, we'll discuss how they get started and how they work, why they grow and why some fail, and how they affect you. Regardless of where your future takes you, we hope that you look back on this course as one of your first steps.

Going forward, we also urge you to consider that what you get out of this course—what's in it for you—is shaped by at least three factors. One factor is this book and the various learning aids that accompany it. Another factor is your instructor. He or she is a dedicated professional who wants to help you grow and develop intellectually and academically.

The third factor? You. Learning is an active process that requires you to be a major participant. Simply memorizing the key terms and concepts in this book may help you achieve an acceptable course grade; but true learning requires that you read, study, discuss, question, review, experience, and evaluate as you go along. Although tests and homework may be a "necessary evil," we believe we will have done our part if you finish this course with new knowledge and increased enthusiasm for the world of business. We know your instructor will do his or her best to facilitate your learning. The rest, then, is up to you. We wish you success.

To help lay the foundation for meeting these challenges, let's look at the various hats that you may wear, both now and in the future.

Wearing the Hats

There's an old adage that refers to people wearing different "hats." In general, this is based on the idea that any given person usually has different roles to play in different settings. For example, your roles may include student, child, spouse, employee,

friend, or parent. You could think of each of these roles as needing a different hat—when you play the role of a student, for example, you wear one hat, but when you leave campus and go to your part-time job, you put on a different hat. From the perspective of studying and interfacing with the world of *business*, there are at least four distinct hats that you might wear:

- *The Employee Hat.* One business hat is as an employee working for a business. Many people wear this hat during the early stages of their career. To wear the hat successfully, you will need to understand your place in the organization—your job duties and responsibilities, how to get along with others, how to work with your boss, what your organization is all about, and so on. You'll begin to see how to best wear this hat as you learn more about organizing business enterprises in Chapter 6 and how organizations manage their human resources in Chapter 10, as well as in several other places in this book.
- *The Employer or Boss Hat.* Another business hat that many people wear is as an employer or boss. Whether you start your own business or get promoted within someone else's business, one day people will be working for you. You'll still need to know your job duties and responsibilities. But you'll now also need to understand how to manage other people—how to motivate and reward them, how to lead them, how to deal with conflict among them, and the legal parameters that may affect how you treat them. Chapters 3, 5, 8, and 9 provide a lot of information about how you can best wear this hat, although the role of employer runs throughout the entire book.
- *The Consumer Hat.* Even if you don't work for a business, you will still wear the hat of a consumer. Whenever you fill your car with Shell gasoline, bid for something on eBay, buy clothes at Urban Outfitters, or download a song from iTunes, you're consuming products or services created by business. To wear this hat effectively, you need to understand how to assess the value of what you're buying, your rights as a consumer, and so on. We discuss how you can best wear this hat in Chapters 4, 7, 11, 12, and 13.
- *The Investor Hat.* The final business hat many people wear is that of an investor. You may buy your own business or work for a company that allows you to buy its own stock. You may also invest in other companies through the purchase of stocks or shares of a mutual fund. For you to invest wisely, you must understand some basics, such as financial markets, business earnings, and the basic costs of investment. Chapters 4, 15, 16, 17, and an appendix will help you learn how to best wear this hat.

Many people wear more than one of these hats at the same time. Regardless of how many hats you wear or when you may be putting them on, it should be clear that you have in the past, do now, and will in the future interface with many businesses in different ways. Knowing how to best wear all these hats is what this book is all about.

Supplements

At the Instructor Resource Center, www.pearsonglobaleditions.com/ebert, instructors can access a variety of print, digital, and presentation resources available with this text in downloadable format. Registration is simple and gives you immediate access to new titles and new editions. As a registered faculty member, you can download resource files and receive immediate access to and instructions for installing course management content on your campus server. In case you ever need assistance, our dedicated technical support team is ready to help with the media supplements that accompany this text. Visit <http://247.pearsoned.com> for answers to frequently asked questions and toll-free user support phone numbers.

The following supplements are available for download to adopting instructors:

- Instructor's Resource Manual
- Test Bank
- TestGen® Computerized Test Bank
- PowerPoint Presentation