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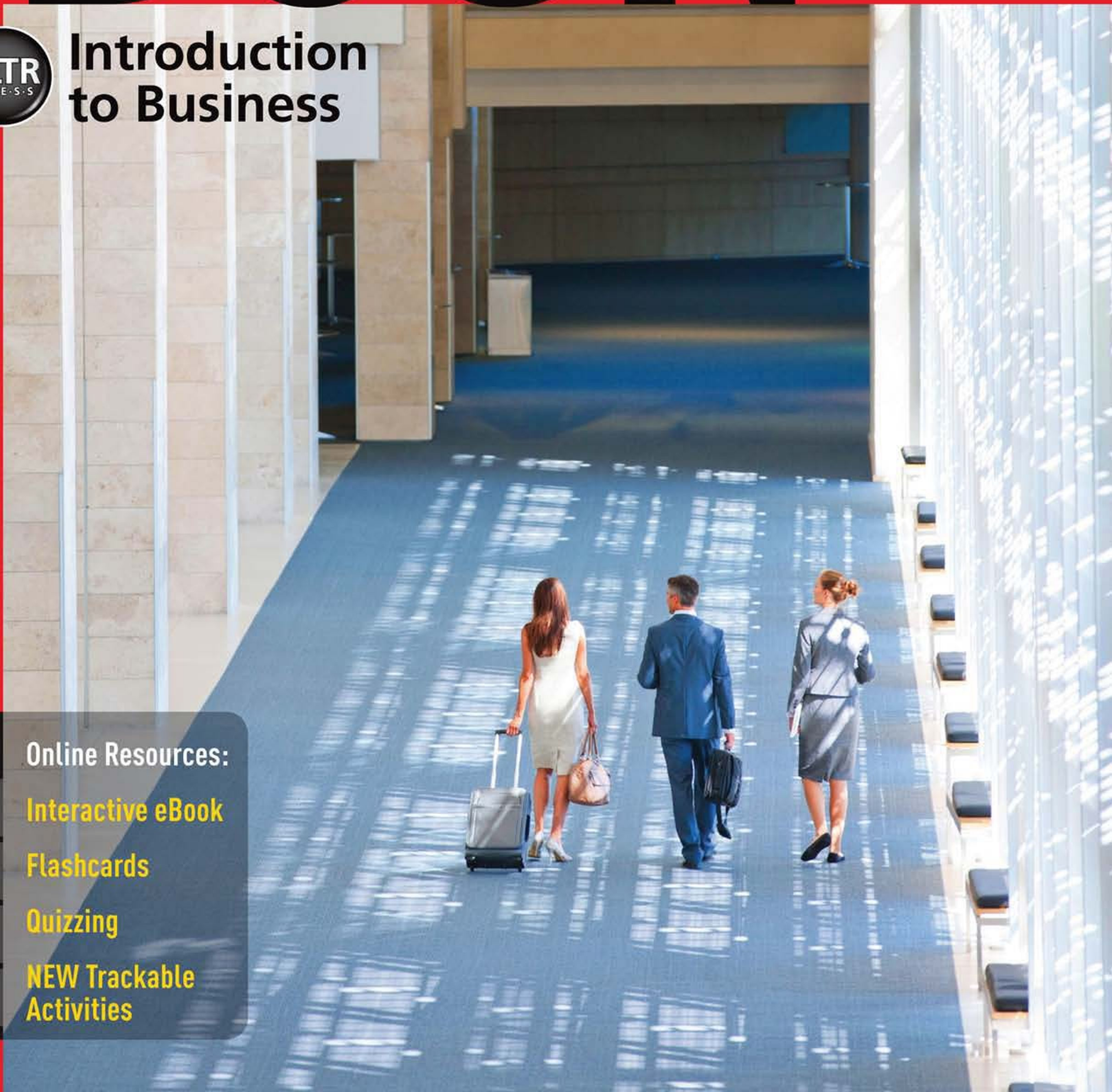

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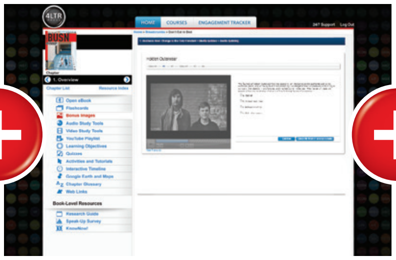
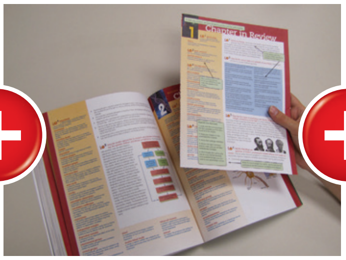
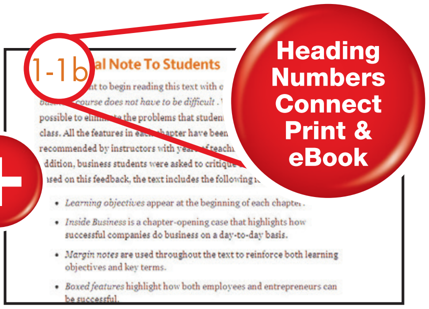

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Library of Congress Control Number: 2013943257

Student Edition ISBN 13: 978-1-285-18783-9

Student Edition ISBN 10: 1-285-18783-0

Student Edition with CourseMate ISBN 13: 978-1-285-18782-2

Student Edition with CourseMate ISBN 10: 1-285-18782-2

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Printed in the United States of America
1 2 3 4 5 6 7 18 17 16 15 14

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With love and
appreciation
to Kathy,
the best friend imaginable!

—Marce Kelly

To Jenny,
the book is done, let's play!

—Chuck Williams

Letter to Students

The idea for this book—a whole new way of learning—began with students like you across the country. We paid attention to students who wanted to learn about business without slogging through endless pages of dry text. We listened to students who wanted to sit through class without craving a triple espresso. We responded to students who wanted to use their favorite gadgets to prepare for tests.

So we are confident that BUSN will meet your needs. The short, lively text covers all the key concepts without the fluff. The examples are relevant and engaging, and the visual style makes the book fun to read. But the text is only part of the package. You can access a rich variety of study tools via computer or iPad—the choice is yours.

We did one other thing we hope you'll like. We paid a lot of attention to students' concerns about the high price of college textbooks. We made it our mission to ensure that our package not only meets your needs but does so without busting your budget!

This innovative, student-focused package was developed by the authors—Marce Kelly and Chuck Williams—and the experienced Cengage Learning publishers. The Cengage team contributed a deep understanding of students and professors across the nation, and the authors brought years of teaching and business experience.

Marce Kelly, who earned her MBA from UCLA's Anderson School of Management, spent the first 14 years of her career in marketing, building brands for Neutrogena and The Walt Disney Corporation. But her true love is teaching, so in 2000 she accepted a full-time teaching position at Santa Monica College. Professor Kelly has received seven Outstanding Instructor awards from the International Education Center and has been named four times to *Who's Who Among American Teachers*.

Chuck Williams is the Dean of Butler's College of Business. His research interests include employee recruitment and turnover, performance appraisal, and employee training and goal-setting. He has taught in executive development programs at Oklahoma State University, the University of Oklahoma, Texas Christian University, and the University of the Pacific. Dr. Williams was honored by TCU's M.J. Neeley School of Business with the undergraduate Outstanding Faculty Teaching Award, was a recipient of TCU's Dean's Teaching Award, and was TCU's nominee for the U.S. Professor of the Year competition sponsored by the Carnegie Foundation for the Advancement of Teaching. He has written three other textbooks: *Management*, *Effective Management: A Multimedia Approach*, and *MGMT*.

We would appreciate any comments or suggestions you want to offer about this package. You can reach Chuck Williams at crwillia@butler.edu, and Marce Kelly at marcella.kelly@gmail.com. We wish you a fun, positive, productive term, and look forward to your feedback!

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1

Business Now:

Change Is the Only Constant

LEARNING OBJECTIVES

After studying this chapter, you will be able to:

1-1 Define business and discuss the role of business in the economy

1-2 Explain the evolution of modern business

1-3 Discuss the role of nonprofit organizations in the economy

1-4 Outline the core factors of production and how they affect the economy

1-5 Describe today's business environment and discuss each key dimension

1-6 Explain how current business trends might affect your career choices

1-1 Business Now: Moving at Breakneck Speed

Day by day, the business world simply spins faster. Industries rise—and sometimes fall—in the course of a few short months. Technologies forge instant connections across the globe. Powerful new trends surface and submerge, sometimes within less than a year. In this fast-paced, fluid environment, change is the only constant. According to Charles Darwin, it is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change. And so it is with business.

Successful firms lean forward and embrace the change. They seek the opportunities and avoid the pitfalls. They carefully evaluate risks. They completely understand their market, and they adhere to ethical practices. Their core goal: to generate long-term profits by delivering unsurpassed **value** to their customers.

value The relationship between the price of a good or a service and the benefits that it offers its customers.

Over the past few years, the explosive growth in social media has played a pivotal new role for businesses and consumers alike in today's dynamic business environment. Digging deeper into current culture, *Time* magazine recently identified "10 Ideas That Are Changing Your Life." A few highlights:

- **Your Head Is in the Cloud:** Swamped every day by a startling surge of data (each day, the average American spends about 12 hours consuming information), we are increasingly offloading the task of remembering that information to search engines and smartphones. This process of "outsourcing our memory" is changing our cognitive habits; in fact, research shows that when we don't know the answer to a question, we now think about where we can find the nearest Web connection, rather than the subject of the question itself.[1]
- **Food That Lasts Forever:** No one wants to think about eating a sandwich that's five years old, but with our global population topping 7 billion people, long-term food preservation may be essential for our very survival. Food would virtually never be lost to rot and decay, which currently hits as high as 70% in some developing countries. As of today, Twinkies (contrary to popular belief) are not even close to immortal, with a shelf life of less than a month, but a well-sealed can of Spam can last more than a decade. Vacuum-packed tuna tastes fresh for about 30 months, while

Chris Schmidt/iStockphoto.com

thermostabilized pork chops apparently remain edible for about 7 years. Hard to get past the yuck factor unless survival is at stake.[2]

- **High Status Stress:** As people move up the ladder in terms of affluence, you would think that the stress of having a lower income would simply fade away. In fact, research suggests that the opposite may be true: "life stress increases so dramatically that its toxic effects essentially cancel out many positive aspects of succeeding." One reason may be that the driven perfectionists who often make it to the top feel enormous pressure to be on call via text, email, and phone 24/7 in order to simply survive professionally.[3]
- **Privacy in Public:** For the first time in American history, there is now a legal right to privacy in public—but the definition of privacy and the amount of privacy are still in flux as more cases roll through the court system.[4]
- **Nature Is Over:** Nearly 20% of vertebrate species are threatened, a number that seems sure to increase. And with world population topping 7 billion and growing, a new approach to nature is crucial.[5]
- **Niche Aging:** Back in the day, retirement dreams typically featured plenty of sunshine and lively bingo games. But while Florida doesn't lack for old folks, retirees today are likely to seek more specialized options, where they can grow old alongside others who share a specific interest such as country music, or university-level learning. One expert in the field points out that "You're talking about the generation that created 12 different versions of Coca-Cola. They're not going to settle for one kind of retirement community."[6]

1-1a Business Basics: Some Key Definitions

While you can certainly recognize a business when you see one, more formal definitions may help as you read through this book. A **business** is any organization or activity that provides goods and services in an effort to earn a profit. **Profit** is the financial reward that comes from starting and running a business. More specifically, profit is the money that a business earns in sales (or revenue), minus expenses such as the cost of

business Any organization or activity that provides goods and services in an effort to earn a profit.

profit The money that a business earns in sales (or revenue), minus expenses, such as the cost of goods, and the cost of salaries. Revenue − Expenses = Profit (or Loss).

goods and the cost of salaries. But clearly, not every business earns a profit all the time. When a business brings in less money than it needs to cover expenses, it incurs a **loss**. If you launch a music label, for instance, you'll need to pay your artists, buy or lease a studio, and purchase equipment, among other expenses. If your label generates hits, you'll earn more than enough to cover all your expenses and make yourself rich. But a series of duds could leave you holding the bag. Just the possibility of earning a profit provides a powerful incentive for people of all backgrounds to launch their own enterprises. Despite the economic meltdown of 2008, American new business creation hit a 15-year high in 2009 and 2010.[7] In 2011, the rate of new business creation slowed about 6% versus 2010, but remained above pre-recession levels. You've probably noticed the entrepreneurial ambition among your peers as college students are flocking to entrepreneurship in the face of an uncertain economy.[8] People who risk their time, money, and other resources to start and manage a business are called **entrepreneurs**.

Interestingly, as entrepreneurs create wealth for themselves, they produce a ripple effect that enriches everyone around them. For instance, if your new website becomes the next Facebook, who will benefit? Clearly, *you* will. And you'll probably spend at least some of that money enriching your local clubs, clothing stores, and car dealerships. But others will benefit, too, including your members, advertisers on your site and the staff who support them, contractors who build your facilities, and the government that collects your taxes. The impact of one successful entrepreneur can extend to the far reaches of the economy. In fact, fast-growing new firms generate about 10% of all new jobs in any given year.[9] Multiply the impact by thousands of entrepreneurs—each working in his or her own self-interest—and you can see how the profit motive benefits virtually everyone.

From a bigger-picture perspective, business drives up the **standard of living** for people worldwide, contributing to a higher **quality of life**. Businesses not only provide the products and services that people enjoy but also provide the jobs that people need. Beyond the obvious, business contributes to society through innovation—think cars, TVs, and tablet computers. Business also helps raise the standard of living through taxes, which the government spends on projects that range from streetlights to environmental cleanup. Socially responsible firms contribute even more by actively advocating for the well-being of the society that feeds their success.

loss When a business incurs expenses that are greater than its revenue.

entrepreneurs People who risk their time, money, and other resources to start and manage a business.

standard of living The quality and quantity of goods and services available to a population.

quality of life The overall sense of well-being experienced by either an individual or a group.

1-2 The History of Business: Putting It All in Context

You may be surprised to learn that—unlike today—business hasn't always been focused on what the customer wants. In fact, business in the United States has changed rather dramatically over the past 200–300 years. Most business historians divide the history of American business into five distinct eras, which overlap during the periods of transition:

- **The Industrial Revolution:** Technological advances fueled a period of rapid industrialization in America from the mid-1700s to the mid-1800s. As mass production took hold, huge factories replaced skilled artisan workshops. The factories hired large numbers of semiskilled workers who specialized in a limited number of tasks. The result was unprecedented production efficiency but also a loss of individual ownership and personal pride in the production process.
- **The Entrepreneurship Era:** Building on the foundation of the industrial revolution, large-scale entrepreneurs emerged in the second half of the 1800s, building business empires. These industrial titans created enormous wealth, raising the overall standard of living across the country. But many also dominated their markets, forcing out competitors, manipulating prices, exploiting workers, and decimating the environment. Toward the end of the 1800s, the government stepped into the business realm, passing laws to regulate business and protect consumers and workers, creating more balance in the economy.
- **The Production Era:** In the early part of the 1900s, major businesses focused on further refining the production process and creating greater efficiencies. Jobs became even more specialized, increasing productivity and lowering costs and prices. In 1913, Henry Ford introduced the assembly line, which quickly became standard across major manufacturing industries. With managers focused on efficiency, the customer was an afterthought. But when customers tightened their belts during the Great Depression and World War II, businesses took notice. The "hard sell" emerged: aggressive persuasion designed to separate consumers from their cash.

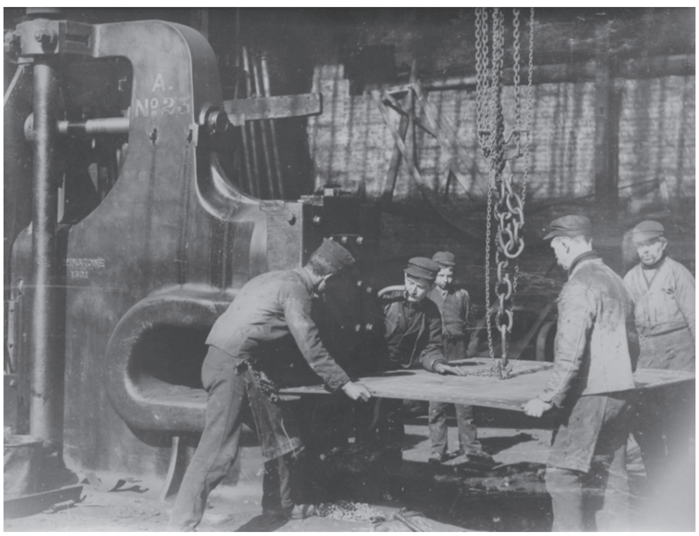
Oops! What were they thinking?

Not Every Dumb Move Is an Utter Disaster...

In the wake of disastrous mistakes and outrageous mismanagement across our economy, it might be tough to remember that some mistakes are actually pretty amusing. Several examples might help remind you.[10]

- **Appetizers, not personal hygiene:** In 1988, La Choy introduced "Fresh and Lite" eggrolls. Professor Syd Finkelstein of Tuck School of Business commented, "'Fresh and Lite' sounds like some kind of hygiene item, not dinner." What's more, "they weren't fresh, they were frozen. And they certainly weren't light—these things were enormous."
- **If only they could have "Googled" the future...** In 1999, the founders of Google were seeking to sell their search engine. They approached George Bell, CEO of Excite, which was one of the hottest brands on the Internet in the 1990s, with an asking price of $1 million. But Bell turned them down, as did Yahoo!, both believing the acquisition would have been too pricey. Excite went bankrupt soon after, and Yahoo! now trails far behind Google, which is worth more than $200 billion and dominates the search market with a market share of more than 65%, compared to Yahoo!'s share of less than 15%.
- **Accidental cyber-snooping:** As Google sent its "Street View" cars all over the world collecting panoramic images for uploading into GoogleMaps, the firm "unintentionally" collected and retained, among other things, passwords and complete email messages picked up from unsecured Wi-Fi networks.
- **Wasted time or well worthwhile?** To celebrate the 30th anniversary of Pac-Man in 2010, engineers at Google turned the site's home page into a fully functional version of the game, wasting an estimated 4.8 million hours of the world's time and more than $120 million in lost productivity.

- **The Marketing Era:** After WWII, the balance of power shifted away from producers and toward consumers, flooding the market with enticing choices. To differentiate themselves from their competitors, businesses began to develop brands, or distinctive identities, to help consumers understand the differences among various products. *The marketing concept* emerged: a consumer focus that permeates successful companies in every department, at every level. This approach continues to influence business decisions today as global competition heats up to unprecedented levels.
- **The Relationship Era:** Building on the marketing concept, today, leading-edge firms look beyond each immediate transaction with a customer and aim to build long-term relationships. Satisfied customers can become advocates for a business, spreading the word with more speed and credibility than even the best promotional campaign. And cultivating current customers is more profitable than constantly seeking new ones. One key tool is technology. Using the Web and other digital resources, businesses gather detailed information about their customers and use these data to serve them better.



Ronald weir/Albaimages/Alamy

1-3 Nonprofits and the Economy: The Business of Doing Good

Nonprofit organizations play a critical role in the economy, often working hand-in-hand with businesses to improve the quality of life in our society. Focusing

WHEN IN DOUBT, WE USUALLY DON'T!

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Most of us can probably think of a time when we should have taken some action, but instead we did nothing because doing nothing was easier. . . . Enter the choice architects, behavioral scientists who claim that businesses, governments, and other institutions can engineer our options to "nudge" us into making choices that are (ideally) more socially desirable or (from a business standpoint) more profitable than the choices that we'd make on our own. A couple of examples:

- **Better Aim:** As most women who share toilets with men can attest, even the best-intentioned men don't seem to, uh, aim well when it comes to toilet hygiene. In busy restrooms, this is more than just a gross annoyance; dirty bathrooms increase cleaning costs and undermine brand image. Aad Kiedboom, an economist who worked for the Schiphol International Airport in Amsterdam, tackled this issue by etching the image of a black housefly onto the bowls of the airport's urinals, just to the left of the drain. As a result, "spillage" decreased 80%.
- **Soda Ban:** In response to skyrocketing obesity rates, New York City's Board of Health banned the sale of large sugary drinks in restaurants and other venues, despite intense opposition from the beverage and fast-food industries. Critics of the ban were enraged that it stifled consumer choice, while supporters pointed out that it was still possible—though not quite as easy—to overindulge in soda. One day before the ban was scheduled to take effect, a judge overruled it, writing that the ban was "arbitrary and capricious," and that the Board of Health did not have the power to approve it.

Advocates argue that choice architects work for the good of society, encouraging—but never coercing—people to make positive choices. Critics argue that choice architects are manipulative—shoving rather than nudging, which interferes with peoples' freedom of choice. In the wrong hands, that can be dangerous. What is your perspective? In the hands of business, will choice architecture ultimately be positive or negative?[11]

on areas such as health, human services, education, art, religion, and culture, **nonprofits** are business-*like* establishments, but their primary goals do not include profits. Chuck Bean, Executive Director of the Nonprofit Roundtable, explains: "By definition, nonprofits are not in the business of financial gain. We're in the business of doing good. However, nonprofits are still businesses in every other sense—they employ people, they take in revenue, they produce goods and services and contribute in significant ways to our region's economic stability and growth." Nationwide, nonprofits employ about one in ten workers, accounting for more paid workers than the entire construction industry and more than the finance, insurance, and real-estate sectors combined. And nonprofit museums, schools, theaters, and orchestras have become economic magnets for many communities, drawing additional investment.[12]

nonprofits Business-*like* establishments that employ people and produce goods and services with the fundamental goal of contributing to the community rather than generating financial gain.

factors of production Four fundamental elements—natural resources, capital, human resources, and entrepreneurship—that businesses need to achieve their objectives.

1-4 Factors of Production: The Basic Building Blocks

Both businesses and nonprofits rely on **factors of production**—four fundamental resources—to achieve their objectives. Some combination of these factors is crucial for an economic system to work and create wealth. As you read through the factors, keep in mind that they don't come free of charge. Human resources, for instance, require wages, while entrepreneurs need a profit incentive.

- **Natural Resources:** This factor includes all inputs that offer value in their natural state, such as land, fresh water, wind, and mineral deposits. Most natural resources must be extracted, purified, or harnessed; people cannot actually create them. (Note that agricultural products, which people do create through planting and tending, are not a natural resource.) The value of all natural resources tends to rise with high demand, low supply, or both.
- **Capital:** This factor includes machines, tools, buildings, information, and technology—the synthetic

kojoku/Shutterstock

Many businesses work with nonprofits to boost their impact in the community.

resources that a business needs to produce goods or services. Computers and telecommunications capability have become pivotal elements of capital across a surprising range of industries, from financial services to professional sports. You may be surprised to learn that in this context, capital does not include money, but, clearly, businesses use money to acquire, maintain, and upgrade their capital.

- **Human Resources:** This factor encompasses the physical, intellectual, and creative contributions of everyone who works within an economy. As technology replaces a growing number of manual labor jobs, education and motivation have become increasingly important to human resource development. Given the importance of knowledge to workforce effectiveness, some business experts, such as management guru Peter Drucker, break out knowledge as its own category, separate from human resources.
- **Entrepreneurship:** Entrepreneurs are people who take the risk of launching and operating their own businesses, largely in response to the profit incentive. They tend to see opportunities where others don't, and they use their own resources to capitalize on that potential. Entrepreneurial enterprises can kick-start an economy, creating a tidal wave of opportunity by harnessing the other factors of production. But entrepreneurs don't thrive in an environment that doesn't support them. The key ingredient is economic freedom: freedom of choice (whom to hire, for instance, or what to produce), freedom from excess regulation, and freedom from too much taxation. Protection from corruption and unfair competition is another entrepreneurial "must."

Clearly, all of these factors must be in place for an economy to thrive. But which factor is most important? One way to answer that question is to examine current economies around the world. Russia and China are both rich in natural resources and human resources, and both countries have a solid level of capital (growing in China, and deteriorating in Russia). Yet, neither country is wealthy; both rank relatively low in terms of gross national income per person. The missing ingredient seems to be entrepreneurship, limited in Russia largely through corruption and in China through government interference and taxes. Contrast those examples with, say, Hong Kong. The population is small, and the natural resources are severely limited, yet Hong Kong has consistently ranked among the richest regions in Asia. The reason: operating for many years under the British legal and economic system, the government actively encouraged entrepreneurship, which fueled the creation of wealth. Recognizing the potential of entrepreneurship, China has recently done more to relax regulations and support free enterprise. The result has been tremendous growth, which may yet bring China into the ranks of the wealthier nations.[13]

1-5 The Business Environment: The Context for Success

No business operates in a vacuum. Outside factors play a vital role in determining whether each individual business succeeds or fails. Likewise, the broader **business environment** can make the critical difference in whether an overall economy thrives or disintegrates. The five key dimensions of the business environment are the economic environment, the competitive environment, the technological environment, the social environment, and the global environment, as shown in Exhibit 1.1.

1-5a The Economic Environment

In September 2008, the U.S. economy plunged into the worst fiscal crisis since the Great Depression. Huge, venerable financial institutions faced collapse, spurring

business environment The setting in which business operates. The five key components are: economic environment, competitive environment, technological environment, social environment, and global environment.

Exhibit 1.1 The Business Environment

Each dimension of the business environment affects both individual businesses and the economy in general.

unprecedented bailouts by the federal government and the Federal Reserve. By the end of the year, the stock market had lost more than a third of its value, and 11.1 million Americans were out of work. Housing prices fell precipitously, and foreclosure rates reached record levels. As fear swept through the banking industry, neither businesses nor individuals could borrow money to meet their needs. Economic turmoil in the United States spread quickly around the world, fueling a global economic crisis.

The U.S. economy continued to stagger through 2010 and 2011, with unemployment remaining stubbornly high, although signs of recovery began to emerge in late 2012. The Federal Reserve—the U.S. central banking system—took unprecedented, proactive steps to encourage an economic turnaround. And President Barack Obama spearheaded passage of a massive economic stimulus package, designed not only to create jobs but also to build infrastructure—with a focus on renewable energy—to position the U.S. economy for stability and growth in the decades to come. (The price, of course, was more national debt, which will ultimately counterbalance some of the benefits.)

> "A banker is a fellow who lends you his umbrella when the sun is shining, but wants it back the minute it begins to rain."
>
> Mark Twain, American author

The government also takes active steps on an ongoing basis to reduce the risks of starting and running a business. The result: free enterprise and fair competition flourish. Despite the economic crisis, research suggests that most budding entrepreneurs still plan to launch their firms in the next three years. One government policy that supports business is the relatively low federal tax rate, both for individuals and businesses. A number of states—from Alabama to Nevada—make their local economies even more appealing by providing special tax deals to attract new firms. The federal government also runs entire agencies that support business, such as the Small Business Administration. Other branches of the government, such as the Federal Trade Commission, actively promote fair competitive practices, which help give every enterprise a chance to succeed.

Another key element of the U.S. economic environment is legislation that supports enforceable contracts. For instance, if you contract a company to supply your silk screening business with 1,000 blank tee shirts at $4.00 per piece, that firm must comply or face legal consequences. The firm can't wait until a day before delivery and jack up the price to $8.00 per piece because you would almost certainly respond with a successful lawsuit. Many U.S. businesspeople take enforceable contracts for granted, but in a number of developing countries—which offer some of today's largest business opportunities—contracts are often not enforceable (at least not in day-to-day practice).

Corruption also affects the economic environment. A low level of corruption and bribery dramatically reduces the risks of running a business by ensuring that everyone plays by the same set of rules—rules that are clearly visible to every player. Fortunately, U.S. laws keep domestic corruption mostly—but not completely—at bay. Other ethical lapses, such as shady accounting, can also increase the cost of doing business for everyone involved. But in the wake of corporate ethical meltdowns such as Enron, the federal government has passed tough-minded new regulations to increase corporate accountability. If the new legislation effectively curbs illegal and unethical practices, every business will have a fair chance at success.

Upcoming chapters on economics and ethics will address these economic challenges and their significance in more depth. But bottom line, we have reason for cautious (some would say very cautious) optimism. The American economy has a proven track record of flexibility and resilience, which will surely help us navigate this crisis and uncover new opportunities.

1-5b The Competitive Environment

As global competition intensifies yet further, leading-edge companies have focused on customer satisfaction like never before. The goal: to develop long-term, mutually beneficial relationships with customers. Getting current customers to buy more of your product is a lot less expensive than convincing potential customers to try your product for the first time. And if you transform your current customers into loyal advocates—vocal promoters of your product or service—they'll get those new customers for you more effectively than any advertising or discount program. Companies such as Amazon, Coca-Cola, and Northwestern Mutual life insurance lead their industries in customer satisfaction, which translates into higher profits even when the competition is tough.[14]

Customer satisfaction comes in large part from delivering unsurpassed value. The best measure of value is the size of the gap between product benefits and price. A product has value when its benefits to the customer are equal to or greater than the price that the customer pays. Keep in mind that the cheapest product doesn't necessarily represent the best value. If a 99-cent toy from Big Lots breaks in a day, customers may be willing to pay several dollars more for a similar toy from somewhere else. But if that 99-cent toy lasts all year, customers will be delighted by the value and will likely encourage their friends and family to shop at Big Lots. The key to value is quality, and virtually all successful firms offer top-quality products relative to their direct competitors.

A recent ranking study by consulting firm Interbrand highlights brands that use imagination and innovation to deliver value to their customers. Exhibit 1.2 shows the winners and the up-and-comers in the race to capture the hearts, minds, and dollars of consumers around the world.

Exhibit 1.2 2012 Global Brand Champions and the Ones to Watch, Interbrand

MOST VALUABLE	BIGGEST GAINERS/ BRANDS	PERCENTAGE GAIN
Coca-Cola	Apple	+129%
Apple	Amazon	+46%
IBM	Samsung	+40%
Google	Nissan	+30%
Microsoft	Oracle	+28%
GE	Google	+26%
McDonald's	Hyundai	+24%
Intel	3M	+18%
Samsung	eBay	+18%
Toyota	Zara	+18%

Source: BestGlobal Brands 2012, Interbrand website, http://www.interbrand.com/en/best-global-brands/2012/Best-Global-Brands-2012.aspx, accessed January 9, 2013.

Leading Edge versus Bleeding Edge **Speed-to-market**—the rate at which a firm transforms concepts into actual products—can be another key source of competitive advantage. And the pace of change just keeps getting faster. In this tumultuous setting, companies that stay ahead of the pack often enjoy a distinct advantage. But keep in mind that there's a difference between leading edge and bleeding edge. Bleeding-edge firms launch products that fail because they're too far ahead of the market. During the late 1990s, for example, in the heart of the dot. com boom, WebVan, a grocery delivery service, launched to huge fanfare. But the firm went bankrupt just a few years later in 2001, partly because customers weren't yet ready to dump traditional grocery stores in favor of cyber-shopping. Leading-edge firms, on the other hand, offer products just as the market becomes ready to embrace them.[15]

Apple provides an excellent example of leading edge. You may be surprised to learn that Apple—which controls about 70%[16] of the digital music player market—did not offer the first MP3 player. Instead, it surveyed the existing market to help develop a new product, the iPod, which was far superior in terms of design and ease-of-use. But Apple didn't stop with one successful MP3 player. Racing to stay ahead, they soon introduced the colorful, more affordable iPod mini. And before sales reached their peak, they launched the iPod Nano, which essentially pulled the rug from under the blockbuster iPod mini just a few short months before the holiday selling season. Why? If they hadn't done it, someone else may well have done it instead. And Apple is almost maniacally focused on maintaining its competitive lead.[17]

1-5c The Workforce Advantage

Employees can contribute another key dimension to a firm's competitive edge. Recent research suggests that investing in worker satisfaction yields tangible, bottom-line results. The researchers evaluated the stock price of *Fortune* magazine's annual list of the "100 Best Companies to Work for in America" to the S&P 500, which reflects the overall market. In 2009, the heart of the Great Recession, the firms with the highest employee satisfaction provided a 10.3% annual

speed-to-market The rate at which a new product moves from conception to commercialization.