

FIRST EDITION

CAREERS AND BASICS OF BUSINESS, MARKETING, AND FINANCE

Review Copy

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**Careers and Basics of
Business, Marketing,
and Finance**



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Meet Our Lead Content Architect



Courtesy of Kandis Spurling

Tim Broxholm (MA, Seattle Pacific University)

For many learners, their business education journey begins with Introduction to Business. Tim has had the pleasure of educating numerous unique students in this course. His innovative teaching methods, applications of learning science, and educational technology have taken this foundational course to the next level. He arms students with the skills needed to perform like pros in the world of work, excel in future college courses, build wealth, and become savvy consumers.

Tim has been teaching marketing, management, and entrepreneurship courses at Green River College in Auburn, Washington, since 2010.

He was tenured in 2015 and is best known for co-creating and then leading the country's first Bachelor of Applied Science (BAS) in Marketing and Entrepreneurship. Tim also developed an Applied Management BAS program. Affordable schools.net has recognized the Marketing & Entrepreneurship program as the #1 most affordable entrepreneurship program in the country and the #7 most affordable entrepreneurship program by UniversityHQ. Tim is a recipient of Green River College's Distinguished Faculty Award.

In addition to teaching and authoring, Tim works in the technology industry as a Senior Manager at Microsoft, which provides him the ability to bridge the divide between today's higher education curriculum and the rapidly changing needs of today's employers. While Tim serves in many roles, his most important role is as husband to his wife, Danielle, and dad to his sons, Raymond and Joey.

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1 Fundamentals of the Business World

What To Expect

By the end of the chapter, you will be able to:

- Compare and contrast for-profit and nonprofit organizations.
- Differentiate among revenue, profit, and loss.
- Classify business offerings as goods or services.
- Summarize how the American economy has evolved over time.

Chapter Topics

- **1-1** Business and Profits
- **1-2** The Role Business Plays in Society
- **1-3** Entrepreneurial Risk and Factors of Production
- **1-4** The Forces of the Business Environment
- **1-5** Stakeholders in Business

Introduction: Profit and PETZ: The Basics of Business

“What Basic Information Do I Need to Launch a Successful Business?”

Pets are big business in the United States. The Humane Society of the United States estimates that 65% of U.S. households own a pet.

That’s about 80 million U.S. households owning more than 163 million dogs and cats. The average amount spent on vet care each year, per pet, is more than \$1,250.¹ Total annual spending on pets reaches nearly \$70 billion per year!

Ana is an entrepreneur who sees the opportunity to thrive in the pet market. She is just about to launch her first business—a pet-supply store named PETZ.

Ana is nervous because she’s heard that many new businesses fail, and she doesn’t want to become another statistic.

Ana’s friend Calvin has built a successful catering business, and like any good entrepreneur, Ana is seeking guidance from an expert.



PETZ’s grand opening is next month. I’m excited and also terrified.

What are you going to sell?



Basic supplies for cats and dogs. Food, toys, collars, leashes. Plus other merchandise for pet lovers, like stuffed animals, magnets, and bumper stickers

This is a great concept. We want to make sure you are also differentiating yourself from your competitors





Definitely. PETZ is going to be different from the big-box stores. It'll be a place where people can bring their pets and get personalized advice from experts.

Another opportunity you could consider is providing services, too, like dog grooming, training, and boarding. I think the profit margins on those services are quite high.



Great idea! I'm planning to start small and then expand a little at a time, because money's so tight right now. Besides, I don't know any dog groomers or trainers.

That's okay, you've hustled and made it this far. In terms of connecting with providers, one suggestion would be to leverage LinkedIn as well as just simply search for providers online and reach out to them to talk about the opportunity. Building relationships is a cornerstone of business.



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Lesson 1-1

Business and Profits

Many people start their own business because they want to be their own boss and earn a good living. They equate their love of something (for example, animals, fashion, music, books) with their ability to base a business on it.

Unfortunately, many people start their own business without understanding the business environment. Lacking funds, experience, and a basic knowledge of business practices, they cannot make enough money to stay in business. In fact, only about 20% of new businesses survive beyond their first year.

Before Ana starts her business, she should understand the fundamentals of business. What questions should she ask as she gets her business off the ground?

In this lesson, we will gain a better understanding of the different types of businesses and their goals. By the end of the lesson you'll be able to understand the role of profit and explain why Calvin advised Ana to provide services for pet owners.



What Is a Business Organization?

It is helpful to distinguish between an *organization* and a *business*.

An **organization** is a group of people who work together to accomplish a specific purpose. There are two types of organizations—*for-profit* and *nonprofit*.

- A **for-profit organization** is formed to make money, or profits, by selling goods or services.
- The purpose of a **nonprofit organization** is to earn enough profit to cover its expenses and further its goals.

A **business** is any activity that seeks to make a profit by satisfying needs through selling goods or services and generating revenue.

For-Profit Organizations	Nonprofit Organizations
<ul style="list-style-type: none">• PetSmart• Camping World• Under Armour• Uber• Facebook	<ul style="list-style-type: none">• Red Cross• NFL (National Football League)• Humane Society• Some hospitals• Some colleges and universities• United Autoworkers

Some nonprofits operate in the *public sector*, which are controlled by the government. Others are in the *private sector*, which are not controlled by the government.

The biggest difference between for-profit businesses and nonprofit organizations is the measure of accomplishment.

- In for-profit organizations, the measure generally is profit (or loss).
- In nonprofit organizations, money and expenses are important, but success is measured by how effectively services are delivered or by other criteria.

Decisions

Based on the conversation between Ana and Calvin, which type of organization is PETZ, Nonprofit or for-profit?

Correct Answers: For-profit

What Is the Lifblood of Business? Profit!

A business seeks to make a profit by selling goods or services to generate revenue. There are three components of making a profit.

1. **Selling** is the exchange of goods or services for an agreed sum of money.
2. By selling, a company generates **revenue**, which is the total amount of money that the selling of goods or services produces during a defined period of time: daily, weekly, monthly, quarterly, yearly.
3. It takes money to make money. **Expenses** are the costs incurred in running the business, such as salaries and rents.

Subtract expenses from revenue to generate profit.

$$\text{Revenue} - \text{Expenses} = \text{Profit}$$

Profit is the amount of money a business makes after paying for all of its costs. The opposite of profit is a **loss**, which occurs when business expenses exceed revenues.

Decisions

Use Ana's revenue and expense figures for PETZ during her first two years of operation to answer the following questions.

Year	Revenue	Expenses
1	\$150,000	\$185,000
2	\$180,000	\$120,000

- In Year 1, PETZ _____.
 - earned a profit
 - incurred a loss
- From Year 1 to Year 2, what happened to PETZ's expenses?
 - Its expenses decreased.
 - Its expenses increased.
- What was PETZ's profit in Year 2?
 - \$60,000
 - \$120,000
 - \$30,000
 - \$180,000

Correct Answers: 1. B; 2. A; 3. A

What Do Businesses Sell?

Businesses sell goods, services, or both.

- Goods** are tangible products—things you can touch—such as food, clothing, appliances, gasoline, and books.
- Services** are intangible products—things you can't touch—such as education, recreation, or health care. Think of a service as a task that is performed for you, such as house cleaning or tax preparation.

The U.S. economy has evolved over the centuries. For more information on the evolution of the U.S. economy from agricultural to industrial to knowledge, technology, and service, see below.

From an economic standpoint, most American jobs today involve the provision of services. For example, editors provide services by editing books, magazines, and websites; stockbrokers provide services by helping investors buy and sell stocks. But the dominance of service-based jobs is relatively recent.

The Evolution of the U.S. Economy

18th Century: The Agricultural Economy

Early in the history of the United States, the great majority of the workforce was employed in agriculture, producing and selling goods made on farms and ranches, such as food, cotton, and leather. Today, technology has made farming and ranching so efficient that only about 2% of the U.S. population is now employed in agriculture.



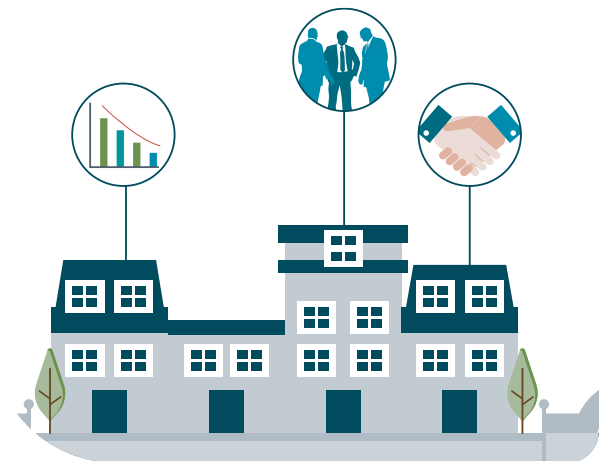
Late 19th to Early 20th Century: The Industrial Economy

During the late 19th and early 20th centuries, the United States evolved from an agricultural nation into an industrial one, selling manufactured goods: steel, tools, and machines—everything from ships to locomotives to automobiles to toasters. Indeed, America's industrial development became the envy of the world and made a huge difference in turning the tide toward victory during World War II.



Late 20th Century: The Service Economy

By the late 20th century, the United States had evolved into the service economy it is today. Indeed, during the last 50 years, jobs involving manufacturing—the production of goods—have declined, mainly because of global outsourcing or offshoring, the use of suppliers outside the United States (such as suppliers in China and India) to provide labor, goods, or services. Many of the goods formerly produced in the United States are now produced overseas. In the United States in the last 25 years, most new jobs can be attributed to the growth in services: entertainment, health, legal, financial, educational, personal care, repair, janitorial, and other services.



Decisions

After Ana's conversation with Calvin, she is taking a look at her business strategy to analyze what she will be offering her customers. Help Ana classify the items as goods or services.

- Which of the following would be considered goods? (Check all that apply.)
 - Pet crates
 - Cat sitting
 - Dog walking
 - Cat food
- Which of the following would be considered services?
 - Leashes
 - Dog vitamins
 - Obedience training
 - Pet crates
- Flea medication is a good, while _____ is a service.
 - dog food
 - dog grooming
 - a dog sweater
 - heartworm medication
- Cat food and dog vitamins are _____.
 - Goods
 - Services
- A veterinary consultation is considered a _____.
 - Good
 - Service
- Dog walking is a _____, and the leashes used to walk them are _____.
 - service; goods
 - good; services

Correct Answers: 1. A & D; 2. C & B; 3. B; 4. A; 5. B; 6. A

Lesson 1-2

The Role Business Plays in Society

By the end of this lesson, you will be able to:

- Provide examples of the ways business can impact quality of life.
- Provide examples of the four ways business can advance the interests of society.

Where Does PETZ Fit in the Bigger Picture?

“How Does My Business Benefit Society?”

In opening PETZ, a pet-supply and service store, Ana is guided by the profit principle: She wants PETZ to bring in more revenue than it pays in expenses.

With all of her energy focused on getting the store opened, Ana hasn't thought about the exciting role her business can play in her community.

A week after the PETZ grand opening, Ana's friend Calvin (a successful catering entrepreneur) stops by to pick up some catnip for his cat, Whiskers.



People have been really supportive! PETZ has been open for only one week, and I've already had repeat customers.

Hey Ana, how's business?



What do they like most about the store?



They like having a local place where they can talk about their pets and get advice. Also, I have a refrigerated section of fresh pet foods. A lot of customers want only fresh, organic food for their cats and dogs, so they can't buy more than three or four days' worth of pet food at a time. So, they say they'll be stopping in a couple of times a week.

What a great opportunity for you. Are you taking “reservations” for the foods? You'll build customer loyalty if they know you're saving inventory for them.





I'm already covered on that! I've even been working out the details of delivering the fresh foods to people's houses.

Isn't being an entrepreneur great? Not only are you earning a profit for yourself, you're also providing a benefit to your community and to local pet owners.



Ana's main goal in starting her business was to earn a profit. Though she did not realize it at first, Ana's business also improves other people's lives, too. How exactly does Ana's business benefit society?

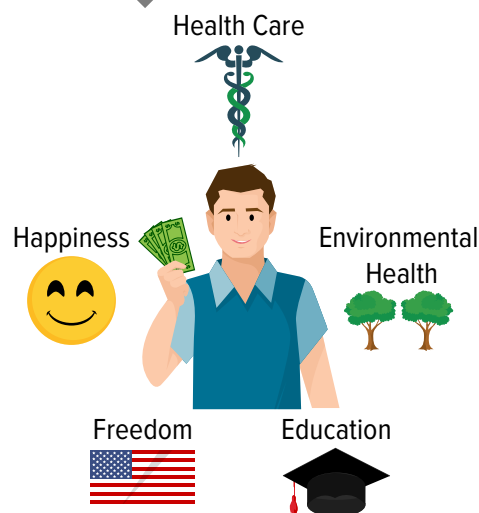
In this lesson, we will learn about the larger social context in which business operates. We will explore how businesses help to improve people's overall quality of life and advance society's interests. We will gain insight into how for-profit businesses have the opportunity to benefit many people, not just their owners.

How Does Business Improve a Society's Standard of Living?

Business can raise people's standard of living, enabling them to live longer and healthier lives. It can also contribute to human knowledge.

Quality of life refers to a society's general well-being as measured by standard of living, health care, educational opportunities, freedom, happiness, and environmental health. A synonym for quality of life is *human development*.

A large part of an enhanced quality of life results from an improved **standard of living**, which is defined by how many goods and services people can buy with the money they have.



How Do Businesses Support Community Interests?

In addition to increasing quality of life, business can advance the interests of society in four key ways.

Producing Goods and Services

Food and medicine, clothing and shelter, heat and light, and many other necessities of life are produced by businesses.

Providing Paychecks and Benefits for Employees

Typically, dozens or hundreds of employees depend on an individual business owner for paychecks and benefits, such as health insurance and a retirement plan.

Paying Taxes to Support Government Spending

Most businesses pay taxes. Moreover, employees pay payroll taxes. The government uses these taxes to fund public health programs, Social Security, education, defense, and other essential services.

Donating Funds, Goods, and Services for Community Causes

In many communities, businesses are strong supporters of charitable causes. For example, they donate supplies to help earthquake disaster victims, contribute money to the United Way, and sponsor Little League baseball teams.

Decisions

Ana is reflecting on how her business helps society. Choose the most applicable label for each of Ana's thought and actions.

1. PETZ provides pet goods, services, and supplies under one roof, making it convenient for pet owners to find everything they need to care for their animal.
 - A. Providing paychecks and benefits for employees
 - B. Donating funds, goods, and services for community causes
 - C. Paying taxes to support government spending
 - D. Producing a good or service

- 2** While Ana has only a few employees right now, she aspires to grow her business. If she continues opening new stores in different locations, she could end up with hundreds of employees.
- A.** Providing paychecks and benefits for employees
 - B.** Producing a good or service
 - C.** Donating funds, goods, or services for community causes
 - D.** Paying taxes to support government spending
- 3.** Ana withholds taxes from her employees' paychecks and pays all the required local, state, and federal taxes.
- A.** Paying taxes to support government spending
 - B.** Donating funds, goods, or services for community causes
 - C.** Providing paychecks and benefits for employees
 - D.** Producing a good or service
- 4.** Ana provides donations to the local animal shelter and hosts pet adoptions on a monthly basis.
- A.** Producing a good or service
 - B.** Paying taxes to support government spending
 - C.** Donating funds, goods, or services for community causes
 - D.** Providing paychecks and benefits for employees

Correct Answers: 1. D; 2. A; 3. A; 4. C

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Lesson 1-3

Entrepreneurial Risk and Factors of Production

By the end of this lesson, you will be able to:

- Explain why entrepreneurs are important to an economy.
- Apply the factors of production to a business setting.

Is Ana an Entrepreneur?

“What Are the Risks and Benefits of Entrepreneurship?”

Ana’s pet-goods store, PETZ, is up and running. She is feeling and experiencing the joy and challenge of owning a business.

Ana invites her trusted friend and advisor, Calvin, to lunch to discuss the challenges of entrepreneurship.



How is the business going?

Its going well, for now I’m able to generate only a small salary for myself. But after I make the payroll, there’s nothing left over.



Hang in there, it takes time to get a return on the investment.

It’s stressful. Every time a customer walks into the store, I hope that she’ll spend hundreds of dollars. When she buys a cat toy for three bucks, I feel like I’m doing something wrong.



That’s the key challenge of entrepreneurship, Ana. You have the potential to make a really large profit, but in the meantime you carry all the risk.

It is definitely stressful. I used every penny of my savings to open the store, and I borrowed money from my parents and from the bank. Even if the store fails, I still have to pay them back.



Because Ana takes all the risks of opening her own business, she is truly an entrepreneur.

In this lesson, we will explain the key element that defines entrepreneurship. Because most entrepreneurs seek profits, we also discuss the building blocks of wealth, which will help us see what Ana needs to do to make make PETZ into a profitable, ongoing business.

What Is an Entrepreneur? How Does an Entrepreneur Differ from an Employee?

Entrepreneurs play a vital role in our economy. Understanding what makes them special and how they impact others is key to understanding what role you could play. How would you respond to the following questions:

What Risks Do Entrepreneurs Take?

In the business realm, **risk** is defined as the possibility that the owner or owners of a business may invest time and money in the enterprise and fail. Entrepreneurs take a larger risk in starting a business compared to employees who work for that business. Although the employee is risking his/her commitment of time and effort in following a particular career path, an entrepreneur can face the loss of time, effort, reputation, and money.

Taking risks is what entrepreneurs do. An **entrepreneur** is a person who sees a new opportunity for a product or service and risks time and money to start a business with the goal of making a profit.

Why are Entrepreneurs Essential to an Economy?

Entrepreneurs are essential to an economy because they provide the catalyst that drives innovation. Most entrepreneurs start small businesses designed to capture, meet, or improve a segment of a market that is underserved. It is this essential action that consumers want in order to make their lives more efficient and/or enjoyable, and it is what an economy needs to grow.

Decisions

1. During one week, the following people come into PETZ and talk with Ana. Which one of them is an entrepreneur?
 - A. A sales representative for the country's largest supplier of dry dog food
 - B. A recent college graduate who works for an SEO (search engine optimization) company and offers the company's services to Ana
 - C. A customer who works as a hair stylist at a local salon
 - D. The proprietor of a company who created dog toys that are indestructible

Correct Answer: 1. D

What Are the Factors of Production?

Whether a business is an individual pursuit by one person or an organization with thousands of employees, it relies on the **factors of production**. Here are some factors of production:

Entrepreneurship

An entrepreneur is a person who sees a new opportunity for a product or service and who risks his or her time and money to start a business with the goal of making a profit.



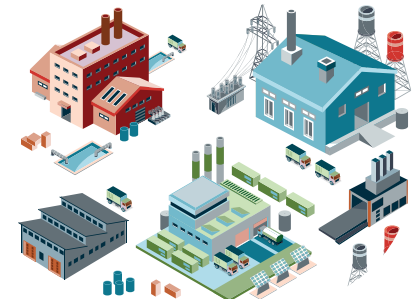
Natural Resources

Natural resources consist of production inputs that are useful just as they appear in nature. Most natural resources can't be created; they must be mined, harvested, harnessed, or purified. They include land, forests, water, wind, sunlight, and mineral deposits.



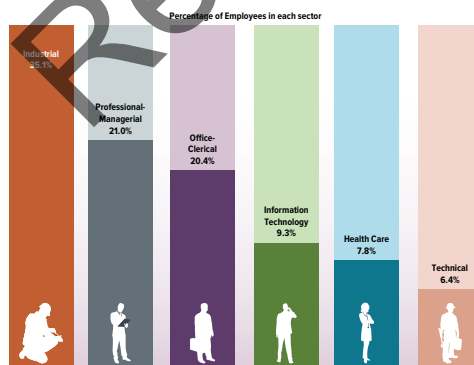
Capital

Capital includes the buildings, machines, tools, and technology used to produce goods and services. Capital does not include money, although money is used to acquire buildings and other capital.



Human Resources

Human resources consist of labor, the physical and intellectual contributions of a company's employees.



Knowledge

Knowledge is composed of the facts, information, and skills acquired by a person through training or education. It has been revolutionized by computers, telecommunications, and databases, which allow entrepreneurs to quickly determine and meet customers' wants and needs.



Decisions

Select the factor of production that best applies to PETZ.

- Ana's physical store is located on land the city has zoned for commercial use.
 - Capital
 - Natural resources
 - Knowledge
 - Human resources
 - Entrepreneurship
- When Ana launched PETZ, she invested in a point of purchase system to track inventory, run financial reports, and take payments from her customers.
 - Human resources
 - Capital
 - Entrepreneurship
 - Natural resources
 - Knowledge
- Ana hired sales associates who have a passion for pets and a desire to grow their knowledge. Ana knows her staff is more than labor as these employees also contribute ideas on how to grow the business.
 - Knowledge
 - Human resources
 - Natural resources
 - Entrepreneurship
 - Capital
- Ana was able to launch PETZ because she learned about business, researched the industry, and utilized the plethora of information at her local library to build her business plan.
 - Human resources
 - Entrepreneurship
 - Natural resources
 - Knowledge
 - Capital

Correct Answers: 1. B; 2. B; 3. B; 4. D

Lesson 1-4

The Forces of the Business Environment

By the end of this lesson, you will be able to:

- Summarize the importance of the macroenvironment.
- Classify examples of the impacts of economic, political/legal/regulatory, technological, competitive, global, and social forces on businesses.

Survive and Thrive in the Business Environment

“What Social and Economic Forces Affect Ana’s Business (PETZ)?”

Business does not operate in a bubble. Rather, it is part of an ecosystem that is comprised of micro and macro elements that impact the business.

Ana meets with her friend Calvin to discuss what’s going on in the business environment



Ana how have you been doing! Every time I go by PETZ it is filled with customers.

Things are going well in the store. I am starting to realize there are some other elements outside of our four walls that impact the business.



You’ve got it, this is what we call the business environment and it changes and evolves, and if you don’t stay apprised you may find yourself going out of business.

Yes, for example we are taking advantage of some changes in demographics by spending more time promoting on social media. We can definitely see the bond between pets and their humans are strong as ever.



That’s awesome! You’ll also want to keep an eye out on some potential legislation that could impact small business. Also, don’t lose sight of what your competitors are doing.

In this lesson, we will examine the social and economic environments in which a business operates. Businesses are affected by many factors that can spur or limit their success. Understanding these factors is essential for both short-term and long-term business planning.

By recognizing these forces and understanding how they affect her, Ana can become a more proactive entrepreneur—one who balances a focus on the store’s day-to-day operations with an understanding of the trends that may require a change in her business strategies.

What Forces Affect the Business Environment?

Business and entrepreneurship don’t exist in a vacuum. All companies operate within the **business environment**, the arena of forces that encourage or discourage the development of business. These forces can be divided into six categories:



Learn more about the Business Environment.

Economic Forces: The Tension Between Freedom and Restraint

Business owners face a continual tension between the freedoms to operate a business and the regulations provided by governments. Several common areas include:

- **Taxation:** Some countries have higher tax rates on businesses, which can restrict how much companies can invest in initiatives and how much profit is retained in the business.
- **Contract enforcement:** In countries that do not strongly enforce contract laws, businesspeople are reluctant to enter into business relationships.
- **Corruption:** Countries that don’t punish corruption and bribery create an atmosphere of uncertainty that can hurt honest businesspeople.

Technological Forces: The Effect on Productivity and Security

Technology includes not only digital technology (computers, telecommunications, and giant data storage) but also all machines required to help a company get things done, including delivery vans, vending machines, and surveillance cameras.

Technology has given rise to **e-commerce**, or **electronic commerce**, the buying and selling of products or services over computer networks. E-commerce is reshaping entire industries and revamping the very notion of what a company is.

Information technology has also facilitated **e-business**, using the Internet to facilitate every aspect of running a business. Some impacts include:

- **Productivity:** The purpose of all technology is to improve **productivity**, defined as the amount of output given the amount of input—such as the number of doughnuts produced by one worker in an hour.
- **Security:** Technological systems can enhance productivity, but they can also compromise security—for example, by allowing hackers to steal credit card information.

Competitive Forces: The Influence on Customers, Employees, and Investor Satisfaction

Competitors are people or organizations that are rivals for a company's customers or resources. The rivalry that exists between businesses in certain industries can be extremely difficult for a business to operate within, causing some businesses to fail. Because all businesses must deal with competition, businesses strive to create a **competitive advantage** to allow the organization to create products, systems, or cultures that are not easily replicable.

Customers: A company such as a public utility that is the only one in its industry has no particular incentive to improve service with its customers because it knows they have nowhere else to go.

Employees: A technology company trying to recruit and keep top talent will go to greater lengths if it knows there are other companies fiercely competing for that talent.

Investors: A bank that is the only one in a state or country may pay its investors whatever it wants.

Social Forces: The Impact of Demographics

Changes in a country's demographics, the population's measurable characteristics such as gender, age, race, and family composition, can change a business's number of customers. Customers' changing needs and tastes can also affect the business.

Global Forces: The Effect on Trade and Stability

Businesses today operate in a global economy, one in which customers can be located a mile away or halfway around the globe. **Globalization** refers to the movement of the world economy toward becoming a more interdependent system.

Global forces include all of the following:

- **Trade pacts and economic unions:** Formal trade agreements can facilitate the exchange of goods and services between nations, which in turn can affect a nation's manufacturing capacity, employment level, and travel policies.

- Military alliances
- Currency exchanges
- Immigration policies
- Environmental regulations

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All of these forces can affect national stability. Wars, terrorism, recessions, currency panics, epidemics, refugee flows, and ecological changes can undermine national stability—thereby increasing risk to business owners.

Political/Regulatory/Legal: The Rules Business Must Abide By

Both nationally and internationally, regulations, laws, and politics set the rules businesses must abide by to stay in business and out of trouble.

For example, new laws and regulations were implemented after the recession to protect consumers from predatory lending practices.

Decisions

Review each statement, choose which aspect of the business environment is being described.

1. There is local legislation being considered that would increase a local sales tax. Ana is concerned this could impact sales.
 - A. Technological
 - B. Competitive
 - C. Global
 - D. Social
 - E. Economic
 - F. Legal/Regulatory/Political

2. Ana recently implemented an automated, Internet-based system ensuring she never runs out of inventory of her most popular brand of dog food.
- A. Economic
 - B. Competitive
 - C. Legal/Regulatory/Political
 - D. Global
 - E. Social
 - F. Technological
3. A new, larger pet store has opened around the corner from PETZ.
- A. Technological
 - B. Economic
 - C. Social
 - D. Legal/Regulatory/Political
 - E. Global
 - F. Competitive
4. Ana is able to increase her profit margins by purchasing dog collars and other pet supplies from manufacturers in China and the Philippines.
- A. Social
 - B. Technological
 - C. Economic
 - D. Legal/Regulatory/Political
 - E. Global
 - F. Competitive
5. Ana recently read a study that said millennials have increased their spending on pets by 15% and are more likely to splurge on their pets than consumers 5 years ago.
- A. Global
 - B. Economic
 - C. Technological
 - D. Competitive
 - E. Legal/Regulatory/Political
 - F. Social

6. The city government where Ana lives is considering implementing a new law that would restrict the number of pets to one per household.
- A. Competitive
 - B. Global
 - C. Technological
 - D. Legal/Regulatory/Political
 - E. Economic
 - F. Competitive
 - G. Social

Correct Answers: 1. E; 2. F; 3. F; 4. E; 5. F; 6. D

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Lesson 1-5

Stakeholders in Business

By the end of this lesson, you will be able to:

- Recall the types of stakeholders that businesses must recognize and satisfy.

PETZ: Changes and Surprises

“Who Are the Stakeholders in My Business? What Trends in the Business Environment Must I Be Aware of?”

Ana, the owner of PETZ pet-supply store, meets her friend and successful entrepreneur Calvin for dinner and to share ideas to continue growing the business.



Ana, I am excited to brainstorm ideas on how to grow your business.

Thanks Cal, you know from the beginning I wanted PETZ to be a place where animal lovers could gather and find everything they need. I love animals, and I wanted my customers to know that their pets' health and happiness is PETZ's key goal. Customers have responded really well to that.



I think the results are demonstrating this is a great business approach.

I also think I did a good job in hiring people who want the business to succeed as much as I do. They are passionate about animals, care about customers, and are excited to grow with the company.



What were the biggest challenges for you?

I can't believe how quickly things change. I was shocked when a competitor opened around the corner. At first I was paralyzed by it. Then I realized I needed to start working much harder to gain and keep customers.



How's that going?



Really well, we've greatly increased our presence on social media, we started an e-mail list, and we're about to launch a pet-sitting service and an app that will let customers place standing orders for pet products.



It sounds like you're doing everything you can to please your various stakeholders.



Ana has learned that business is about hustle, grit, and resilience. One of Ana's key metrics of success is her ability to take care of her stakeholders.

In this lesson, we will examine these different groups of stakeholders. Running a business often feels like a balancing act of trying to keep different groups of stakeholders happy; understanding each group's desires and interests is essential.

Management and Stakeholders

Business people practice the art of management, planning, leading, organizing, and controlling the activities of an enterprise according to certain policies to achieve certain objectives.

Managers and entrepreneurs operate in an organizational environment composed of various stakeholders, those who have any sort of stake or interest in the business.

Key Stakeholders in a Business

Let's learn about some key stakeholders in business.



Customers: The Focus of Business

Customers are the people or companies that pay to use an organization's goods or services. For-profit companies and nonprofit organizations both focus on customers. For example, the customers of a nonprofit university are its students.

Employees: The Need for Performance

Employees are typically a key stakeholder in a business as they provide the labor, create the culture, and provide the service that ultimately makes a business succeed or fail. Have you ever worked for a “toxic organization”? This is the name that Stanford University business professor Jeffrey Pfeffer gives to firms with high turnover and low productivity, companies that drive employees away. “Companies that manage people right will outperform those that don't by 30% to 40%,” he says.

Suppliers: Providing Parts and Products

A **supplier**, or **vendor**, is a person or an organization that supplies raw materials, services, equipment, labor, energy, and other products to other organizations.

Distributors: Directing Products to Customers

A **distributor** is a person or an organization, such as a dealer or retailer, that helps sell goods and services to customers. Distributors can be quite important in terms of ensuring that customers have a place to purchase a product. For example, many small publishers have distributors to sell their books to libraries and bookstores.

Lenders: Carrying the Company When Money Is Short

Businesses often rely on lenders such as banks to give them loans to start a business, to keep the business afloat when revenues are low, or to expand their operations. Some entrepreneurs finance their new enterprises by using their personal credit cards for cash advances or expenses.

Nearby Communities: The Local Environment

Nearby communities are important stakeholders because schools and municipal governments rely on businesses for a portion of their tax base. In addition, families and merchants depend on the employee payroll for their livelihoods, and nonprofit organizations such as sports leagues may depend on them for donations.

Government Regulators: Local, State, Federal, and World

Government regulators are government agencies that establish rules and regulations under which organizations must operate; in turn, regulators are often affected by organizations. Regulatory bodies may range from local planning departments to state commissions to federal agencies and international agencies (such as the World Trade Organization, which oversees international trade).

Interest Groups: People with Specific Issues

The Sierra Club, the United Auto Workers, and the Chamber of Commerce are examples of **interest groups** or **special-interest groups**—groups whose members try to influence businesses and governments on specific issues. Interest groups

may try to exert political influence, as in contributing funds to lawmakers' election campaigns or in launching letter-writing efforts to businesses and politicians.

Media: From Print to Internet

No businessperson can afford to ignore the power of news and entertainment media, which include not only newspapers, magazines, radio, and TV but also Internet social media, such as Snapchat, Twitter, Instagram, Facebook, and YouTube. Because the media can rapidly and widely disseminate both bad news and good news, most mid-sized and larger businesses have a public-relations person or media department to communicate effectively with the press. In addition, top-level executives often receive special instruction on how to best deal with the media.

Decisions

As Ana strategizes on how she is going to grow the business, she jots down the list of her stakeholders. Ana is committed to meeting the needs of her customers, but knows that she has to be committed to *all* stakeholders to succeed.

1. Ana is the sole investor in her company. She is the _____.
 - A. distributor
 - B. lender
 - C. employee
 - D. owner
2. The people who need PETZ's goods and services are the _____.
 - A. suppliers
 - B. interest groups
 - C. employees
 - D. customers
3. PETZ purchases its products from _____.
 - A. interest groups
 - B. distributors
 - C. nearby communities
 - D. owners
4. The group responsible for PETZ's location in the downtown area is the _____.
 - A. interest groups
 - B. government regulators
 - C. media
 - D. employees

Correct Answers: 1. D; 2. D; 3. B; 4. B

Fundamentals of the Business World: Test

- Barb, the owner of a lawn mowing business, gave half of her monthly revenue to a local homeless shelter. From this information, you can conclude that Barb's company is a
 - for-profit organization.
 - nonprofit organization.
 - charitable business.
 - public company.
 - not-for-profit business.
- A(n) _____ is any activity that seeks to make a profit by satisfying needs through selling goods or services and generating revenue.
 - entity
 - business
 - organization
 - association
 - sector
- A small business owner sold \$2500 worth of product in one month. The owner had to pay rent of \$500 and materials costs of \$1250. What was the profit for the month?
 - \$750
 - \$500
 - \$1000
 - \$2500
 - \$2000
- Since Maia moved to Nebraska, she is finding that she can buy more with her money than she could in Hawaii. Maia is experiencing an improvement in her
 - earning potential.
 - return on investment.
 - standard of living.
 - human potential.
 - psychological benefits.
- Patrice knows that investing her own money in a start-up business may be a mistake, but she believes she can make it work. Patrice is willing to
 - take a risk.
 - follow others' advice.
 - live on a small salary.
 - forgo rewards.
 - buck the trend.
- Capital does *not* include
 - money.
 - buildings.
 - tools.
 - technology.
 - machines.
- Plus Size has been selling larger size clothing in the same location for 10 years. Big Girls just opened across town and is threatening Plus Size's business. Big Girls is a(n) _____ of Plus Size.
 - customer
 - investor
 - employee
 - partner
 - competitor
- The United States has imposed trade sanctions on North Korea. This is primarily a _____ force in the business environment.
 - legal/regulatory/political
 - social
 - global
 - competitive
 - technological

9. When Russia invaded Crimea, the United States imposed sanctions on Russia. What category of forces is impacting the business environment with these sanctions?
- A. legal/regulatory/political
 - B. social
 - C. global
 - D. competitive
 - E. technological
10. Holidays Galore is a seasonal business, so in the off season when it is buying inventory, it is often short of cash. The business usually borrows money from the bank to tide it over until the busy season begins. The bank is Holidays Galore's
- A. shareholder.
 - B. supplier.
 - C. distributor.
 - D. interest group.
 - E. lender.
11. AARP is an example of a(n) _____ whose members try to influence businesses and governments on specific issues.
- A. for-profit organization
 - B. government regulator
 - C. shareholder
 - D. media outlet
 - E. interest group
12. Smart Telephony has \$500,000 in revenue and \$600,000 in expenses this year. Which situation best describes the company's financial situation for the year?
- A. nonprofit
 - B. loss
 - C. profit
 - D. risk-adverse
 - E. competitive disadvantage
13. Shamira runs a small catering business in her hometown. Every three months, Shamira and her staff take hot meals to a homeless shelter across town. In this example, how is Shamira most helping society with her business?
- A. by producing services
 - B. by paying taxes
 - C. by providing benefits to her staff
 - D. by sharing her profits
 - E. by donating goods
14. Ingmar receives a substantial pay increase from his employer. He can now afford the new car he has been dreaming about for years. Ingmar can *best* be described as having
- A. better environmental health.
 - B. an improved standard of living.
 - C. more consumer freedom.
 - D. a lower tax bracket.
 - E. more community support.
- A large part of an enhanced quality of life results from an improved standard of living, which is defined by how many goods and services people can buy with the money they have.
15. Seabass, Incorporated recently implemented an online training program to facilitate continuing education for its employees. Senior leadership believes the new training will increase efficiency and quality. This implantation will *most likely* impact which of the following factors of production?
- A. natural resources
 - B. standard of living
 - C. competitive advantage
 - D. knowledge
 - E. capital

Knowledge is composed of the facts, information, and skills acquired by a person through training or education. It has been revolutionized by computers, telecommunications, and databases, which allow entrepreneurs to quickly determine and meet customers' wants and needs.

16. Ozara is the plant manager for Estate Manufacturing. He is leading the efforts to double plant capacity with a new building. Which of the five factors of production is Ozara most impacting?

- A. human resources
- B. equity
- C. capital**
- D. natural resources
- E. knowledge

17. Endellion owns a small delivery company. He decides to hire an office assistant and buys her a laptop to handle some of the administrative responsibilities for the company. This laptop is best described as which factor of production?

- A. equity
- B. capital**
- C. knowledge
- D. human resources
- E. tangible product

18. As more and more individuals in Generation Z move out into the world, the housing market has shifted to meet their changing needs. This change is best represented by the _____ forces in the business environment.

- A. social**
- B. competitive
- C. technological
- D. economic
- E. capital

19. Armida is a lawyer with the American Civil Liberties Union (ACLU). She is regularly in court working to ensure fair treatment of all individuals in the business world. The ACLU can *best* be described as a(n)

- A. government regulator.
- B. employee shareholder.
- C. contract enforcement group.
- D. special-interest group.**
- E. demographic compliance group.

20. Which example best demonstrates how a large company could impact the town in which it operates?

- A. The town is more likely to be approved for a bank loan to build a new pool.
- B. Town schools are more likely to receive tax credits.**
- C. Distributors are more likely to open businesses in the town.
- D. Customers are more likely to relocate to the town.
- E. Suppliers are more likely to offer discounts on bulk shipping to the town.

2 Ethical and Social Responsibility in Business

What To Expect

By the end of the chapter, you will be able to:

- Classify a company's action as legal/illegal and ethical/unethical.
- Determine whether a business action is ethical or unethical, given the host country's cultural values and norms.

Chapter Topics

- **2-1** Understanding Ethics
- **2-2** Building an Ethical Culture
- **2-3** Corporate Social Responsibility and the Social Audit
- **2-4** The Payoffs from Doing Good: The Benefits to Stakeholders



Introduction: Tough Decisions at *The American Journal*

“Conflict with My Job Duties or Desire to Profit?”

The American Journal is a highly successful online news and opinion website that covers many aspects of U.S. society, including business, politics, entertainment, sports, lifestyle, health, and pop culture. The journal both reproduces articles originally published by other sources and commissions its own news stories.

Thomas, who double-majored in communication and journalism, started as a reporter for the business section; he has since risen to become the site’s editor-in-chief. Today, he is talking with Marissa, a junior reporter, about a story that she wants to publish on *The American Journal*’s homepage.

Thomas is faced with a decision that many businesspeople encounter: the choice between increasing revenue and profits or passing up an opportunity because it conflicts with personal or company values (or because it is against the law). What information can Thomas use to make a final decision about the story that Marissa wants to write?

In this lesson, we will introduce the concepts of ethics, values, and laws, which are used for making business decisions. We will distinguish between what is legal and what is ethical, and we will offer suggestions for conducting business with an emphasis on core values that benefit society.



You’re not going to believe this, Thomas. You know who Dirk Matthews is?

Of course—he owns the company Picasso. It allows anyone to turn their photos into Picasso-style photos. It’s one of the most downloaded apps in the app store.





There is talk that the technology behind the app is not actually his and that he stole it from another developer. This story would be perfect for the lead on the homepage.

Do you have reliable sources to back up the story?



Just a couple of people who overheard him talking at a social event about how the company started, but why would they make up something like that? I don't think they have anything against him personally.

Do we know for sure? Are there records? Have we reached out to him for comment?



My sources said he was definitely talking about someone who was involved at the beginning but "didn't hang in there," and that he is "lucky" as he would have had to split the shares otherwise.

This seems like gossip to me, not real news.



Come on, Tom, you know our readers click on these stories.

But we're talking about a man's reputation here as well as the integrity of our company.



But this story will get our homepage 100,000 hits or more! And the greater our numbers, the more we can charge for ads.

Right, but if we get our facts wrong, we can get sued for libel and slander.



Lesson 2-1

Understanding Ethics

What are *ethics*, *values*, *laws*, and *cultural norms*? Let's take a closer look at these important terms, which form the basis for business decision making.

Ethics, Values, Laws, and Cultural Norms

Ethics

Ethics are principles of right and wrong that influence behavior. They help instruct how people deal with and treat one another. Some ethical standards are nearly universal, such as the belief that killing is never justified, except for the most justifiable of reasons (such as self-defense). Other ethical standards are culturally based, varying according to what a particular culture considers right or wrong.

Values

Values are the relatively permanent and deeply held underlying beliefs and attitudes that help determine people's behavior. Values are the underpinnings for ethical systems (as in the Hippocratic Oath physicians take to "first do no harm" to a patient) and legal systems (as in lawyers' pledges to uphold the law). CEOs and financial advisors may also have fiduciary responsibilities (to act in the best interest of their investors and clients).

Laws

Laws are rules of conduct or action formally recognized as binding or enforced by a controlling authority, such as police officers and the court system. In our society, laws are based on ethical considerations and values. However, what is ethical may not always be legal, and vice versa.

Cultural Norms

Cultural norms are the ethics, values, attitudes, and behaviors that are deemed to be normal or typical in a given culture. For example, in the United States, a cultural norm is that we shake hands when formally meeting someone.

Is It Legal? Is It Ethical?

When people are faced with decisions, how can they determine the most ethical action? Four questions help make this determination:

1. Is the action legal?
2. Is the action ethical?

3. Would I want to be treated like this?
4. Will the outcome of my decision make me feel guilty?

In addition, as we noted above, what is ethical may not always be legal, and vice versa. Read the examples in each of the boxes below to understand more about the distinction between what is legal and what is ethical. Note that these examples refer to business practices in the United States. Other countries may differ in terms of what they consider legal or ethical.

Distinctions Between Legality and Ethics

Legal but Unethical

- Making low-quality products that break easily
- Canceling a company retirement plan
- Avoiding taxes on U.S. revenues by using offshore banks
- Charging a very high price for brand-name drugs when inexpensive generic versions are available

Legal and Ethical

- Boycotts of businesses
- Consumer-friendly policies
- Employee fringe benefits
- Diversity policies (including affirmative action)

Illegal and Unethical

- Embezzlement
- Consumer fraud
- Sexual harassment
- Cash payments to avoid taxes
- Bribes

Illegal but Ethical

- Paying more despite union contract limits
- Selling raw milk for human consumption across state lines
- Taking usable items from corporate dumpsters and donating them

Review Copy

Decisions

Thomas is pondering whether to run with the story proposed by Marissa. How would you respond to the following questions?

If *The American Journal* publishes false information, the injured party may sue. Therefore, *The American Journal* (and all other U.S. businesses) must work within the framework of U.S. _____.

- A. law
- B. corporate social responsibility
- C. values
- D. ethics

Thomas has a deeply held _____ that journalists are required to publish the truth and to verify all the information in their stories.

- A. law
- B. corporate social responsibility
- C. value
- D. ethic

Thomas's _____ tell him it is not morally acceptable to ruin a man's career based on gossip.

- A. set of laws
- B. corporate social responsibilities
- C. goals
- D. ethics

Correct Answers: A; C; D

Lesson 2-2

Building an Ethical Culture

By the end of this lesson, you will be able to:

- Explain how leadership helps foster high ethical standards.
- Explain how a code of ethics helps to create an ethical environment.
- Summarize the ways that organizations foster high ethical standards.
- Apply the Sarbanes–Oxley Act to a business case.

Creating an Ethical Culture at *The American Journal*

“How do I create an ethical work environment and set a good example for my employees?”

Thomas feels disconcerted that Marissa would propose a major story based on hearsay. He decides to discuss the situation with Viola, *The American Journal's* publisher and “head honcho.”

As top managers of a popular news and opinion website, Viola and Thomas are aware of the importance of setting the right example for their staff. They understand the ethics of journalism, but some of the less experienced staff at *The American Journal* have not yet developed the same understanding.



Viola, yesterday Marissa came to me with a possible story for the homepage. A couple of sources told her that Dirk Matthews, founder of Picasso, used another person's intellectual property to create his successful app.

The problem is that the story is based completely on gossip. Marissa can't find proof to back up the story. A story like this could wreck his reputation.

What did you tell her?





I said we can't run the story until we have the facts. Now she's upset because she thinks the story would be great exposure for her career. She thinks another news outlet will get a hold of the story and run it, and she'll miss a career-making opportunity.

What worries me is that Marissa thought I'd support publishing the story. Any journalist should know that would violate journalistic ethics.

(sighs) I feel for her, Tom. We've all been in her situation at some point in our career. . . . I'm glad you came to see me; it's important that our staff sees ethical journalism as a topic important to us all—not just something that you are stuck on.

The American Journal has been growing so fast . . . I think it's time to write a specific ethics policy and require the entire staff to undergo ethics training.



In this lesson, we will follow Thomas and Viola as they work to create a highly ethical climate at *The American Journal*. Making ethical decisions requires strong critical thinking about actions and their consequences, as well as the legal ramifications of those decisions. We will discuss the roles of an organization's owners, managers, and employees in setting and maintaining ethical standards. We'll also discuss some important legislation that affects business decisions.

Doing the Right Thing: How Organizations Can Promote Ethical Behavior

To foster high ethical standards, a company must have top managers who support a strong ethical climate, hire ethical employees, and institute a code of ethics as well as implement training programs in ethics.

As you explore the four ways of fostering an ethical culture listed here, think about the situation in which Viola and Thomas find themselves. Can they implement any of these best practices to promote a culture of ethical journalism at *The American Journal*?

Fostering High Ethical Standards

“We’re Not Just Giving Lip Service”

Many, perhaps even most, lower-level employees will act ethically and honorably. But if top executives wink at ethical problems, ignore or reward ethical lapses, use

legal loopholes to dodge ethical obligations, or use public relations to “spin” their unethical behavior into something more appetizing, they are clearly failing to lead by example.

Such behavior from top management will foster a loose ethical climate. Why should a clerk not steal from the office supply cabinet when the people at the top are using the company jet for personal vacation travel?

“We Want Honest Employees”

Few companies deliberately try to hire dishonest, irresponsible employees, but employers need to emphasize the company’s ethical culture in its recruitment, interviewing, and hiring practices to recruit employees that fit the culture they want.

With the help of the human resources department, managers can design a talent management system that screens for strong personal values and a commitment to ethical behavior.

For example, the interviewing process may require applicants to share past experiences that demonstrate the behaviors, values, and ethics required by the organizational culture.

“We Need to Share Our Expectations”

A *code of ethics* is a set of ethical standards to help guide an organization’s actions. Most ethical codes state top management’s expectations for employees, offering guidance on how to treat customers, suppliers, and competitors. They also list and explain prohibited and ethically questionable behaviors, such as nepotism (hiring family members), bribery, accepting gifts from suppliers or vendors, and “cooking the books” to make the company’s finances look stronger than they really are.

To reinforce their ethics, many companies provide ethics training, often presenting employees with possible ethical dilemmas they may eventually encounter.

“We Should Discipline Appropriately”

Companies must also work to ensure that their management and systems reward ethical behavior and punish unethical behavior.

What Are the Two Types of Ethical Codes?

Ethics codes may be either compliance-based or integrity-based:

- A **compliance-based ethics code** attempts to prevent criminal misconduct by increasing control and by punishing violators. For instance, many companies ask employees to sign nondisclosure agreements (NDAs) in which the signers acknowledge that they can be fired and even sued if they leak confidential information.
- An **integrity-based ethics code** seeks to foster responsible employee conduct by creating an environment that supports ethically desirable behavior. This approach stresses a culture of fair play, honesty, and diversity. It also emphasizes shared accountability among employees.

Individuals in organizations often view compliance-based codes as laws that should not be violated and integrity-based codes as ethics and values that should be promoted. When used together, these codes help promote a healthy environment where employees know which behaviors are discouraged and which behaviors are encouraged.

What Do Ethical Companies Do?

As you are beginning to understand, ethics starts with each of us. It is the individual actions of each person that collectively steer the entire organization.

Although individuals in the organization are responsible for their own behavior, managing the behaviors of numerous employees can become a daunting task, which is why large companies frequently have an ethics office, headed by an ethics officer. The job of the **ethics officer** is to integrate the organization's ethics and values initiatives, compliance activities, and business practices into the company's decision-making processes.

Human resources personnel are also involved in ensuring a company creates a code of ethics, institutes ethical training programs, and fosters an ethical screening and hiring process.

All of these actions lead to an organizational culture that values ethical behavior and decision making.

Thomas and Viola are discussing the need for an ethics code.



Viola, I think we need to re-think how we are operating. The situation with Marissa is a good reminder that we need to make sure our staff understand our code of ethics and that we clearly outline expectations and guidance for how we act and operate.

You are right Tom. I think we need to get even more clear in our policies. We also need to model this starting with you and me.



I agree. I think it starts with updating our policies to remind everyone that if we don't do things correctly, we could get sued.

Yes, this needs to be highlighted and trained via our compliance-based code of ethics. In fact, I think we should get a group of employees together to discuss our culture and develop an ethical code in which we focus on fair play, honesty, and diversity.



That's an excellent idea. This will emphasize shared accountability among employees. I also think we should look at hiring an ethics officer to help us integrate the organization's ethics and values initiatives, compliance activities, and business practices into the company's decision-making processes.



Decisions

At *The American Journal*, who is responsible for implementing and holding to the organization's code of ethics?

- A. Viola, the CEO and publisher
- B. Thomas, the editor-in-chief
- C. Marissa, a reporter
- D. All of the above

Correct Answer: D

Whistleblowers and the Sarbanes–Oxley Act

Sometimes a company develops an ethical climate the hard way—by having its illegal and/or unethical behaviors exposed by a **whistleblower**, an employee who reports organizational misconduct to the government or the public. Such misconduct may include corruption, fraud, overcharging, or health and safety problems.

Imagine you uncovered your supervisor's wrongdoings and then confronted your supervisor or reported this information to someone outside the organization. There is a good chance your supervisor and/or organization will not be pleased. Today, you would not face repercussions for such an action. However, in the past, this was not the case—as recently as 2001, many whistleblowers were fired for reporting the wrongdoings of their employers.

What changed? In 2002, President George W. Bush signed into law the **Sarbanes–Oxley Act**, which gave whistleblowers protection from retaliation. The Sarbanes–Oxley Act of 2002, often known simply as SOX or SarbOx, established protections for whistleblowers, record-keeping requirements for public companies, and penalties for noncompliance. The figure below outlines 10 key provisions of the law.



Principal Provisions of Sarbanes–Oxley



Lesson 2-3

Corporate Social Responsibility and the Social Audit

By the end of this lesson, you will be able to:

- Discuss Carroll's Corporate Social Responsibility Pyramid and describe how organizations use it.
- Discuss the viewpoints surrounding corporate social responsibility and profitability.
- Discuss how companies are monitored to ensure they are meeting their social responsibilities.

“Which is more important: earning a higher profit or being socially responsible?”

Thomas and Viola are discussing the relationship between profits and social responsibility, trying to find ways for the company to accomplish both goals simultaneously.



I think the first draft of *The American Journal's* code of ethics is looking good.

The team did great; I ran it past a few of my staffers, and they said they felt inspired by it.




It's long overdue, that's for sure.


Marissa brought up an important question that we're going to have to deal with. She was disappointed that we wouldn't run her story. Sure enough, *Gotcha!* (a gossip website) ran the story a day later, and it got hundreds of thousands of hits.




(sighs) That's hundreds of thousands of hits we could have had. At the same time, these are still accusations, and we are committed to holding ourselves to a higher standard.




I agree—it's just tough when the other guy is getting the clicks and ad revenue that comes with those numbers. But we did the right thing.



We have to figure out how to deal with this. New competitors are launching every day, and we have to stay profitable and do what's right. If we don't, *The American Journal* will be financially impacted, which could impact our business and potentially our workforce.



There has to be a middle ground—a way for us to operate profitably and in a socially responsible manner.



You're right. It's our job to find that middle ground and set the right example.

Thomas and Viola are encountering a dilemma that top managers often face: how to balance social responsibility with a commitment to maximizing profit. Businesses of all sizes, including small companies run by ambitious entrepreneurs, face the same dilemma.

In this lesson, we will help Thomas and Viola examine *The American Journal's* approach to social responsibility. Corporate social responsibility means taking actions that will benefit the larger society and not just the business and its employees. We will review both sides of the profit/social responsibility debate. We'll also discuss several key initiatives that companies undertake to demonstrate their commitment to social responsibility.

Should Corporate Social Responsibility Be Secondary to Profit?

Carroll's Global Corporate Social Responsibility Pyramid

A business is any activity that seeks to provide goods and services to others while operating at a profit, but some individuals believe the role of a business goes beyond just making a profit by fulfilling philanthropic responsibilities. The

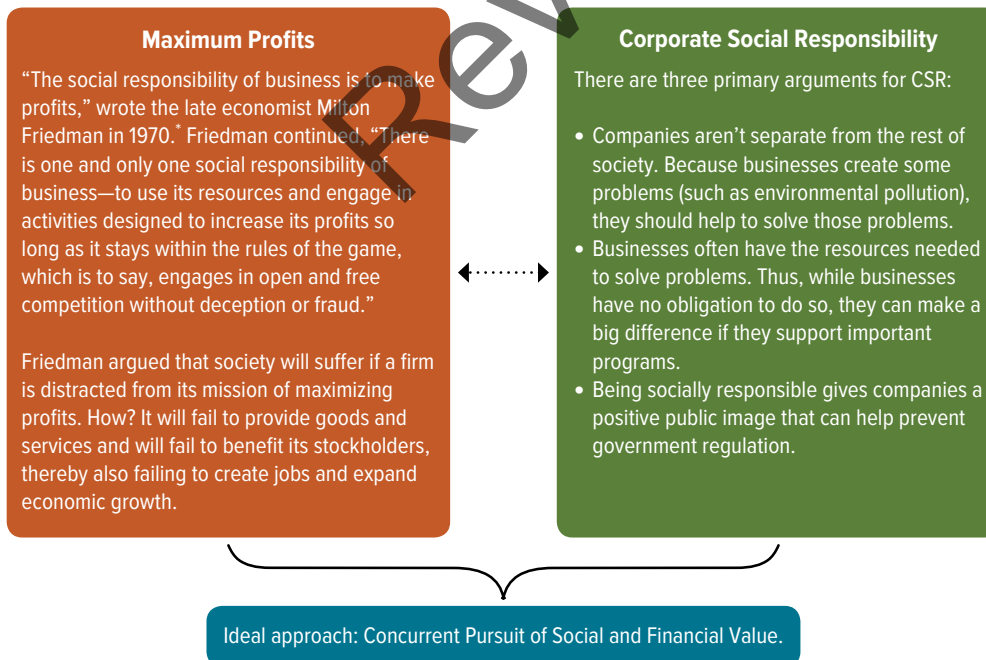
University of Georgia business-ethics scholar Archie B. Carroll provides a guide for thinking about the day-to-day practical and moral matters that businesses encounter. **Carroll's Global Corporate Social Responsibility Pyramid** suggests that an organization's obligations in the global economy are comprised of **economic, legal, ethical,** and **philanthropic** responsibilities that are present in a firm's **host country.**



Corporate Social Responsibility: Pros and Cons

If individual ethical responsibility is about being a good individual citizen, **corporate social responsibility (CSR)** is about being a good organizational citizen. CSR is a concern for taking actions that will benefit the interests of society as well as the organization. CSR may range from sponsorship of Little League teams to sending supplies to hurricane victims. At the end of the day, it is about contributing to society in positive ways that make a difference to the community. And as many companies have found, CSR and ethics go hand in hand: acting ethically and with a sense of social responsibility are often one and the same.

Some companies feel the goal for maximum profit pulling them in one direction while the desire to be socially responsible pulling them in a different direction, because money from the organization is used to fund these social causes instead of being returned to the business or the owners of the business. The figure below outlines the rationale of these opposing viewpoints. Blending these two viewpoints together into one creates a “concurrent pursuit of value—both social and financial.”



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* Source: M. Friedman, “The Social Responsibility of Business Is to Increase Its Profits,” *New York Times Magazine*, September 13, 1970, pp. 17–20.

What Is the Goal of a Business?

Thomas and Viola recognize *The American Journal's* potential to be a business that makes a profit and impacts society. By running stories about important local, national, and world events, *The American Journal* can increase sales while enhancing public awareness about issues that society needs to address.

The American Journal can engage in social responsibility by taking actions such as supporting a scholarship for future journalists, donating a percentage of profits to local charities, and providing paid time for employees to serve the community.

Decisions

Which of the following demonstrates a commitment to corporate social responsibility at *The American Journal*?

1. Create a corporate matching program where the company will match an employee's donation to a charity.
2. Allow employees flex scheduling so they can reduce driving to reduce carbon emission.
3. Create a free literacy course to help readers better analyze the news.
4. All of these are forms of corporate social responsibility.

Correct Answer: 4

The Social Audit: Evaluating Corporate Social Responsibility

How can a company evaluate its social performance? A **social audit** is a systematic assessment of a company's performance in implementing socially responsible programs, often based on predefined goals.

Social audits often focus on six key areas, as explained below.

Social Audits

Corporate Policy: Positions on Political and Social Issues

Corporate policy describes a company's stated positions on political and social issues. Many companies take positions on environmental matters. For example, Patagonia (a manufacturer of high-quality outdoor clothing and equipment) gives 1% of its profits to environmental preservation groups in addition to supporting dozens of other environmental programs.

Community Activities: Sponsorship, Fundraising, Donations, and Other Support

Many companies contribute to charities, sponsor sports teams, buy ads in school newspapers, donate to museums, permit employees to volunteer at charities, and support similar community activities.

Cause-Related Marketing: Supporting Worthy Causes

Cause-related marketing, or simply **cause marketing**, is a commercial activity in which a business forms a partnership with a charity or nonprofit to support a worthy cause, product, or service.

A good example of cause marketing is Box Tops for Education. General Mills began the program in 1996 with special box tops on certain cereals, including Total and Cheerios. Parents clip the box tops and send them to their local schools, which then trade the box tops for cash. The program has been so successful that it now includes many other brands, including Pillsbury, Ziploc, Kleenex, and Green Giant. By participating in the Box Tops program, American schools have earned more than \$800 million to date.

Social Entrepreneurship: Leveraging Business for Social Change

Social entrepreneurship is defined as an innovative, social value–creating activity that can occur within or across the for-profit and nonprofit sectors.

The focus is generally on creating value while doing good in the world.

Social entrepreneurship is also characterized by *innovation*, through finding an opportunity to create something new, rather than simply repeating existing business models or practices.

Sustainability: Green Is Good

Sustainability is economic development that meets the needs of the present without compromising the ability of future generations to meet their own needs. Companies large and small have launched green marketing campaigns promoting environmentally friendly causes, products, or stores.

Philanthropy: Not Dying Rich

“He who dies rich dies thus disgraced.” So said 1880s steel manufacturer Andrew Carnegie, after he turned from making money to **philanthropy**, making charitable donations to benefit humankind. Carnegie became well known as a supporter of free public libraries, among other good works.

Among the most famous and generous philanthropists in the United States today are Bill Gates (founder of Microsoft), Warren Buffett, and Mark Zuckerberg (founder of Facebook) and his wife, Priscilla Chan, who have pledged to give away 99% of their net worth (estimated at more than \$45 billion) in the course of their lifetimes.

Decisions

1. *The American Journal* is a media company that relies on a literate, educated public as the foundation of its success. Suppose *The American Journal* conducts a social audit and, as a result, decides to engage in more cause-related marketing. Which of the following causes is most related to *The American Journal's* mission as an organization?
 - A. Organic farming
 - B. Animal rights
 - C. Literacy training
 - D. Consumer advocacy
2. *The American Journal* is based in Miami, Florida. As a result of its social audit, it decides to increase its philanthropic efforts. Which of the following would be most relevant to those who live in the Miami region?
 - A. Charities that help the local victims of hurricanes and other natural disasters
 - B. Environmental organizations attempting to preserve the Great Lakes
 - C. United Nations food relief for starving children in Africa
 - D. Job-retraining programs for West Virginia coal miners who have lost their jobs

Correct Answers: 1. C; 2. A

Review Copy

Lesson 2-4

The Payoffs from Doing Good: The Benefits to Stakeholders

By the end of this lesson, you will be able to:

- Contrast the ways in which illegal and/or unethical behaviors can harm a business with the ways that ethical and legal behavior can positively impact a business.

Doing Good: Good for Business at *The American Journal*

“How do my customers, employees, and community benefit from my company’s ethical business practices and commitment to corporate social responsibility?”

Because *The American Journal’s* employees are scattered all over the country, Thomas schedules a WebEx meeting to roll out the code. An important part of the meeting is a Q&A (question and answer) session with *The American Journal’s* staff. Thomas completes his presentation and asks for questions.




The American Journal plans to have the code of ethics as a major link on our homepage, so it’s there whenever we need it. I think that putting it on our homepage also makes a very positive statement to our readers.


This is great, Thomas. I like that the code of ethics isn’t vague and general. It provides the specific guidance we need in tricky situations.




Two weeks from now, everyone will get a link to an online training module that walks you through the code, step by step. It provides several scenarios and asks some tough questions. It should take you about two hours to complete.




Oh, come on, Tom. Ethics are common sense, and time is precious. Do I really have to spend two hours with a hokey simulation when I can be out in the field looking for good stories?




We respect your time, Rory, but ethics training is essential. I guarantee that it's time well spent.



Are you doing this because of some new law requiring you to train us on ethics?



Absolutely not. Having a written code of ethics, and making sure everyone understands it, are essential to our values as a publishing organization. So, look at the training module as a learning opportunity.



And remember that Thomas and I are always available if you need to discuss a situation that may compromise either your ethics or *The American Journal's*.

When introducing *The American Journal's* new code of ethics to their employees, Thomas and Viola make it clear that top management takes the code seriously—and that employees should do so, too. Support at the top is essential to making any new policy “stick.”

Research has shown the many benefits of a serious commitment to ethics and social responsibility. What exactly are these benefits?

Management and quality expert W. Edwards Deming once said, “In God we trust; all others bring data.” In this lesson, we will follow Deming’s advice, using research data to examine the two sides of the ethical coin: the negative effects of “doing bad” and the positive effects of “doing good.” Much of the research cited in this lesson will appear in the training module that *The American Journal's* employees will complete.

The Negative Effects of Unethical Business Practices



When all is said and done, why should a company be ethical and socially responsible? A close look at the research reveals two conclusions:

1. Unethical or unlawful behavior has negative effects on the company, its stock price, and its public image.
2. Doing what is good and right brings many benefits to the company and its stakeholders.

What Are the Negative Effects of Illegal and Unethical Behavior?

Slippery ethics and dishonest business practices can lead to many negative consequences. As a media website, *The American Journal* needs to be very cautious about maintaining its reputation for ethical reporting. Reporting news that has not been fact-checked and verified opens the company up to potentially expensive judgments.

Potential Impacts of Unethical and Illegal Actions

Diminished Reputation and Profit

In a highly competitive marketplace, a company can build long-term relationships with customers only if it has a reputation for being honest. Accusations or evidence

of dishonesty may cause customers to desert the business and transfer their loyalty to another business that they believe is more trustworthy.

Furthermore, companies accused of illegal and/or unethical behavior may find that they are boycotted by customers who seek to impose additional punishment on the company for its illegal or unethical practices.

Investors' perceptions of a company are also essential to a company's profitability. The announcement of unethical practices or illegalities—such as tax evasion, bribery, insider trading, or violations of government contracts—can hurt a company's stock price. Other research shows that investments in unethical firms earn abnormally negative returns for long periods of time.

Employee Fraud

Employee theft costs U.S. businesses \$50 billion and disproportionately impacts small- and medium-size businesses. Most commonly, this comes in the form of embezzlement schemes, where employees typically commit small amounts of fraud over a period of time.

Costly Lawsuits

Lawsuits resulting from a company's illegal behavior can clearly hurt its profitability. For example, the executives and directors of former energy company Enron were sued for inflating earnings to drive up the stock price.

Fines and Jail Time

Unethical or illegal behavior can damage not only a company's reputation but its finances as well. Illegal behavior can result in whopping jail sentences and gigantic fines. For example, the U.S. government fined BP \$61.5 billion for the 2010 Gulf of Mexico Deepwater Horizon oil spill.

Reaction

Suppose that *The American Journal* develops a reputation for publishing biased, sensationalized, or inaccurate information. What will be the likely result?

Decisions

When all is said and done, why should a company be ethical and socially responsible? A close look at the research reveals two conclusions:

1. Unethical or unlawful behavior has negative effects on the company, its stock price, and its public image.
2. Doing what is good and right brings many benefits to the company and its stakeholders.

The Positive Effects of Doing Good

There are positive—and proven—reasons for a firm to observe sound ethically and socially responsible practices.

Beneficiaries of Ethical Business Practices

Customers

Customers like to do business with companies that have a reputation for honesty and fair dealing. Ethical business practices help companies develop long-term relationships with their customers and develop an increasing customer base.

Suppliers

CSR-conscious companies can benefit society by insisting on the elimination of sweatshop working conditions among suppliers. A sweatshop is a shop, factory, or farm in which employees work long hours for low wages—or no wages, in the case of prison labor, slave labor, and some child labor—usually under environmentally, physically, or mentally abusive conditions. Although these firms do not benefit when ethical practices are followed, suppliers that adhere to such practices benefit from companies that recognize the importance of ethics in the form of new or increased business.

Owners

Owners benefit financially from a reputation for honesty, but they also benefit psychologically from setting high standards for ethical behavior and social responsibility. Additional owner benefits of a reputation for honesty include improved mental and physical health, as well as better branding. This benefits the company by being able to attract and retain talented employees. Studies have found that being ethical also makes financial sense. For example, research has found that companies listed on Ethisphere's World's Most Ethical Companies list did better than large cap sector companies by more than 10% over three years.

Employees

Employees benefit from an ethical workplace. A positive reputation helps a company attract and keep good employees while also increasing productivity. In addition, by fostering a company culture in which employees are encouraged to consistently do the right thing, a happier workplace is created for everyone.

Local and National Communities

When a socially responsible company gives its employees time off for volunteer activities, supports social causes, or donates money, goods, and services, it clearly benefits the local and/or national community. For example, in 2017, Home Depot contributed \$3 million to communities in the wake of Hurricane Maria.

The International Community

One important consequence of a worldwide focus on good global corporate citizenship is the **Global Compact**, a voluntary agreement established by the United Nations that promotes human rights, good labor practices, environmental protection, and anti-corruption standards for businesses. For example, the American Red Cross provides disaster relief across the world to countries in need.

Decisions

1. As part of its written commitment to CSR, *The American Journal* has promised to match its employees' contributions to charitable organizations within the United States. Which stakeholders does this policy benefit?
 - A. Owners
 - B. International community
 - C. Local and national community
 - D. Suppliers
2. How might *The American Journal* play a role in combating global climate change? Here are a few ideas, can you think of more?
 - A. It can publish well-researched, information-filled articles that inform readers about the problem.
 - B. It can write and publish editorials about the need to reduce carbon dioxide emissions.
 - C. It can develop telecommuting policies that allow workers to not drive as much and work from home.

Correct Answers: 1. C

Ethical and Social Responsibility in Business: Test

- Ethics are _____ that influence behavior.
 - company standards
 - rules and laws
 - subconscious emotions
 - principles of right and wrong
- Ethan Wong, a student who works at his college bookstore, is often unsupervised and, therefore, has the opportunity to steal merchandise. He needs an expensive anatomy textbook but doesn't even consider taking it without paying for it. This is an example of an individual's behavior being influenced by _____, or ethics.
 - principles of right and wrong
 - an understanding of consequences
 - respect for the law
 - a fear of negative feedback
- A U.S. manufacturer makes low-quality furniture that breaks easily. This is an example of something that is _____ but _____.
 - ethical; illegal
 - legal; ethical
 - legal; unethical
 - illegal; ethical
- To encourage high ethical standards and support a strong ethical climate, a company's leadership should
 - establish a code of ethics.
 - host an employee retreat.
 - hire only experienced workers.
 - conduct regular lie detector tests.
- Jessica Villareal is a manager at Visibility Media. During an interview with Chloe Schwartz, a candidate for the new marketing position, Villareal catches Schwartz in a lie about a fact unrelated to the job. Villareal needs to fill the position quickly, but she also knows that Visibility Media should continually strive to uphold high ethical standards. What is Villareal's best course of action?
 - She should ask Schwartz to come in for a second interview.
 - She should inform Schwartz of the company ethics code.
 - She should not hire Schwartz.
 - She should check Schwartz's references.
- One way to make sure that employees understand a company's expectations and guidance for how to act ethically and responsibly is to establish a
 - code of ethics.
 - nondisclosure agreement.
 - corporate responsibility pyramid.
 - set of laws and regulations.
- A(n) _____ ethics code attempts to prevent criminal misconduct by increasing control and by punishing violators.
 - values-based
 - compliance-based
 - integrity-based
 - interaction-based
- A compliance-based ethics code attempts to prevent _____ by increasing control and by punishing violators.
 - ethical dilemmas
 - criminal misconduct
 - fraud
 - diversity

9. "Any employees caught stealing from the supply cabinet will be fined and reported to their supervisor for disciplinary action." This statement is an example of a(n) _____ ethics code.
- A. complex
 - B. internally-enforced
 - C. overly severe
 - D. compliance-based**
10. Justin Kihana is a hiring manager for Connect, a new social media platform. Connect's customer information is highly confidential, and the company does not share this information with competitors or the general public. Kihana routinely asks new employees to sign nondisclosure agreements. Kihana's action demonstrates that Connect
- A. has a culture of cutting corners.
 - B. uses methods that intimidate employees.
 - C. has a compliance-based ethics code.**
 - D. does not foster an ethical environment.
11. Julie Yuen has clearly defined goals for ensuring that her new meal delivery service, Magic Chef, is socially responsible. One goal is to donate a percentage of her profits to local charities. How can Yuen ensure that Magic Chef is implementing its socially responsible goals?
- A. conduct a social audit to assess performance**
 - B. ask employees to keep her goals in mind
 - C. post a list of goals in the employee break room
 - D. include a note with each delivery stating her goals
12. Shaun Johnson is a top manager at a construction firm that has been tasked with laying a pipeline through a large section of the state. In some ways the project will help the local community. But in other ways, such as harming the environment, it will hurt the local community. Johnson is concerned about the project's _____, or whether a company's economic development meets present needs without endangering the ability of future generations to meet their own needs.
- A. utility
 - B. practicality
 - C. sustainability**
 - D. stability
13. A big company that helps small nonprofit firms working to make a difference in antipoverty, literacy, and the environment by providing them with small loans is an example of
- A. community activity.
 - B. cause-related marketing.
 - C. financial auditing.
 - D. social entrepreneurship.**
14. A nonprofit organization that helps the local victims of a hurricane is involved in
- A. a philanthropic effort.**
 - B. compliance-based ethics.
 - C. a social audit.
 - D. social marketing.
15. In the long run, a company's unethical or unlawful behavior will have the effect of
- A. lowering its stock price.**
 - B. attracting quality employees.
 - C. generating goodwill.
 - D. benefiting the local community.

16. _____ can hurt a company's profitability.
- A. Giving employees time off to volunteer in the community
 - B. Lawsuits resulting from illegal behavior**
 - C. Donating money, goods, and services
 - D. Reducing calories and fat to make a food product healthier
17. Not only customers and the community but also owners, employees, and suppliers benefit from
- A. aggressive social media marketing.
 - B. price slashing and deep discounts.
 - C. ethical behavior and social responsibility.**
 - D. turning a blind eye to ethics violations.
18. _____ are rules of conduct or action that are formally recognized as binding and are enforced by a controlling authority.
- A. Values
 - B. Compliance codes
 - C. Laws**
 - D. Cultural norms
 - E. Ethics
19. Julian takes used office supplies from his employer and donates them to underprivileged schools and youth groups in his community. This action can be best described as
- A. legal and ethical.
 - B. illegal, but ethical.**
 - C. legal, but unethical.
 - D. illegal, but practical.
 - E. legal and socially responsible.
20. MachineWerks Manufacturing wants to encourage responsible conduct for its employees. What would most likely help MachineWerks to meet this goal?
- A. training on the compliance-based ethics code
 - B. sharing the principal provisions of Sarbanes–Oxley
 - C. building a social responsibility pyramid
 - D. creating an integrity-based ethics code**
 - E. conducting a social audit

Review Copy

Glossary

A

360-degree assessment

Employees are appraised not only by their managers but also by their coworkers, subordinates, and sometimes customers or clients

absolute advantage

Exists when one country has a monopoly on producing a product more cheaply or efficiently than any other country can

accelerator Accelerators are programs that help entrepreneurs bring their products into the marketplace through providing support and resources designed to help the business launch and scale operations.

accessory equipment

Smaller, more mobile equipment

accountability Managers must report and justify their work results to managers above them

accounting The process of measuring, classifying, analyzing, and communicating financial information

accounting equation Assets = liabilities + owners' equity

accounting process the process of collecting, recording classifying, summarizing, reporting, and analyzing financial data

accounting process Six activities that result in converting information about

individual transactions into financial statements that can then be analyzed

accounts payable Money owed to others that the firm has not yet paid

accounts receivable The total amount owed to a firm from customers who have purchased goods or services on credit

accumulated depreciation The reduction in value of assets to reflect their wearing down or obsolescence over time

acid-test ratio $(\text{Cash} + \text{marketable securities} + \text{receivables}) \div \text{current liabilities}$ (also known as *quick ratio*)

acquisition Occurs when one company buys another one

Active Corps of Executives (ACE) A Small Business Association mentoring program composed of executives who are still active in the business world but have volunteered their time and talents

activity ratios Used to evaluate how well management uses a firm's assets to generate revenue (also known as *efficiency ratios*)

actual close the salesperson concludes the presentation by asking the prospect to purchase the product

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by asking the prospect to purchase the product

administrative expenses

Costs incurred for the general operation of the business

advertising Paid nonpersonal communication by an identified sponsor (person or organization) using various media to inform an audience about a product

advertising media The variety of communication devices for carrying a seller's message to prospective buyers

advocacy advertising

Concerned with supporting a particular opinion about an issue

affirmative action Aims to achieve equality of opportunity within an organization

agency shop Workplace in which workers must pay the equivalent of union dues, although they are not required to join the union

agents Specialists who bring buyers and sellers together and help negotiate a transaction (also known as *brokers*)

agents Tend to maintain long-term relationships with the people they represent

allowances Partial refunds to customers for damaged products they choose to keep, not return

analytic transformation The process in which resources are broken down to create finished products

angel investor Individuals who invest their own money in a private company, typically a start-up

annual report A year-end report that shows a firm's financial condition and outlook for the future

antitrust law A set of laws designed to keep markets competitive by deterring big businesses from driving out small competitors

Appellate courts Appellate courts: courts that review cases appealed from lower courts, considering questions of law but not questions of fact

application (DEI) The action of putting DEI into operation

appreciation (DEI) Recognition and enjoyment of the good qualities of DEI

apprenticeship Training program in which a new employee works with an experienced employee to master a particular craft

arbitration The process in which a neutral third party listens to both parties and makes a decision that the parties have agreed will be binding on them

arbitration The process in which a neutral third party, an arbitrator, listens to both parties in a dispute and makes a decision that the parties have agreed will be binding on them

Asia-Pacific Economic Cooperation (APEC)

Common market of 21 Pacific Rim countries whose purpose is to improve economic and political ties

ask Highest selling price asked

assembly line Consists of a series of steps for assembling a product, each step using the same interchangeable parts and each being performed repetitively by the same worker

assets Anything of value that is owned by a firm

at-will employment The employer is free to dismiss any employee for any reason at all—or no reason—and the employee is equally free to quit work (also known as *employment at will*)

auction site a digital retail site that lists from individuals or firms that can be purchased through an auction bidding process or directly through a “purchase now” feature.

authority The legitimacy an organization confers on managers in their power to make decisions, give orders, and utilize resources

autocratic leaders Make decisions without consulting others

automation Using machines as much as possible rather than human labor to perform production tasks

B

B corporation Legally requires that the company adhere to socially beneficial practices, such as helping

communities, employees, consumers, and the environment (also known as benefit corporation)

balance of trade The value of a country's exports compared to the value of its imports over a particular period of time

balance sheet Statement of a firm's financial condition at a given time showing its assets, liabilities, and owners' equity

bankruptcy The legal means of relief for debtors unable to pay their debts

bargain hunting digital purchasing behavior that involves coupon or auction sites. Bargain hunting is often combined with browsing and may or may not lead to a purchase.

barter To trade goods or services without the exchange of money

barter The trading of goods and/or services for other goods and/or services

base pay Consists of the basic wage or salary workers are paid for doing their jobs

benchmarking A process by which a company compares its performance with that of high-performing organizations

benefit segmentation Consists of categorizing people according to the benefits, or attributes, that people seek in a product

benefits Nonwage or nonsalary forms of compensation paid for by the organization for its employees

bid Highest price a buyer (bidder) is willing to pay

bill of materials Essentially a list of materials that go into the finished product

blue-chip stocks Preferred or common stocks of big, reputable companies, which also usually pay regular dividends

bond rating measures the quality and safety of a bond, indicating the likelihood that the debt issuer will be able to meet scheduled repayments, which dictates the interest rate paid.

bonds Contracts between issuer and buyer in which the purchase price represents a loan by the buyer and for which the issuing firm pays the buyer interest

bonds Long-term IOUs issued by governments and corporations, contracts on which the issuer pays the buyer interest at regular intervals

Bonds contracts between issuer and buyer in which the purchase price represents a loan by the buyer and for which the issuing firm pays the buyer interest

Bonds long-term IOUs issued by governments and corporations, contracts on which the issuer pays the buyer interest at regular intervals.

bonds payable Long-term liabilities that represent money lent to the firm that must be paid off

bonuses Cash awards given to employees who achieve particular performance objectives

Bonuses are cash awards given to employees

who achieve particular performance objectives.

book value a company subtracts its liabilities from its assets, and the resulting figure, the shareholders' equity, is then divided by the number of shares available of the stock.

book value A company subtracts its liabilities from its assets, and the resulting figure, the shareholders' equity, is then divided by the number of shares available of the stock

bookkeeping Recording a company's financial transactions

bootstrapping a process of funding a business by using personal funds rather than seeking debt or equity investment.

bots a software application that runs automated tasks over the Internet.

bounce rate the percentage of visitors who enter a website and then quickly depart, or bounce, rather than continuing to view other pages within the same site.

brain drain The emigration of highly skilled labor to other countries in order to better their economic condition

Brain drain the emigration of highly skilled labor to other countries in order to better their economic condition

brainstorming A process wherein individuals or members of a group generate multiple ideas and alternatives

brand A unique name, symbol, or design that identifies an organization and its product or service

brand advertising Consists of presentations that promote specific brands to ultimate consumers (also known as *product advertising*)

brand awareness Consumers recognize the product

brand equity The marketing and financial value derived from the combination of factors that people associate with a certain brand name

brand insistence Consumers insist on the product; they will accept no substitutes

brand loyalty Commitment to a particular brand—the degree to which consumers are satisfied with a product and will buy it again

brand manager Person responsible for the key elements of the marketing mix—product, price, place, and promotion—for one brand or one product line (also known as *product manager*)

brand marks The parts of a brand that cannot be expressed verbally, such as graphics and symbols

brand names The parts of a brand that can be expressed verbally, such as by words, letters, or numbers

brand preference Consumers habitually buy the product if it is easily available, but will try alternatives if they can't find it

break-even analysis A way to identify how much revenue is needed to cover the total costs of developing and selling a product

break-even point The point at which sales revenues equal costs; that is, the point at which there is no profit but also no loss

brokerage firms Companies that buy and sell stocks and bonds for individuals and offer high-interest-rate combination checking and savings accounts

Brokerage firms companies that buy and sell stocks and bonds for individuals and offer high-interest-rate combination checking and savings accounts.

brokers Usually hired on a temporary basis; relationship with the buyer or the seller ends once the transaction is completed

browsing digital purchasing behavior wherein the consumer is not really looking to make a purchase.

budget A detailed financial plan showing estimated revenues and expenses for a particular future period, usually one year

bundling The practice of pricing two or more products together as a unit

business Any activity that seeks to make a profit by satisfying needs through selling goods or services and generating revenue; a for-profit organization

business cycle The periodic but irregular pattern of ups and downs in total economic production

business environment The arena of forces (economic, technological, competitive, global, and social) that encourage or discourage the development of business

business market Consists of those business individuals and organizations that want business goods and

services that will help them produce or supply their own business goods and services (also known as *business-to-business market*)

business model The needs the firm will meet, the operations of the business, the company's components and functions, and its expected revenues and expenses

business plan A document that outlines a proposed firm's goals, the methods for achieving them, and the standards for measuring success

business services Services used in operations

business-to-business market Consists of those business individuals and organizations that want business goods and services that will help them produce or supply their own business goods and services (also known as *business market*)

business-to-consumer (B2C) refers to selling products and services directly to the consumer of the products or services

buying club site a digital retail site that allows consumers to buy in bulk

buzz marketing Using high-profile entertainment, social media, or news to get people to talk about their product

C

C corporation A state-chartered entity that pays taxes and is legally distinct from its owner

callable bonds Bonds in which the issuer may call

them in and pay them off at a predetermined price before the maturity date

Callable bonds bonds in which the issuer may call them in and pay them off at a predetermined price before the maturity date.

canned presentation uses a fixed, memorized selling approach to present the product

canned presentation Uses a fixed, memorized selling approach to present the product

capital budgets Used to predict purchases of long-term assets

capital expenditures Major investments in tangible or intangible assets

capital gain The return made by selling a security for a price that is higher than the price the investor paid for it

capital items Large, long-lasting equipment

capitalism An economic system in which the production and distribution of goods and services are controlled by private individuals rather than by the government (also known as *free-market economy*)

Carroll's Global Corporate Social Responsibility

Pyramid Archie Carroll's guide for thinking about the day-to-day practical and moral matters that businesses encounter; the pyramid suggests that an organization's obligations in the global economy are to be a good global corporate citizen, to be ethical, to obey the law, and to be profitable

cash balance Balance in the firm's cash account at the end of the year

cash budgets Used to predict cash shortages or surpluses during the year

Cash Budgets: used to predict cash shortages or surpluses during the year.

cash flow forecasts A prediction about how money will come into and go out of a firm in the near future

cash flow statement Reports over a period of time, first, the firm's cash receipts and, second, disbursement related to the firm's (1) operating, (2) investing, and (3) financing activities, which leads to the bottom line of (4) the cash balance

cash-and-carry wholesaler A limited-function wholesaler that sells mainly to small retailers, who come to the wholesaler, pay cash for a product, and carry it out ("cash and carry")

Cash-and-carry wholesaler A limited-function wholesaler that sells mainly to small retailers, who come to the wholesaler, pay cash for a product, and carry it out ("cash and carry").

catalog marketing Consists of mailing customers catalogs, from which they may choose merchandise to be ordered via mail, telephone, or online (also known as *mail-order marketing*)

cause marketing A commercial activity in which a business forms a partnership with a charity or nonprofit to support a worthy cause, product, or service.

cause-related marketing A commercial activity in which a business forms a partnership with a charity or nonprofit to support a worthy cause, product, or service; also known as *cause marketing*

central-planning

economies Economic systems in which the government owns most businesses and regulates the amounts, types, and prices of goods and services (also known as *command economies*)

centralized authority

Important decisions are made by higher-level managers

certificate of deposit Pays interest upon the certificate's maturity date

chatter Another form of consumer feedback that occurs when a consumer shares, forwards, or "retweets" a marketing message. For marketers, the level of chatter represents consumer feedback.

checking account Allows you to deposit money in a bank account and then write checks on that account

checking account allows you to deposit money in a bank account and then write checks on that account

click path a sequence of hyperlink clicks that a website visitor follows on a given site, recorded and reviewed in the order the consumer viewed each page after clicking on the hyperlink.

closed shop An employer may hire only workers for a job who are already in a union

co-branding Two noncompeting products link their brand names together for a single product

code of ethics A written set of ethical standards to help guide an organization's actions

Cognitive diversity Cognitive diversity utilizes the different experiences and perspectives of individuals to address particular situation, challenge, opportunity, or problem.

cold-call sales prospecting technique Consists of calling on prospects with whom you have had no previous contact and to whom you do not have any kind of introduction

collateral Asset that is pledged to secure the loan

collective bargaining Consists of negotiations between management and employees in disputes over compensation, benefits, working conditions, and job security

collective bargaining The process by which labor and management representatives meet to negotiate pay, benefits, and other work terms

command economy Economic system in which the government owns most businesses and regulates the amounts, types, and prices of goods and services (also known as *central-planning economy*)

commercial bank A federal- or state-chartered profit-seeking financial institution that accepts deposits from individuals and businesses

and uses part of them to make personal, residential, and business loans

commercial finance

companies Organizations willing to make short-term loans to borrowers who can offer collateral

commercial paper

Unsecured, short-term promissory notes over \$100,000 issued by large banks and corporations

commercialization The full-scale production and marketing of the product

commodities trading Trading in raw materials and agricultural products used to produce other goods

commodity exchange A security exchange in which futures contracts are bought and sold

common market Group of nations within a geographical region that have agreed to remove trade barriers with one another (also known as *economic community* or *trading bloc*)

common stock Stockholders are able to vote on major company decisions, but they get (1) last claim on the company's dividends and (2) last claim on any remaining assets if the company goes out of business and its assets are sold

communism An economic system in which the government owns all property and everyone works for the government

Community Development Financial Institution (CDFI) A Community Development Financial Institution (CDFI) is

a private financial institution who provide investing as well as personal and business lending opportunities to underserved communities within the United States.

comparative advantage

Economic principle stating that a country sells to other countries those products and services it produces most cheaply or efficiently; the country buys from other countries those goods or services that it does not produce most cheaply or efficiently

compensation and benefits

Laws and administration around worker's hours, pay, and benefits

competitive advantage An organization's ability to produce goods or services more effectively than its competitors

competitive advertising

Promotes a product by comparing it more favorably to rival products (also known as *comparative advertising*)

competitive pricing The strategy in which price is determined in relation to rivals, factoring in other considerations such as market dominance, number of competitors, and customer loyalty

competitor People or organizations that are rivals for a company's customers or resources

compliance-based ethics code

Ethical code that attempts to prevent criminal misconduct by increasing

control and by punishing violators

component parts Finished or nearly finished products for making principal product

compressed workweek An employee works a full-time job in less than five days of standard 8- or 9-hour shifts

computer-aided design

(CAD) Programs that are used to design products, structures, civil engineering drawings, and maps

computer-aided

manufacturing (CAM) The use of computers in the manufacturing process

computer-integrated manufacturing (CIM)

Systems in which computer-aided design is united with computer-aided manufacturing

concept testing Marketing research designed to solicit initial consumer reaction to new product ideas

conceptual skills The ability to think analytically, to visualize an organization as a whole, and understand how the parts work together

consideration Promising to do a desired act or refrain from doing an act you are legally entitled to do in return for something of value, such as money

consumer buying process

The five steps by which consumers make decisions when considering whether to buy a product

consumer feedback different ways that customers can report their satisfaction or dissatisfaction with a firm's products.

consumer market Consists of all those individuals or households that want goods or services for their personal use

consumer price index (CPI) An index that encapsulates the monthly costs of a “market basket” of about 400 representative consumer goods and services that allow data analysts to measure the rate of inflation or deflation

consumer review a direct assessment of a product (good, service, or idea) that is expressed through social media for others to see and consider.

consumer sovereignty The idea that consumers influence the marketplace through their decisions of which products they choose to buy or not to buy

consumer-protection laws Laws concerned with protecting buyers’ rights

containerization Products are packed into 20- or 40-foot-long (by about 8-foot square) containers at the point of origin and retrieved from the containers at the point of destination

contingency planning The creation of alternative hypothetical courses of action that a company can use if its original plans don’t prove workable

continuity The timing of the ads, how often they appear or how heavily they are concentrated within a time period

continuous innovation Modest improvements to an existing product to distinguish

it from competitors; they require little consumer behavior change

continuous processes A production process in which goods or services are turned out in a long production run on an ongoing basis over time

control process A four-step process: (1) establish standards; (2) monitor performance; (3) compare performance against standards; and (4) take corrective action, if needed

control standard The desired performance level for a given goal

controlling Monitoring performance, comparing it with goals, and taking corrective action as needed

convenience goods and services Inexpensive products that people buy frequently and with little effort

conversion rate the percentage of users who take a desired action, such as making a purchase.

convertible bonds convertible bonds are bonds that can be converted into the issuing corporation’s common stock.

convertible bonds Bonds that can be converted into the issuing corporation’s common stock

convertible bonds are bonds that can be converted into the issuing corporation’s common stock.

cookies data files stored on websites that can generate a profile or other data about consumers.

Cooperative Cooperative: a corporation owned by its user

members, who have pooled their resources for their mutual benefit

Corporate bonds issued by businesses as a source of long-term funding, consist of secured and unsecured bonds.

corporate citizenship a concern for taking actions that will benefit society as well as the organization

corporate culture The shared beliefs and values that develop within an organization and guide the behavior of its members (also known as *organizational culture*)

Corporate policy A company’s stated positions on political and social issues

corporate social responsibility (CSR) A concern for taking actions that will benefit society as well as the organization

corporation A company or group of people authorized to act as a single entity (legally a person) and recognized as such in law.

cost of capital The rate of return a firm must earn to cover the cost of generating funds in the marketplace

cost of goods sold The cost of producing a firm’s merchandise for sale during a certain period

cost per thousand (CPM) The cost a particular medium charges to reach 1,000 people with an ad

cost-based pricing The strategy in which the cost of producing or buying the product—plus making a profit—is the primary basis for setting price

Cost-based pricing The strategy in which the cost of producing or buying the product—plus making a profit—is the primary basis for setting price.

countertrading Bartering goods for goods (or services)

creative selling The selling process in which salespeople determine customer needs, then explain their product's benefits to try to persuade buyers to buy the product

credit An entry recording a sum received

credit union depositor-owned, nonprofit, financial cooperatives that offer a range of banking services to their members

critical path The sequence of tasks that takes the longest time to complete

cross-functional self-managed teams Groups of workers with different skills who are given the authority to manage themselves

crowdfunding The practice of funding a project or venture by raising many small amounts of money from a large number of people, typically via the Internet

Crowdfunding Crowdfunding involves funding a project or venture by raising money from a large number of people, typically through an online site.

cultural norms The ethics, values, attitudes, and behaviors that are deemed to be normal or typical in a given culture

culture The shared set of beliefs, values, knowledge,

and patterns of behavior common to a group of people

culture shock The feelings of discomfort and disorientation associated with being in an unfamiliar culture

currency Government-issued coins and paper money

currency exchange rate The rate at which one country's currency can be exchanged for the currency of another country

current assets Items that can be converted into cash within one year

current liabilities Obligations in which payments are due within one year or less

current ratio Current assets ÷ current liabilities

customer loyalty program A customer loyalty program is designed to recognize and reward loyal repeat customers with rewards, coupons, discounts, or other benefits.

customer relationship management (CRM) Emphasizes finding out everything possible about customers and then using that information to satisfy and even exceed their expectations in order to build customer loyalty over the long term

customer satisfaction The concept of offering a product to please buyers by meeting their expectations

customers People or companies that pay to use an organization's goods or services

D

dashboard a central location where all social media activity can be easily monitored.

data analysis Subjected to statistical tools to determine its significance

databases Integrated collections of data stored in computer systems

day's range Highest and lowest price for the stock during the day

debit The recording or entry of debt in an account

debt to owner's equity ratio Measures of the extent to which a company uses debt, such as bank loans, to finance its operations

debt to owners' equity ratio A measure of the extent to which a company uses debt, such as bank loans, to finance its operations; total liabilities ÷ owners' equity

decentralized authority Decisions are made by middle-level and supervisory-level managers

decision A choice made from among available alternatives

decision making Process of identifying and choosing alternative courses of action

decline stage The period in which the product falls out of favor, and the organization eventually withdraws it from the marketplace

deficit An excess of spending over revenue

Deficit an excess of spending over revenue

deflation A general decline in the prices of most goods and services

Delegation The process of assigning work to subordinates.

demand Economic concept that expresses buyers'

willingness and ability to purchase goods and services at different prices

Demand curve diagram that illustrates the quantity demanded of a good at various prices

demand deposit A commercial bank's or other financial institution's checking account, from which you may make withdrawals at any time

democratic political system A political system that relies on free elections and representative assemblies

demographic segmentation Consists of categorizing consumers according to statistical characteristics of a population, such as gender, age, income, education, social class, ethnicity, and so on

demographics Measurable characteristics such as gender, age, race, and family composition

demotion When an employee's current responsibilities and pay are taken away

departmentalization The dividing up of an organization into smaller units, or departments, to facilitate management

depression A particularly severe and long-lasting recession, accompanied by falling prices (deflation)

devaluation Occurs when the value of a nation's currency is lowered relative to the value of other countries' currencies

developed countries Countries with a high level of economic development and a generally high average

income level among their citizens

developing countries Countries with low economic development and low average incomes

digital mall a digital retail site where a variety of sellers stock their goods.

digital marketing online marketing that can deliver content immediately to consumers through digital channels, devices, and platforms.

digital marketplace a digital retail side made up of small, independent sellers.

direct channel A producer sells directly to consumers, using mail order, telemarketing, the Internet, and TV ads

direct mail marketing Consists of mail promotions—letters, brochures, and pamphlets—sent through the postal service to customers

direct selling Face-to-face selling directly to customers in their homes or where they work

direct-action advertising Attempts to stimulate an immediate, or relatively immediate, purchase of a product through such devices as one-day sales, one-time promotions, or announcements of a special event

Direct-action advertising attempts to stimulate an immediate, or relatively immediate, purchase of a product through such devices as one-day sales, one-time promotions, or

announcements of a special event.

discipline Punishing an employee, often for a poor performance appraisal, usually by suspending or demoting that employee

discontinuous innovation The product is totally new, radically changing how people live

discount brokers Execute the buy and sell orders indicated by clients but don't offer advice and tax planning

discount rate The interest rate at which the Federal Reserve makes short-term loans to member banks

discounting Assigning regular prices to products, but then resorting to frequent price-cutting strategies, such as special sales, to undercut the prices of competitors

discretionary order An order in which the customer trusts the broker's professional experience and judgment and leave it to him or her to decide the right time and price for buying or selling a security

discrimination When people are hired or promoted—or denied hiring or promotion—for reasons not relevant to the job

distribution center Provides storage of product for the short periods of time for collection and distribution elsewhere

distribution channel A system for conveying goods or services from producers to customers

distribution mix The combination of distribution

channels a company uses to get its products to customers

distribution strategy An overall plan for moving products from producer to customer

distributor A person or organization (such as a dealer or retailer) that helps sell goods and services to customers

diversification Choosing securities in such a way that a loss in one investment won't have a devastating impact on your total portfolio

diversity Diversity typically refers to the similarities and differences among individuals including dimensions of personality and identity, as well as perspective and experience.

dividend and yield Annual dividend as a percentage of the price per share

dividends Part of a company's profits that are distributed to stockholders

Division of labor Different parts of a task are done by different people.

divisional structure Employees are grouped by purpose: customer groups, geographic regions, work processes, products, or industries

door-to-door selling Salespeople call directly on people at their homes or workplaces

double-entry bookkeeping The process of recording a transaction in two different accounts in order for the books to balance as a check on errors

Dow Jones Industrial Average (DJIA) Also known as "*the Dow*," a general measure of the movement of U.S. stock prices, and an index of the average of prices of the stocks of 30 large corporations

drop shipper A limited-function wholesaler who owns (has title to) the products, but does not have physical custody of them; the drop shipper takes orders and has the producer ship the product directly to the customer

dumping Occurs when a foreign company sells its products abroad for less—even less than the cost of manufacture—than the price of the domestic product

dynamically continuous innovation Marked changes to an existing product that require a moderate amount of consumer learning or behavior change

E-e-business Using the Internet to facilitate every aspect of running a business

e-cash Money held, exchanged, and represented in electronic form and transacted over the Internet

e-commerce The buying and selling of products or services over computer networks

earned media when a business or company receives recognition or acknowledgment organically

economic community A group of nations within a geographical region that have agreed to remove trade barriers with one another (also

known as *common market* or *trading bloc*)

economic responsibility Seeking to be profitable as a means to create a strong economic foundation

economics The study of the production, distribution, and consumption of scarce goods and services

economies of scale The savings realized from buying materials or manufacturing products in large quantities

editing Refers to checking over to eliminate mistakes

effective To achieve results; to realize the firm's goals by making the right decisions and executing them successfully

efficient To use people, money, raw materials, and other resources wisely and cost-effectively

electronic commerce The buying and selling of products or services over computer networks

electronic funds transfer systems (EFTSs) Computerized systems that move funds from one institution to another over electronic links

email marketing a cost-effective form of digital marketing used to retain, nurture, or attracting customers

embargo A complete ban on the import or export of certain products

Emotional Intelligence the capacity to be aware of, control, and express one's emotions, and to handle

interpersonal relationship with empathy

employee benefits The benefits to which employees are entitled

employee buyout A firm's employees borrow money against their own assets, such as their houses or their pension funds, to purchase the firm from its present owners; the employees then become the new owners of the firm

employee non-compete contract The employee non-compete contract is a legally binding arrangement between an employee and their employer

employment at will The employer is free to dismiss any employee for any reason at all—or no reason—and the employee is equally free to quit work (also known as *at-will employment*)

employment tests Consist of any procedure used in the employment selection decision process

empowerment Employees share management responsibilities, including decision making

endless-chain sales

prospecting technique Consists of asking each sales prospect to provide the salesperson with some names of other prospects who might be interested in the product

enterprise resource planning (ERP) A computer-based system that collects and provides information about a company's entire enterprise, including identifying customer needs, receipt of orders,

distribution of finished goods, and receipt of payment

enterprise zone A specific geographic area in which government tries to attract business investment by offering lower taxes and other government support

entrepreneur A person who sees a new opportunity for a product or service and who risks time and money to start a business with the goal of making a profit

entrepreneurial team A group of people with different kinds of expertise who form a team to create a new product

entrepreneurs Business owners who see a new opportunity for a product or service and start a firm

entrepreneurship The process of taking risks to try to create a new business

environmental scanning Involves looking at the wider world to identify what matters can affect the marketing program

Equal Employment Opportunity (EEO) Commission

Enforces antidiscrimination and other employment-related laws

equilibrium price Determined by the point at which quantity demanded and quantity supplied intersect (also known as *market price*)

equity Equity refers to fair treatment in access, opportunity, and advancement for all individuals.

equity theory Focuses on employee perceptions as to how fairly they think they are

being treated compared to others

Equity theory Focuses on employee perceptions as to how fairly they think they are being treated compared to others.

ethical responsibility Taking host-country and global standards into consideration when making business decisions

ethics Principles of right and wrong that influence behavior

ethics officer Company executive whose job is to integrate the organization's ethics and values initiatives, compliance activities, and business conduct practices into the company's decision-making processes

European Union (EU) The European common market, consisting of 28 trading partners in Europe

everyday low pricing (EDLP) A strategy of continuously setting prices lower than those of competitors and then not doing any other price-cutting tactics such as special sales, rebates, and cents-off coupons

exchange-traded fund (ETF) A collection of stocks that is traded on an exchange that can be traded *throughout* the trading day

excise tax Taxes based on the value of services or property other than real estate, such as airline tickets, gasoline, and firearms; beer, liquor, and cigarettes (sin taxes); and yachts, expensive cars, and fur coats (luxury taxes)

expectancy theory Proposes that people are motivated by (1) how strongly they want something, and (2) how likely they think they are to get it

expenses Costs incurred as part of a company's operating activities

exporting Producing goods domestically and selling them outside the country

expropriation Occurs when a government seizes a domestic or foreign company's assets

external recruiting What companies do in trying to attract job applicants from outside the organization

extrinsic motivator The external payoff, such as money or recognition, a person receives from others for performing a particular task

F

facility layout The physical arrangement of equipment, offices, rooms, people, and other resources within an organization for producing goods or services

facility location The process of selecting a location for company operations

factoring accounts

receivable A firm sells its accounts receivable at a discount to a financial institution

factors of production The resources used to create wealth

family brands The same brand name is given to all or most of a company's products

favorable balance of trade Exists when the value of a country's total exports exceeds the value of its total imports

fear-appeal advertising Attempts to stimulate the purchase of a product by motivating consumers through fear of loss or harm

federal budget deficit Occurs when the federal government spends more than it collects in tax revenues

Federal Deposit Insurance Corporation (FDIC) An independent agency of the U.S. government that insures bank deposits up to \$250,000

Federal Reserve System Called *the Fed*; the central bank of the United States and controls the U.S. money supply

Finance the business function of obtaining funds for a company and managing them to accomplish the company's objectives

finance companies Nondeposit companies that make short-term loans at higher interest rates to individuals or businesses that don't meet the credit requirements of regular banks

financial accounting Preparing accounting information and analyses primarily for people outside of the organization

financial budgets Concentrate on the company's financial goals and the resources needed to achieve them

financial control Process by which a company periodically compares its actual revenues and expenses with those predicted in its budget

financial leverage the technique of using borrowed funds to increase a firm's rate of return

financial leverage The technique of using borrowed funds to increase a firm's rate of return

financial management The job of acquiring funds for a firm and managing them to accomplish the firm's objectives

financial managers The people responsible for planning and controlling the acquisition and uses of funds

financial plan A document that lays out a firm's strategy for reaching its financial goals

Financial plan a firm's strategy for reaching its financial goals

financial statements A summary of all transactions occurring during a particular time period; there are three types of financial statements: balance sheets, income statements, and statements of cash flows

fiscal policy The U.S. government's attempts to stabilize the economy by (1) raising or lowering taxes, or (2) borrowing and spending money

fiscal year The 12-month period designated by a company for annual financial reporting purposes

fixed assets Items that are held for a long time and are relatively permanent

fixed costs Those expenses that don't change, no matter how many products are sold; examples might include rent, insurance, utilities, and property taxes

fixed-position layout Materials, equipment, and labor are transported to one location

flexible manufacturing system (FMS) A facility that can be modified quickly to manufacture different products

flexible time Consists of flexible working hours, or any schedule that gives an employee some choices in working hours (also known as *flextime*)

Flextime Consists of flexible working hours, or any schedule that gives an employee some choices in working hours (also known as *flexible time*)

focus group Small group of people who meet with a discussion leader and give their opinions about a product or other matters

for-profit organization An organization formed to make money, or profits, by selling goods and services

forced ranking performance review systems Systems in which all employees within a business unit are ranked against one another, and grades are distributed along some sort of bell curve; top grade earners are then rewarded with bonuses and promotions, and low grade earners are warned or dismissed

forecasting Predicting revenues, costs, and expenses for a certain period of time

Foreign Corrupt Practices Act U.S. law that makes it illegal for employees of U.S. companies to make "questionable" or "dubious" contributions to political decision makers in foreign nations

foreign licensing A company gives a foreign company permission, in return for a fee, to make or distribute the licensing company's product or service

foreign subsidiary A company in a foreign country that is totally owned and controlled by the parent company

form utility The value that people add in converting resources—natural resources, capital, human resources, entrepreneurship, and knowledge—into finished products

formal appraisals Appraisals that are conducted at scheduled times of the year and are based on pre-established performance measures

franchise An arrangement in which a business owner allows others the right to use its name and sell its goods or services within a specific geographical area

franchisee The buyer of the franchise

franchising A company allows a foreign company to pay it a fee and a share of the profit in return for using a

brand name and a package of materials and services

franchisor The business owner that gives others the rights to sell its products or services

free trade The movement of goods and services among nations without political or economic restrictions

free-market economy An economic system in which the production and distribution of goods and services are controlled by private individuals rather than by the government (also known as *capitalism*)

free-rein leaders Set objectives, and employees are relatively free to choose how to achieve them.

Freelancer A freelancer is an individual who is self-employed, and utilizes their knowledge, skills, and abilities, to perform a tasks, services or functions for a customer.

frequency The average number of times each member of the audience is exposed to an ad

front-line managers Make daily operating decisions, directing the daily tasks of individual contributors and nonmanagerial personnel

full-service brokers Offer a wide range of investment-related services, not only execution of trades but also investment research, advice, and tax planning (also known as *traditional brokers*)

full-service merchant wholesalers An independently owned firm that takes title to—that is,

becomes owner of—the manufacturer’s products and performs all sales and distribution, as well as provides credit and other services

functional structure People performing similar activities or occupational specialties are put together in formal groups

futures contract Making an agreement with a seller or broker to buy a specific amount of a commodity at a certain price on a certain date

G

gainsharing The distribution of savings or “gains” to groups of employees that reduced costs and increased measurable productivity

Gantt chart A kind of time schedule—a specialized bar chart that shows the relationship between the kind of work tasks planned and their scheduled completion dates

Gantt Chart A kind of time schedule—a specialized bar chart that shows the relationship between the kind of work tasks planned and their scheduled completion dates.

general obligation bonds Used by tax-levying government agencies to pay for public projects that will not generate revenue, such as road repairs

general partnership Two or more partners are responsible for the business, and they share profits, liabilities (debt), and management responsibilities

Generally Accepted Accounting Principles (GAAP) A set of accounting standards used in the preparation of financial statements to ensure that they are relevant, reliable, consistent, and comparable

geographic segmentation Categorizes customers according to geographic location

geotargeting Geotargeting allows marketers to specify the location where specific ads and content will be seen by a customer based on geographic location.

geotracking use of a consumer’s geographic location to determine what goods will come up in a search and at what price.

global climate change an increase in the average temperature of Earth’s atmosphere.

Global Compact A voluntary agreement established in 2000 by the United Nations that promotes human rights, good labor practices, environmental protection, and anticorruption standards for businesses

global economy The increasing interaction of the world’s economies as a single market instead of many national markets

global outsourcing Using suppliers outside the United States to provide labor, goods, or services (also known as *offshoring*)

Global warming an increase in the average temperature of Earth’s atmosphere.

globalization Refers to the movement of the world economy toward becoming a more interdependent system

globalization The increasing connectivity and interdependence of the world’s economies, societies, and cultures because of advances in communication, technology, trade, international investment, currency movement, and migration

goal A broad, long-range target that an organization wishes to attain

goal-setting theory Proposes that employees can be motivated by goals that are specific and challenging but achievable

going public Occurs when a privately owned company becomes a publicly owned company by issuing stock for sale to the public

good A tangible product (one that you can touch)

goodwill An amount paid for a business beyond the value of its other assets, based on its reputation, customer list, loyal employees, and similar intangibles

Government bonds bonds sold by the U.S. Treasury, consist of treasury notes and treasury bonds

government regulators Government agencies that establish rules and regulations under which organizations must operate

grievance is a complaint by an employee that management has violated the terms of the labor-management agreement.

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gross domestic product (GDP) The total value of all the goods and services that a country produces within its borders in one year

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gross profit The amount remaining after the cost of goods sold is subtracted from the net sales

gross sales The funds received from all sales of the firm's products

growth stage The most profitable stage, this is the period in which customer demand increases, the product's sales grow, and later competitors may enter the market

growth stocks stocks issued by small, innovative new companies in hot industries

growth stocks Stocks issued by small, innovative new companies in hot industries

guerrilla marketing Consists of innovative, low-cost marketing schemes that try to get customers' attention in unusual ways

H

Hawthorne Effect The name given to a Harvard research

group's conclusion that employees work harder if they receive added attention—if employees think managers care about their welfare and that supervisors pay special attention to them

Hero In the business sense, a person whose accomplishments embody the values of the organization.

Hierarchy of Authority An arrangement for making sure that work specialization produces the right result—that the right people do the right things at the right time.

host country The country in which a company is doing business

Hostile Environment

Harassment Offensive or Intimidating Workplace.

hostile takeover Situation in which an outsider (a *corporate raider*) buys enough shares in a company to be able to take control of it against the will of the corporation's top management and directors

house-party selling A host has friends and acquaintances in for a "party" with refreshments, in return for a gift from a sponsor, who typically gives a sales presentation

human capital The productive potential of employee experience, knowledge, and actions

Human capital the productive potential of employee experience, knowledge, and actions.

Human relations movement Proposed that better human relations could increase worker productivity.

human resource (HR)

management Consists of the activities managers perform to obtain and maintain an effective workforce to assist organizations in achieving goals

human skills The ability to work well in cooperation with other people to get things done

hybrid structure One in which an organization uses functional and divisional structures in different parts of the same organization

hybrid work environment A hybrid work environment typically involves an employee working a certain percentage of time in a physical office space and a certain amount of time working off-site.

idea generation Coming up with new product ideas, ideally by collecting ideas from as many sources as possible

ideate Ideate is used in business to reference the process of forming an idea

import quota A trade barrier that limits the quantity of a product that can be imported

importing Buying goods outside the country and reselling them domestically

inbound marketing a form of digital marketing that utilizes such tools as blogs, webinars, or follow-up emails to entice customers to a product or service offer without forcing an interaction or a purchase.

incentive A commission, bonus, profit-sharing plan, or stock option that induces

employees to be more productive and attract and retain top performers

inclusion Inclusion describes the extent to which each person feels welcomed, respected, supported, and valued by a group, team, or company.

income statement Once known as the *profit-and-loss statement*, this financial statement shows a firm's revenues and expenses for a particular time period and the resulting profit or loss

income tax Taxes paid on earnings received by individuals and businesses

Income tax taxes paid on earnings received by individuals and businesses

Income tax taxes paid on earnings received by individuals and businesses

incubator A facility that offers small businesses low-cost offices with basic services

indenture terms Terms of the lending agreement

individual brands Different brand names are given to different company products

Individual Contributor Some employees are considered individual contributors. They do not have any people management responsibilities but may oversee or be accountable for managing projects, programs, or processes.

industrial goods Products used to produce other products

inflation A general increase in the prices of most goods and services

inflation A general increase in the cost of most goods and services as a result of increased prices

infomercials Extended TV commercials ranging from 2 (short form) to 28.5 (long form) minutes that are devoted exclusively to promoting a product in considerable detail

informal appraisals Appraisals that are conducted at unscheduled times and consist of less rigorous indications of employee performance

informational advertising Provides consumers with straightforward knowledge about the features of the product offered, such as basic components and price

infrastructure The set of physical facilities (including telecommunications, roads, and airports) that form the basis for a country's level of economic development

initial public offering (IPO) The first time a corporation's stock is offered for sale

innovation A product that customers perceive as being newer or better than existing products

installations Large capital purchases

institutional advertising Consists of presentations that promote a favorable image for an organization

institutional investors Large and powerful organizations such as pension funds and insurance companies, which invest their own or others' funds

insurance companies Nondeposit companies that accept payments from policyholders

Insurance companies nondeposit companies that accept payments from policyholder.

intangible assets Assets that are not physical objects but are nonetheless valuable, such as patents, trademarks, and goodwill.

integrated marketing communication (IMC) Combines all four promotional tools to execute a comprehensive, unified promotional strategy

integrity-based ethics code Ethical code that seeks to foster responsible employee conduct by creating an environment that supports ethically desirable behavior

intentional tort A willful act resulting in injury

interest groups Groups whose members try to influence businesses and governments on specific issues

interest rate The price paid for the use of money over a certain period of time

intermediaries The people or firms that move products between producer and customers

intermittent processes A production process in which finished goods or services are turned out in a series of short production runs and the machines are changed frequently to make different products

intermodal shipping

Shipping that combines use of several different modes of transportation

internal recruiting What companies do when they make employees already working for the organization aware of job openings

International Monetary Fund (IMF) International organization designed to assist in smoothing the flow of money among nations; operates as a last-resort lender that makes short-term loans to countries suffering from an unfavorable balance of payments

intrapreneur Someone who works inside an existing organization who sees an opportunity for a product or service and mobilizes the organization's resources to turn the opportunity into a reality

intrinsic motivator The internal satisfaction, such as a feeling of accomplishment, a person receives from performing the particular task itself

introduction stage The stage in the product life cycle in which a new product is introduced into the marketplace

inventory The name given to goods kept in stock to be used for the production process or for sales to customers

inventory The name given to goods kept in stock to be used for the production process or for sales to customers

inventory control The system for determining the right quantity of resources and keeping track of their location and use

Inventory Control The system for determining the right quantity of resources and keeping track of their location and use

inventory turnover ratio Cost of goods sold in one year ÷ average value of inventory

investment bankers Companies that engage in buying and reselling new securities

investment-grade bonds Bonds that are relatively safe, with a low probability of default; they have a bond rating of BBB or above

Investment-grade bonds bonds that are relatively safe, with a low probability of default; they have a bond rating of BBB or above.

invisible hand Adam Smith's term for the market forces that convert individuals' drive for prosperity into the goods and services that provide economic and social benefits to all

Invisible hand Adam Smith's term for the market forces that convert individuals' drive for prosperity into the goods and services that provide economic and social benefits to all

ISO 9000 series Quality-assurance procedures companies must install—in purchasing, manufacturing, inventory, shipping, and other areas—that can be audited by “registrars,” or

independent quality-assurance experts

J

job analysis Determine the basic elements of a job, using observation and analysis

job description Outlines what the holders of the job do and how and why they do it

Job enlargement Consists of increasing the number of tasks in a job to improve employee satisfaction, motivation, and quality of production.

Job enrichment Consists of creating a job with motivating factors such as recognition, responsibility, achievement, stimulating work, and advancement.

job postings Putting information about job vacancies on company websites, break-room bulletin boards, and newsletters

job rotation Consists of rotating employees through different assignments in different departments to give them a broader picture of the organization

job routine What is required in the job for which a person was hired, how the work will be evaluated, and who the immediate coworkers and managers are

job sharing Two people divide one full-time job

job sharing two people divide one full-time job. Working at home with telecommunications between office and home is called

Job simplification Reducing the number of tasks a worker performs.

job specification Describes the minimum qualifications people must have to perform the job successfully

joint venture A U.S. firm shares the risk and rewards of starting a new enterprise with a foreign company in a foreign country (also known as *strategic alliance*)

journal A record book or part of a computer program containing the daily record of the firm's transactions

judiciary The branch of government that oversees the court system

just-in-time (JIT) inventory control Only minimal supplies are kept on the organization's premises and others are delivered by the suppliers on an as-needed basis

K

knockoff brands Illegal imitations of brand-name products

knowledge workers People who work primarily with information or who develop and use knowledge in the workplace

L

labor unions Organizations of employees formed to protect and advance their members' interests by bargaining with management over job-related issues

laws Rules of conduct or action formally recognized as binding or enforced by a controlling authority

leading Motivating, directing, and otherwise influencing people to work hard to achieve the organization's goals

lean manufacturing The production of products by eliminating unnecessary steps and using the fewest resources, while continually striving for improvement

ledger A specialized record book or computer program that contains summaries of all journal transactions classified into specific categories

legal responsibility Obeying the laws of host countries as well as international law

less-developed countries Countries with low economic development and low average incomes

leveraged buyout (LBO) Occurs when one firm borrows money to buy another firm; the purchaser uses the assets of the company being acquired as security for the loan being used to finance the purchase

liabilities Debts owed by a firm to an outside individual or organization

limit order Telling a broker to buy a particular security only if it is less than a certain price or to sell it only if it is above a certain price

limited liability company (LLC) Combines the tax benefits of a sole proprietorship or partnership—one level of tax—with the limited liability of a corporation

limited liability partnership (LLP) Each partner's liability—and risk of losing personal

assets—is limited to just his or her own acts and omissions and those of his or her directly reporting employees

limited partnership One or more general partners plus other, limited partners who contribute an investment but do not have any management responsibility or liability

limited-function merchant wholesaler An independently owned firm that takes title to—becomes owner of—the manufacturer's products but performs only selected services, such as storage only

line managers Involved directly in an organization's goals, have authority to make decisions, and usually have people reporting to them

line of credit How much a bank is willing to lend the borrower during a specified period of time

liquidity The essential feature of current assets, as they are easily converted into cash

liquidity ratios Measure a firm's ability to meet its short-term obligations when they become due

load funds Commission is charged for each purchase

Load funds a commission is charged for each purchase.

logistics Planning and implementing the details of moving raw materials, finished goods, and related information along the supply chain, from origin to points of consumption to meet customer requirements

long-term forecasts Predictions for the next 1, 5, or 10 years

long-term liabilities

obligations in which payments are due in one year or more

long-term liabilities

Obligations in which payments are due in one year or more, such as for a long-term loan from a bank or insurance company

loss Occurs when business expenses exceed revenues

loss leaders Products priced at or below cost to attract customers

M

M1 The narrowest definition of the money supply, money that can be accessed quickly and easily

M1 the narrowest definition of the money supply, is defined as money that can be accessed quickly and easily

M2 (1) Money that can be accessed quickly and easily (that is, M1) *and* (2) money that takes more time to access

M2 (1) money that can be accessed quickly and easily (that is, M1) *AND* (2) money that takes more time to access

macroeconomics The study of large economic units, such as the operations of a nation's economy and the effect on it of government policies and allocation of resources

management Planning, leading, organizing, and controlling the activities of an enterprise according to certain policies to achieve certain objectives

management The pursuit of organizational goals

effectively and efficiently through (1) planning, (2) organization, (3) leading, and (4) controlling the organization's resources

Management by Objectives (MBO)

A four-stage process in which a manager and employee jointly set objectives for the employee, manager develops an action plan for achieving the objective, manager and employee periodically review the employee's performance, and manager makes a performance appraisal and rewards employee according to results

managerial accounting

Preparing accounting information and analyses for managers and other decision makers inside an organization

manufacturer-owned wholesaler

A wholesale business that is owned and operated by a product's manufacturer

Manufacturer's branch office

An office that is owned and managed by a manufacturer that not only has offices for sales representatives, but also carries an inventory from which the staff can fill orders.

manufacturer's brands An individual company creates a product or service and brands the product or service using the company name; also called *national* or *producer brands*, or even *global brands* when extended worldwide

Manufacturer's sales office

An office that is owned and managed by a manufacturer and

that has offices for sales representatives who sell products that are delivered at a later time.

Market Opportunity A

market opportunity is an analysis of the potential need or want of a particular product or service.

market order Telling a broker to buy or sell a particular security at the best available price

market price Determined by the point at which quantity demanded and quantity supplied intersect (also known as *equilibrium price*)

market segmentation Divides a market into groups whose members have similar characteristics or wants and needs

market share The percentage of the market of total sales for a particular product or good

market value market value is the price at which a stock is currently selling

market value The price at which a stock is currently selling

marketable securities Stocks, bonds, government securities, and money market certificates, which can be easily converted to cash

marketing The activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large

marketing concept Focuses on customer satisfaction, service, and profitability

marketing environment

Consists of the outside forces that can influence the success of marketing programs. These forces are (1) global, (2) economic, (3) sociocultural, (4) technological, (5) competitive, (6) political, and (7) legal and regulatory

marketing mix Consists of the four key strategy considerations called the 4 Ps: product, pricing, place, and promotion strategies. Specifically, the marketing mix involves (1) developing a product that will fill consumer wants, (2) pricing the product, (3) distributing the product to a place where consumers will buy it, and (4) promoting the product

marketing research The systematic gathering and analyzing of data about problems relating to the marketing of goods and services

marketing strategy A plan for (1) identifying the target market among market segments, (2) creating the right marketing mix to reach that target market, and (3) dealing with important forces in the external marketing environment

Maslow's Hierarchy of Needs theory Proposes that people are motivated by five levels of needs, ranging from low to high: (1) physiological, (2) safety, (3) social, (4) esteem, and (5) self-actualization

Mass customization Using mass production techniques to produce customized goods or services

mass production The production of uniform goods in great quantities

master budgets Used to pull together the other budgets into an overall plan of action

master limited partnership (MLP) The partnership acts like a corporation, selling stock on a stock exchange, but it is taxed like a partnership, paying a lower rate than the corporate income tax

materials handling The physical handling of goods to and from and within warehouses

materials requirement planning (MRP) A computer-based method of delivering the right amounts of supplies to the right place at the right time for the production of goods

matrix structure One which combines, in grid form, the functional chain of command and the divisional chain of command—usually product—so that there is a vertical command structure and a horizontal command structure

maturity date the issuing organization is legally required to repay the bond's principal in full to the bondholder.

maturity stage The period in which the product starts to fall out of favor and sales and profits start to level off

mechanization The use of machines to do the work formerly performed by people

media planning The process of choosing the exact kinds of media to be used for an advertising campaign

mediation The process in which a neutral third party listens to both sides in a dispute, makes suggestions, and encourages them to agree on a solution without the need for a court trial

mediation The process in which a neutral third party, a mediator, listens to both sides in a dispute, makes suggestions, and encourages them to agree on a solution

Mediation is the process in which a neutral third party, a mediator, listens to both sides in a dispute, makes suggestions, and encourages them to agree on a solution.

medium of exchange Characteristic of money that makes economic transactions easier and eliminates the need to barter

mentor An experienced person who coaches and guides lesser-experienced people by helping them understand an industry or organization's culture and structure

mentoring The process by which an experienced employee, the mentor, supervises, teaches, and provides guidance for a less-experienced employee, the mentee or protégé

Mentoring describe s the process in which an experienced employee, the mentor, supervises, teaches, and provides guidance for a lessexperienced employee, the mentee or protégé

Mercosur The largest common market in Latin America, with 13 member countries at different levels of

participation (full, associate, observer)

merger Occurs when two firms join to form a new firm

microeconomics The study of small economic units, the operations of particular groups of people, businesses, organizations, and markets

Microloan a small sum of money lent at low interest to a new business

micropreneur A person who takes the risk of starting and managing a business that remains small (often home-based)

middle managers Implement the policies and plans of the top managers above them and supervise and coordinate the activities of the supervisory managers below them

mission statement A statement of the organization's fundamental purposes

mixed economy A blended economic system in which some resources are allocated by the free market and some resources are allocated by the government, resulting in a somewhat better balance between freedom and economic equality

mobile marketing a set of practices that enables organizations to communicate and engage with their audience in an interactive and relevant manner through and with any mobile device or network.

mobile payment A transaction completed through a portable electronic device via an application.

modular structure One in which a firm assembles pieces, or modules, of a product provided by outside contractors

monetary policy The U.S. government's attempts to manage the money supply and interest rates in order to influence economic activity

money Any medium of value that is generally accepted as payment for goods and services

money market accounts Offer interest rates competitive with those of brokerage firms but they require higher minimum balances and limit check writing

Money market accounts offer interest rates competitive with those of brokerage but they require higher minimum balances and limit check writing.

money market instruments Short-term IOUs, debt securities that mature within one year, which are issued by governments, large corporations, and financial institutions

Money market instruments short-term IOUs, debt securities that mature within one year, which are issued by governments, large corporations, and financial institutions.

money supply the amount of money the Federal Reserve System makes available for people to buy goods and services.

money supply The amount of money the Federal Reserve System makes available for

people to buy goods and services

monopolistic competition A type of free market that has many sellers who sell similar products, but the sellers have found ways to distinguish among their products, or buyers perceive the products as being different

monopoly A type of free market in which there is only one seller and no competition

mortgage A loan in which property or real estate is used as collateral

motivation The psychological processes that induce people to pursue goals

multilevel marketing Independent businesspeople, or distributors, sell products both on their own and by recruiting, motivating, supplying, and training others to sell those products, with the distributors' compensation being based on both their personal sales and the group's sales

multinational corporations Organizations with multinational management and ownership that manufacture and market products in many different countries

Municipal bonds bonds issued by state and local governments and agencies, consist of revenue bonds and general obligation bonds.

mutual fund A fund operated by an investment company that brings together money from many people and invests it in an array of diversified stocks, bonds, or other securities

mutual savings bank For-profit financial institutions similar to savings and loans, except that they are owned by their depositors rather than by shareholders

Mutual savings bank for-profit financial institutions similar to savings and loans, except that they are owned by their depositors rather than by shareholders.

N

narrow span of control

Limited number of people reporting to a manager

NASDAQ Composite

Index Tracks not only domestic but also foreign common stocks traded on the NASDAQ exchange

National Credit Union

Administration (NCUA) An independent agency that provides up to \$250,000 insurance coverage per individual per credit union

national debt The amount of money the government owes because federal spending has exceeded federal revenue

National Labor Relations

Board Enforces procedures allowing employees to vote to have a union and the rules for collective bargaining

necessity entrepreneur An entrepreneur who suddenly must earn a living and is simply trying to replace lost income

need-satisfaction

presentation consists of determining customer needs and then tailoring your presentation to address those needs

need-satisfaction

presentation Consists of determining customer needs and then tailoring your presentation to address those needs

negligence An unintentional act that results in injury

net income The firm's profit or loss after paying income taxes; net income = revenue – expenses

net period Length of time for which the supplier extends credit

net sales The money resulting after sales returns and allowances are subtracted from gross sales

neuromarketing The study of how people's brains respond to advertising and other brand-related messages by scientifically monitoring brainwave activity, eye tracking, and skin response

new product A product that either (1) is a significant improvement over existing products or (2) performs a new function for the consumer

niche marketing Consists of dividing market segments even further, to microsegments for which sales may be profitable

no-load funds There is no sales charge but the investment company may charge a management fee

No-load funds there is no sales charge but the investment company may charge a management fee.

non-disclosure agreement A non-disclosure agreement binds the individuals from disclosing proprietary

information owned by one of the parties.

nonbanks Financial institutions—insurance companies, pension funds, finance companies, and brokerage firms—that offer many of the same services as banks provide

nonprofit organization An organization that exists to earn enough profit to cover its expenses and further its goals

nonstore retailers sell merchandise in ways other than through retail stores

nonverbal communication Messages sent outside of the written or spoken word, such as what constitutes permissible interpersonal space

North American Free Trade Agreement (NAFTA)

Agreement that established a common market consisting of the 450 million people of the United States, Canada, and Mexico

not-for-profit accountants

Those who work for governments and nonprofit organizations, perform the same services as for-profit accountants—except they are concerned with efficiency, not profits

notes payable Money owed on a loan based on a promise (either short term or long term) the firm made

NOW account Pays interest and allows you to write an unlimited number of checks, but you have to maintain a minimum monthly balance

O

objective A specific, short-term target designed to

achieve the organization's goals

objective appraisals

Appraisals that are based on facts and often based on numbers related to employees

off-the-job training Consists of classroom programs, videotapes, workbooks, online distance learning programs, and similar training tools

oligopoly A type of free market that has a few sellers offering similar but not identical products to many small buyers

on-the-job training Takes place in the workplace while employees are working at job-related tasks

onboarding Process that is designed to help a newcomer fit smoothly into the job and the organization

one-time shopping digital purchasing behavior that may combine product-focused shopping, browsing, researching, and bargain hunting all at the same time. Consumers are shopping for a gift or using a gift card and will not return to the shop once the purchase is made.

one-to-one marketing Consists of reducing market segmentation to the smallest part—individual customers

online retailing Nonstore retailing of products directly to consumers using the Internet

Online retailing Nonstore retailing of products directly to consumers using the Internet.

open shop Workers may choose to join or not join a union

open-market operations The Federal Reserve controls the money supply by buying and selling U.S. Treasury securities, or government bonds, to the public

operating budgets Used to predict sales and production goals and the costs required to meet them

operating expenses Selling and administrative expenses

operational planning Determining how to accomplish specific tasks with existing resources within the next one-week to one-year period

operations Any process that takes basic resources and converts them into finished products—inputs into outputs (also known as *production*)

operations management The management of the process of transforming materials, labor, and other resources into goods and/or services

opportunities Favorable circumstances that present possibilities for progress beyond existing goals

opportunity entrepreneur An ambitious entrepreneur who starts a business to pursue an opportunity (and large profits)

order processing Consists of receiving customer orders and seeing that they are handled correctly and that the product is delivered

organization A group of people who work together to accomplish a specific purpose

organization's mission and operations The purpose,

products, operations, and history of an organization

organizational chart A box-and-lines illustration of the formal lines of authority and the official positions or work specializations

organizational culture The shared beliefs and values that develop within an organization and guide the behavior of its members (also known as *corporate culture*)

organizing Arranging tasks, people, and other resources to accomplish the work

outsourcing Using suppliers outside the company to provide goods and services (also known as *contract manufacturing*)

owned media the marketing channels that a company develops

owners Those who can claim the organization as their legal property

owners' equity Represents the value of a firm if its assets were sold and its debts paid (also known as *stockholders' equity*)

P

packaging The covering or wrapping around a product that protects and promotes the product

packaging Covering or wrapping that protects and promotes a product

paid display advertising Includes everything from banner ads to YouTube video advertising. These ads generate awareness as well as (hopefully) drive traffic to a website.

paid media all the online marketing channels that the business pays for

paid search online advertising in which a company pays to be a sponsored result of a customer's Web search.

paid stories ads that appear as content designed to look like stories to the viewer.

paid stories ads that appear as content designed to look like stories to the viewer.

par value the face value of a share of stock, an arbitrary figure set by the issuing corporation's board of directors' agreement

par value The face value of a share of stock, an arbitrary figure set by the issuing corporation's board of directors

Paris agreement The Paris Agreement is a bridge between today's policies and climate-neutrality before the end of the century. Source: https://ec.europa.eu/clima/policies/international/negotiations/paris_en

part-time work Any work done on a schedule less than the standard 40-hour workweek

participation to take a meaningful and active role in organizational activities

participative leaders Delegate authority and involve employees in their decisions.

partnership A business owned and operated by two or more persons as a voluntary legal association

pay for performance bases pay on the employee's work results.

pay for performance Bases pay on the employee's work results

peak The point at which an economic expansion starts to lose steam

peer-to-peer lending The process of obtaining financing from other individuals instead of a traditional financial institution like a bank or credit union.

penetration pricing Setting a low price to attract many customers and deter competition; designed to generate customers' interest and stimulate them to try out new products

pension funds Nondeposit institutions that provide retirement benefits to workers and their families

perfect competition A type of free market that has many small sellers who sell interchangeable products to many informed buyers, and no seller is large enough to dictate the price of the product

performance appraisal Consists of a manager's assessing an employee's performance and providing feedback (also known as *performance review*)

performance review Consists of a manager's assessing an employee's performance and providing feedback (also known as *performance appraisal*)

personal selling In-person, face-to-face communication

and promotion to influence customers to buy goods and services

personal selling Face-to-face communication and promotion to influence customers to buy goods and services

persuasive advertising Tries to develop a desire among consumers for the product

PERT chart A diagram for determining the best sequencing of tasks

philanthropic responsibilities Acting as a good global corporate citizen, contributing resources to the community, and seeking to improve the quality of life for individuals as defined by the host country's expectations

philanthropy Charitable donations to benefit humankind

physical distribution All of the activities required to move products from the manufacturer to the final buyer

piece rate Employees are paid according to how much output they produce

Pitch Deck A summary of the company, future vision, market opportunity and business plan delivered via a presentation software consisting of typically between 10–20 slides.

placing The process of moving goods or services from the seller to prospective buyers (also known as *distribution*)

planning Setting goals and deciding how to achieve them

pledging accounts

receivable A firm uses its accounts receivable as collateral, or security, to obtain a short-term loan

portfolio The collection of securities representing a person's investments

preferred stock Stockholders are not able to vote on major company decisions, but they get (1) preferred, or first, claim on the company's dividends and (2) first claim on any remaining assets if the firm goes bankrupt and its assets are sold

prepaid expense An expenditure paid for during an accounting period, but the asset will not be consumed until a later time

press release A brief statement written in the form of a news story or a video program that is released to the mass media to try to get favorable publicity for a firm or its products (also known as a *news release* or *publicity release*)

price skimming Setting a high price to make a large profit; it can work when there is little competition

price/earnings ratio Price of stock divided by firm's per-share earnings

pricing Figuring out how much to charge for a product

pricing objectives Goals that product producers as well as retailers and wholesalers hope to achieve in pricing products for sale

primary data Data derived from original research, such as that which you might conduct yourself

primary securities market

The financial market in which new security issues are first sold to investors

principle of motion economy

Every job can be broken down into a series of elementary motions

Principle of motion

economy Every job can be broken down into a series of elementary motions.

Principle of motion

economy Every job can be broken down into a series of elementary motions.

private accountants In-house accountants that work for a single organization; sometimes called corporate accountants

private placements Selling stock to only a small group of large investors

private-label brands Brands attached to products distributed by one store or a chain

problems Difficulties that impede the achievement of goals

process layout Similar work is grouped by function

process materials Materials for making principal product that are not readily identifiable in that product

producer price index (PPI) A measure of prices at the wholesale level (wholesale goods are those purchased in large quantities for resale)

product A good (tangible) or service (intangible) that can satisfy customer needs

product analysis Doing cost estimates to calculate the product's possible profitability

product development The production of a prototype of the product, a preliminary version, so the company can see what the product will look like

product differentiation The attempt to design a product in a way that will make it be perceived differently enough from competitors' products that it will attract consumers

product layout Equipment and tasks are arranged into an assembly line—a sequence of steps for producing a single product in one location

Product Layout Equipment and tasks are arranged into an assembly line—a sequence of steps for producing a single product to one location.

product life cycle A model that graphs the four stages that a product or service goes through during the "life" of its marketability: (1) introduction, (2) growth, (3) maturity, (4) decline

product line A collection of products designed for a similar market, or a collection of products that are physically similar

product mix The combination of all product lines that a company offers

product placement in which sellers of a product pay to have that product prominently placed in a TV show or film so that many people will see it.ⁱⁱⁱ

ⁱⁱⁱ E. Porter, "Would You Buy a New Car from Eva Longoria?" *New York Times*, July 10, 2008, p. A22; S. Clifford, "Product Placements Acquire a Life of Their Own on Shows," *New York Times*,

July 14, 2008, pp. C1, C4; and S. Clifford, "A Product's Place Is on the Set," *New York Times*, July 22, 2008, pp. C1, C6.

product screening

Elimination of product ideas that are not feasible

product-focused shopping

digital purchasing behavior that involves replacing an existing product or purchasing a product that has been pre-chosen.

production Any process that takes basic resources and converts them into finished products—inputs into outputs (also known as *operations*)

production management The management of the process of transforming materials, labor, and other resources into goods

productivity The amount of output produced for each unit of input

Productivity The amount of output per input

profit Revenue minus expenses; the amount of money a business makes after paying for all its costs

profit sharing Sharing a percentage of the company's profits with employees

profitability ratios Used to measure how well profits are doing in relation to the firm's sales, assets, or owners' equity

promissory note A written contract prepared by the buyer who agrees to pay the seller a certain amount by a certain time

promotion Moving the employee to a higher management job within the company

promotion Consists of all the techniques companies use to motivate consumers to buy their products

promotion mix The combination of tools that a company uses to promote a product, selecting from among four promotional tools: (1) advertising, (2) public relations, (3) personal selling, and (4) sales promotion

property Anything of value for which a person or firm has right of ownership

property tax Taxes paid on real estate owned by individuals and businesses, as well as on certain kinds of personal property

proportional relationship Two quantities are in a proportional relationship if they have a constant ratio, or if the graph of the quantities on a coordinate plane is a straight line through the origin.

prospecting The process of identifying potential customers, who are called *prospects*

prototype A preliminary version of a product

psychographic segmentation Consists of categorizing people according to lifestyle, values, and psychological characteristics

psychological pricing The technique of pricing products or services in odd, rather than even, amounts to make products seem less expensive

Psychological safety An environment where people believe candor is welcome

public accountants

Professionals who provide accounting services to clients on a fee basis

public offerings Selling stock to the general public in securities market

public relations (PR) Unpaid, nonpersonal communication that is concerned with creating and maintaining a favorable image of the firm, its products, and its actions with the mass media, consumers, and the public at large

public service advertising

Consists of presentations, usually sponsored by nonprofit organizations, that are concerned with the welfare of the community in general; such ads are often presented by the media free of charge

publicity Unpaid coverage by the mass media about a firm or its products

publicly traded company A publicly-traded company is a company that issues stock that is traded on the open market typically through a stock exchange.

pull promotional strategy Aimed directly at consumers, to get them to demand the product from retailers

purchasing The activity of finding the best resources for the best price from the best suppliers to produce the best goods and services

push promotional strategy is aimed at wholesalers and retailers, to encourage them to market the product to consumers.

push promotional strategy

Aimed at wholesalers and retailers, to encourage them to market the product to consumers

Q

quadratic equation an equation containing a single variable of degree 2. Its general form is $ax^2 + bx + c = 0$, where x is the variable and a , b , and c are constants ($a \neq 0$).

qualifying Determining if the prospect has the authority to buy and the ability to pay

quality Refers to the total ability of a product or service to meet customer needs

quality assurance The process of minimizing errors by managing each stage of production

quality of life The level of a society's general well-being as measured by several key factors, including health care, educational opportunities, and environmental health; also called *human development*

R

rack jobber A limited-function wholesaler who furnishes products and display racks or shelves in retail stores and shares profits with retailers

ratio analysis Uses one of a number of financial ratios—such as liquidity, efficiency, leverage, and profitability—to evaluate variables in a financial statement

raw materials Basic materials for making principal product

reach The number of people within a given population that

an ad will reach at least once

recession Two or more consecutive quarters of decline in gross domestic product (GDP)

recruiting The process by which companies find and attract qualified applicants for open jobs

referral sales prospecting technique Consists of asking satisfied customers to provide names of potential customers and to contact them on behalf of the salesperson

reinforcement theory Suggests that behavior with positive consequences tends to be repeated, whereas behavior with negative consequences tends not to be repeated

reliability Expresses how well a test measures the same thing consistently

reminder advertising Tries to remind consumers of the existence of a product

remote work environment A work environment in which employees do not work at a physical site such as an office, but work from an alternative space often a home office.

representation The action of speaking or acting on behalf of someone, or the state of being represented.

researching digital purchasing behavior wherein the consumer is purchasing a product for the first time. Unlike browsing, which has no expected outcome, research is more deliberate and will likely result in a purchase either online or offline.

reserve requirement The percentage of total checking

and savings deposits that a bank must keep as cash in its vault or in a non-interest-bearing deposit at its regional Federal Reserve bank

resource development The study of how to develop the resources for creating and best utilizing goods and services

responsibility The obligation to perform the tasks assigned to you

retailers Intermediaries who sell products to the final customer

retained earnings The portion of the company profits that the owners choose to reinvest in the company

return on assets Net income \div total assets; this information helps the company understand how well they are using their assets to generate profits

return on owners' equity Net income \div owners' equity (also known as *return on investment (ROI)*)

return on sales Net income \div sales (also known as *profit margin*)

revenue The total amount of money that the selling of goods or services produces during a defined period of time (for example, one year)

revenue bonds Used to pay for public projects that will generate revenue, such as toll bridges

revolving credit agreement The bank guarantees the loan and is obligated to loan funds up to the credit limit

Revolving credit agreement the bank guarantees the loan and is obligated to

risk The possibility that the owner(s) of a business may invest time and money in an enterprise that fails (that is, does not make a profit)

risk-return trade-off Financial managers continually try to balance the firm's investment risk with the expected return from its investments

Rites and rituals The activities and ceremonies, planned and unplanned, that celebrate important occasions and accomplishments in the organization's life.

robotics The use of programmable machines

robots Programmable machines used to manipulate materials and tools to perform a variety of tasks

S

S corporation Has no more than 100 owners (shareholders), but, like a partnership, the owners are taxed only at the personal level, not the corporate level

sales commission Salespeople are paid a percentage of the earnings the company made from their sales

sales promotion Short-term marketing incentives to stimulate dealer interest and consumer buying

sales returns Products that customers return to the company for a refund

sales revenue The funds received from the sales of

goods and services during a certain period

sales support Consists not of selling products but of facilitating the sale by providing supportive services

Sales support consists not of selling products but of facilitating the sale by providing supportive services

sales tax Taxes collected by retail merchants on merchandise they sell

Sarbanes–Oxley Act U.S. law, enacted in 2002, that established protections for whistleblowers, recordkeeping requirements for public companies, and penalties for noncompliance

savings account A bank account that pays low interest and doesn't allow check writing

savings and loan associations (S&Ls) Financial institutions that accept deposits and were originally intended to make loans primarily for home mortgages

Savings Association Insurance Fund (SAIF) Insures depositors with accounts in savings and loan associations up to \$250,000 per depositor per bank

scheduling The act of determining time periods for each task in the production process

Scientific Management Emphasized the scientific study of work methods to improve the productivity of individual workers.

Score A Small Business Association mentoring

program consisting of retired executives who volunteer as consultants to advise small-business people

SCORE A Small Business Association mentoring program consisting of retired executives who volunteer as consultants to advise small business people

search engine optimization (SEO) the process of driving traffic to a company's website from "free" or "organic" search results using search engines.

secondary data Information acquired and published by others

secondary securities market The financial market in which existing stocks and bonds are bought and sold by investors

secured bonds Backed by pledges of assets (collateral) to the bondholders

secured loan The borrower pledges some sort of asset, such as personal property, that is forfeited if the loan is not repaid

securities Financial instruments such as stocks and bonds

selection process Screens job applicants to hire the best candidate

self-assessment Employees rank their own performance to become involved in the evaluation process and to make them more receptive to feedback

self-sufficiency A country's ability to produce all of the products and services it needs or that its people want; no country is self-sufficient

selling The exchange of goods or services for an agreed sum of money

selling expenses Expenses incurred in marketing the firm's products

Selling Expenses Selling Expenses are all the expenses incurred in marketing the firm's products, such as salespeople's salaries, advertising, and supplies.

sentiment analysis a measurement that indicates whether people are reacting favorably or unfavorably to products or marketing efforts.

serial bonds Bonds that mature at different dates

Serial bonds bonds that mature at different dates.

Serial bonds bonds that mature at different dates.

Servant leader leadership philosophy and set of practices in which a leader strives to serve others by enriching the lives of individuals building better organizations, and ultimately creating a more just and caring world.

service An intangible product; usually a task that is performed for the purchaser

Service Corps of Retired Executives (SCORE) A Small Business Association mentoring program consisting of retired executives who volunteer as consultants to advise small businesspeople

Service Level agreements Service Level agreements often called SLAs are contracts with customers that identify what the customer will receive, when the customer

will receive it, the level of quality, and the cost.

sexual harassment Consists of unwanted sexual attention that creates an adverse work environment

shadowing An employee being trained on the job learns skills by watching more experienced employees perform their jobs

shareholders Those who own stock in a company

shopping goods and services Expensive products that people buy after comparing for value, price, quality, and style

short-term forecasts Predictions for the next year or less

Side Hustle A side hustle is a project or business that an individual works on outside of their regular employment.

sinking-fund bonds Bonds in which the issuer makes annual deposits to a bank to accumulate funds for paying off the bonds on maturity

Sinking-fund bonds bonds in which the issuer makes annual deposits to a bank to accumulate funds for paying off the bonds on maturity.

Six Sigma A rigorous statistical analysis process that reduces defects in manufacturing and service-related processes

Skunkworks Skunkworks: a team whose members are separated from an organization's normal operation and asked to produce a new, innovative project

small business In the United States, a business that (a) is

independently owned and operated, (b) is not dominant in its field of operation, and meets certain criteria set by the Small Business Administration for (c) number of employees and (d) annual sales revenue

Small Business Administration (SBA) The principal U.S. government agency charged with

aiding small businesses by providing help in financing, management training, and support in securing government contracts

social audit A systematic assessment of a company's performance in implementing socially responsible programs, often based on predefined goals

social entrepreneurship An innovative, social value-creating activity that can occur within or across the for-profit and nonprofit sectors

social media influencers consumers who have a large following and credibility within a certain market segment.

social media marketing one of the most popular forms of digital marketing that utilizes online social networks and applications as a method to communicate mass and personalized messages about brands and products.

social media marketing campaign a coordinated marketing effort to advance marketing goals using one or more social media platforms.

social media platform a website-based media channel used to facilitate

communication and connection.

socialism An economic system in which the government owns some major industries, but individuals own smaller businesses; the government redistributes much of the wealth or surplus of high incomes through social programs

sole proprietorship A business owned, and typically managed, by one person

solopreneur Business owners who work and operate their business alone

solvency Being able to pay debts when they become due

Span of control The number of people reporting to a particular manager.

special-interest group A group whose members try to influence businesses and governments on specific issues

specialty goods and services Very expensive products that buyers seldom purchase or that have unique characteristics that require people to make a special effort to obtain them

speculative-grade bonds High-risk bonds with a greater probability of default

Speculative-grade bonds high-risk bonds with a greater probability of default

sponsorship Firms that often sponsor YouTube or Instagram celebrities who in turn endorse the firms' products. These so-called online influencers are often compensated in multiple ways for their endorsements.

staff personnel Have advisory duties; they provide advice, recommendations, and research to line managers

staffing The recruitment, hiring, motivating, and retention of valuable employees

stakeholders Those who have any sort of stake or interest in a business

Standard & Poor's 500 (S&P 500) An index of stock prices for 500 major corporations in a range of industries

standard of living A component of a society's quality of life, defined by how many goods and services people can buy with the money they have

standard of value It can be used as a common standard to measure the values of goods and services

standardization The use of uniform parts that could be easily interchanged with similar parts

statistical process control A statistical technique that uses periodic random samples from production runs to see if quality is being maintained within a standard range of acceptability

stock Shares of ownership in a company

stock certificate A paper certificate listing the shareholder's name, name of the issuing company, number of shares you hold, and type of stock being issued

stock market indicators Indexes of stock market prices of groups of stocks that are related in some way

stock options Key employees are given the right to buy stock at a future date for a discounted price

stock split a company divides its existing shares into multiple shares.

stock split A company divides its existing shares into multiple shares

stockholders Those who own stock in a company

storage warehouses Warehouses that provide storage of products for long periods of time

store of wealth People can save it until they need to make new purchases

Stories A narrative based on true events, which is repeated—and sometimes embellished upon—to emphasize a particular value.

strategic partnership A strategic partnership is a relationship between individuals or organizations typically formed by an agreement or contract. The depth and breadth of the partnership may vary based on the parties' goals and any subsequent legal documents that outline the agreement.

strategic partnership agreement a strategic partnership agreement is an agreement between at least two parties that outlines how the parties will work with and benefit each other

strategic planning Determining the organization's long-term goals for the next one to five years with the resources they anticipate having

Strategy An organizational strategy is the sum of the actions a company intends to take to achieve long-term goals.

Structure Organizational structure defines how activities such as task allocation, coordination and supervision are directed toward the achievement of organizational aims

structured interview An interview wherein the interviewer asks each applicant the same identical, fixed questions and rates their responses according to some standard measure

subjective appraisals Appraisals that represent a manager's perceptions of a subordinate's traits or behaviors

supplier A person or organization that supplies raw materials, services, equipment, labor, energy, and other products to other organizations

supplies Goods to help make, but not become part of, principal product

supply Economic concept that expresses sellers' willingness and ability to provide goods and services at different prices

supply chain The sequence of suppliers that contribute to creating and delivering a product, from raw materials to production to final buyers

supply chain management Companies produce goods and services by integrating many facilities, functions, and processes, from suppliers to customers

supply chain management the strategy of planning and coordinating the movement of materials and products along the supply chain, from raw materials to final buyers

Supply curve diagram that illustrates the quantity supplied of a good at various prices

Supreme courts Supreme courts: courts that hear cases from appellate courts; the U.S. Supreme Court also hears cases appealed from state supreme courts

suspend Temporarily removed from the job (with or without pay)

sustainability Economic development that meets the needs of the present without compromising the ability of future generations to meet their own needs

swag Swag refers to free promotional marketing items.

sweatshop A shop, factory, or farm in which employees work long hours for low wages—or no wages, in the case of prison labor, slave labor, and some child labor—usually under environmentally, physically, or mentally abusive conditions

SWOT analysis A description of the strengths (S), weaknesses (W), opportunities (O), and threats (T) affecting the organization

Symbol An object, act, quality, or event that conveys meaning to others.

synthetic transformation The process in which resources are combined to create finished products

T

tactical planning Determining what contributions their work units can make with their existing resources during the next six months to two years

target costing The strategy in which a company starts with the price it wants to charge, figures out the profit margin it wants, then determines what the costs must be to produce the product to meet the desired price and profit goals (also known as *demand-based pricing*)

target market strategy Consists of marketing directly to such segments—the target market

target return on investment Making a profit, a specified yield on the investment

tariff A trade barrier in the form of a tax levied on imports

taxes Levies by the government to raise money to pay for government services

team A small group of people with complementary skills who are committed to common performance goals and approach to realizing them for which they hold themselves mutually accountable

technical skills Job-specific knowledge needed to perform well in a specialized field

technology Machines that help a company get a job done, including computers, data storage, delivery vans, and vending machines

Technology Any machine or process that gives an

organization a competitive advantage in changing materials used to produce a finished product.

telecommuting Working at home with telecommunications between office and home

telemarketing Consists of using the telephone to sell products directly to customers

term-loan agreement A promissory note indicating specific installments, such as monthly or yearly, for repayment

terms of trade The conditions the supplier (seller) gives the buyer when offering short-term credit

test marketing The introduction of a new product in a limited form to selected geographical markets to test consumers' reactions

Theory X Assumes workers to be irresponsible, resistant to change, lacking in ambition, hating work, and preferring to be led rather than to lead

Theory Y Makes the positive assumption that workers are capable of accepting responsibility, self-direction, and self-control and of being imaginative and creative

Theory Y Makes the positive assumption that workers are capable of accepting responsibility, self-direction, and self-control and of being imaginative and creative.

Theory Z A motivational approach that emphasizes involving employees at all levels, giving them long-term job security, allowing collective decision making,

emphasizing slow evaluation and promotion procedures, and treating workers like family

time deposits Bank funds that can't be withdrawn without notice or transferred by check

time to market The length of time it takes from a product being conceived until it is available for sale

top managers Make long-term decisions about the overall direction of the organization and establish the objectives, strategies, and policies for it

tort A civil wrongful act that results in injury to people or property

total product offering All the factors that potential buyers evaluate in a product when considering whether to buy it

total quality management (TQM) A comprehensive approach dedicated to continuous quality improvement, training, and customer satisfaction

totalitarian political system A political system ruled by a dictator, a single political party, or a special-membership group, such as a handful of ruling families or a military junta

trade association An organization consisting of individuals and companies in a specific business or industry organized to promote common interests

trade credit short-term financing by which a firm buys a product, then receives a bill from the supplier, then pays it later.

trade credit Short-term financing by which a firm buys a product, then receives a bill from the supplier, then pays it later

trade deficit Exists when the value of a country's total imports exceeds the value of its total exports

trade promotion Business-to-business sales promotion

trade protectionism The use of government regulations to protect domestic industries from foreign competition

trade show A gathering of manufacturers in the same industry who display their products to their distributors and dealers

trade surplus Exists when the value of a country's total exports exceeds the value of its total imports

trademarks Brand names and brand marks, and even slogans, that have been given exclusive legal protection

trading bloc A group of nations within a geographical region that have agreed to remove trade barriers with one another (also known as *common market* or *economic community*)

training and development Steps taken by the organization to increase employee performance and productivity

transaction A business deal that involves the buying, selling, or exchanging of something, usually goods or services

transaction loan Credit extended by a bank for a specific purpose

transactional leadership

Focuses on creating a smooth-running organization, motivating employees to meet performance goals

transfer Movement of an employee sideways within the company to a different job with *similar responsibility*

transformational

leadership Focuses on inspiring long-term vision, creativity, and exceptional performance in employees

Transformational leadership inspiring long-term vision, creativity, and exceptional performance in employees

treasury bills (T-bills) Short-term obligations of the U.S. Treasury with a maturity period of one year or less (typically three months)

treasury bonds Sold in denominations of \$1,000 and \$5,000; mature in 25 years or more

treasury notes Sold in minimum denominations of \$100; mature in 10 years or less from the date of issue

trial balance In bookkeeping, making a summary of all the data in the ledgers to see if the figures are accurate or balanced

trial close is a question or statement that tests the prospect's willingness to buy.

trial close A question or statement that tests the prospect's willingness to buy

Trial courts Trial courts: general courts that hear criminal or civil cases not specifically assigned to other courts (for example,

special courts that hear probate, taxes, bankruptcy, or international trade cases)

trough The lowest point of the business cycle

two-factor theory A theory proposed by Frederick Herzberg that proposed that work dissatisfaction and satisfaction arise from two different factors—work satisfaction from higher-level needs called motivating factors, and work dissatisfaction from lower-level needs called hygiene factors

U

underwriting Activity of buying new issues of stocks or bonds from issuing corporations and reselling them to the public

unemployment rate The level of joblessness among people actively seeking work

unfavorable balance of trade Exists when the value of a country's total imports exceeds the value of its total exports

Uniform Commercial Code (UCC) A set of U.S. laws designed to provide uniformity in sales and other commercial law and to describe the rights of buyers and sellers

union shop Workers are not required to be union members when hired for a job, but they must join the union within a specified period of time

United States-Mexico-Canada Agreement (USMCA) A trade agreement among

the United States, Mexico, and Canada; it replaced the North American Free Trade Agreement (NAFTA).

universal product codes (UPCs) Bar codes printed on the package that can be read by bar code scanners

unsecured bonds Bonds for which no assets are pledged as collateral; backed only by the issuing company's reputation (also known as debenture bonds)

unsecured loan The borrower does not pledge any assets as collateral

unsought goods and services Those that people have little interest in, are unaware of, or didn't think they needed until an event triggers the need

unstructured interview An interview wherein the interviewer simply asks applicants probing questions in a conversational way

user-rate segmentation Consists of categorizing people according to volume or frequency of usage

Utility, want-satisfying ability Making products more useful or accessible to consumers.

V

validity The test measures what it claims to measure and is free of bias

value The customer's perception that a certain product offers a better relationship between costs and benefits than competitors' products do

value-added tax (VAT) (goods and services tax) A consumption tax, long used in Europe, that is levied at each stage of production based on the “value added” to the product at that stage

values The relatively permanent and deeply held underlying beliefs and attitudes that help determine people’s behavior

variable costs Those expenses that change according to the number of products produced; examples might include cost of materials and labor

vendor A person or organization that supplies raw materials, services, equipment, labor, energy, and other products to other organizations

venture capital Funds acquired from wealthy individuals and institutions that are invested in promising start-ups or emerging companies in return for their giving up some ownership

venture capitalists Generally companies, not individuals, that invest in new enterprises in return for part ownership of them

vestibule training Off-the-job training in a simulated environment

video marketing Marketing to consumers on television, either through special cable TV channels or through certain programs on regular TV channels

viral campaign promotional messages spread quickly by social media users forwarding promotional messages

throughout their social networks.

viral marketing Companies produce content and, through various channels, the information spreads by being shared and reposted

virtual organization Consists of a company with a central core that is connected by computer network, usually the Internet, to outside independent firms, which help the core firm achieve its purpose

vision Long-term goal of what the organization wants to become

vulnerability The emotion that we experience during times of uncertainty, risk, and emotional exposure

W

warehousing The element of physical distribution that is concerned with storage of goods

welfare state A country in which the government offers citizens economic security by providing for them when they are unemployed, ill, or elderly and, in some countries, providing subsidized college educations and child care

whistleblower An employee who reports organizational misconduct to the government or the public; such conduct may include corruption, fraud, overcharging, waste, or health and safety problems

wholesalers Middlemen who sell products (1) to other businesses for resale to ultimate customers or (2) to

institutions and businesses for use in their operations

wide span of control Many people are reporting to the manager

Wilshire 5000 Index an index of that covers around 6,500 stocks traded on the New York Stock Exchange and the American Stock Exchange, and actively traded stocks on the NASDAQ; also known as “the total stock market”

word-of-mouth marketing A promotional technique in which people tell others about products they’ve purchased or firms they’ve used

work from home Some employers provide employees the opportunity to work from a home office rather than coming into a physical office space.

work rules Procedures and matters of law

Working at home Working at home with telecommunications between office and home is called telecommuting.

World Bank International organization that provides low-interest loans to developing nations for improving health, education, transportation, and telecommunications

World Trade Organization (WTO) International trade organization, consisting of 164 member countries, that is designed to monitor and enforce trade agreements

Y

yield Calculated by dividing dividend or income by the market price

Annotations

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