

# Preface

Welcome to the sixth Canadian edition of *Business Essentials*. In this edition, we continue to emphasize our long-standing principle of “*Doing the Basics Best*.” Cutting-edge firsts, up-to-date issues that shape today’s business world, and creative pedagogy help students build a solid foundation of business knowledge. This new, sixth edition continues with the strengths that made the first five editions so successful—comprehensiveness, accuracy, currency, and readability.

## What’s New to the Sixth Canadian Edition

The impact of one of the most significant events of the past 70 years—the financial crisis that began in 2008—is examined in depth in several different chapters of the text. For example, the opening case in Chapter 16 explains the causes of the financial meltdown and its impact on banks, the stock market, sub-prime mortgages, and the economy and business in general. Chapter 16 also includes an end-of-chapter case describing the commercial paper crisis that hit Canada just prior to the more general financial crisis. The opening case of Chapter 15 describes the ups and downs of the world’s stock markets during the last decade and explains how the financial crisis of 2008 led to dramatic declines in shareholder wealth. The impact of the financial crisis on business firms and on government involvement in the economy is analyzed in Chapters 1 and 2, and in other chapters as well.

The sixth Canadian edition of *Business Essentials* incorporates many of the changes suggested by professors and students who used the fifth edition. This new edition also includes changes suggested by reviewers. The following changes have been made:

- The text contains four series of boxed inserts that are positioned at strategic points in the chapters so as to complement the main text. The first of these—entitled “**The Greening of Business**”—analyzes what businesses are doing to be more environmentally friendly. These boxed inserts identify both the opportunities and challenges that businesses are encountering as they try to be more socially responsible. The second series—entitled “**Entrepreneurship and New Ventures**”—provides all new, real-life examples of

Canadian entrepreneurs who saw an opportunity to provide a new product or service in the marketplace, and the activities they carried out in order to be successful. The third series—entitled “**Managing in Turbulent Times**”—focuses student attention on both the disappointments and unexpected opportunities that arise during economic crises such as the one that occurred during the 2008–2009 recession. The fourth series—entitled “**E-Commerce and Social Media**”—describes how rapidly changing technology has provided business firms with many new ways to connect with customers, and how the new technology has given customers a level of control over businesses that they have not previously had.

- All of the chapter opening cases are either brand-new or updated. Opening chapter cases on **Research In Motion**, **Toyota**, **Air Canada**, **Tim Hortons**, **lululemon**, **Parasuco**, and others will be of great interest to students.
- Two video cases appear at the end of each of the five major sections of the text. **Nine of these ten video cases are new.**
- Many **new examples of business practices** have been included in each of the chapters. Some of these examples are brief and some are more detailed, but they all help students to better understand important business concepts.
- **Three appendices are newly placed at the end of relevant chapters in the text.** The first appendix—which focuses on **Business Law**—is included at the end of Chapter 1. This appendix includes key topics such as contracts, the concept of agency, warranties, and bankruptcy. The second appendix—on **Information technology (IT)**—is included at the end of Chapter 11. It focuses on the dramatic changes in information processing that are occurring in business firms and the need to manage these changes. We discuss the impact that IT has had on the business world, the IT resources businesses have at their disposal, the threats information technology poses for businesses, and the ways in which businesses protect themselves from these threats. The third appendix—entitled “**Managing Your Personal Finances**”—is found at the end of Chapter 16. This feature has been overwhelmingly requested by students and instructors, and presents a down-to-earth, hands-on approach that will help students manage their

personal finances. The practical information found in this feature includes a worksheet for determining personal net worth, insightful examples demonstrating the time value of money, a method for determining how much money to invest now in order to build a future nest egg of a certain size, suggestions on how to manage credit card debt, guidelines for purchasing a house, and a personalized worksheet for setting financial goals. This information, which complements the managing of business finances material that is presented in Chapter 16, will be immensely useful to students.

- **Important statistics have been updated** to reflect the latest possible information on Canadian business.
- The book has been **completely redesigned** to convey the excitement and importance of the modern business world. The book's new design and improved art will also help students to better process and understand chapter content.
- **Large amounts of new material and new examples** that demonstrate key conceptual points are found in this new edition of the text. Illustrative (but not exhaustive) examples include the following:

**Chapter 1**—new material on topics such as privatization, deregulation, and nationalization; these ideas have been influenced by the recent financial crisis

**Chapter 2**—new material on the political-legal environment of business, the BP oil spill, and acquisitions and mergers

**Chapter 3**—new material on individual ethics, global warming, cap-and-trade systems, price fixing, counterfeit brands, insider trading, and misrepresentation of finances

**Chapter 4**—new material on small business incubators, entrepreneurship, and franchising

**Chapter 5**—new material on the growing importance of emerging markets in the global business context; new material on the BRIC nations (Brazil, Russia, India, and China); new material on the financial crisis in the so-called PIIGS (Portugal, Italy, Ireland, Greece, and Spain).

**Chapter 6**—new material on the planning activities of McDonald's (indicating how these activities demonstrate the planning model presented in the text), prediction markets, human relations skills, the impact of environmental change on companies (for example, Ontario's pharmacy rule changes), contingency planning, crisis management (for example, Toyota, McCain, and BP), and corporate culture

**Chapter 9**—new material on empowerment, goal setting, reinforcement theory, team management, telecommuting, and leadership styles

**Chapter 10**—new material on process flowcharts, new data on productivity in various countries around the world, and coverage of the problems that Toyota experienced with quality control in 2010 (opening case)

**Chapter 11**—new material on international accounting standards, forensic accounting, and the accounting cycle

**Chapter 13**—new material on branding, brand loyalty, new product development, patents and copyrights, outdoor advertising, word-of-mouth advertising, internet advertising, and online marketing

**Chapter 14**—new material on pricing, discounts, internet sales, and the dispute between the Competition Bureau and the Canadian Real Estate Association

**Chapter 15**—new material on changes in the banking industry, banks selling insurance, and venture capital firms

## Major Themes

Six major themes continue to be evident in this new edition: change, international business, ethics and social responsibility, small business, information and communication technology, and the quality imperative. It is important that students understand these themes, since their careers in business will be significantly affected by them.

### The Theme of Change

The dramatic changes that have been occurring during the past decade continue apace, and these changes have been complicated by the financial crisis of 2008–2009. The development of new business processes, new products, and new services all make the study of change in business exciting and necessary. In nearly every aspect of business today there are totally new ways of doing things. These new ways are replacing traditional business practices, usually with surprising speed and often with better competitive results. Given these developments, we as authors felt that our goal had to be to communicate the theme of change by describing how real-world business firms cope with the need for change. Thus, we have tried to capture the flavour and convey the excitement of the “new economy” in all of its rapidly evolving practices.

## The Growth of International Business

The globalization of business is one of the dominant challenges of the twenty-first century. To keep students aware of this challenge, we've included many examples and cases that describe the experiences of Canadian companies in the global marketplace. We also describe how global companies have impacted the domestic Canadian market. In addition to these examples throughout the text, we devote an entire chapter to international business (Chapter 5, The Global Context of Business).

## The Role of Ethics and Social Responsibility

The topics of business ethics and social responsibility are generating a sharply increased level of discussion and debate as a result of the highly publicized criminal trials of top managers at companies like Livent, Enron, and WorldCom, and because of the questionable financial practices that led to the economic crisis of 2008–2009. We devote an entire chapter to the discussion of ethical and social responsibility issues (Chapter 3, Conducting Business Ethically and Responsibly) because these issues are so important to modern business. Ethical issues are also raised in nearly every chapter of the text, and a team ethics exercise at the end of each chapter further focuses student attention on this important issue.

## The Significance of Small Business

Since many students will not work for major corporations, we have provided coverage of both large and small companies throughout the text. In various chapters, the implications of various ideas for small business are discussed. As well, a major part of Chapter 4 (Entrepreneurship, Small Business, and New Venture Creation) contains new material focusing on small business, entrepreneurship, and new business ventures.

## The Importance of Information and Communication Technology

In our information-based society, the people and organizations that learn how to obtain and use information will be the ones that succeed. The explosive growth and change in these systems is recognized as we include a rewritten appendix on the management of information at the end of Chapter 11.

## The Quality Imperative

Quality and productivity became the keys to competitive success for many companies in the global marketplace during

the 1990s. These topics continue to dominate the thinking of managers in the twenty-first century, and we devote a substantial part of one chapter to their coverage (Chapter 10, Operations Management, Productivity, and Quality).

# Major Features of the Text

## Part Opener

At the beginning of each of the five major parts of the book is a brief outline introducing the material that will be discussed in that part. These outlines give students a glimpse of the “big picture” as they start reading about a new area of the business world.

## Chapter Materials

Each chapter contains several features that are designed to stimulate student interest in, and understanding of, the material being presented about business. These features are as follows:

**Chapter Learning Objectives** A list of numbered learning objectives is presented at the beginning of each chapter. These objectives—which help students determine what is important in each chapter—are also referenced beside headings for the relevant content in the chapter.

**Chapter-Opening Case** Each chapter begins with a description of a situation that is faced by a real Canadian or international company. The subject matter of the opening case is relevant to the material presented in the chapter and is designed to help students bridge the gap between theory and practice.

**Boxed Inserts** As noted above, four series of boxed inserts are found in the text. These boxed inserts provide interesting information on topics that are discussed in the text, and they help students understand the dynamics and complexities of the business world. Critical thinking questions are found at the end of these boxes. These questions can be used as the basis for class discussions about the implications of the material that is presented in the boxed inserts.

**Examples** In addition to the boxed inserts, each chapter contains numerous examples of how businesses operate so that students can gain a better understanding of the dynamics of business practice both in Canada and elsewhere. These examples—which range in length

from one sentence to several paragraphs—help students understand concepts that are introduced in the text.

**Key Terms** In each chapter, the key terms that students should know are highlighted in the text and defined in the margin.

**Figures and Tables** Figures and tables are updated throughout the text.

### End-of-Chapter Material

Several important pedagogical features are found at the end of each chapter. These are designed to help students better understand the contents of the chapter.

**Summary of Learning Objectives** The material in each chapter is concisely summarized, using the learning objectives as the organizing scheme. This helps students understand the main points that were presented in the chapter.

**Questions and Exercises** There are two types of questions here: “Questions for Analysis” (which require students to think beyond simple factual recall and apply the concepts they have read about), and “Application Exercises” (which require students to visit local businesses or to interview managers and gather additional information that will help them understand how business firms operate).

**Team Exercises** Two team exercises are included at the end of each chapter. The “Building Your Business Skills” exercise allows students to examine in detail some specific aspect of business. The exercise may ask students to work individually or in a group to gather data about an interesting business issue, and then develop a group report or a class presentation based on the information that was gathered. Each exercise begins with a list of goals, a description of the situation, a step-by-step methodology for proceeding, and follow-up questions to help students focus their responses to the challenge. The “Exercising Your Ethics” exercises ask students to take on the role of an employee, owner, customer, or investor and then examine a chapter-related business ethics dilemma through the perspective of that role. By working together as a team, students decide which outcome is ultimately best in each situation, learn how to cooperate with each other, and see an ethical dilemma from various points of view.

**Business Case** Each chapter concludes with a case study that focuses on a real Canadian or international company. These cases are designed to help students apply the chapter material to a real company that is currently in the news. At the end of each case, several questions guide students in their analysis.

### End-of-Part Material

**Crafting a Business Plan** This feature, which is tailored to match and reinforce book content, appears at the end of each major section of the text. The business plan project is *software-independent* and provides students with an easy-to-understand template that they work from as they create their business plan. Based on reviewer feedback, the business plan project has been divided into logical sections, with each part of the project at the end of each relevant main section of the text. With five parts in all, students can gradually apply the concepts they’ve learned in the chapters to their business plans throughout the course. You will find the templates for the Business Plan project online in MyBusinessLab.

**Video Cases** At the end of each of the five major parts of the text, written summaries of two video cases are presented. The instructor can show the video in class, and then either conduct a class discussion using the questions at the end of the written case as a guide, or ask students to complete a written assignment that requires answering the questions at the end of the written case. This approach to teaching adds a positive dynamic to classes because students will be able to relate text material to actual Canadian business situations. The cases are also available through the MyBusinessLab for *Business Essentials*, Sixth Canadian Edition.

## Supplemental Materials

*MyBusinessLab* ([www.pearsoned.ca/mybusinesslab](http://www.pearsoned.ca/mybusinesslab)) is an online grading, assessment, and study tool for faculty and students. It engages students and helps them focus on what they need to study. It can help students get a better grade because they are learning in an interactive and focused environment. MyBusinessLab delivers all classroom resources for instructors and students in one place. All resources are organized by learning objective so that lectures and studying can be customized more conveniently than ever before. A complete description of the student and instructor resources available is provided on the MyBusinessLab insert included with this text.

## For Instructors

**Instructor's Resource Centre** Instructor resources are password protected and available for download via [www.pearsoned.ca](http://www.pearsoned.ca). For your convenience, these resources are also available on the *Instructor's Resource CD-ROM* (ISBN 978-0-13-038830-8) and available online at [www.pearsoned.ca/mybusinesslab](http://www.pearsoned.ca/mybusinesslab) in the instructor area.

**Test Item File** This substantially enhanced test bank in Microsoft Word format contains over 5100 multiple-choice, true/false, short-answer, and essay questions. The Test Item file enables instructors to view and edit the existing questions, add questions, and generate texts. This robust test bank is also available in MyTest format (see below).

**MyTest** The new edition test bank comes with *MyTest*, a powerful assessment-generation program that helps instructors easily create and print quizzes, test, exams, as well as homework or practice handouts. Questions and tests can all be authored online, allowing instructors ultimate flexibility and the ability to efficiently manage assessments at any time, from anywhere. *MyTest* can also be accessed through MyBusinessLab.

**Instructor's Resource Manual** The *Instructor's Resource Manual* contains chapter outlines, teaching tips, in-class exercises, and suggestions on how to use the text effectively. The manual also provides answers to the end-of-chapter questions and team exercises (including Building Your Business Skills and Exercising Your Ethics), case study questions, and the end-of-section video case questions.

**PowerPoint® Presentations** *PowerPoint Presentations* offer an average of 40 PowerPoint slides per chapter, outlining the key points in the text. The slides include lecture notes that provide page references to the text, summaries, and suggestions for student activities or related questions from the text.

**Personal Response Questions** This set of interactive Clicker PowerPoint™ Slides contains thought-provoking questions designed to engage students in the classrooms using “clickers” or classroom response systems.

**CBC Video Library** (DVD: ISBN 978-0-13-237727-0). The *CBC Video Library for Business Essentials*, Sixth Canadian Edition, includes 10 segments that focus on Canadian companies and discuss business issues from a Canadian point of view. The cases can also be viewed online at [www.pearsoned.ca/highered/vidocentral](http://www.pearsoned.ca/highered/vidocentral)

and answers to the discussion questions are provided in the Instructor's Resource Manual. Contact your Pearson Canada sales representative for details.

**Acadia/Pearson Business Insider Series Videos** This online selection of videos provided on MyBusinessLab contains interviews of industry leaders and top executives from Canada and abroad. The videos provide an effective link from the textbook to the real world. Included on MyBusinessLab is a table correlating pertinent videos to the chapters and topics in the textbook.

**Pearson Custom Publishing** ([www.prenhall.com/custombusiness](http://www.prenhall.com/custombusiness)). Pearson Custom Publishing can provide you and your students with texts, cases, and articles to enhance your course. Choose material from Darden, Ivey, Harvard Business School Publishing, NACRA, and Thunderbird to create your own custom casebook. Contact your Pearson Canada sales representative for details.

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### For Students

**MyBusinessLab** ([www.pearsoned.ca/mybusinesslab](http://www.pearsoned.ca/mybusinesslab)) is an online grading assessment and study tool for both faculty and students. It generates a personalized study plan that focuses students on what they, individually, need to study. It engages students through an interactive and focused environment. All resources are organized by learning objective so that studying can be customized more conveniently than ever before. A complete description of the student and instructor resources available is provided on the MyBusinessLab insert included with this text.

**ScanLife™ 2D Barcodes and Study on the Go** Featured at the beginning and end of each chapter, the ScanLife™ barcodes provide an unprecedented seamless integration between text and online content for students.

The free, downloadable app (for instructions go here: [http://web.scanlife.com/us\\_en/download-application](http://web.scanlife.com/us_en/download-application)) enables students to link to Pearson Canada's unique Study on the Go content directly from their smartphones, allowing them to study whenever and wherever they wish! Upon scanning, students can follow the online instructions to search the rich study assets, including Glossary Flashcards, Audio Summaries, and Quizzes.

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