

Introduction to

Business

How Companies Create Value for People



Gareth R. **JONES**

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INTRODUCTION TO BUSINESS: HOW COMPANIES CREATE VALUE FOR PEOPLE

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For Nicholas and Julia



In framing and writing *Introduction to Business* my goal has been to inform and familiarize students with what business is, how it operates, and how it affects them. The intention is to help students understand the many fundamental ways in which business affects people and society—by shaping the kinds of occupations they will pursue and the careers they can expect, for example. This is an important goal because people often fail to understand how business impacts them personally.

We are all used to going to school, going to work, going into restaurants, stores, banks, and buying the goods and services that we need to satisfy our many needs. However, the actual business activities and processes that are required to make these goods and services available to us commonly go unappreciated. Similarly, we know that businesses exist to make a “profit.” But what is profit, how is it created, who does this profit go to, and what is profit used for in the future? Moreover, what are the actual activities involved in creating goods, services, and profit? And why is it that some companies seem to be more effective or make more money—that is, are more “profitable” than others?

This book has been structured and written to address these issues. Its goal is to explain in a thorough but succinct way why business is so important to people and the societies in which they live. Over time, many introduction-to-business textbooks have forgotten this fundamental goal. They have become huge compendiums of descriptions about different kinds of business and management practices. In chapter after chapter they overwhelm students with detailed information about the minutia of business and fail to provide the overall “big picture” of what business is and how it affects people. With such an approach to business, students fail to see “the forest for the trees.”

In general, this book has been written

**To be comprehensive and inclusive but concise,
engaging, and to the point.**

Introduction to Business provides students with an integrated, or “big picture,” approach to business that covers all the most important functional areas of business. However, it does this in 15 chapters that engage students while clearly and concisely covering the main concepts and theories they need to know to understand business today. The coverage in the book is wide-ranging and thorough, providing them with the essential knowledge of the main building blocks of business without drowning them in details. In short, it explains the concepts and theories of business in an engaging, accessible way, unlike other introduction-to-business books. In addition, the book pays considerable attention to creating and developing both in-chapter and end-of-chapter features and exercises that offer the most learning value to students while economizing on their valuable learning time.

**To be contemporary and up-to-date, yet grounded,
relevant, and student-focused.**

Introduction to Business contains state-of-the-art content and descriptions of current business practices yet explains the nature of business with an emphasis on its applications for people and companies. Moreover, the coverage in several chapters of the book is unique and not found in any other introduction-to-business books, such as coverage on the evolution of business systems as well as information technology applications. In particular, the text provides a detailed examination of the essential, value-chain business functions necessary to create goods and services that people will want to buy. Using the value-chain approach, each of the principal functions involved in business commerce is examined in turn. And, as the table of contents suggests, the book discusses functional activities in an applied way, so accounting, for example, is not about “number crunching” but about “measuring how efficiently and effectively resources are being used.” This functional approach offers a contemporary, integrated account of business that always focuses on the big picture and not on minutiae that can both confuse students and waste their time.

with four main goals in mind:

To include rich, relevant examples plus a hands-on, interactive learning approach.

Introduction to Business uses an applied, hands-on approach to help students understand the many ways in which business affects them today—by shaping the kinds of occupations they will pursue and the careers they can expect in the global world today, for example. With the use of carefully selected and written stories and illustrations about small and large companies, *Introduction to Business* makes the complex concepts and terminology found in other books, which often intimidate students, easy to grasp. This learning is then facilitated by the use of a rich set of hands-on, experiential, end-of-chapter exercises designed to allow instructors and students to interact, discuss, and explore the meaning and implications of the chapter content. The goal is to involve and interest students in the business concepts explained in the chapter and give them the opportunity to actively think about how to make business decisions.

To be accompanied by state-of-the-art learning support materials, videos, and pedagogy.

The learning approach developed in the book is supported by the widest and most comprehensive set of support materials and videos available in the introduction-to-business market. A chapter-related video feature in each chapter offers students useful insight into real-world issues. In addition, an end-of-chapter section consisting of relevant and engaging stories taken from the pages of *BusinessWeek* magazine offers additional insight into many of the human and functional issues covered in the chapters. In addition, the instructor's manual, test bank, and many other supplements have been thoroughly developed and tested to provide instructors with a solid support foundation.

In short, *Introduction to Business* provides students with a comprehensive, integrated account of business that provides them with the most *essential* knowledge of the main building blocks of business but which does not drown them in detail. In a first course in business, students should gain a solid understanding of the nature and functions of business so they can make better career and life choices. This is better accomplished in a focused, integrated account of business that gives students all the knowledge they need but in a book far shorter than the typical 1,000 page text that few people, even instructors, want to read.

ORGANIZATION OF THE BOOK

The book provides a broad overview of the nature, form, and functions of business and helps to unravel the many hidden and intertwined meanings that business has. It facilitates students' understanding of how business operates and how it affects their lives and society in general. Part 1, "The Environment of Business," provides the big picture of what business is about. Chapter 1 develops a three-pronged approach to understanding business based on business as commerce, business as an occupation, and business as an organization. It also brings out the essential meaning of terms such as specialization and profit and tells students why companies exist to provide goods and services to customers. Finally, it describes the plan of this book and introduces the concept of the value chain, which will be used to structure the discussion of the principal business functions in Part 3. Chapter 2 looks at how business has evolved over the centuries, the factors of production, and their role in the business process. We trace business back to the Stone Age and then explain, for example, how wars were once waged to obtain land and labor. We then move on to the Industrial Revolution and the development of unionism and socialism on through to the age of information technology. Chapter 3 examines the essential functions of the entrepreneur and manager. It also looks at the role employees play and provides students with an in-depth account of the stages of the career process. Chapter 4 then provides an overview of the main issues facing multinational companies operating in today's changing global environment.

All these chapters, but especially Chapter 5, "Business Ethics and the Legal Environment of Business," make it clear that business is about the pursuit and creation of profit and wealth and that individual people engage in the same quest for wealth to satisfy their needs. The result is competition and self-interested behavior. While much of this competition is healthy and promotes the well-being of both people and society, competition can lead to fraud and deceit. Hence, management and entrepreneurship are always linked to ethical and legal issues. Chapter 5 therefore puts business in the wider framework of ethics, law, and society.

Part 2, "The Human Side of Business," discusses the nature of the individual and group processes that must be managed when people work together in a business organization. Chapter 6 examines the role of leadership, influence, persuasion, communication, and politics in making a business organization function efficiently and effectively. Chapter 7 looks at the role of individual motivation and group processes, including teamwork in the value creation process. It also examines how self-interest and competition lead to bargaining and negotiation. Both these chapters discuss basic processes that lie at the heart of business commerce—processes that frequently revolve around occupational issues, such as contests between people in the same function and between functions. Chapter 8 then discusses how organizational structure and culture motivate and coordinate people and reduce the bargaining and negotiation costs related to getting peoples' cooperation—the essential role of business organization, in other words.

Part 3, "A Functional Approach to Business," then provides a detailed examination of the essential business functions and occupations necessary to create valuable goods and services that people will want to buy. Using the value-chain approach, each of the principal functions involved in business commerce is then examined. As you can see by perusing the table of contents, the book uses a hands-on approach to discussing these functions and their activities. So, for example, finance becomes not about interest rates and numbers but about how firms, just like people, have to figure out how to fund their activities and manage their cash and other assets. Using this functional approach, the book offers a contemporary and integrated account of business that always focuses on the big picture.

In-Chapter Learning Features

Nothing makes the practice of business come alive more than vivid stories and examples about people and companies that demonstrate clearly the meaning of the chapter material, as well as hands-on exercises that offer students the opportunity to actively think about and engage in business issues and decision making. This book pays considerable attention to creating and developing both in-chapter and end-of-chapter features and exercises to offer the most learning value to students while economizing on their valuable learning time. The companies highlighted in each chapter, for example, were specifically selected to appeal to and engage students.

A Question of Business

Each chapter opens with a hands-on question about one or more companies that illustrates the issues that are dealt with in the chapter. These lengthy stories bring to light the substance of the business issues involved, and this theme is then carried on through the chapter.

WHY IS THIS IMPORTANT ?

What if you went to your supermarket and found only one brand of toothpaste? Suppose there was only one pizza shop in your town and it charged \$25 for a small pie. Economic principles such as the laws of supply and demand create the selection and prices we find when we buy, whether it's gasoline or hamburger.

This chapter will help you understand how business principles work and why companies try to add value to products and services that will appeal to customers and create a competitive advantage. The products we select compete with others for our attention and dollars. That means creating a business model that, for example, effectively brings customers to Home Depot instead of Lowe's. When we spend our dollars, we decide which companies will be profitable enough to survive.

A Question of Business

Kroger, Wal-Mart, and Supermarket Competition

How and Why Do Companies Provide Goods and Services for Customers?

Suppose you walk into one of your local supermarkets such as Kroger, the largest supermarket chain in the United States in 2005 (www.kroger.com). You are walking into a business enterprise or company that is there to sell you an assortment of food, drinks, and consumer products selected to appeal to you and to satisfy your needs. What makes you want to shop or trade with Kroger rather than with, say, Albertson's or Wal-Mart? And why has Kroger spent billions of dollars to build and stock its store to attract you to shop there? Moreover, what factors determine the kinds of goods and services Kroger's chooses to offer you and the prices that it charges for its products?

Kroger is in business to make money for its stockholders, the people who have used their savings or capital to buy shares of its company stock. Kroger's stockholders' goal is to increase the value or "get a return" on their investment in the company's business. This will happen if (1) Kroger's managers select the right mix of products and attract more customers, then (2) can sell these products at a price high enough to generate sales revenues (the money it receives from selling the products) that (3) more than exceed the costs of operating the business (including payroll costs, the cost of purchasing the many products it sells, and the cost of leasing store space).

When Kroger's sales revenues exceed its operating costs, it is said to make a *profit*, the difference between its total revenues and total



costs. If Kroger can show its profit is likely to increase over time, more people will want to buy its stock. Then Kroger's stock price goes up, and so does the value of its stockholders' investment. The increase in stock price is its stockholders' reward for the risk they have taken in investing their money in its business. If a company ultimately performs poorly and its profits start to fall, the value of its stock falls; if it goes out of business entirely, stockholders lose all of their money.

Because the grocery business is competitive, finding ways to increase profit is not easy. Many of Kroger's rivals are trying to lure its customers away by offering them lower-priced or higher-quality products. Wal-Mart has become Kroger's major rival. Wal-Mart is rapidly expanding its

Why Is This Important?

Students today are more and more interested in why and how business topics relate to them in their everyday lives. The "Why Is This Important?" feature, written by Judith Bulin of Monroe Community College, speaks to them directly in terms of what each chapter means to them and how it affects them personally.

Did You Know?

Throughout each chapter, short “Did You Know” boxes highlight interesting factoids, statistics, quotes, and even trivia relating to business. This feature, written by Monty Lynn of Abilene Christian University, is designed to spark the interest of students and make them realize how truly interesting the world of business is.

Business in Action

Each chapter contains several “Business in Action” insight boxes, which have been carefully selected and written to increase the interest of students, but which also integrate seamlessly into the text so as not to disrupt its flow. Many books have examples that disrupt students’ thought processes or distract them with enormous amounts of unnecessary detail. *Introduction to Business* avoids these pitfalls.

they think its goods and services are. If they believe customer's profits will increase, the price of the stock. If, for example, investors think Wendy's profits will increase, the demand for Wendy's stock will increase. If investors think customers are switching to a Subway's sandwiches and McDonald's chicken salads as a result, they will sell Wendy's stock, and its price

Did You Know?

General Motors Corporation—assisted by Firestone, Standard Oil, and Phillips Petroleum—purchased and then dismantled more than 100 electric streetcar systems in Philadelphia, St. Louis, Los Angeles and other cities. They replaced them with GM buses. Competition, customer service, or collusion?

The Business Model and Profitability

Companies are in business to make money, companies like Kroger or Wal-Mart. All companies must have a business model. Choices about which products to offer and how to produce them are resources most productively to maximize profit. As noted earlier, a successful business model is one that enables a company to outperform its competitors.

What Is Business?

Business in Action

A Blockbuster Adventure

In the early 1980s, the number of VCRs in people's homes was expanding rapidly, and thousands of small video stores were opening up to rent the videotapes that people wanted. Many of these “mom and pop” stores were small, offered only a limited selection of titles, and were often located in hard-to-find locations in remote shopping centers. Many of the stores also rented X-rated movies. Of course, parents and their children—the biggest segment of the video market—were reluctant to visit these stores.

David Cook, who was searching for a new business opportunity at this time, realized that there was a market for a new kind of video store: one that would appeal to families and satisfy their needs in a way that no other store could. In 1985, Cook opened his first Blockbuster Video Store.

What were the elements of Cook's business model?

To encourage families to come in and browse, Blockbuster stores were free standing, brightly decorated and lit, and in good locations with lots of parking. Cook made sure the stores were full of titles that appealed to children, and no X-rated movies were offered. He also pioneered the practice of renting out tapes for three-day periods and adopted a marketing campaign aimed at attracting the family viewing audience. Finally, he took advantage of new technology such as bar codes and scanners to speed up the check-out process and improve the shopping experience. As a result, Blockbuster became a smash hit. Every store Cook opened was immediately successful, grossing \$70,000-\$80,000 a month in revenues. Because each store's operating costs were only \$20,000-\$30,000 a month, profit margins were enormous. Cook soon



David Cook, the founder of Blockbuster, set out to change the face of the adult-oriented, video rental business to one that focused on the needs of families.

Franchising

A business practice whereby investors are allowed to purchase the right to own and operate a business using a company's name and business model.

franchised his video superstore concept—that is, he sold investors the right to own and operate their own Blockbuster stores using his business name and model. He later took the company “public,” meaning shares of stock were issued and sold to investors. The chain's high profits caused the price of Blockbuster's shares to skyrocket, and it became one of the 100 fastest growing companies in the Fortune 500. Today, Blockbuster is the largest video rental chain in the world with over 5,000 stores. Cook had clearly found an opportunity to create a company that offered customers more value than they had previously been getting.

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Chapter One



Video Small Business in Action

Destination CEO: Jim McCann

Summary: Jim McCann is the CEO of 1-800-Flowers shown in the video from Business Week TV on your student DVD. The road to a business career, no less executive management, was not typical for Jim McCann. He did not experience a traditional “climb up the corporate ladder.” Looking for a career as a police officer, McCann attended the John Jay College of Criminal Justice in NYC. His career path led him to a career in Social Services. A chance meeting with a friend provided McCann a chance to buy his first flower shop. It cost him \$10,000 for his original shop located on 1st Ave and 52nd Street in New York. Initially, Jim's passion and interest in the floral business was more of a part-time hobby. However, that soon changed as he began to grow and expand the business.

There were many “firsts” pioneered by McCann in this industry. For example, he was the first to introduce the innovation of 24 hour ordering service, (that was 28 years ago). As time went on, he purchased ten additional flower shops. Looking for an opportunity to broaden his markets, he visited the Dallas-based 800 Flowers to pursue partnership opportunities. What he found, however, was a company in dire straits. Rather than collaborating with the company, he purchased it.

He views his firm as both a leader in business innovation and as a change agent—24 hour ordering capabilities, the first to accept credit cards over the phone,



Video: Small Business in Action

Most introduction-to-business students are interested in small-business examples and how entrepreneurs actually achieve success. The “Small Business in Action” boxes, written by Anthony Chelte of Midwestern State University, discuss videos prepared for each chapter. All of these videos can be found on the Student DVD for *Introduction to Business*.

Developing Business Skills

The end-of-chapter learning features, entitled “Developing Business Skills,” is composed of a series of exercises that offer additional insight into the chapter material to improve the real-world learning experience of students. Designed to create lively discussion for the whole class, small groups, or at the individual level, six of these exercises represent a variety of ways for an instructor to engage students. In practice, an instructor will have to decide which of these exercises to select and use in any particular class period, or which to use as homework assignments. Frequently, instructors find that varying the particular exercises they use over the semester is the best way to engage students.

Questions for Discussion and Action

“Questions for Discussion and Action” are a set of chapter-related questions and points for reflection, some of which ask students to research actual management issues and learn first-hand from practicing managers.

Developing Business Skills

QUESTIONS FOR DISCUSSION AND ACTION



1. What are property rights and how do they affect the use of productive resources?
2. In what ways can the use of money lead (1) to a more productive use of resources, and (2) to a more profitable use of resources?
3. What is the difference between feudalism and mercantilism? How are the two connected?
4. What is the relationship between capital and enterprise? How did capitalism affect the use of productive resources?
5. What caused the Industrial Revolution, and why did it take so long?
6. How did the emergence of business organization forms based on (1) the hierarchy of authority (2) the joint-stock arrangement and (3) limited liability help to further business commerce and occupations?

Ethics in Action

“Ethics in Action” is an exercise that can be used at the class, group, or individual level. This feature challenges students to apply ethical principles as they try to figure out the right response to a business issue or problem. Generally, the best discussion arises in a group or class context as students express opposing views of the issues involved.

The Evolution of Business

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ETHICS IN ACTION



Ethics and History

Each of the three main kinds of business systems—feudalism, mercantilism, and capitalism—is associated with a particular kind of ethical or moral position: for example, different views about the rights workers should have relative to the owners of land or capital.

- Identify differences in the ethical or moral positions that explain how labor is treated in each of these three business systems.
- Do you see any themes going through them? Would you say the treatment of workers improved over time from an ethical point of view or did it get worse? Why?
- What basic kinds of rights do you think workers should have in business organizations today? For example, do you think rights, such as the rights to unionize, or to receive fair and equitable treatment are appropriate? What about workers' rights to privacy? Do employers have a right to monitor workers' e-mail and telephone conversations, for example?
- What ethical principles do you think multinational companies should abide by when deciding where to locate their operations or how to treat their workforces in the countries in which they operate?

SMALL GROUP EXERCISE



Adventures in Barbecuing

Read the following and then break up into groups of three or four people and discuss the issues involved. Be prepared to share your discussion with the rest of your class. (This exercise can also be done individually.)

You and your friends have decided to work together to create an outdoor barbecue catering service in the summer months to raise money for next year's college fees. Your business model is to offer customers a

worry-free party service with high-quality food and all the accoutrements. The activities you need to perform include food buying, food preparation, setting up the party at the customer's home, serving the food, and clearing up afterwards.

1. How can you create most value for customers? List the various elements of your business model.
2. How will you divide up the work among yourselves to create the most value for customers?
3. What will be the main factors that determine the profitability of your business?

Small Group Exercise

This exercise is designed to allow instructors to utilize interactive experiential exercises in groups of 3–4 students. Each exercise contains a chapter-related issue guaranteed to lead to debate among students. The instructor calls on students to break up into small groups, simply by turning to people around them, and all students participate in the exercise in-class. A mechanism is provided for the different groups to share what they have learned with each other.

Developing Good Business Sense

This exercise presents a realistic scenario in which some kind of business challenge, problem, or opportunity is presented and students offer advice and a recommended course of action based on the chapter content. Because managers and organizations frequently need this kind of help, these exercises provide students a real, hands-on way to take an action-oriented approach to solving “real” problems by applying what they’ve just learned.

DEVELOPING GOOD BUSINESS SENSE



Which Job in Which Company?

You are in the process of searching for a part-time job to help pay your way through college. You want to find a job that you will be able to keep for at least two years—a job in a company where you feel you will be able to develop skills that will help you later in your business career. You are currently considering several job options.

1. What factors should you consider when deciding upon the best job to look for (assuming you have a choice)?
2. What factors should you consider when deciding upon the best company to work for?
3. How would you go about finding out about the pros and cons of a particular job or a particular organization?

BusinessWeek

CASE FOR DISCUSSION

The New Nike: No Longer the Brat of Sports Marketing, It Has a Higher Level of Discipline and Performance

In many ways, the sleek, four-story building that houses Nike Inc.'s Innovation Kitchen is a throwback to the company's earliest days. Located on the ground floor of the Mia Hamm building on Nike's 175-acre headquarters campus in Beaverton, Oregon, the Kitchen is where Nike cooked up the shoes that made it the star of the \$35 billion athletic footwear industry. In this think tank for sneakers, designers find inspiration in everything from Irish architecture to the curving lines of a Stradivarius violin. One wall displays models of every Air Jordan ever made, while low-rise cubicles are littered with sketches of new shoes. The Kitchen is off limits to most visitors and even to most Nike employees. The sign on the door says, only half in jest: “Nobody gets in to see the cooks. Not nobody. Not no how.”

This is where, nearly 20 years ago, Nike star designer Tinker Hatfield came up with the Air Jordan—the best-selling sports shoe of all time. Right now, Hatfield and his team are tallying the results of the Athens 2004 Olympic Games. Hatfield and his design geeks produced an array of superstar sneakers for the Games, including the sleek track spike called Monsterey for sprinters and the Air Zoom Miller for distance runners. As befits a global company, Nike's sponsored athletes hailed from all over the world. They took home a lot of hardware from Athens, including 50 gold medals and dozens more silver and bronze. And Nike apparel had its day in the sun, too. The top four finishers in the men's 100-meter race all wore the sign of the Swoosh.

GOING ESTABLISHMENT: The most telling events for Nike didn't take place on the track, however. The brash guerrilla marketer, famous for thumbing its nose at big-time sporting events, was showing a new restraint. Eight years ago in Atlanta, Nike ambushed basketball sponsor Champion (a brand of Sara Lee Corporation) by sneaking giant Swoosh signs into the arena. When the cameras panned the stands, TV audiences saw the Nike logo loud and clear, while Champion had nothing. Nike has even signed up to become an official U.S. Olympic sponsor in four years in Beijing, and it has tossed down its anti-Establishment attitude. For good reason: These days, Nike is the Establishment when it comes to global sports marketing. With revenues exceeding \$12 billion in fiscal 2004, the company that Philip H. Knight started three decades ago by selling sneakers out of the back of a car at track meets has finally grown up.

The kind of creativity that led Bill Bowerman, the University of Oregon track coach who co-founded the company with Knight, to dream up a new kind of sneaker tread after studying the pattern on his wife's waffle iron, is still revered at Nike. When it comes to the rest of the business, however, it's a whole new ball game. Gone are the days when Nike execs, working on little more than hunches, would do just about anything and spend just about any amount in the quest for publicity and market share.

But in the past few years, the company has devoted as much energy to the mundane details of running a business—such as developing top-flight information systems, logistics, and (yes!) supply chain management—as it does to marketing coups and cutting-edge sneaker design. More and more,

BusinessWeek Case for Discussion

Each chapter ends with one or more cases from *BusinessWeek* magazine that can be used for further analysis of the chapter's issues. Each case has been carefully chosen to reflect contemporary issues and problems in business and to offer further information on the topics in the chapter or career-related issues. The accompanying discussion questions encourage students to read about and to analyze how managers approach real problems in the business world.

Building Your Management Skills: Know Thyself

What Is Business?

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BUILDING YOUR MANAGEMENT SKILLS

Know Thyself



You, as do most people, probably hope to have a career working at something you enjoy, feeling that you do it reasonably well, and making a decent income. We might think that intelligence, drive, and opportunity will make that happen. You can improve your chances of achieving your career goals. Knowing

which careers best suit your thinking and problem solving style, satisfy your primary motivational needs, and make you feel passionate about what you do will help you to succeed. You can start to develop the self-knowledge you need to make good career decisions by doing the self-assessment exercise on your Student DVD titled "Career Planning Based on Brain Dominance and Thinking Styles Inventory".

The "Building Your Management Skills" exercises are flash-based self-assessments and learning exercises that can be found on both the Student DVD and Online Learning Center to accompany this book. Students are able to complete these exercises on their own and receive

instant, comprehensive feedback to their responses. There are nearly 50 exercises to choose from in all, and relevant ones for each chapter are highlighted within the end-of-chapter material for students to complete.

Chapter Video

CHAPTER VIDEO

Todd McFarlane



The video features a discussion with Todd McFarlane, CEO of McFarlane Companies in Tempe, Arizona. This global company spans comics, sports, monsters, and toys. In fact, it is the world's largest and most successful toy company. McFarlane is a very successful entrepreneur who started as a college baseball player looking to break into the major leagues. Unfortunately, this venture was not successful. Instead, he fell back on his self-taught ability to draw comics. After 300 rejections from various companies, Marvel Comics hired him. In 1990, Todd was the highest paid comic cartoonist in the industry.

He still wasn't satisfied, however. He left the company at the peak of his career and took 6 of the leading artists with him and formed his own company. Success came fairly quickly with the publication of the comic book *Spawn* which sold 1.7 million copies. This success was despite the predictions by industry insiders that Todd McFarlane wouldn't last a year on his own.

McFarlane knows that the two most important elements to successfully generate wealth are entrepreneurship and knowledge. Both of which he possesses in large measure. In a dynamic business environment, there are several areas that need to be addressed in order to be successful. (1) Economic environment—in McFarlane's case it is focused in the area of intellectual property laws; (2) technological environment—McFarlane sees technology as a tool to push the creative environment; (3) competitive environment—he sees the opportunity to earn less per unit profit by taking advantage of the opportunities to produce a higher quality product; (4) social environment—he keys in on his target demographic; (5) global environment—which affects all the other areas.

1. From Todd McFarlane's perspective, what is the key element of his business model?
2. What are the four main productive factors in business organizations?
3. What influences people to buy or not buy a product such as the comic book *Spawn* created by McFarlane?

Along with the "Small Business in Action" videos for each chapter found on the Student DVD, each chapter has a corresponding video accompanied by relevant discussion questions. These chapter videos can be found on both the VHS video collection and the Instructor Video DVD.

Instructor Supplements

Introduction to Business offers a variety of resources to help you organize and bring to life the classroom experience for your students.

Instructor's Manual

(ISBN: 10-digit: 007-320980-5,
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Prepared by Judith G. Bulin of Monroe Community College, the Instructor's Manual contains material above and beyond what you need to prepare an effective classroom experience. Bulin has had many years of experience preparing instructor's manuals, student study guides, Web-based study guides, and test banks. The Instructor's Manual for *Introduction to Business* includes a "road map" for each chapter, teaching tips, and other useful information that can be used to capture the interest of students. In detail, the manual includes the following:

- Lecture outlines with embedded figures, tables, and PowerPoint slides notations.
- Teaching Tips
 - "Think about It" questions to stimulate classroom discussion.
 - Discussion points.
- Discussion questions based on each chapter's learning objectives.
- PowerPoint notations.
- Figures-library references.
- Instructions on how to use the Active Classroom Resource Manual (more later in the Preface on this new manual).
- Instructions on how to use the "Build Your Management Skills" exercises (more later in the Preface about these self-assessment exercises).
- Answers to end-of-chapter material and discussion questions.

CHAPTER 7 MOTIVATING AND MANAGING PEOPLE AND GROUPS IN BUSINESS ORGANIZATIONS

3. The next highest level of needs is the need for *belongingness*, described as a need for love, affection, and to feel part of a group.
4. The need for recognition of skills, expertise and contributions are *esteem needs*. Social approval of success builds self-confidence and satisfies esteem needs.
5. When lower level needs are satisfied, a person is free to search for *self-actualization* through personal self-fulfillment. Self-actualization may come from being an expert in many different areas of interest, but it is driven by the desire to excel in an activity for its own sake. Happiness describes the thoughts and feelings that accompany an engaging activity that satisfies personal needs.
6. Managerial implications of Maslow's hierarchy are that it helps to identify the different needs and desires people try to satisfy at work, so managers can choose rewards that will effectively motivate people to perform well.

B. Expectancy Theory

Expectancy theory states that work motivation is a function of an employee's belief that (a) putting effort into a task or job will allow them to perform it at a high level and (b) that if they do perform well they will receive valuable outcomes and rewards to satisfy their needs. (Figure 7.3)

1. Factors affecting the *effort-to-performance linkage* are based on the employee's past experience at this task or job, requiring managers to build an employee's sense of *self-efficacy*. Employees also need to believe that factors outside their control will not prevent their hard work from resulting in superior performance, so managers need to identify factors in the work situation that weaken the effort-to-performance linkage and remove them.
2. Factors affecting the *performance-to-valued outcome linkage* are based on the employee's belief that superior performance will allow them to obtain the outcomes they value. An incentive structure with clearly defined relationships between levels of job performance and levels of reward will accomplish this goal. It is also important for managers to reward those who pursue a proactive approach more highly than those who do not and to recognize that people are motivated by different rewards.
3. An example of improving these linkages is developing a strong record of internal promotion within the company. This is often an incentive for employees who want to advance within the company, but it may be a disincentive for those who don't want to increase their work hours or change jobs.

THINK ABOUT IT

An article in *Newsweek* by Jane Bryant Quinn, personal finance writer, called "Revisiting the Mommy Track" offers insights into differences in motivation for women. The more prosperous 90's encouraged many women whose husbands were earning higher incomes at a younger age, to select work that fits with having babies. Some choose to work part-time, others, to drop out completely. What's more, the women most likely to do so are those with the highest hourly pay. To keep them, even part-time, employers are offering flexible schedules, telecommuting, and other incentives. Some are choosing traditionally female work to begin with, such as nursing and teaching. Many intend to return to the work force and see stepping out as buying back personal time to enjoy their

CHAPTER 7 MOTIVATING AND MANAGING PEOPLE AND GROUPS IN BUSINESS ORGANIZATIONS

families while they can. What are the implications this has for managers trying to motivate employees? How can organizations provide incentives for high-performing women?
<http://www.livestrong.com/parenting/parentingadvice/mommytrack2.html>

C. Goal-Setting Theory

Goal-setting theory suggests that *work goals* used to assess job performance should be specific, challenging, measurable, results-oriented, and specify a time frame for completion. When goals meet these guidelines, they provide feedback to both managers and employees about the level of success. (Figure 7.4)
1. Goals in an organization fit the hierarchy of responsibility, with those higher up having greater responsibility and rewards. (Figure 7.5)
2. Goal setting increases motivation because it directs and focuses employees' efforts toward completing tasks, they help an employee persist to achieve them, and it helps people develop goal-attainment strategies over time.

3. *Management By Objectives* is a performance review system that improves the effort-to-performance and performance-to-outcome linkages explained in Expectancy theory. (Figure 7.6)

4. Applying MBO to Tony Knowles new snack food business explains and applies each step in the process.

5. *Stretch goals* are highly ambitious goals that are used to encourage employees to "think out of the box" and find new ways to solve problems, develop a learning orientation, and improve efficiency and effectiveness.

D. Equity Theory

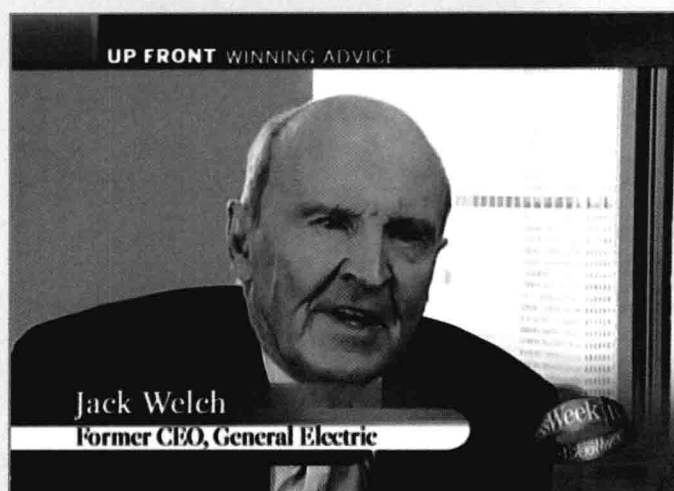
In *equity theory*, employees compare the outcomes they receive to the inputs they put into a job, as well as to the outcomes and inputs of other employees, to determine if they have been equitably, or fairly, treated. (Figure 7.7)

DISCUSSION POINT

Ask your students to raise hands in answer: How many of you believe you are under-paid at work? How many believe they are over-paid?
Usually many more students feel under-paid. Ask for specific examples and what their response has been. Ask students how their feelings of inequity may have affected their work behavior.

1. Perceptions of fairness determine how motivated an employee will be to perform at a high level and whether an employee wants to be absent from work or search for a new job.
2. Perceived inequities raise questions about how accurately and fairly managers are evaluating employees' performance and distributing rewards.
3. Employees who believe they are being treated unfairly may reduce effort, stop cooperating with others, have reduced levels of satisfaction and self-confidence, and start looking for another job.

VHS and DVD Video Collections



(VHS ISBN: 10-digit: 007-320984-8,
13-digit: 978-007-320984-5)

DVD ISBN: 10-digit: 007-320983-X,
13-digit: 978-007-320983-8)

The VHS Video Collection that accompanies the text contains one video for every chapter from sources such as BusinessWeek TV, NBC News, PBS, and even originally produced material. Topics range from marketing and product development at 3M, to motivation at The Container Store, to leadership and influence with Sylvia Rhone, formerly of Elektra Records.

The Student DVD contains the “Small Business in Action” videos highlighted in the boxes in the text, and the entire collection of videos that are found on the Instructor VHS and Student DVD, respectively, can be found on the Instructor Video DVD.

Printed Testbank and Computerized Testbank

(Print ISBN: 10-digit: 007-320981-3, 13-digit: 978-007-320981-4)

Prepared by Jim Steele of Chattanooga State Technical Community College, the Testbank contains a variety of true/false, multiple-choice, and essay questions, as well as “scenario-based” questions. These questions are application-based and use a situation described in a narrative. Three-to-five, multiple-choice test questions based on the situation described in the narrative are then included. The Computerized Testbank can be found on the Instructor’s CD-ROM.

PowerPoint Slides

Prepared by Ray Polchow, Zane State College, the PowerPoint collection contains everything from an easy-to-follow outline, to additional slides with embedded video clips and Web links, to figure downloads from the text. This versatility allows you to create a custom presentation suitable for your own tastes and needs.

The Instructor’s Manual, Computerized Testbank, and PowerPoint slide collection can all be found on the Instructor’s CD-ROM. (ISBN: 10-digit: 007-320985-6, 13-digit: 978-007-320985-2)

Active Classroom Resource Guide

Economics Case Supply and Demand: elly and the Sellable Kidney

A couple of years ago, a Florida man tried to sell his kidney on elly. As his offer explained, he could supply only one kidney because he needed the other to survive. He wanted the bidding to start out at \$25,000, plus expenses for the surgical removal and shipment of his kidney. He felt confident he could get at least that much money since thousands of people have potentially fatal kidney diseases.

He was right. The bids for his kidney quickly surpassed \$100,000. Clearly, there were lots of people with kidney disease who were willing and able to pay high prices to get a lifesaving transplant.

The seller never got the chance to sell his kidney to the highest bidder. Although organ transplants are perfectly legal in the United States, the purchase or sale of human organs is not. When elly learned the pending sale was illegal, they shut down the man's auction.

Critical Thinking Questions:

- 1) What does supply and demand for human kidneys look like?
- 2) If a market in kidneys were legal, who would get them?
- 3) How does a law prohibiting kidney sales affect the quantity of kidney transplants or their distributions?

Economics Exercise Supply and Demand Curves

- 1) Given the following data, (a) construct market supply and demand curves and identify the equilibrium price, and (b) identify the amount of shortage or surplus that would exist at a price of \$4.

Participant	Quantity Demanded (per week)
Price	\$5 \$4 \$3 \$2 \$1
Supply Side	
Alice	1 2 3 4 5
Bob	2 3 4 5 6
Charlie	3 4 5 6 7
Dan	4 5 6 7 8
Eve	5 6 7 8 9
Market Total	

Participant	Quantity Supplied (per week)
Price	\$5 \$4 \$3 \$2 \$1
Supply Side	
Alice	3 3 3 3 3
Bob	3 3 3 3 3
Charlie	3 3 3 3 3
Dan	3 3 3 3 3
Eve	3 3 3 3 3
Market Total	

- 2) Suppose that the good described in problem 1 became as popular that every consumer demanded one additional unit at every price. (Illustrate this increase in market demand and identify the new equilibrium. Which curve has shifted? Along which curve has there been a movement of price and quantity?

(ISBN: 10-digit: 007-319276-7, 13-digit: 978-007-319276-5) For those of you who are looking for additional material for in-class or out, McGraw-Hill/Irwin has developed the Active Classroom Resource Manual, containing cases, exercises, and project ideas (and accompanying Instructor Notes) for nearly every introductory course topic, including economics (supply and demand), ethics and social responsibility (whistle blowing), and entrepreneurship (SWOT

Analysis). Many of the exercises were the result of reviewer feedback indicating that they wanted to delve into more difficult introduction-to-business topics.

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Introduction to Business: How Companies Create Value for People

Gareth R. Jones, Texas A&M University

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Best-selling Management author, Gareth Jones, offers a fresh approach in *Introduction to Business, 1/e* by engaging students with illustrative examples and stories embedded within the text to encourage them to learn more about the concepts than any other paperback available. Jones' *Introduction to Business* is comprehensive yet concise by providing the main points in a narrative style without overwhelming the students with excessive detail. The wealth of examples and the depth of coverage is unmatched by any other text. In contrast to the traditional survey approach in this market, Jones provides a foundation to business by organizing the material to show students how business happens not by separating topics by discipline.

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