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# **Business in Action**

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## ✓ Checkpoint

**LEARNING OBJECTIVE 3:** Describe the organizing function, and differentiate among top, middle, and first-line management.

**SUMMARY:** The organizing function involves arranging an organization's resources in the best way possible to help reach its goals and objectives. Top managers grapple with long-range, strategic issues and often must make decisions about events and conditions several years into the future. They also have important communication roles, representing the company to external stakeholders. Middle managers usually have responsibility over individual divisions or facilities and are charged with translating strategic plans into the tactical plans that will allow the company to reach its goals and objectives. First-line managers supervise nonmanagement employees; they have the shortest time horizons and greatest tactical perspective.

**CRITICAL THINKING:** (1) Why might a manager need to deemphasize skills honed in previous positions as he or she rises through the organizational hierarchy? (2) Would top managers or first-line managers typically have more or less of the information they'd like to have for the decisions they need to make? Why?

**IT'S YOUR BUSINESS:** (1) Have you ever supervised others on the job or in volunteer work? If so, how would you rate your performance as a manager? (2) If you were suddenly promoted to manage the department you've been working in, would you change your "work" personality? Why or why not?

**KEY TERMS TO KNOW:** organizing, management pyramid, top managers, middle managers, first-line managers

## 4 LEARNING OBJECTIVE

Describe the leading function, leadership style, and organizational culture.

**leading** The process of guiding and motivating people to work toward organizational goals

## The Leading Function

**Leading** is the process of influencing and motivating people to work willingly and effectively toward common goals. Managers with good leadership skills have greater success in influencing the attitudes and actions of others and motivating employees to put forth their best performance.

All managers have to be effective leaders to be successful, but management and leadership are not the same thing. One way to distinguish between the two is to view management as the rational, intellectual, and practical side of guiding an organization and to view leadership as the inspirational, visionary, and emotional side. Both management and leadership involve the use of power, but management involves *position power* (so called since it stems from the individual's position in the organization), whereas leadership involves *personal power* (which stems from a person's own unique attributes, such as expertise or charisma).<sup>17</sup>

Successful leaders tend to share many of the same traits, but no magical set of personal qualities automatically destines someone for leadership. Nevertheless, in general, good leaders possess a balance of several types of intelligence:

- **Cognitive intelligence** involves reasoning, problem solving, memorization, and other rational skills. Obviously, leaders need a sufficient degree of cognitive intelligence to understand and process the information required for planning and decision making in their jobs.
- **Emotional intelligence** is a measure of a person's awareness of and ability to manage his or her own emotions. People with high emotional intelligence recognize their own emotional states and the effect those emotions have on others; they are able to regulate their emotional responses

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in order to control or reduce disruptive impulses and moods, and they have a high degree of *empathy* (the ability to understand others' feelings).<sup>18</sup>

- *Social intelligence* involves looking outward to understand the dynamics of social situations and the emotions of other people, in addition to your own.<sup>19</sup> Socially adept managers have a knack for finding and building common ground with people of all kinds. Moreover, leaders, in a sense, “infect” their organizations with their own emotions, positive or negative.<sup>20</sup>

All three types of intelligence are essential to building the competencies that lead to success. In fact, various studies suggest that in both leadership and life in general, emotional and social intelligence play a far greater role in success than purely cognitive intelligence.<sup>21</sup>

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## DEVELOPING AN EFFECTIVE LEADERSHIP STYLE

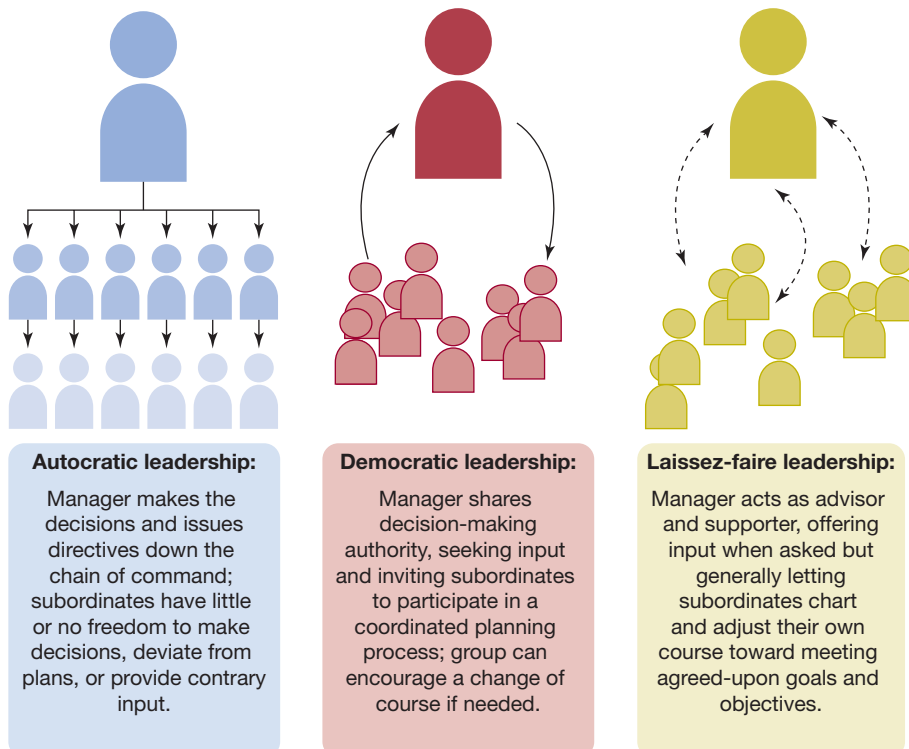
*Leadership style* can be viewed as finding the right balance between *what* the leader focuses on and *how* he or she makes things happen in the organization. Every manager has a definite style, although good leaders usually adapt their approach to match the requirements of the particular situation.<sup>22</sup> Across the range of leadership styles, you can find three basic types (see Exhibit 5). **Autocratic leaders** control the decision-making process in their organizations, often restricting the decision-making freedom of subordinates. Autocratic leadership generally has a bad reputation, and when it's overused or used inappropriately, it can certainly produce bad results or stunt an organization's growth. However, companies

**autocratic leaders** Leaders who do not involve others in decision making

### EXHIBIT 5

### Leadership Styles

Leadership styles fall on a continuum from *autocratic* (manager makes the decisions) to *democratic* (manager and subordinates make decisions together) to *laissez-faire* (subordinates make decisions on their own). Each style has strengths and weaknesses, and effective managers often adapt their style to suit specific situations.



**democratic leaders** Leaders who delegate authority and involve employees in decision making

**participative management** A philosophy of allowing employees to take part in planning and decision making

**laissez-faire leaders** Leaders who leave most decisions up to employees, particularly those concerning day-to-day matters

**employee empowerment** Granting decision-making and problem-solving authorities to employees so they can act without getting approval from management

**coaching** Helping employees reach their highest potential by meeting with them, discussing problems that hinder their ability to work effectively, and offering suggestions and encouragement to overcome these problems

**mentoring** A process in which experienced managers guide less-experienced colleagues in nuances of office politics, serving as a role model for appropriate business behavior, and helping to negotiate the corporate structure

can find themselves in situations where autocratic leadership is needed to guide the firm through challenging situations or to bring uncooperative units in line.

**Democratic leaders**, in contrast, delegate authority and involve employees in decision making. Also known as *collaborative* leaders, these managers invite and seek out input from anyone in the organization who can add insight to the decision-making process. For example, after Salesforce.com installed an internal social networking application that gave everyone in the company the chance to share information, CEO Mark Benioff began monitoring the flow of insights and realized that some of the most valuable information about customers was coming from employees whom upper management didn't normally communicate with. Inspired by that discovery, he opened the annual strategic planning meeting to the entire company via social networking.<sup>23</sup> This style is often called **participative management**.

The third leadership style takes its name from the French term *laissez-faire*, which can be translated roughly as “hands off.” **Laissez-faire leaders** such as Danny Wegman take the role of supporters and consultants, encouraging employees' ideas and offering insights or opinions when asked. After the overall strategic direction and priorities are in place, they emphasize **employee empowerment**—giving employees the power to make decisions that apply to their specific aspects of work. As Wegman puts it, “Once you share a common set of values, you can go and be yourself.”<sup>24</sup>

## COACHING AND MENTORING

Leaders have an important responsibility for education and encouragement, which may take the form of coaching and mentoring. **Coaching** involves taking the time to meet with employees, discussing any problems that may hinder their ability to work effectively, and offering suggestions and encouragement to help them find their own solutions to work-related challenges. (Note that the term *executive coaching* usually refers to hiring an outside management expert to help senior managers.)

**Mentoring** is similar to coaching but is based on long-term relationships between senior and junior members of an organization. The mentor is usually an experienced manager or employee who can help guide other managers and employees through the corporate maze. Mentors have a deep knowledge of the business and can explain office politics, serve as role models for appropriate business behavior, and provide valuable advice about how to succeed within the organization. Mentoring programs are used in a variety of ways, such as helping newly promoted managers make the transition to leadership roles and helping women and minorities prepare for advancement.

## MANAGING CHANGE

Change presents a major leadership challenge for one simple reason: Many people don't like it, or at least they don't like being told they need to change. They may fear the unknown, they may be unwilling to give up current habits or benefits, they may not trust the motives of the people advocating change, or they may simply have experienced too many change initiatives that didn't yield the promised results.<sup>25</sup> To improve the chances of success when the organization needs to change, managers can follow these steps:<sup>26</sup>

1. **Identify everything that needs to change.** Changes can involve the structure of the organization, technologies and systems, or people's attitudes, beliefs, skills, or behaviors.<sup>27</sup> One particular challenge for managers advocating change is understanding the ripple effect the change will have throughout the organization.<sup>28</sup>
2. **Identify the forces acting for and against a change.** By understanding these forces, managers can work to amplify the forces that will facilitate the change and remove or diminish the negative forces.
3. **Choose the approach best suited to the situation.** Managers can institute change through a variety of techniques, including communication, education, participation in decision making, negotiation, visible support from top managers or other opinion leaders, or coercive use of authority (usually recommended only for crisis situations). When managers engage people in the change, asking for their input and advice so they

can help design the changes, they'll be much more likely to embrace the new way of doing things.<sup>29</sup>

4. **Reinforce changed behavior and monitor continued progress.** Once a change has been made, managers need to reinforce new behaviors and make sure old behaviors don't creep back in.

## BUILDING A POSITIVE ORGANIZATIONAL CULTURE

Strong leadership is a key element in establishing a productive **organizational culture** (sometimes known as *corporate culture*)—the set of underlying values, norms, and practices shared by members of an organization (see Exhibit 6). Culture can be a negative or a

**organizational culture** A set of shared values and norms that support the management system and that guide management and employee behavior

### EXHIBIT 6

### Creating the Ideal Culture in Your Company

You can't create a culture directly, but you can establish the behaviors and values that in turn do create a culture. Use this list of questions to explore the many ways you can foster a positive culture—and avoid the growth of a negative culture.

#### Company Values

- Have you articulated a compelling vision for the company?
- Have you defined a mission statement, based on that vision, that employees understand and can implement?
- Do employees know how their work relates to this vision?
- Is there a common set of values that binds the organization together?
- Do you and other executives or owners demonstrate these values day in and day out?

#### People

- How are people treated?
- Do you foster an atmosphere of civility and respect?
- Do you value and encourage teamwork, with all ideas welcomed?
- Do you acknowledge, encourage, and act upon (when appropriate) ideas from employees?
- Do you give employees credit for their ideas?
- Have you shown a positive commitment to a balance between work and life?

#### Community

- Have you clarified how the company views its relationship with the communities it affects?
- Do your actions support that commitment to community?

#### Communication

- Do you practice and encourage open communication?
- Do you share operating information throughout the company so that people know how the company is doing?
- Do you regularly survey employees on workplace issues and ask for their input on solutions?
- Is there an open-door policy for access to management?

#### Employee Performance

- Do you handle personnel issues with fairness and respect?
- Do employees receive feedback regularly?
- Are employee evaluations based on agreed-upon objectives that have been clearly communicated?

Sources: Adapted from Andrew Bird, "Do You Know What Your Corporate Culture Is?" *CPA Insight*, February, March 1999, 25–26; Gail H. Vergara, "Finding a Compatible Corporate Culture," *Healthcare Executive*, January/February 1999, 46–47; Hal Lancaster, "To Avoid a Job Failure, Learn the Culture of a Company First," *Wall Street Journal*, 14 July 1998, B1.



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positive force in an organization, and managers set the tone by establishing expectations, defining rules and policies that shape behavior, and acting as role models. When employees at Wegmans see Danny Wegman enthusiastically embrace the challenges of the day and treat customers and colleagues with respect, that positive energy radiates throughout the culture. As employee Elaine Danar puts it, “I have an incredible sense of pride to represent this company.”<sup>30</sup>

Positive cultures create an environment that encourages employees to make smart decisions for the good of the company and its customers. At companies with legendary corporate cultures, such as Wegmans, Nordstrom, and Southwest Airlines, employees routinely go the extra mile to make sure customers are treated well. In contrast, negative, dysfunctional cultures can lead employees to make decisions that are bad for customers and bad for the company.

## ✓ Checkpoint

**LEARNING OBJECTIVE 4:** Describe the leading function, leadership style, and organizational culture.

**SUMMARY:** Leading is the art and science of influencing and motivating people to work toward common goals. Leaders can exhibit a range of styles in what they choose to focus on (strategic versus operational matters) and how they make things happen (forcing versus enabling). Three specific leadership styles are autocratic, democratic, and laissez-faire. Organizational culture is the set of underlying values, norms, and practices shared by members of an organization.

**CRITICAL THINKING:** (1) Are management and leadership the same thing? If not, why not? (2) Can a single individual be an autocratic, a democratic, *and* a laissez-faire leader? Why or why not?

**IT'S YOUR BUSINESS:** (1) What is your natural inclination in terms of the three basic leadership styles—autocratic, democratic, or laissez-faire? Think about times in school, at work, or in social situations in which you played a leadership role. How did you lead? (2) Does leadership experience in school activities such as student government and athletics help prepare you for business leadership? Why or why not?

**KEY TERMS TO KNOW:** leading, autocratic leaders, democratic leaders, participative management, laissez-faire leaders, employee empowerment, coaching, mentoring, organizational culture

## 5 LEARNING OBJECTIVE

Describe the controlling function, and explain the four steps in the control cycle.

**controlling** The process of measuring progress against goals and objectives and correcting deviations if results are not as expected

## The Controlling Function

**Controlling** is the management function of keeping a company's activities on track toward previously established goals. The nature of control varies widely, from directly intervening in a process to modifying policies or systems in a way that enables employees to reach their objectives.

### THE CONTROL CYCLE

A good way to understand managerial control is to envision the *control cycle*, a four-step process of (1) establishing performance standards based on the strategic plan, (2) measuring performance, (3) comparing performance to standards, and (4) responding as needed (see Exhibit 7). Of course, the specific steps taken in any situation depend on the industry, the company, the functional area within the company, and the manager's leadership style. In