

Business Management

Chapter Objectives

After completing this chapter, you will be able to:

▶ Section 7.1 Management Functions

- **Describe** the overall purpose of management.
- **Discuss** the four functions of management.

▶ Section 7.2 Management Structures

- **Identify** the differences between management structures.
- **Name** six skills necessary for effective management.

Ask

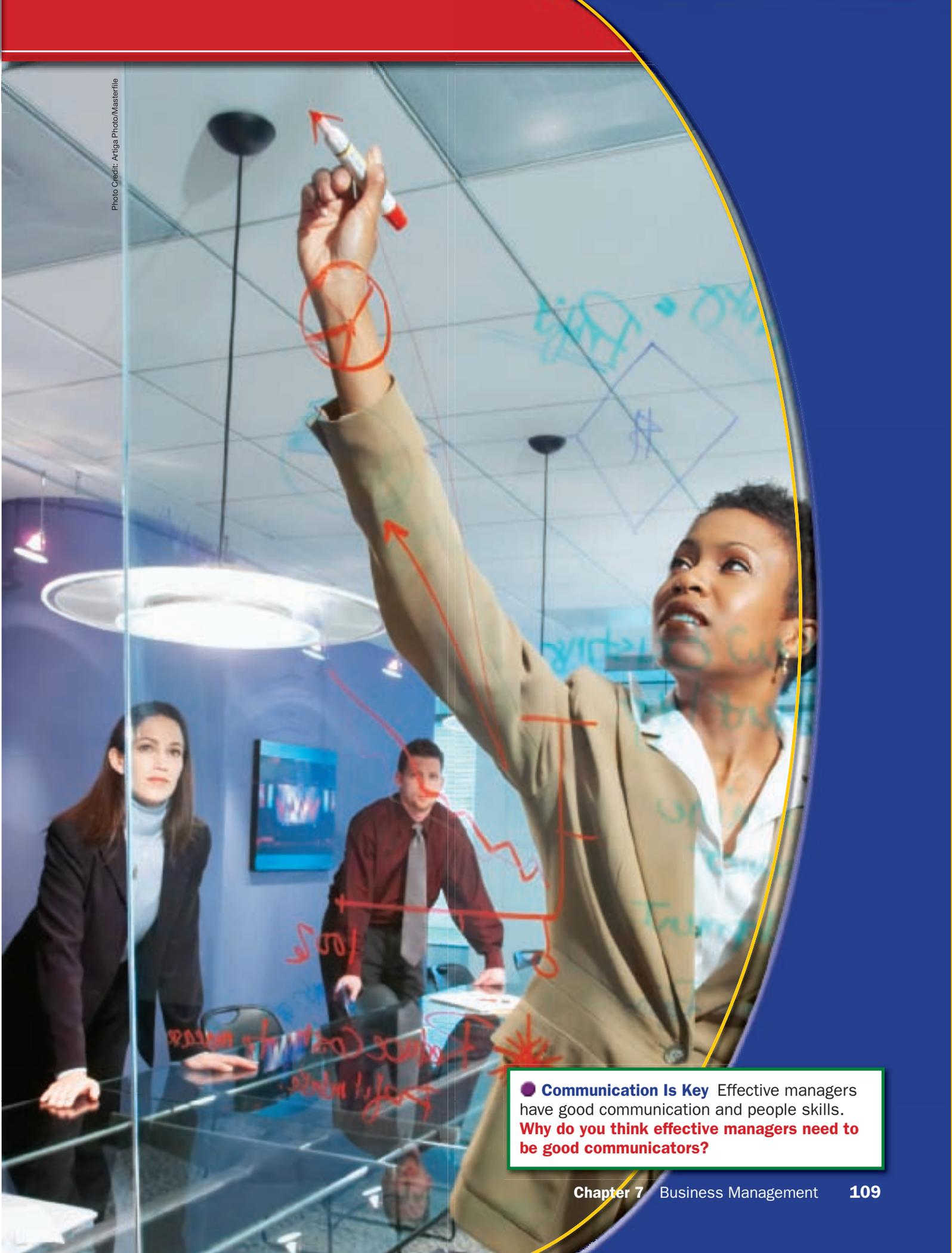
STANDARD **Establishing Investment Goals** & POOR'S

Q: Next year I plan to attend college and major in food management. When I graduate, I want to open a restaurant. I know it takes a lot of money to get started, so my first restaurant will have to be small—maybe a take-out pizza shop. How can I start investing money now to meet my goal?

A: Identifying your goals is a good first step. However, an investment plan requires a specific, measurable goal. First, you need to determine how much money you will need to open your restaurant. Then you can develop a plan for how you will acquire the funds.

Mathematics To start, estimate the capital required to open the business. Create a list of all your initial expenses. Include items that you will need to purchase once, such as pizza ovens, pans, plates, and other service items. Then make another list of recurring costs, such as rent, ingredients, and paper products. Next to each expense, estimate how much that item will cost. If it is a recurring cost, estimate how much you will spend during the first year of operation.

CONCEPT **Estimation** To estimate your needs, round numbers to the nearest hundred or thousand. To round a number, look at the place to the right of the place to which you are rounding. If you are rounding to thousands, for example, look at the digit in the hundreds place. If the digit is 5 or greater, round up; if it is 4 or less, round down.



● **Communication Is Key** Effective managers have good communication and people skills. **Why do you think effective managers need to be good communicators?**

Management Functions

Reading Guide

Before You Read

Think about the processes involved in managing a baseball team and how they might apply in business.

Read to Learn

- Describe the overall purpose of management.
- Discuss the four functions of management.

The Main Idea

The purpose of management is to set goals for the company and to help meet those goals as efficiently and effectively as possible. There are four functions of management: planning, organizing, leading, and controlling.

Key Concepts

- Introduction to Management
- The Four Functions of Management

Vocabulary

Key Terms

management
 planning
 organizing
 organizational chart
 top-level manager
 middle manager
 operational manager
 leading
 controlling

Academic Vocabulary

You will find these words in your reading and on your tests. Make sure you know their meanings.

focus teams
 goals enforce

Graphic Organizer

In a figure like the one below, write examples of the types of positions that might be held by top-level managers, middle managers, and operational managers.

Top-Level Manager	Middle Manager	Operational Manager



Go to the *Introduction to Business* Online Learning Center through glencoe.com for a printable graphic organizer.

Academic Standards

English Language Arts

NCTE 1 Read texts to acquire new information

Mathematics

Problem Solving Apply and adapt a variety of appropriate strategies to solve problems; monitor and reflect on the process of mathematical problem solving

Introduction to Management

Entrepreneurs who start and run businesses by themselves do not have to manage other people. They have to manage themselves. However, if the firm has employees, then some type of management plan is necessary. **Management** includes the processes or functions of planning, organizing, leading, and controlling.

For example, suppose you have created your own comic book and want to start a comic book company. Do you want to produce comic books and market them as well? Do you also want to produce cartoons, video games, and action figures based on your comic books? Because of the complexity of your business, you will need employees to help. Managers can help by supervising and directing employees.

Management helps businesses **focus** on setting and meeting **goals** efficiently and effectively so that a profit can be made. The word *management* also refers to the people who are in charge of running a business. Managers need a thorough understanding of business operations, which involve all the activities of a company. They develop the objectives for a firm or a department and then figure out how to meet those objectives through people, work processes, and equipment.

As You Read

Think about all the things that are involved in managing your local grocery store.

The Four Functions of Management

Most managers carry out four different functions of management: planning, organizing, leading, and controlling. Some managers may primarily focus on one or two of them. These functions are indicated in the order in which they occur. Planning must be completed first, then organization can take place. Organization allows managers to lead and control employees and activities to get work done. Leading involves providing guidance to employees so they can fulfill their responsibilities effectively. Controlling involves measuring how the business performs to ensure that financial and operational goals are met.

A challenge for many managers, especially in small businesses, is dealing with multiple objectives, each at a different functional level. For example, suppose your company's manager discusses plans to produce a new comic book with the marketing and production **teams**. The manager directs the marketing team to research the national and global markets for comic books. The manager also tells the production team to prepare to produce the new product.

ETHICS in Business

A Conflict of Interest

- **Critical Reading** Life is full of important decisions. Think about the kinds of decisions that you make as you read the question below.

You and your best friend, Jeremiah, were helping your little brother figure out how to make molded cars from melted crayons using a kit you gave him. You decide to sell the cars at a local toy shop. Jeremiah hears you talking with your business teacher about your new business idea, and he wants to be a partner.

- **Decision Making** Since Jeremiah was involved in the initial experiment, do you have an obligation to make him a partner in your business venture? What about your little brother? Should he also own a piece of the new business? What are the advantages and disadvantages of a partnership? Explain your answer.

It is up to the manager to organize, analyze, and monitor the project to assure that the production process works efficiently and effectively. Communicating with employees at all times helps assure that objectives are met. **Figure 7.1** describes the four functions of management.

 **Reading Check** **Describe** What are the four functions of management?

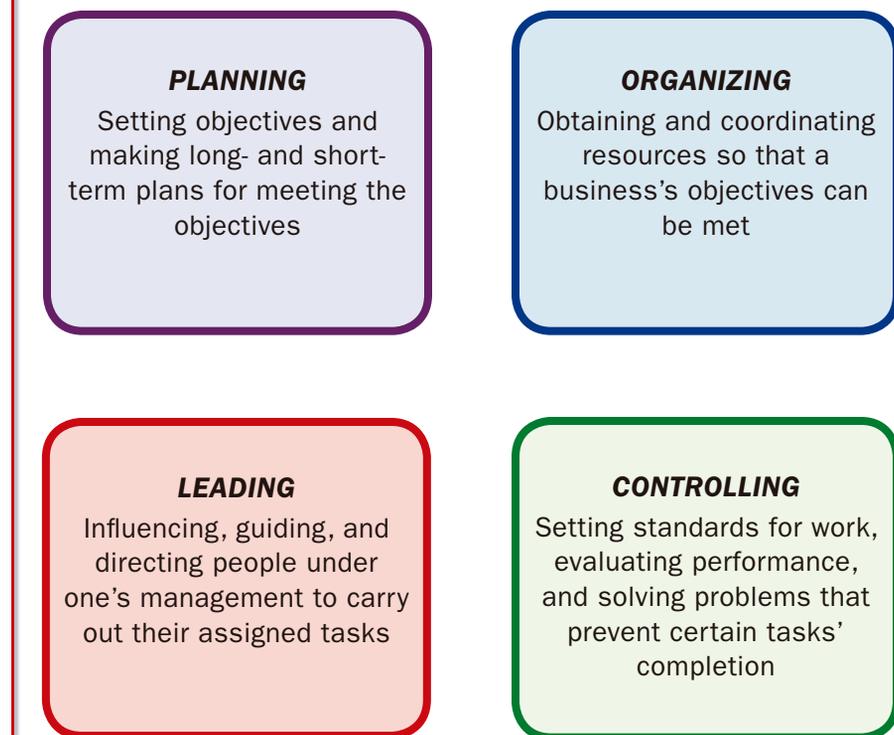
Planning

Planning is the act or process of creating goals and objectives as well as the strategies to meet them. Planning also involves figuring out the resources that are needed and the standards that must be met.

Organizing and Staffing

Organizing is getting the resources arranged in an orderly and functional way to accomplish goals and objectives. A manager must organize people, work processes, and equipment so that the work is well coordinated. Managers also hire and train employees—and fire them when necessary. They are responsible for making sure employees have all the tools they need to do their jobs well.

Figure 7.1 – **Management Functions**



● **Management Functions** Managers carry out four different functions. **Which function involves coordinating resources?**

Levels of Management Another important part of organizing is determining how different individuals in the firm relate to one another. An **organizational chart** shows how the firm is structured and who is in charge of whom.

A **top-level manager** is responsible for setting goals and planning for the future as well as leading and controlling the work of others. There is only one top-level manager at the Small Wonders Comic Book Company because it is a small business. In larger firms, top-level management can be composed of a chief executive officer (or CEO), a president, and at least one vice president.

A **middle manager** carries out the decisions of top management. Middle managers are often responsible for various departments in a business, such as the production, marketing, and accounting departments. Middle management is responsible for the organizing function as well as leading and controlling the work of others. Although middle managers do some planning, they are usually responsible for carrying out plans made by top management.

An **operational manager** is responsible for the daily operations of a business. Supervisors, office managers, and crew leaders are types of operational managers. Operational managers also do some planning and organizing. However, their main duties include overseeing workers and meeting deadlines (leading and controlling).

Leading

Good management also requires good leadership. There is more to leading than just giving orders. **Leading** means providing direction and vision. You have to create a vision of the company to inspire your employees. You need to set standards, such as deadlines and sales quotas, so your managers and workers know their goals. Leaders also have to delegate work, **enforce** policies, oversee time management, and provide feedback on employees' work. Resolving conflicts between workers is also a leadership task.

Responsibilities of a Manager
A manager has many different responsibilities. **What responsibility is this manager fulfilling?**

As You Read

Many companies have eliminated middle managers to save money. Do you think this is a good business practice?





Incentive Plans

Some companies try to motivate employees with incentives such as on-site child care and bonuses. *How do you think offering such benefits can add to a company's costs?*

Good managers lead by example. This is especially important when leading a team. Showing respect to others, honesty, loyalty, courtesy, and a strong work ethic can have a positive effect on employees. Managers who show motivation, initiative, cooperation, and punctuality demonstrate to employees the importance of each person's contribution.



Analyze Why is there more to leading than giving orders?

Controlling

Controlling the operation means keeping the company on track and making sure goals are met. Managers keep track of the budget, the schedule, and the quality of the products or services they provide. They also monitor their employees and review their performance according to standards. Taking corrective action when goals are not met is another management task.

Controlling also involves monitoring customer satisfaction. Your marketing manager can measure the success of your comic book by studying sales figures and reviews. You might find out your comic book sold well in certain parts of the country but sold poorly in others. If your comic book is more popular with adults than children, you might want to develop a new marketing plan.

Section 7.1

After You Read



Review Key Concepts

1. What is management?
2. What are three levels of management?
3. Which of the three levels is most involved in the day-to-day supervision of employees?

Academic Skills

4. **Mathematics** You are a delivery manager at Blue Bag, a wholesale bakery. The bakery employs two drivers and owns two trucks. Each truck can deliver up to 175 crates of bread per day. The bakery has standing orders for 340 crates a day, but a new supermarket is opening up, and you expect orders to increase 225%. If you hire two more drivers, you can run two shifts. Will it be enough? Write a paragraph explaining how you found your answer.

CONCEPT

Problem Solving: Reflect on the Problem-Solving Process

Solving complex word problems such as this requires thinking through different scenarios, writing equations to match those scenarios, solving those equations, and comparing the results.



For math help, go to the Math Appendix.



Go to the *Introduction to Business* Online Learning Center through glencoe.com to check your answers.

Management Structures

Reading Guide

Before You Read

Think about the characteristics you would need to be an effective manager.

Read to Learn

- Identify the differences between management structures.
- Name six skills necessary for effective management.

The Main Idea

Businesses have many different management structures that they can adopt. People who are interested in management should pay attention to the skills and knowledge needed to be an effective manager.

Key Concepts

- Managerial Structures
- Is a Manager's Job for You?

Vocabulary

Key Terms

line authority
line and staff authority
centralized organization
decentralized organization
departmentalization
entry-level job

Academic Vocabulary

You will find these words in your reading and on your tests. Make sure you know their meanings.

structure
authority

evident
sector

Graphic Organizer

In a figure like the one below, list the qualities you need to be a good manager as you read.



Go to the *Introduction to Business* Online Learning Center through glencoe.com for a printable graphic organizer.

Academic Standards

English Language Arts

NCTE 1 Read texts to acquire new information

NCTE 4 Use written language to communicate effectively

NCTE 9 Develop an understanding of diversity in language use across cultures

NCTE 12 Use language to accomplish individual purposes

Science

Content Standard A Students should develop abilities necessary to do scientific inquiry and understandings about scientific inquiry

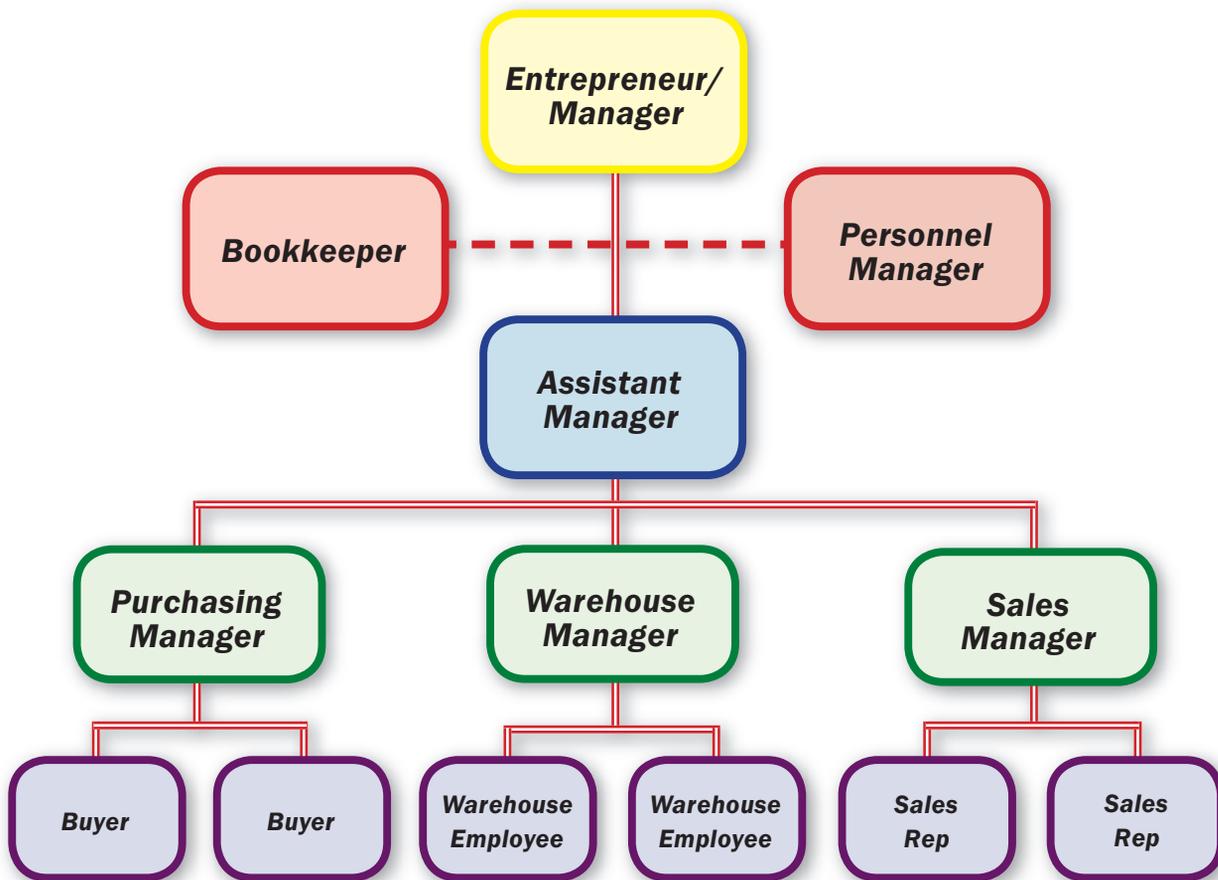
Managerial Structures

There are several ways to organize a management **structure**. **Line authority** is an organizational structure in which managers on one level are in charge of those beneath them. An advantage of the line authority structure is that **authority** is clearly defined. Each employee knows to whom she or he reports. A disadvantage to line authority is that the managers have few specialists who help with their responsibilities.

A **line and staff authority** organizational chart shows the direct line of authority (indicated by solid lines) as well as staff who advise the line personnel (indicated by dotted lines). **Figure 7.2** shows a line and staff organizational chart. The line and staff authority structure enables managers to get advice. However, a disadvantage is that it can lead to overstaffing, which can be costly.

Some firms have a **centralized organization** that puts authority in one place—with top management. This helps managers throughout the firm to be consistent in decision making.

Figure 7.2 — **Line and Staff Authority Organization Chart**



Solid and Dotted Lines A line and staff organizational chart shows different roles of staff with different types of lines. **What is the difference between the personnel linked by solid lines and staff positions linked by dotted lines?**

Decentralized organization gives authority to a number of different managers. Decentralized organizations are often **evident** in international businesses. Some U.S. managers working in foreign countries have more decision-making power because they know their markets well.



Reading Check **Contrast** What is the advantage and the disadvantage of line authority?

Formal Structure

Formal structures are usually departmentalized.

Departmentalization divides responsibility among specific units, or departments. Departments can be organized many different ways, such as by geographical location, function, customer groups, and product.

Informal Structure

Smaller businesses can be run informally. If a business does not need a big marketing or distribution network, it does not need a lot of managers. Employees can be more flexible and share duties. For example, partners can work on projects alone or together. The informal structure often works well for them.



Employee Input

Forward-looking companies are on a new track to encourage worker participation, new ways of thinking, and a move away from a formal structure. *How is this good for business?*

As You Read

Think about an informal business you have seen or read about. Do you think this type of business can be successful?

Science/TechTRENDS

Decision Science

Solving highly complex business problems requires a manager to be an effective decision maker. Effective decision makers seek input from many sources and gather varied data to inform their thinking about business problems. Since the 1940s, the field of decision science, also known as management science or success science, has developed new ways to use mathematics and the scientific method to make decisions. Business managers faced with the need to analyze mounds of data and choose among risky alternatives can hire decision scientists to help them. These consultants offer data analysis services, education in mathematical concepts, and data analysis tools and techniques.

Web Quest

Decision science evolved from game theory, which deals largely with how individuals interact with one another in an effort to win. Go to the *Introduction to Business* Online Learning Center through glencoe.com for links to Web sites where you can research more about how game theory and decision science have developed since the 1940s. Write a paragraph or two describing how an understanding of game theory and decision science could help a person make complex business decisions.

Is a Manager's Job for You?

Most managers begin their career in an entry-level job. An **entry-level job** is a beginner-level position. New employees who gain experience and show certain qualities can be promoted to higher positions, including management.

Skills Needed by Managers

Managers are usually task-oriented. This means that they can handle many tasks at the same time. They have to plan their time and decide which tasks are most important. They also must keep accurate business records. A manager often has to work under pressure and solve many small problems. Good problem-solving and time-management skills are a must. Every manager must communicate well. Most of a manager's day is spent interacting with other people. This involves listening, an important part of communication. Managers need human relations skills, or skills in dealing with people. All managers must have some knowledge about the technical aspects of their business.

BusinessWeek Reader and Case Study

A Board of Your Own

Where can small companies turn for objective advice? To each other, thanks to peer groups such as The Alternative Board.

When Daryl Rossman, president of Merco Manufacturing, wanted feedback about expanding his family-owned aerospace parts manufacturer or needed advice on strategy and marketing, his options were limited. He could go to the expense of hiring an outside accountant, lawyer, or business consultant. Or he could discuss his views internally with one of his 16 employees.

“Being a small business, I didn't really have anybody to sound off my ideas with other than my own employees,” he says. “But I always felt they were biased. They would say what I wanted to hear and give me the response I was looking for.”

However, since last March, Rossman has sought the objective advice of The Alternative Board (TAB), a peer advisory group that brings together small- and midsize-business owners

from noncompeting companies to share their collective wisdom and act as a professional sounding board. A kind of small-business think tank that meets on a monthly basis, TAB offers a forum for entrepreneurs to discuss everything from personnel to management and finance issues, and come up with goals and plans to address them.



CASE STUDY Go to the *Introduction to Business* Online Learning Center through glencoe.com for the *BusinessWeek* Reader Case Study.

Active Learning

Entrepreneurs often have to fill several different roles—at the same time. Write an e-mail to your teacher comparing and contrasting reasons a manager might or might not want to go to employees for advice. How can adding employees who specialize in a single function help a business grow?

Managers, especially top-level managers, must be able to understand how various parts of the company relate to the whole business. This includes knowing how economic conditions and competition can affect the business. Higher-level managers have to know what is happening in the world and in their **sector** of the business world. Otherwise, they will have trouble conceptualizing and solving problems that the company faces.

Advantages of Being a Manager

Managers usually earn more money than employees in non-management jobs. People become managers because they have the ability to lead. Managers who are good leaders are respected. Being a respected manager builds prestige. Managers have more influence and authority than other employees because they plan, organize, direct, and control company resources. They also have greater control over their time.

As You Read

Think about an opportunity to manage a local restaurant. Would you want to take on the responsibility? Why or why not?

Disadvantages of Being a Manager

There are several disadvantages to being a manager. Managers are often blamed when things go wrong, even if they did not cause the problem. Their mistakes can be very costly to a company so they are under a lot of pressure to make the right decisions.

Section 7.2

After You Read

Review Key Concepts

1. What is an advantage of a line and staff authority organization structure over a line authority organization?
2. Why do some businesses use a decentralized organization?
3. What are some characteristics of an effective manager?

Academic Skills

4. **English Language Arts** Work with a partner to role play two business situations involving a manager and an employee. If possible, choose a partner who has a different cultural background from your own. Each of you should take the role of manager in one of the situations you choose. List the management responsibilities and skills that you and your partner think are important for handling the situations you examined.
5. **English Language Arts** In which kind of organization would you like to work? Should it have a formal or informal structure? Write a short description of the ideal business environment for you. Then imagine starting a garden design and maintenance business. Decide what jobs you will need to hire people to fill. Create an organizational chart for your company.



Go to the *Introduction to Business* Online Learning Center through glencoe.com to check your answers.

Chapter 7 Review and Activities

Section 7.1 Summary

Management Functions Management includes the processes or functions of planning, organizing, leading, and controlling. Most managers carry out all four of the functions. However, some spend more time on some of the functions than others. There are generally three levels of management: top-level, middle, and operational. Top-level managers usually spend more time on planning than operational managers. Middle managers spend more time organizing. They also lead and control the work of others. Operational managers generally spend more time on leading and controlling than do top-level managers.

Section 7.2 Summary

Management Structures There are several different management structures, including line authority; line and staff authority; centralized or decentralized authority; and formal or informal authority. Each has its own advantages and disadvantages. A business should adopt the structure that makes it operate at its best to maximize profits. Successful managers are task-oriented and able to work under pressure. Many people aspire to become managers because of advantages such as increased income, prestige, and the ability to make things happen. Disadvantages of being a manager include stress and accepting responsibility for other people's mistakes.

Vocabulary Review

1. On a sheet of paper, use each of these key terms and academic vocabulary terms in a sentence.

Key Terms

management	controlling
planning	line authority
organizing	line and staff authority
organizational chart	centralized organization
top-level manager	decentralized organization
middle manager	departmentalization
operational manager	entry-level job
leading	

Academic Vocabulary

focus
goals
teams
enforce
structure
authority
evident
sector

Review Key Concepts

2. Describe the overall purpose of management.
3. Discuss the four functions of management.
4. Identify the differences between management structures.
5. Name six skills necessary for effective management.

Critical Thinking

6. Some people believe that the planning function is the most important one for a manager. Why might that be true?
7. Suppose top-level management decides how to produce and market a new product. Do you think the plans might change during the organizing, leading, and controlling stages?
8. Since companies are using fewer middle managers, how have the jobs of top-level management and operational managers changed?
9. Why do you think it is a good idea for workers to have more decision-making duties and provide input to managers?
10. Give reasons for working within either a formal or an informal business structure.
11. Describe the qualities of a manager for whom you would like to work someday.
12. One problem with line and staff authority as compared to line authority is that some line and staff managers tend to overanalyze a problem. Why might that happen?
13. Why might a manager decide to change an informally structured organization into a formally structured one?

Write About It

14. In what ways are an entrepreneur and a manager alike? In what ways are they different? Write an e-mail to your teacher on your thoughts.
15. Imagine you are in charge of the next school dance. In one page, indicate some tasks that you would complete in each function of management.
16. What are reasons some managers are hired from within a company? Why are some hired from outside a company? Write two or more paragraphs explaining your answers.
17. Research the requirements for a management major at a local two- or four-year college. Determine the types of courses that students must take. In a one-page article, describe the required courses in the program.
18. One requirement of a good manager is effective communication skills. Write a short essay about the importance of communication to managers. Be sure to include listening skills.
19. Managers generally receive more pay than the workers they manage. Write two or more paragraphs indicating why you believe this is fair or unfair.

Technology Applications

Organization Chart

20. Work in small groups. Imagine you are starting a greeting card company. Decide what functions your team members will perform. Consider each person's talents and interests. Will your company be structured formally or informally? Make a chart using presentation software to show how you organized your company. Present your chart to the class.

Business Ethics

Managerial Decision Making

21. You are an operations manager for a ceramics manufacturer. The president's son is assigned to work for you, but after two weeks, you notice that he spends a lot of time on the Internet, does little work, and does not get along with other workers. If you do nothing, then production will be affected. What should you do?

Chapter 7 Review and Activities

Applying Academics to Business

English Language Arts

22. Hyphens and dashes are used in several situations. Look through this textbook and note two examples of each of the following: a dash separating parts of a sentence; a hyphen separating syllables in a word that turns a line; hyphenated adjectives; and hyphenated proper nouns.

Mathematics

23. Fran, a merchandising manager for Blue Bag, is planning her department's yearly budget. She earns \$500 a week and is in charge of three employees, each earning \$350 a week. The business pays FICA (Federal Insurance Contributions Act) taxes of 8.15% on employee earnings to cover the cost of Social Security. Write an equation Fran could use to figure how much her department needs to budget to pay salaries and FICA taxes for the year.

CONCEPT Algebra: Writing Equations

Simplify your equation by multiplying the total of the departmental salaries by a percent, greater than 100, that represents total salaries increased by the percent for FICA taxes.

English Language Arts

24. Copy the following paragraph onto a piece of paper and add the correct punctuation: Successful managers are able to carry out varied tasks perform under pressure communicate effectively relate to people and grasp and use information. Managers have prestige influence and power however they usually experience a lot of pressure too.

Mathematics

25. Fred tracked the number of days members of his department were absent. For the second quarter, the results were: 5, 3, 5, 6, 9, 13, 15, 12, 8, 7, 5, 7, and 5. What are the range, mean, median, and mode of the data?

CONCEPT Data Analysis and Probability:

Measures of Central Tendency For any given set of data, the range is the difference between the greatest and least value; the mean is the average; the median is the middle value when all values are ordered from least to greatest; and the mode is the most frequently occurring value.

Active Learning

Workplace Organization

26. Ask a family member how his or her workplace is organized. How is the management structured? Is the company divided into different divisions? How many employees are there in each division, if any? Does the company operate in more than one location? Create a poster summarizing your findings.

Business in the Real World

Managers as Leaders

27. Interview a business manager to find out how he or she uses leadership skills and resources on the job. Ask about job duties, delegating, what the manager most likes about his or her job, and what his or her greatest challenges are. Then ask how much time is spent on each of the four functional areas of management. Use this information to write a report of 250 words or more.

Real LIFE skills

EVALUATING MANAGEMENT SKILLS

28. Review the six different traits necessary for effective management. These traits include technical and conceptual skills. Choose a successful entrepreneur, and research how she or he became successful. Identify the traits that helped this businessperson reach his or her goals. Write at least a one-page report on your findings.

COOL Business CAREERS

FIND YOUR DREAM JOB

29. Go to the *Introduction to Business* Online Learning Center through glencoe.com for a link to the Occupational Outlook Handbook Web site. Click on the "OOH Search/A-Z Index" link and enter the job title "medical and health services manager." Then write a one-page report about this type of occupation. Conclude your report with a list of things you could do now to prepare yourself to pursue this occupation.

Role Play

INTERVIEWING FOR A MANAGEMENT JOB

30. **Situation** Last summer you planned and implemented an educational trip for 30 young people for three weeks. Now you are interviewing for a summer job managing a recreational program for 8- to 10-year-olds in your community. You would be developing this program on your own.

Activity Discuss the experiences you have that show the skills and background needed for the job.

Evaluation You will be evaluated on how well you meet the following performance indicators:

- Mention how you used the four functional areas of management.
- Demonstrate how you have at least five of the management skills mentioned in the chapter.
- Make concise and clear statements while showing self-confidence.
- Use correct grammar.

Standardized Test Practice

Directions Choose the letter of the best answer. Write the letter for the answer on a separate piece of paper.

1. Which could be added to 4 to get an integer x that is less than -2 ?

- A any integer greater than -3
- B any integer less than 0
- C any integer less than -6
- D any integer greater than -6



TEST-TAKING TIP You can improve your score on multiple-choice items by covering the options while you read the question and try to answer it. Then select the option that most closely matches your answer.



READING Go to the *Introduction to Business* Online Learning Center through glencoe.com for a list of outside reading suggestions.