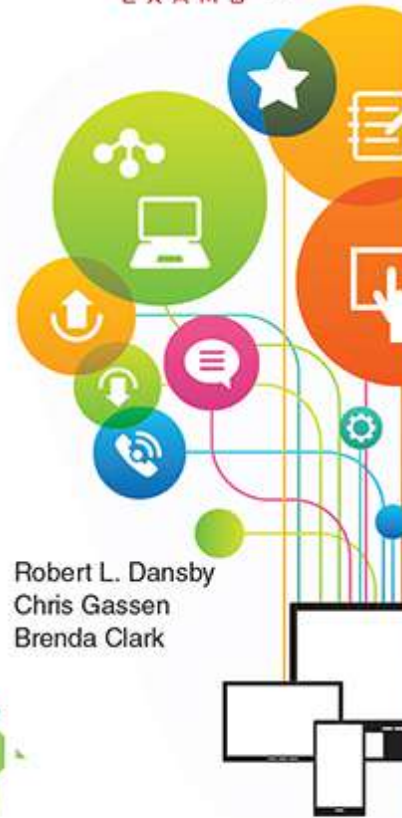


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Principles of Business, Marketing, and Finance

PRECISION
EXAMS



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7



Business Organization, Management, and Leadership

Section 7.1

Business Organization and Management

Objectives

- **Explain** effective business organization.
- **Describe** the purpose of organizational structure.
- **Discuss** the roles of different levels of management.
- **Identify** the five functions of management.

Key Terms

- goal
- policy
- procedure
- chain of command
- organization chart
- organizational chart
- management
- top management
- middle management
- first-line management
- plan
- strategic plans
- tactical plans
- operational plans
- contingency plans
- organizing
- staffing
- leading
- controlling



Essential Question

What is the importance of organizational structure in business?

Effective Business Organization

- Business principles are guidelines for an effective organization



Effective Business Organization

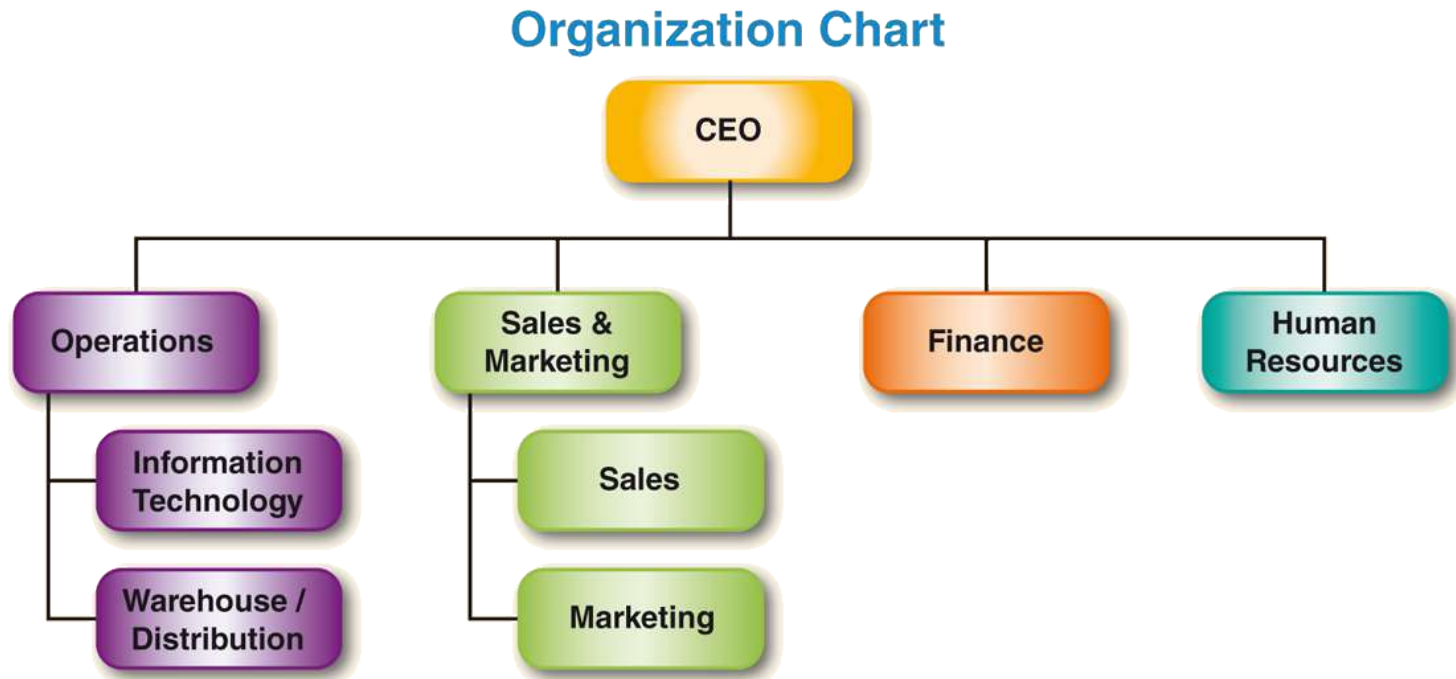
- Mission statement should be a reminder of what the company aims to accomplish
- **Goal** is something to be achieved in a specified period of time
 - *Short-term goals:* Accomplished in short periods of time
 - *Long-term goals:* More than a year to reach
- Policies and procedures create consistency
 - **Policy** outlines how company decisions are made
 - **Procedure** describes how tasks should be completed

Organizational Structure

- *Organizational structure* of a business identifies the hierarchy of the employees within the business
 - *Functional organizational structure*
 - *Matrix organizational structure*
- **Chain of command** is the authority structure in a company from the highest to the lowest levels

Organizational Structure

- **Organization chart** is a diagram that shows the structure of an organization



Organizational Structure

- **Organizational chart** showings how each employee position within the company interacts with others in the chain of command

Company Organizational Chart

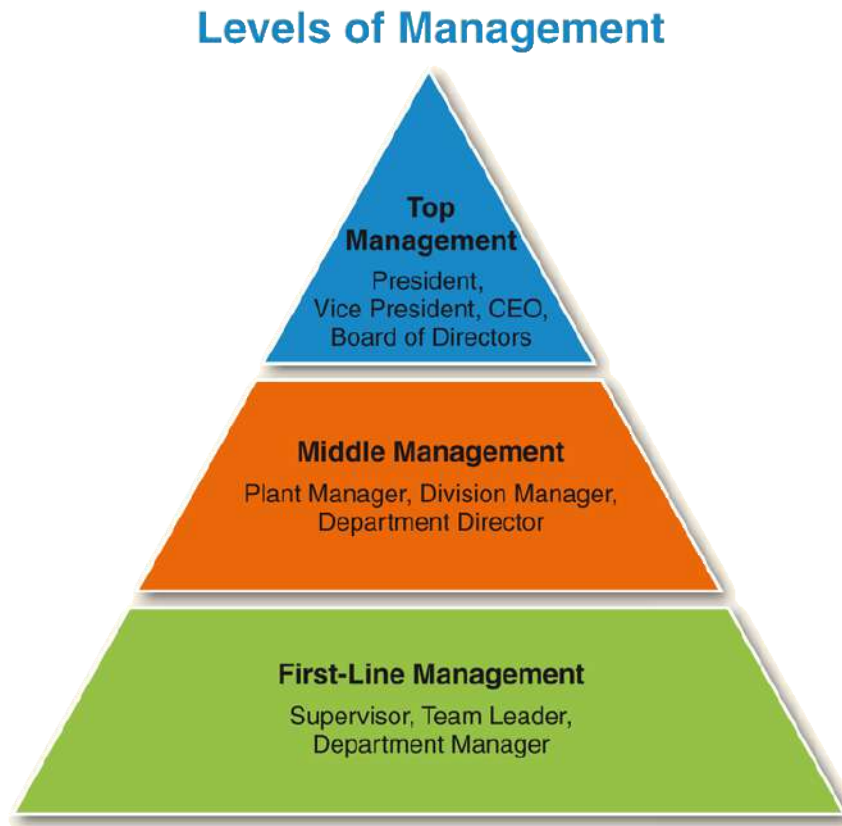


Organizational Structure

- Division of authority
 - *Centralized organization*: Authority rests with top management
 - *Decentralized organization*: Authority is given to various managers that run their own departments
 - *Departmentalization*: Responsibilities and authority are divided among areas or departments

Levels of Management

- **Management** is the process of controlling and making decisions about a business



Levels of Management

- **Top management** consists of a company's board of directors, president, and other high-ranking managers
- **Middle management** consists of a company's division managers and department heads
- **First-line management** coordinates and supervises the activities and duties of employees

Management Functions

- *Business management* includes all the activities necessary to operate a business
- Five functions of management



Management Functions

- *Planning* is the process of setting goals and deciding how to accomplish them
- A **plan** is an outline of the actions needed to accomplish a goal
 - **Strategic plans:** Created for long-term goals
 - **Tactical plans:** Developed for short-term goals
 - **Operational plans:** Designed to reach day-to-day goals
 - **Contingency plans:** Backup plans

Management Functions

- **Organizing** is the coordination of activities and resources needed to reach its goals
- **Staffing** is the process of recruiting, hiring, training, evaluating, and compensating employees
- **Leading** is the process of influencing others to work toward common goals
- **Controlling** is a continuous process of evaluating the progress in reaching goals and making corrections to plans

Section 7.1 Review

1. Identify the general principles that should be determined for an organization.

The principles include vision, structure of the business, chain of command, roles of employees, and accountability.

2. What is organizational structure?

The organizational structure of a business identifies the hierarchy of the employees within the business.

3. List three ways in which authority within a business may be organized.

The division of authority within a company may be organized as a centralized organization, a decentralized organization, or by departmentalization.

Section 7.1 Review

4. What are the typical duties of first-line managers?

Typical duties of first-line managers include assigning jobs and tasks to employees, supervising and guiding daily activities and duties of employees, maintaining the quality of work, being the line of communication between employees and higher management, helping solve employee grievances, training employees, and motivating employees.

5. What are the five functions of management?

The five functions of management are planning, organizing, staffing, leading, and controlling.

Section 7.2

Leading Employees

Objectives

- **Identify** the qualities and skills of effective leadership.
- **Explain** the importance of teams in business.

Key Terms

- SMART goal
- time management
- personal information management (PIM)
- interpersonal skills
- critical-thinking skills
- verbal skills
- nonverbal skills
- listening skills
- collaboration skills
- compromise
- team
- teamwork
- conflict management
- conflict-resolution skills
- negotiation
- mediation



Essential Question

How do effective leaders benefit a business?

Leadership

- *Leadership* is the ability to influence others to reach a goal
- Management theories
 - *Theory X*: Employees dislike work and need close supervision in order to get their work done
 - *Theory Y*: Employees like to work and do not need close supervision to get their work done
 - *Theory Z*: Workers are motivated to work and can make sound decisions

Leadership

Management Theories	
Type	Characteristics
Theory X	<ul style="list-style-type: none">• Leadership is autocratic• Close supervision needed at all times• Workers dislike work• Workers prefer direction and seek security
Theory Y	<ul style="list-style-type: none">• Leadership is democratic• Leader maintains control, but seeks input from workers• Workers like work and are innately motivated
Theory Z	<ul style="list-style-type: none">• Leadership is laissez-faire• Leader is trusting of workers to make sound decisions• Leader provides direction, but allows workers to make decisions• Workers are naturally self-motivated

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Leadership

- Three common leadership styles are:
 - Autocratic: Leader maintains all power within a team
 - Democratic: Leader shares decision-making with group
 - Laissez-faire: Hands-off leader who leaves decision-making to the group

Leadership

Common Leadership Styles	
Leadership Style	Characteristics of Leader
Autocratic	<ul style="list-style-type: none">• Maintains power within the group• Keeps close control over members of the team• Makes all decisions for the group
Democratic	<ul style="list-style-type: none">• Open and collegial• Invites participation from team• Shares decision-making with team members
Laissez-faire	<ul style="list-style-type: none">• Hands-off approach• Provides little or no direction• Makes decisions only if requested by the team

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Leadership

- Leaders set clear goals
- **SMART goals**
 - Specific: Specific and straightforward
 - Measurable: Progress should be measurable
 - Attainable: Goal needs to be achievable
 - Realistic: Goal should be practical
 - Timely: Should have starting point and ending point

Leadership

- **Time management** is the practice of organizing time and work tasks to increase personal efficiency
 - **Personal information management (PIM)** is a system used to acquire, organize, maintain, retrieve, and use information
- **Interpersonal skills** are skills that help people communicate and work well with each other

Leadership

- Important interpersonal skills
 - **Critical-thinking skills:** Analyze a situation, interpret information, and make reasonable decisions
 - **Verbal skills:** Communicate effectively using spoken or written words
 - **Nonverbal skills:** Communicate effectively using body language
 - **Listening skills:** Hear what a person says and understand what is being said
 - **Collaboration:** Skills that enable individuals to work with others to achieve a common goal
 - **Compromise:** To give up an individual idea, or part of an idea, so that the group can come to a solution

Teams

- **Team** is a group of two or more people working together to achieve a common goal
- **Teamwork** is the cooperative efforts by individual team members to achieve a goal
- Teams come together through meetings
 - *Parliamentary procedure* is a process for holding meetings so that they are orderly and democratic

Teams

- *Group dynamics* are interacting forces within a group
- Conflict within a team
 - *Passive behavior* is accepting the things that happen without trying to change them
 - *Aggressive behavior* is expressing individual needs with little interest in or respect to the needs of others
 - *Assertive behavior* is expressing personal opinions while showing respect for others
- **Conflict management** is the process of recognizing and resolving team disputes in a balanced and effective way

Teams

- **Conflict-resolution skills are the skills** required to resolve a situation that could lead to hostile behavior, such as shouting or fighting
- **Negotiation** is when individuals involved in a conflict come together to discuss a compromise
- **Mediation** is a process in which a neutral person meets with each side of a negotiation in an attempt to find a solution that both sides will accept

Teams

Conflict-Resolution Model

Step 1 Acknowledge conflict and define the problem



Step 2 Analyze and discuss the issue, list the facts, get opinions on the issue



Step 3 Break into groups and brainstorm for potential solutions



Step 4 Solve the problem and come up with solutions



Step 5 Evaluate alternatives and reach consensus



Step 6 Implement the solution and then follow up

Section 7.2 Review

1. List three common leadership styles.

Three common leadership styles are democratic, autocratic, and laissez-faire.

2. Explain how an effective goal should be written.

For goals to be as effective as possible, they should be written as SMART goals. A SMART goal is specific, measurable, attainable, realistic, and timely.

3. What is *parliamentary procedure*?

Parliamentary procedure is a process for holding meetings so that they are orderly and democratic.

Section 7.2 Review

4. List three behaviors that can arise from team conflict.

When conflict arises, team members can show passive, aggressive, or assertive behaviors.

5. What is *brainstorming*?

Brainstorming is discussion within a group where individuals generate as many ideas as possible within a set amount of time.