

Chapter 1

The MBA in a Nutshell

In This Chapter

- ▶ Determining whether you need an MBA
 - ▶ Eying today's dynamic business world
 - ▶ Leading the best employees
 - ▶ Understanding the importance of money
 - ▶ Finding and keeping customers through your marketing efforts
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Business owners and managers are faced with a perplexing array of management theories and practices and a variety of off-the-wall thoughts on how businesses should be run. Is it any wonder why they tend to resort to tried-and-true ways of running things? People find comfort in the familiar. Besides, it takes time to relearn old habits, and changing the culture of a business to deal with a fast-paced global environment is no walk in the park. If you conduct a search for the term “management” on Amazon.com, you’ll come up with more than 600,000 books on the subject. Add to that the 600,000+ books on marketing and the 500,000+ books on finance, and you may be throwing up your hands and crying “uncle!”

Although all these books claim to offer the latest and greatest in management theory and tools, the reality is that most innovative, state-of-the-art tools are merely elaborate makeovers or the repackaging of fundamental management theory. A rose by any other name is still a rose. How many different ways can you talk about change management or empowered work teams, for instance? To be fair, however, the proponents of these “new” theories and practices do echo a shared truth: The world has changed dramatically, and the way managers run businesses hasn’t always kept pace.

And if the business world has recognized the need for change, that change has been slow to echo in the hallowed halls of business schools, too. Even graduate business schools at the nation’s leading universities are guilty of adhering to old traditions. In many MBA programs, the “big business/Fortune 500” mindset still reigns — the assumption that if you’re plopped into an established business with plenty of cash flow and assets, all you have to do is manage them well. Most business models presuppose a stable and predictable environment, when the reality is that most business environments today are dynamic, fast moving, and anything but predictable.

This chapter provides you with a brief overview of the major areas of study in an MBA program — which just happen to be the same topics we cover in this book. As you read through this chapter, note any topics that you want to explore in more detail and then drop by the table of contents to find out where we locate the topics. Ready? Set? Go!

Do You Really Need an MBA?

For many years, people have gone back to school to get an MBA (Masters of Business Administration) because it's the "thing to do." Companies want to see the degree on your résumé, making the degree the fastest track to corporate executive positions and bigger paychecks. This has been the case for some time, and truth be told, this is still the case. Consider the statistics garnered from research with recruiters worldwide:

- ✔ Demand for MBAs is rising at about 20 percent per year.
- ✔ Demand for MBA/consultants is up about 35 percent.
- ✔ Salaries are on the rise, with the average new MBA graduate starting at \$84,500; in some areas, the salary is well over \$100,000.

But money is just one reason why you may want to seek an MBA. Here are some equally (if not more) important reasons:

- ✔ **To develop skills in business functions:** economics, finance, marketing, management, operations, and accounting.
- ✔ **To acquire valuable soft skills:** leadership, teamwork, ethics, and communication.
- ✔ **To develop an entrepreneurial mindset:** You want to become innovative and opportunistic to tackle the challenges of a dynamic, global world.

But what if you don't have the time, resources, or inclination to go back to school for two more years to get an MBA? If that describes your situation, this book is for you. An MBA isn't an end in itself; it's the means to achieving the goals you've set. The skills and attitudes you acquire by reading this book enable you to develop your career (and your company) to its fullest potential in less time and without all the resources school requires. Certainly, putting the techniques we describe to use is better than the trial-and-error method. In other words, the MBA lessons you take away from this book will give you a competitive advantage over peers or other companies.

Exploring the New World of Business

Due to the nature of competition — where only the fittest companies are destined to survive — businesses are always pushing the envelope of creativity, innovation, and technology. They're constantly testing new approaches, new procedures, new processes, and new ways of doing business — looking for a little (or large) advantage over their competitors. These are exciting times in business, as evidenced by the following:

- ✔ The Internet has leveled the playing field for small companies. They can now look and act as multinational corporations and reach millions of customers without the burden of physical assets such as plants and equipment.
- ✔ New business models, communication technologies, and distribution methods enable businesses to take their products and services anywhere they want.
- ✔ Successful entrepreneurs such as Bill Gates and Warren Buffet continue to demonstrate to the rest of the business world what it means to be philanthropic.
- ✔ A new generation of workers — the *New Millennials* — are changing management styles and corporate culture as they force baby-boomer bosses to consider a new definition of work ethic.
- ✔ The business world can watch in amazement as China grows at light speed. It will become the biggest economic power in the world in the not-too-distant future.
- ✔ Everyone with a computer and an Internet connection has access to the same information (“Just Google it!” has become a popular search engine phrase). Because of YouTube, for instance, everyone can have their 15 minutes of fame on the Internet.

Revolutionary changes, or *paradigm shifts*, aren't the exclusive property of the 21st-century business environment. They have, in fact, occurred many times over the centuries. Were it not for revolutionary change, societies would stagnate in their own traditional ways of doing things. The bottom line: Change is a good thing. Isn't it interesting that our grandparents and great-grandparents lived through a similar period of dynamic change when they faced the new century and a similar technology revolution 100 years ago? The following sections dig deeper into why change makes the business world go round. We also discuss why you should consider making the entrepreneurial mindset a part of the way you do business and why you should adopt a global and not just local perspective.

What's so great about change?

Have you ever ridden a rollercoaster? Or bungee jumped off a tower? These activities are exhilarating, terrifying, and glorious, all at the same time. What makes them so great is that you don't know what's coming next, but you do know that something is going to happen. So you try to prepare — perhaps you hang on tight and close your eyes or you go for it and throw your arms up and scream as loud as you can — before you plunge into the unknown. What a rush! Welcome to the real (business) world.

The world is about change — often unexpected change. Change is as unavoidable as death and taxes. You can't put your business into a vacuum and escape the changes — even though, as when it comes to death and taxes, you may try to avoid them as long as you can. Instead of seeking in vain to avoid change, though, welcome it. Savor it and use it to your advantage, because change is a fact of life.

Smart MBA programs, recognizing that change is a fact of life, are infusing an entrepreneurial mindset into their curricula, because their customers — people similar to you — demand it. In 1987, management guru Tom Peters predicted the dynamic market that we're experiencing today in his prophetic book *Thriving on Chaos* (Harper Paperbacks). He said, “. . . excellent firms of tomorrow will cherish impermanence — and thrive on chaos.” The reason is that out of impermanence and chaos come opportunities that keep a business revitalized and growing. In other words, change = opportunity = growth. And he was right!

Making an entrepreneurial mindset part of your toolkit

Entrepreneurs are an important part of a healthy economy. They're the catalysts for change in the business environment, and because of their opportunistic and innovative nature, they know how to take advantage of change to bring about new business opportunities. The businesses they start are growth-oriented and *value-creating*, which means that entrepreneurs serve a need in the market that other businesses aren't currently serving.

In other words, entrepreneurs typically develop businesses that create new jobs (instead of stealing jobs from other companies) and have a distinct competitive advantage in the market. For example, when Craig Newmark launched his Web site Craigslist, he didn't create the first job-posting site on the Internet. He did, however, recognize an unmet need in the market — a simple, easy-to-use site where anyone could post anything. Enter his site, Craigslist, which is now in more than 50 countries and is the most efficient job-posting and help-wanted site on the Internet.

Here are some more of the specific things that entrepreneurs do (and that you can do with an entrepreneurial mindset, fostered by an MBA background):

- ✔ **They spot fundamental changes in the world.** They then create opportunities from these changes before they take hold in the general business population.
- ✔ **They create niches in the market that they can dominate.** Why go head-to-head with large, established companies in your market — unless you have a death wish? Instead, smart business owners create niches of customers who have needs that their larger competitors in the market aren't meeting.
- ✔ **They put customers at the center of everything they do.** Without customers, you have no business (see Chapter 15). So why don't more companies involve customers in their businesses? Businesses that involve customers in product design and development, quality issues, distribution — in fact, in every area of the business — are among the most successful companies in their industries. Exemplary companies include the following:
 - 3M: a manufacturer of adhesive products
 - Pelco: a manufacturer of CCTV/video surveillance systems
 - Hewlett-Packard: a computer and electronics manufacturer
- ✔ **They implement flatter and more team-based structures.** In the business world, hierarchies are out; teams are in. A decision-making process that has to slug its way through layers of authority slows an organization down, and companies that can't respond quickly to changes in the marketplace are in a dangerous position.
- ✔ **They form strategic partnerships with other companies in their industries.** Companies headed by entrepreneurs with an eye toward opportunity are forming teams with other companies — including their competitors! Adversarial business relations have no place in a marketplace that's too complex for any one business to handle alone. Successful companies join forces with companies that have whatever expertise they need.



But what if you plan to work for a large company? Do you still need an entrepreneurial mindset? Absolutely! Remember, the times are changing for large companies, too. They have to find new ways to compete. Today, companies are looking for business people who can think like entrepreneurs, so if you're one of them, you'll stand out from the crowd. (Check out Chapter 3 for more info about entrepreneurship.)

. . . And a global perspective wouldn't hurt

In the first edition of this book, we said that going global was a choice left up to the business — particularly for smaller companies that may not have had the resources to do so. Well, guess what? Things have changed, and much faster than anyone expected. Today, going global is no longer a choice; it's practically a necessity for every company. Whether you have products you want to sell in the global market or you need to find a manufacturer in China or a software developer in Pakistan, in some way you'll likely be dealing with the global market in your everyday business affairs.

Dealing in a global marketplace means understanding global supply chains, intermediaries, local culture and ways of doing business, and currency, which can fluctuate dramatically and have a painful effect on your bottom line. Check out Chapter 4 for more info about a global business world.

Managing and Motivating an Engaged Workforce

Chances are, if you're reading this book, you're a manager or business owner — or you expect to be one someday. Knowing how to effectively manage and lead employees is a critical skill for men and women who are tasked with running a business. Although every manager must learn to plan, organize, lead, and exert control, a manager has plenty of other things to be concerned with, too, including

- ✓ Creating an environment that engages employees and encourages their involvement
- ✓ Tapping into the creativity of employees
- ✓ Setting an example for others

Good managers and business owners soon discover that they're only as good — and their businesses are only as good — as the men and women who work for them. This makes hiring and retaining great employees a particularly important task, as well as firing employees who don't work out. In addition to covering managerial techniques, in this book we consider how to identify and hire the best — and how to discipline and terminate the rest.



Today, more than ever, teams are having an enormous impact on organizations — particularly empowered, self-managing teams of employees. However, even with great teams out there doing great things for your company, a manager or owner still has to help set goals, track their progress, and lend a hand when necessary. (Check out the chapters of Part II for more info on managing and leading.)

Picking up the environment-scanning habit

Understanding what's going on in your industry and in the world is critical to your business's success and its ability to respond quickly to the innumerable changes it faces. The easiest place to start is the newspaper. If you regularly scan the pages of your local newspaper and one of the major national newspapers, such as *The Wall Street Journal* or *The New York Times*, you may start to see patterns in the kinds of stories being covered. These trends usually are the forerunners of legislation, laws, and regulations that could affect your business.

The Internet is another great source of information on what's going on in your industry and the world at large. Here are a few sites that you can bookmark and check regularly:

- ✓ **CNNMoney** (money.cnn.com): The online home of *Fortune*, *Money*, and *Business 2.0*, this site covers a broad range of business topics. You can get headlines, in-depth reports, and business information (such as Hoover's Online business profiles).
- ✓ **Department of Commerce** (www.doc.gov): This is a good source of links to many sites of interest to business owners.
- ✓ **IndustryLink** (www.industrylink.com): Offers links to sites about various industries.
- ✓ **OneSource** (www.onesource.com): The premier source for industry information, trends, current articles, and company information.
- ✓ **Wall Street Journal Interactive** (www.wsj.com): You must pay to use this site, but the charge may be worth it for the latest news from around the world. This site also offers good information about the economy and specific companies and industries.
- ✓ **SEC Edgar Database** (www.sec.gov/edgar.shtml): This is an excellent source for researching documents that publicly traded companies must submit to the SEC.
- ✓ **BusinessWeek Online** (www.businessweek.com/smallbiz): This is a great site for the latest in articles about business and industry.
- ✓ **Inc Online** (www.inc.com): If you're interested in business from an entrepreneurial perspective, be sure to check out the articles on this site. It also has a huge archive of useful materials.

If you're one of the millions of people who are incredibly busy with your everyday life in your corner of the world, make some time to become more aware of what's going on around you. Get out in your community and look around. Signs and signals everywhere can tell you what's important to people in your area, where the potential challenges are, and what's on the horizon. The goal is to develop a more opportunistic mindset. You'll be amazed at what you can discover after you make scanning your environment a habit.

One Part of Business Hasn't Changed: Money

Accounting isn't a sexy topic (although accountants may disagree), but it is a critical function of any business. You use accounting to keep track of your

company's financial health. Budgets and bookkeeping make sure that the company doesn't spend more than it makes. If that excites you (and making more than you spend should), we encourage you to delve deeper into the subject. You can find many good texts out there that will satisfy your hunger for numbers (such as *Accounting For Dummies*, by John A. Tracy [Wiley]).

The outcomes of your company's accounting process are reflected in your financial statements — cash flow, income, balance sheet — which record the financial condition of your company at a particular point in time. Statements usually cover a quarterly or annual period. Financial statements are also used to secure loans and investment capital.

Analyzing business financials is both art and science. The scientific part comes in the formulas and ratios that you use to gauge the real health of your business. The art part comes when you attempt to forecast the future based on those financials. Get out your trusty crystal ball, because forecasting figures is difficult at best.

Finally, a thorough grounding in business finance wouldn't be complete without an excellent understanding of the financial markets, which include stocks, bonds, and debt and equity investment capital. A great business can and will tap many sources of financing, and in this book, you'll get a sense of what those sources are, when you should access them, and how you can access them. (Check out the chapters of Part III for the details on these various financial topics and for more on money issues.)

Reaching Out to Customers

Probably no area of business has changed more drastically in recent years than marketing. The Internet and easy, cheap access to production tools have made anyone a potential marketer. For proof of this assertion, just check out all the advertising and promotion utilized by users of YouTube, MySpace, Facebook, and Linked In. In addition, scores of bloggers have taken the media world by storm and now have the power to make or break a new product (or even a person). They reach millions of consumers who serve as their loyal followers.

It seems that everyone is fighting to get noticed in a very crowded space, so you have to be pretty creative to stand out. Even established corporate giants such as Nike have tapped into the power of YouTube to reach their target audiences in new ways.

And don't forget personal selling — still an important part of a company's marketing package. How do you sell more effectively in a world where every-

one is bombarded with information? You can find all the answers in this book; after reading what we have to say, you'll come away with confidence that you can reach and satisfy your customers. Head to the chapters of Part IV for all your marketing needs.

The Rest of Your MBA Syllabus

Of course, running or managing a business involves more than just dealing with a changing world, managing employees, grappling with finances, and marketing your company's products or services. Every business owner and many executives and managers wear a variety of hats — taking care of whatever needs attention. We also cover the following topics in this book:

- ✔ **Manufacturing and production:** Some businesses (such as automobile manufacturers or computer builders) need to consider issues of manufacturing, distribution, and sourcing of materials and products. With the advent of advanced information systems technology, however, the inventory, purchasing, and distribution environment has gone through radical shifts — as have manufacturing processes themselves. If you work in manufacturing or distribution, you need to be on top of these changes. See Chapter 18 to begin your awakening.
- ✔ **Risk management:** Every business experiences risk; some businesses experience more than others, of course (lion taming school?). The question isn't whether your business has risks; the question is what you do about these risks. How can you minimize their potential impact on your operations? (Check out Chapter 19 for more info.)
- ✔ **Negotiations:** If you're in business (or a relationship), you know what it is to negotiate. Whether you're negotiating a pay raise or a multimillion-dollar deal, you can apply certain skills that will make you a more effective negotiator. Coincidentally, we discuss some of the most effective negotiation skills in Chapter 20.
- ✔ **Economics:** Although we don't promise you that it's the most exciting subject in the MBA canon, economics certainly is an important one — one that we give attention to in Chapter 21.

So, welcome to our world — a world filled with information, skills, and tips that can make you a much more effective businessperson. The information here applies no matter your position in an organization — from receptionist to chairman. We hope you enjoy the journey through the world of the MBA.

The best (free) business resources

Some things in life *are* free. Fortunately, anyone today can take advantage of plenty of free business resources and information, both on the Internet and off. The following list covers ten great free resources that can help your business. We also note where you can take advantage of premium resources at the sites for a small fee:

- ✔ **The Small Business Administration** (www.sba.gov) is the granddaddy of help for your business needs. Established by the U.S. government in 1953, the SBA provides financial, technical, and management assistance to people who want to start, grow, and run businesses.
- ✔ **MarketingProfs** (www.marketingprofs.com) is arguably the best marketing site on the Internet. Why? Because it isn't an aggregator of everyone else's marketing stuff; it generates new content from its network of marketing professors and professionals. Here you can find marketing articles, blogs, case studies, events, and online seminars. Much of the information on the site is accessible with no fee, but you may want to consider signing up for premium membership (about \$49 a year) to gain access to in-depth articles and online seminars.
- ✔ **WSJ Entrepreneur** (www.wsj.com/entrepreneur) provides a comprehensive set of online resources for businesses and the entrepreneur. You can discover and utilize great articles, business-plan tools, and maybe even your next business opportunity.
- ✔ **The Center for Business Planning** (www.businessplans.org) provides free business-planning guidelines, which include articles and templates for such things as a cash-flow statement, mission statement, and financial ratios. You can also find checklists for segmenting your market and looking at pricing, as well as a strategic marketing plan.
- ✔ **Kauffman Foundation eVenturing** (www.eventuring.org) is devoted to growing a business. We recommend that you check out the content under its Collections section, where you'll find groupings of information on finance and accounting, people and HR, sales and marketing, products and services, operations, and the entrepreneur. In addition to the topics you can explore on the site and its blog, it sponsors a monthly e-newsletter that you can sign up for.
- ✔ **Mind Tools** (www.mindtools.com) helps consumers learn 100 essential life, career, and management skills — free! Of course, the site also offers self-development courses and e-classes taught by experts — you'll pay for these courses, but the tuition is reasonable.
- ✔ **SCORE** (www.score.org), formerly known as the Service Corps of Retired Executives, bills itself as the "Counselors to America's Small Business." More than 10,500 volunteers — coming from the ranks of retired business owners, executives, and corporate leaders — answer questions, give advice, and share their wisdom and experience. SCORE has an online, 24/7 counseling service, and it has set up many offices nationwide for walk-in help.
- ✔ **U.S. Export Assistance Centers** are located in more than 100 cities around the United States. (You can find them through the U.S. Department of Commerce at www.doc.gov.) They provide assistance to businesses that want to export goods and services to foreign countries. If you've never done business with a foreign country, it can be a daunting task. The counselors at the assistance centers are trained to hold your hand through the process.