To Fran, for bringing a lifetime of friendship, fun, and love into our family.
   —R.J.E.

For Paul and Sherry—Friends for life.
   —R.W.G.

To Ann, Eric, and Grant.
   —F.A.S.

To Nitsa and Costa Dean.
   —G.D.
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PREFACE

HELPING STUDENTS BUILD A SOLID BUSINESS KNOWLEDGE FOUNDATION

Welcome to the eighth Canadian edition of Business Essentials. If you’re like many students, you may be starting this term with some questions about why you’re here. You may be taking this course at a community college, CEGEP, or university, and you may be taking it in a traditional classroom setting or online. Whatever the case, you may be wondering what you’re supposed to get from this course and how it will benefit you—in short, “How will this help me?”

This is a survey course designed to introduce you to the exciting and challenging world of business, both in Canada and elsewhere. It is designed to fit the needs of a wide variety of students. You may be taking it as the first step toward earning a degree in business, or you may be thinking about business and want to know more about it, or you may know you want to study business but are unsure of the area you want to pursue. You may plan to major in another field but want some basic business background and are taking this course as an elective. Or you may be here because this course is required or a prerequisite for another course. Whatever your situation, this course will be helpful to you.

If you don’t have a lot of work experience, you might be uncertain regarding what the business world is all about. If you have a lot of work experience, you might be a bit skeptical about what you can actually learn from an introductory course. One of our biggest challenges is to write a book that meets the needs of such a diverse student population, especially when we acknowledge the legitimacy of your right to ask, “How will this help me?” We also want to do our best to ensure that you find the course challenging, interesting, and useful. To achieve this goal, we think it is helpful to use the old metaphor about people wearing different “hats” as they go through life. Every individual has different roles to play in different settings. For example, your roles might include student, child, spouse, employee, friend, and/or parent. You can think of each of these as requiring a different hat—when you play the role of a student, for example, you wear one hat, but when you leave campus and go to your part-time job, you put on a different one. From the perspective of studying and interfacing with the world of business, there are at least four distinct “hats” that you might wear:

• The employee hat. One hat is “worn” as an employee working for a business. Most people wear this hat throughout their working career. To wear it successfully, you will need to understand your “place” in the organization—your job duties and responsibilities, how to get along with others, how to work with your boss, what your organization is all about, and so on. You’ll begin to see how best to wear this hat as you learn more about organizing business enterprises in Chapter 7 and how organizations manage their human resources in Chapter 8, and as in several other places in this book.

• The employer or boss hat. Another business hat many people wear is as an employer or boss. Whether you start your own business or get promoted within someone else’s, people will be working for you. You’ll still need to know your job duties and responsibilities, but you’ll also need to understand how to manage other people—how to motivate and reward them, how to lead them, how to deal with conflict among them, and the legal parameters that may affect how you treat them. Chapters 3, 6, 8, and 9 provide a lot of information about how you can best wear this hat, although information about the role of employer is found throughout the book.

• The investor hat. Even if you don’t work for a business, you will still wear the hat of a consumer. Whenever you fill your car with Petro-Canada gasoline, purchase something on Amazon, buy clothes at Zara or Reitmans, or download a song from iTunes, you’re consuming products or services created by businesses. To wear this hat effectively, you need to understand how to assess the value of what you’re buying, your rights as a consumer, and so on. We discuss how you can best wear this hat in Chapters 1, 3, 12, and 13.

• The investor hat. The final business hat many people wear is that of an investor. You may buy your own business or work for a company that allows you to buy its stock. You may also invest in other companies through the purchase of stocks or shares of a mutual fund. In order for you to invest wisely, you must understand some basics, such as financial markets, business earnings, and the costs of investment. Chapters 4, 11, 14, and 15 will help you learn how to best wear this hat.

Most people wear more than one of these hats at the same time. Regardless of how many hats you wear or when you may be putting them on, you will interact with many different businesses in different ways. Knowing how to best wear all of these hats is what this book is all about.

The world is populated with a breathtaking array of businesses and business opportunities. Big and small businesses, established and new businesses, broad-based and niche businesses, successful and unsuccessful businesses, global and domestic businesses—regardless of where your future plans take you, we hope you will look back on this course as one of your positive first steps.

Keep in mind that what you get out of this course depends on at least three factors. One is this book, and the information about business you will acquire as a result of reading it. Another is your instructor, a dedicated professional who wants to help you grow and develop intellectually and academically. The third is YOU. Learning is an active process that requires you to be a major participant. Simply memorizing the key terms and concepts in this book might help you achieve an acceptable course grade, but true learning requires that you read, study, discuss, question, review, experience, evaluate—and wear the four hats—as you go along. Tests and homework are necessary, but we hope you will finish this course with new knowledge and increased enthusiasm for the world of business. Your instructor will do his or her part to facilitate your learning. The rest, then, is up to you. We wish you success.
Google Keeps Growing

Sergeri Brin and Larry Page met at Stanford University in 1985, when both were graduate students in computer science. At the time, Page was working on a software development project that was designed to create an index of websites by accessing sites for keywords and other linkages. Brin joined him on the project, and when they were satisfied that they had developed something with commercial value, they tried to license the technology to other search companies. As luck would have it, they couldn’t find a buyer and settled instead for procuring enough investment capital to keep refining and testing their product.

In 2000, Brin and Page ran across the description of a business model on the concept of selling advertising in the form of sponsored links and search-specific advertisements. They adapted it to their own concept and went into business for themselves, eventually building Google into the world’s largest search engine. Google processes more than 3.3 billion searches a month by a user base of 340 million people in 181 different countries using 146 languages. Following an initial public offering (IPO) in 2004, the company’s market capitalization increased to more than $43 billion by 2012. When Google controlled about two-thirds of the search market, that was more than Microsoft and Yahoo combined.

Google is much more than a search engine. Services include searches for news, shopping, local businesses, and personal email accounts. Google Keep, Google Maps, Google Drive, and Google Photos offer various features for users to create and share documents. Additionally, the company owns YouTube, which is the world’s largest video-sharing platform.

NEW & UPDATED! There’s an App for That! Each chapter includes a description of several useful apps related to the chapter material. These apps allow students to understand business concepts in new and dynamic ways.

NEW & UPDATED! Boxed Inserts on Key Topics The text contains four series of boxed inserts positioned at strategic points in the chapters. The first—E-Business and Social Media Solutions—describes how rapidly changing technology has provided business firms with many new ways to connect with customers. The second—Managing in Turbulent Times—explains how businesses in Canada and elsewhere are trying to cope with the volatility and uncertainty that exists in the contemporary business world. The third—Entrepreneurship and New Ventures—provides real-life examples of entrepreneurs who saw an opportunity to provide a new product or service in the marketplace, and the activities they carried out in order to be successful. The fourth—The Greening of Business—analyzes the steps businesses are taking to be more environmentally friendly. Critical thinking questions appear at the end of each boxed insert to motivate students to think about what they have read.

NEW! Examples of Business Practice In addition to the boxed inserts, each chapter contains numerous examples of how actual Canadian and international businesses operate so that students can gain a better understanding of the dynamics of business practice in both Canada and elsewhere. These examples—which range in length from one sentence to several paragraphs—help students understand concepts that are discussed in the text.

NEW & UPDATED! Key Terms In each chapter, the key terms that students should know are highlighted in the text and defined in the margin.

NEW & UPDATED! Figures and Tables The latest available data appear in tables and figures throughout the text.

END-OF-CHAPTER MATERIAL

UPDATED! Summary of Learning Objectives The material in each chapter is concisely summarized, using the learning objectives as the organizing scheme. This helps students understand the main points that were presented in the chapter.

NEW & UPDATED! Assisted-Grading Writing Assignments Two types of questions are included at the end of each chapter: analysis questions (which require students to think beyond simple factual recall and apply the concepts they have read about) and application exercises (which ask students to apply what they have learned). The exercises, designed to help students increase their understanding of how business firms actually operate, require students to engage in practical activities such as interviewing managers about concepts and issues discussed in the chapter. Selected end-of-chapter questions (identified by the symbol ->) have been built as assisted-graded assignments within MyBizLab to help assess students’ written communication skills. Each question is built with marking rubrics to help facilitate the grading of these assignments.
NEW & UPDATED! Building Your Business Skills Exercise

This feature asks students to examine some specific aspect of business. While working in a group context, students gather data about an interesting business issue, and then develop a written report or a class presentation based on the information that was gathered. Each exercise begins with a list of goals, a description of the situation, a step-by-step methodology for proceeding, and follow-up questions to help students focus their responses to the challenge.

NEW & UPDATED! Exercising Your Ethics: Team Exercise

A team ethics exercise describes a situation that involves an ethical dilemma. Students are then asked several questions that focus on how to approach and resolve the dilemma. In the exercise, students take on the role of employee, owner, customer, or investor and examine a chapter-related business ethics dilemma through the perspective of that role. By working as a team, students learn how to cooperate, see an ethical dilemma from various points of view, and decide what outcome is most important for the company’s bottom line.

NEW & UPDATED! End-Chapter Case

Each chapter concludes with a case study that focuses on a real Canadian or international company. The cases are designed to help students apply the chapter material to a company or an issue currently in the news. At the end of each case, several Questions for Discussion guide students in analyzing the case.

END-OF-PART MATERIAL

NEW! Video Cases

Several video cases are presented at the end of each of the major parts of the text. Some of the videos are from the CBC Dragons Den series, others from Pearson’s Business Today series. The instructor can show them in class and then either conduct a discussion using the questions at the end of the written case summary as a guide or ask students to complete a written assignment that requires answering the questions at the end of the case. This approach adds a positive dynamic to classes, because students will be able to relate text material to actual Canadian business situations.

Case 3.1

ZeroneX

The company

Matthew Desjardins and Claire Print, entrepreneurs from Montreal, want to change the look—radically very high-tech—of the sporting goods technology. The Zerone is a design-driven, world-record, client-driven design that allows 360 degrees of movement and displays the user’s face in a screen. This is not like the standard appliance. It attempts to replace its unique look. It is an aesthetic design but has functional design in which role plays features and adds the unique electronic clothing that does not require a connection in one place—such as the body—so it is... beautiful!—and comes with an optimal frame to complete the tour. The retail for Zerone X is about $450.

The Dragon’s Point of View

In summary, Zerone X was very expensive to the product, and they had to design the product. But the consensus was that Zerone X should have been a higher price in order to increase the margins after Bollardi revealed that the retail for Zerone X was 40 percent lower (before the retail to distribution). Therefore, there is a consensus among the managers who think that they could only combine with 10 percent on the total line. Claire argued that the margins were going to decrease in the coming months because the economics of the product, which are associated with high sales volumes. However, the dragons argued that they should increase the product by a few hundred dollars. This is a commercial product and charging 800 dollars or more would actually not make a difference compared to consumer demand but it would make it a bit more to the company’s bottom line. Where has 80 percent been the product of requiring? To offer the $500 per share asking for a 10 percent increase rather than 5 percent.

Questions for Discussion

1. The theme of the questions cover key accounting terms such as revenue, expenses, margins, and margins. The final function must display the situation of this company. Zeronext has projected a revenue that is high for the purpose of the theme and includes the references with the dragons to help them understand the financial context of the software.

2. Do you think the reason in the case? From an accounting point of view, if you control some part of the company’s bottom line, what hypothesis are you doing for the company’s bottom line? Support your answer.

3. How is the concept of high-quality management relevant here?

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Rudi’s Bakery

Mark, a 17-year-old student, created a side project to help him save for his first car. He decided to sell bread to his friends and family and quickly began to realize that he had a unique product with a unique price. He then hired two friends and they started baking bread at the end of each week. They baked bread on Saturday night and sold it to their peers on Sunday. The bread was sold in local cafes and bakeries, and Rudi made a profit of 50 cents per loaf.

The Problem

Rudi and his friends started getting complaints about the quality of the bread. In one three-month period, about 4,500 loaves were produced, and the company received just 60 complaints. Holm says that quality management is essential for the company, go to zeronext.com.

The Solution

Rudi and his friends realized that the quality problems were due to excessive variation in the bread. They decided to use statistical process control (SPC) to monitor the bread production process. By using SPC, they were able to identify the key areas where they needed to improve the quality of the bread.

The Outcomes

By using SPC, Rudi and his friends were able to improve the quality of the bread. They also used control charts to monitor the bread production process. This reduced consumer complaints. Holm says that quality management is essential for the company, go to zeronext.com.

Questions for Discussion

1. What is the role of control charts in quality management?

2. How does SPC help in improving the quality of the bread?
WHAT’S NEW IN THE EIGHTH CANADIAN EDITION?

New content has been included in all chapters. An illustrative (but not exhaustive) list follows:

Chapter 1—New material on the government as a regulator, the activities of the Competition Bureau and its concerns about anti-competitive behaviour, the debate about the advisability of government bailouts of companies, public–private partnerships (so-called P3s), problems in the provision of essential services to Canadians (e.g., increasing electricity rates in the province of Ontario), and Canada’s supply management system.

Chapter 2—New information on the business cycle, the CPI measure, and mergers and acquisitions.

Chapter 3—New information on corruption and bribes in international business activity, a survey of global managers indicating their perception of corruption in various countries, how to incorporate various ethical norms into management decision making, the fair trade movement, price fixing, and counterfeit goods.

Chapter 4—New information on small business employment, issues in taking over a family business, and the top corporations in Canada.

Chapter 5—New information about the BRICS nations and the Comprehensive Economic and Trade Agreement (CETA).

Chapter 6—New information on the planning process managers at McDonald’s use to try to improve the company’s performance, what is expected in a manager’s job, how social media makes the activities of managers more visible to the public, the importance of managers having “soft” skills (as opposed to technical skills), decision-making skills, and the importance of contingency planning.

Chapter 7—New information on the obstacles to effective delegation of authority, “tall” and “flat” organization structures, and structural issues that Canadian companies must address when they “go global.”

Chapter 8—New information on the concept of the realistic job preview, behaviour-based interviewing, the legal status of random drug testing of employees, needs analysis in making training decisions, mentoring programs, guidelines for ensuring performance appraisal is effective, workforce management systems, retirement trends in Canada, workforce diversity, the development of Canadian labour unions, union membership in Canada, and union organizing strategies and their success rate.

Chapter 9—New material on personality traits (including concepts such as locus of control, self-efficacy, and authoritarianism), attitudes (including cognition, affect, and intention), McClelland’s acquired needs theory, the concept of power (legitimate, reward, coercive, expert, and referent power), and three leadership theories (path-goal, decision-tree, and leader–member exchange theories).

Chapter 10—New material on the difference between “make-to-order” and “make-to-stock” production strategies, capacity planning, process and product layouts, operations scheduling, international productivity comparisons, and supply chain disruptions.

Chapter 11—Updated information about the new CPA accounting designation, the transition process currently taking place, and the evolving role of the modern accountant.

Chapter 12—New material on the steps in developing a marketing plan, marketing strategy, and market research.
Chapter 13—New information on the unique challenges faced by e-businesses in pricing their products, online consumer engagement, mobile and other advertising media, direct (interactive) marketing, publicity, and public relations.

Chapter 14—New information on plastic money (credit cards and debit cards), the top banks and credit unions in Canada, and the Big Mac Index statistics.

Chapter 15—New information on financial planning, managing risk with diversification, return on investment, the time value of money, fantasy stock markets, mutual funds, and securities regulation.

SUPPLEMENTS

MyBizLab MyBizLab delivers proven results in helping individual students succeed. It provides engaging experiences that personalize, stimulate, and measure learning for each student. For the second Canadian edition, MyBizLab includes powerful new learning resources, including a new set of online lesson presentations to help students work through and master key business topics, a completely restructured Study Plan for student self-study, and a wealth of engaging assessment and teaching aids to help students and instructors explore unique learning pathways. MyBizLab online resources include:

- NEW Interactive Lesson Presentations. Students can now study key chapter topics and work through interactive assessments to test their knowledge and mastery of business concepts. Each presentation allows students to explore through expertly designed steps of reading, practising, and testing to ensure that students not only experience the content, but truly engage with each topic. Instructors also have the ability to assign quizzes, projects, and follow-up discussion questions relating to the online lessons to further develop the valuable learning experiences from the presentations.

- NEW Study Plan. MyBizLab offers students an engaging and focused self-study experience that is driven by a powerful new Study Plan. Students work through assessments in each chapter to gauge their understanding and target the topics that require additional practice. Along the way, they are recognized for their mastery of each topic and guided toward resources in areas that they might be struggling to understand.

- NEW Dynamic Study Modules. These new study modules allow students to work through groups of questions and check their understanding of foundational business topics. As students work through questions, the Dynamic Study Modules assess their knowledge and only show questions that still require practice. Dynamic Study Modules can be completed online using your computer, tablet, or mobile device.

- BizSkills and Decision-Making Simulations. BizSkills are real-world scenarios that invite students to assume the role of a decision maker at a company to apply the concepts they have just learned. Decision-Making Mini-Simulations walk students through key business decision-making scenarios to help them understand how business decisions are made. Students are asked to make important decisions relating to core business concepts. At each point, students receive feedback to help them understand the implications of their choices in the business environment. Both types of simulations can now be assigned by instructors and graded directly through MyBizLab.

- NEW Business Today Video Database. Business Today is a dynamic and expanding database of videos that covers the disciplines of business, marketing, management, and more. In addition to the videos that have been specifically correlated to this text, you will find new videos posted regularly. Check back regularly to see up-to-date video examples that are perfect for classroom use.

- NEW Learning Catalytics. Learning Catalytics is a “bring your own device” student engagement, assessment, and classroom intelligence system. It allows instructors to engage students in class with a variety of question types designed to gauge student understanding.

- Glossary Flashcards. The Glossary Flashcards provide a targeted review of the Key Terms in each chapter. They allow learners to select the specific terms and chapters that they would like to study. The cards can also be sorted by Key Term or by definition to give students greater flexibility when studying.

- Business Plan Project. A simple, concise Business Plan Project is available on MyBizLab for instructors to share with their students.

- NEW Canadian Sketch Animation Series. Explore a NEW animation series that presents key marketing and business concepts from a uniquely Canadian perspective. This interesting and lively series of videos will help your students grasp course concepts that they find difficult.

- Problem-Based Learning Assignments. Problem-Based Learning assignments encourage students to ask questions, think critically, solve problems and, if working in a group, engage with others. Problem-Based Learning assignments help students assume responsibility for their own learning, helping them to exercise leadership, and facilitate their ability to apply their knowledge. Students who actively participate in their own learning process are better able to link concept to application.

eText The Pearson eText gives students access to their textbook anytime, anywhere. In addition to enabling note taking, highlighting, and bookmarking, the Pearson eText offers interactive and sharing features. Rich media options may include videos, animations, interactive figures, and built-in assessments, all embedded in the text. Instructors can share their comments or highlights, and students can add their own, creating a tight community of learners within the class.

The Pearson eText may include a responsive design for easy viewing on smartphones and tablets. Many of these eTexts now have configurable reading settings, including resizable type and night-reading mode.

ADDITIONAL INSTRUCTOR RESOURCES

Instructor resources are password-protected and available for download via www.pearsoncanada.ca/highered.

UPDATED! Test Bank The updated Test Bank, in Microsoft Word format, contains approximately 4000 multiple-choice, critical thinking, true/false, short-answer, and essay questions. Bloom’s Taxonomy tagging and textbook page references tied to each question will help in assessing students. This robust Test Bank is also available in computerized format (see below).

Computerized Test Bank Pearson’s computerized test banks allow instructors to filter and select questions to create quizzes, tests, or homework. Instructors can revise questions or add their own, and may be able to choose print or online options. These questions are also available in Microsoft Word format.

UPDATED! Instructor’s Resource Manual The Instructor’s Resource Manual contains chapter synopses, chapter
outlines, teaching tips, in-class exercises, solutions to case studies, and answers to the critical thinking questions found at the end of each boxed insert. The manual also provides answers to the end-of-chapter exercises, including Building Your Business Skills and Exercising Your Ethics. Answers are also provided for the Questions for Discussion at the end of the CBC and Business Today video cases in each of the five major parts of the text.

**UPDATED! PowerPoint® Presentations** PowerPoint Presentations offer an average of 40 slides per chapter, outlining the key points in the text. Improved visuals, unique examples, and quick-check questions are provided. The slides also include lecture notes, summaries, and suggestions for student activities or related questions from the text.

**Learning Solutions Managers** Pearson’s Learning Solutions Managers work with faculty and campus course designers to ensure that Pearson technology products, assessment tools, and online course materials are tailored to meet your specific needs. This highly qualified team is dedicated to helping schools take full advantage of a wide range of educational resources, by assisting in the integration of a variety of instructional materials and media formats. Your local Pearson Canada sales representative can provide you with more details on this service program.

**Your Pearson Education Canada Sales Representative** Your Pearson sales rep is always available to ensure you have everything you need to teach a winning course. Armed with experience, training, and product knowledge, he or she will support your assessment and adoption of any of the products, services, and technology outlined here to ensure our offerings are tailored to suit your individual needs and the needs of your students. Whether it’s getting instructions on TestGen software or specific content files for your new online course, your representative is there to help. Ask your Pearson sales representative for details.
ACKNOWLEDGMENTS

We owe special thanks to Rodney Rawlings, copyeditor; Jessica Hellen, Project Manager; Carolin Sweig, Acquisitions Editor; Karen Townsend, Program Manager; Paul Donnelly, Developmental Editor; and others at Pearson Canada who assisted with the production, marketing, and sales of this edition.

We also appreciate the insights and suggestions of the following individuals, who provided feedback on the seventh edition or reviewed the manuscript for the new edition:

- Matt Archibald, University of Ottawa
- Robert Maher, University of New Brunswick
- Jeff May, McMaster University
- Bill McConkey, University of Toronto Scarborough
- Carolan McLarney, Dalhousie University
- Frank Saccucci, MacEwan University
- Les Schiller, Dawson College
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His experience as a practitioner has fostered an advocacy for integrating concepts with best business practices in business education. The five business books he has written have been translated into Spanish, Chinese, Malaysian, and Romanian. Dr. Ebert has served as the editor of the Journal of Operations Management. He is a past president and fellow of the Decision Sciences Institute. He has served as consultant and external evaluator for Quantitative Reasoning for Business Studies an introduction-to-business project sponsored by the National Science Foundation.

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Dr. Starke earned his BA and MBA from Southern Illinois University and his PhD in Organizational Behavior from Ohio State University. He has published research articles in such scholarly journals as Administrative Science Quarterly, Journal of Applied Psychology, Academy of Management Journal, Journal of Management Studies, and Journal of Business Venturing. He has written articles for professional journals, such as the Journal of Systems Management, Information Executive, and the Canadian Journal of Nursing Administration. Dr. Starke also writes textbooks that are used by university and community college students in business programs across Canada. These titles include Organizational Behaviour, Business Essentials, Management, and Business. Dr. Starke also presents seminars on the topics of decision making and goal setting to practicing managers in both the public and private sectors.

George Dracopoulos is a member of the Business Administration department at Vanier College. In the past, he has served as chairman of the department but is now devoting significant energy to his role as the International Business Exchange Coordinator. In the past decade, George has created links and built bridges with universities and businesses throughout France and Belgium. To date, hundreds of students have benefitted from these initiatives. He is also the co-organizer and co-founder of the national BDC/Vanier Marketing Case Competition and was recently awarded with the distinction as the Vanier VIP for his dedication and devotion to the community.

Mr. Dracopoulos also serves as a lecturer at McGill University, teaching traditional and online courses. He recently worked on an online broadcast pilot-project and has built courses geared primarily towards aboriginal students. He was honoured (among a select group) as Professor of the Year by a McGill University publication for his work in the Desautels Faculty of Management. He earned his MBA at McGill, and a graduate Diploma in Education and Graduate Degree in Applied Management. He earned his BA at Concordia University. Mr. Dracopoulos is an advocate of experiential learning and dedicates a significant amount of class time to hands-on projects. His primary interests are in the fields of marketing and management. While completing his university education, he spent a semester abroad studying management globalization issues in Europe. He has also spent a considerable amount of time coaching high-level sports and organizing events.

Outside his teaching career, Mr. Dracopoulos has worked in marketing and sales positions and provides marketing and management solutions (e.g., brand audits, customer relationship surveys, strategic consultations, IMC campaigns, and so on). He has also built web-based materials and training documents for clients in various industries, including aviation/IT solutions, publishing, office supplies, sound and music products, and higher education. Mr. Dracopoulos has been invited to provide motivational speeches and/or keynote addresses at major events across North America on topics such as Connecting with Millennials, Effective Communication, and Transformational Leadership.

In addition to this text, he has worked on many publishing projects, including Business in Action In-Class Edition, second Canadian edition (2009), co-authored with Courtland L. Bovée and John V. Thill, and Business, eighth Canadian edition (2014), co-authored with Ricky Griffin, Ronald J. Ebert, Frederick Starke, and Melanie Lang.
BUSINESS ESSENTIALS