

Business Management Study Guide

Chapter 1 Managing and Management Responsibilities

Lesson 1.1: The Role and Work of Managers

The Changing Nature of Management

- Managers determine how companies will do and how well they will perform
 - Turn ideas into products and services
 - Make up a small percentage of all company employees
- There are several levels of managers in an organization
 - Some are directly responsible for day-to-day operations and the employees working to complete them
 - Higher level managers are not directly responsible for daily operations
 - They spend time planning, problem solving, and making decisions for the good of the company
- The nature of management and way managers interact with employees have changed over time
 - In the past, managers exerted control and authority
 - Employees were given strict orders and had little information about what they were doing
 - Relationships between managers and employees were formal and sometimes antagonistic
 - Now, managers work closer with employees
 - Employees are constantly informed of performance and changes in the company
 - Help with important decisions as well
 - There is more respect in the company and communication as well as cooperation is much stronger

Management Activities

- There are many different kinds of managers

- Some control large corporations and others only focus on a small business with few employees
- Managers are in control of many aspects of the company including:
 - Purchasing
 - Sales
 - Communication
 - Technology
- **Management** - the procedure of achieving the goals of an organization through the effective use of people and other resources
 - Those resources include money, facilities, equipment, and materials
- Different types of managers make it difficult to identify exactly what they do
 - But there are certain activities that all managers must always perform. These activities fall under four categories:
 - **Planning** - Analyzing information and making decisions about what needs to be done
 - **Organizing** - Determining how plans can be accomplished most effectively and arranging resources to complete work
 - **Implementing** - Carrying out the plans and helping employees to work effectively
 - **Controlling** - Evaluating results to determine if the company's objectives have been accomplished as planned
 - Operating any business is a complex process, so if managers are not prepared, problems could easily develop



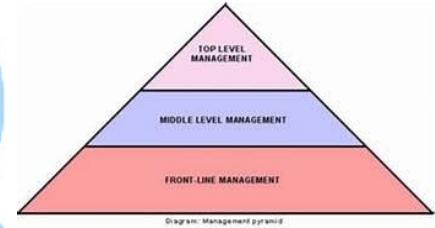
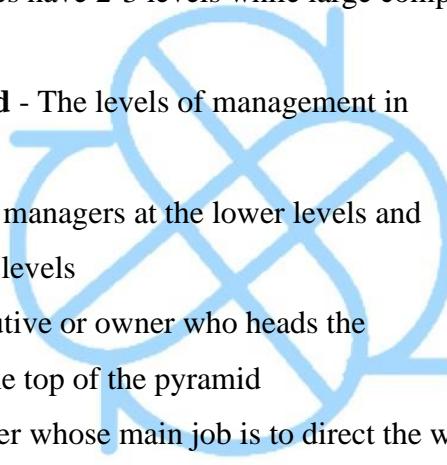
Managers and Nonmanagement Employees

- Employees often complete tasks that could be considered management activities
 - Develop plans to accomplish assignments

- Organize their workspace and the materials they use to complete their work efficiently
- May lead a group project or help evaluate the completed project
- Provides opportunities for employees to participate in activities that were once in the domain of managers
- New knowledge and skills help employees understand the work of managers and prepare for possible promotions
- **Manager** - Completes all four management functions on a regular basis and has authority over other jobs and people

Levels of Management

- Most companies have more than one level of management
 - Small companies have 2-3 levels while large companies have 5-6 management classifications
- **Management Pyramid** - The levels of management in an organization
 - There are more managers at the lower levels and fewer at higher levels
 - The chief executive or owner who heads the business is at the top of the pyramid
- **Supervisor** - A manager whose main job is to direct the work of employees
 - Are the first level of management in a company
 - Often perform non-managerial activities in addition to overseeing the work of others
 - At the bottom of the management pyramid
 - Supervisors work most directly with employees so they devote most of their time implementing and monitoring results of their work team
- **Executive** - Top-level who spends almost all of his or her time on management functions and decisions that affect the entire company
 - Have other managers reporting to them
 - At the top of the management pyramid

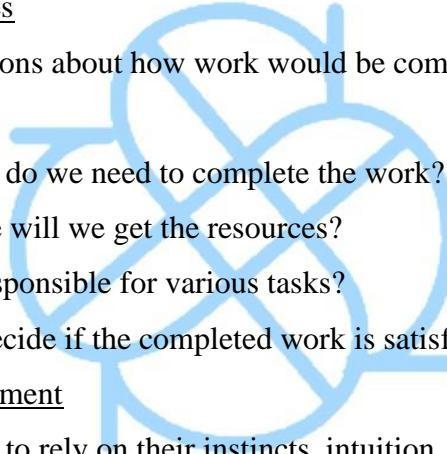


- Executives spend most of their time on planning and organizing because they work with other managers and are responsible for the business' overall success
- **Middle Manager** - Completes all of the management functions, but spends most of the time completing specialized work in one management function or is responsible for a specific part of the company's operations
 - May complete detailed planning activities, manage a specific product line, or be responsible for a specialized division
 - The amount of time devoted to each management function differs depending on the management level

Lesson 1.2: The Historical Development of Management

Management Through the Ages

- In order to make decisions about how work would be completed, managers have to ask questions such as:
 - What resources do we need to complete the work?
 - How and where will we get the resources?
 - Who will be responsible for various tasks?
 - How will we decide if the completed work is satisfactory?



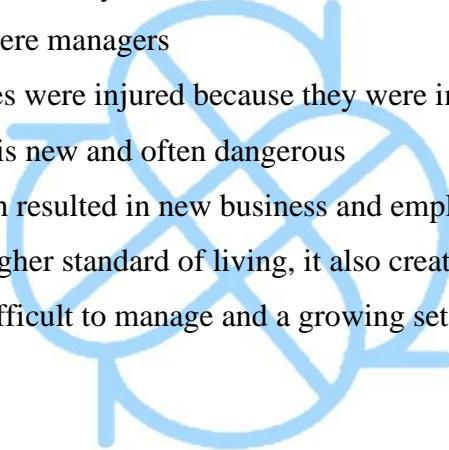
The Earliest Forms of Management

- The first managers had to rely on their instincts, intuition, and experience to decide how to organize work and operate their businesses
- Some of the earliest civilizations organized large numbers of people to accomplish difficult tasks
 - They organized vast agricultural enterprises and developed systems of commerce and finance
 - Up until the development of technology and machines, most work was completed using manual labor

The Industrial Revolution

- **Industrial Revolution** - The era of the eighteenth and nineteenth centuries in which machine power replaced human and animal power in the production process, leading to major business and social changes

- Allowed for the faster processing of raw materials
- Began in Western Europe and spread to the United States and around the world
- Allowed for people to compete more work in the same amount of time
- The economic expansion spawned by the revolution required a new approach to business operations
 - Money was needed to build the factories, buy the equipment, and obtain the materials needed for production
 - Employees needed to be hired and prepared for the new types of work
 - Finished products had to be sold and transported to customers
 - A small number of people were needed
 - to make the decisions, supervise the employees, and ensure the factories operated efficiently and profitably
 - These were managers
 - Many employees were injured because they were inadequately trained to handle equipment that is new and often dangerous
- Although the revolution resulted in new business and employment opportunities, the growth of cities, and higher standard of living, it also created large, hard to manage businesses that were difficult to manage and a growing set of economic and social problems



Theories of Management

- **Management Science** - the careful, objective study of management decisions and procedures in order to improve the operation of businesses and organizations
 - Created once business leaders recognized that their operating practices were not good for the company or its employees
- Several theories of management have been developed and tested. These include:
 - **Classical Management** - the way work is organized and the procedures used to complete a job in order to increase worker productivity

- Work areas are organized so materials are readily accessible so work is efficiently done
- The most efficient employees are studied to see what best methods should be taught to other employees
- Widely accepted and implemented in business in the late 1800s and through the first two decades of the 1900s
- **Administrative Management** - The most effective practices for organizing and managing a business
 - Created the concept of multiple levels of management
 - Organized businesses into specialized departments
 - Defined the type of work all managers must complete for an organization to operate effectively
 - Common functions of management include planning, organizing, commanding, coordinating, and controlling
 - The creator of this theory, Henri Fayol, recognized 14 characteristics of an effective organization including:
 - Authority and responsibility
 - Unity of command
 - Unity of purpose
 - Adequate compensation
 - Esprit de corps
- **Behavioral Management** - Organizational improvement through understanding employee motivation and behavior
 - Sometimes called human relations management
 - Focused on developing a work environment in which workers believe they are valuable so they are motivated to do their best
 - This will create positive relationships between managers and employees
 - Suggests that managers should improve working conditions and increase worker satisfaction which leads to better performance

- **Hawthorne Effect** - The response to people behaving differently when they are receiving attention
 - When employees felt that managers were concerned about them, they were willing to work harder
- **Quality Management** - A total commitment by everyone in an organization to improve the quality of procedures and products by reducing waste, errors, and defects.
 - Involves using facts and data to make decisions, and continually looking for ways to make improvements.
 - Training, participation, and commitment are hallmarks of quality management.

1.3 Managing the 21st Century

Workers

- The largest characteristic of business is change
 - The pace of change is extremely fast
 - The number of changes that must be addressed at one time is challenging
 - The impact of change is often dramatic
- The best description of the changing American workforce is diverse
 - This diversity is based on age, ethnic background, gender, and education
- There are some indications that the United States workforce will become much younger as baby boomers move into retirement.
 - Other indicators suggest that as people live longer, they will remain in the workforce longer.
 - This may be due to financial need brought on by a longer life span as well as the desire to stay active and involved.
 - The amount of ethnic and gender diversity is increasing rapidly

- In the future businesses will employ a workforce that is much more educated
 - Jobs are starting to require advanced education and more training

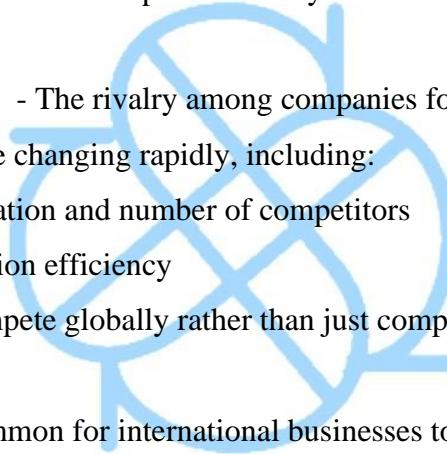
Work

- Just as the workforce is changing, so is the way work is accomplished

- Fewer jobs today require individuals to work on specialized tasks in isolation from other employees
 - Instead, work is organized around processes or projects where teams of employees collaborate.
 - Technology has changed the work environment because more work tasks are completed by automated machines
 - While many production and service jobs still require physical labor, more jobs are less physically demanding and more intellectually challenging.
 - Also require effective communication and interpersonal skills.
 - Often occurs virtually in present times, so employees must choose the appropriate technology, learn new procedures, and conduct themselves professionally

Competition

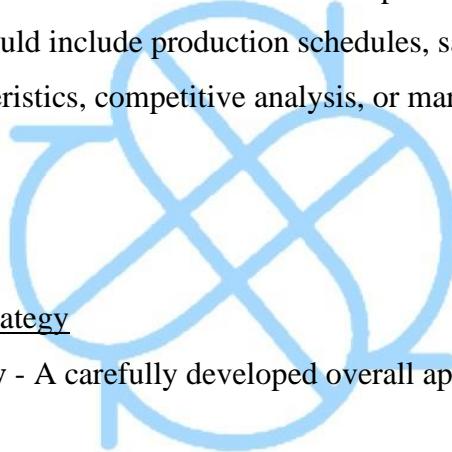
- **Business Competition** - The rivalry among companies for customers
 - Two aspects are changing rapidly, including:
 - The location and number of competitors
 - Production efficiency
 - Businesses compete globally rather than just companies found locally
 - It is common for international businesses to have work locations and employees in many different countries
 - A small business in one country can partner with businesses in other countries to have an international presence
 - Workers must work effectively across time zones and country borders
 - Must be able to respond to different economic and political systems as well as unique cultural and social needs
 - In terms of production efficiency, some businesses located outside the United States have an advantage
 - Have access to a lower cost workforce and less expensive production and distribution alternatives



- Laws, regulations, and financial incentives in other countries also create advantages

Technology

- Internet and telecommunications technologies are driving changes in business and management
 - Businesses need a website to promote their businesses, communicate with customers, and sell their products and services
 - Often also use social media and mobile applications for instant communication and customer interaction
 - Also makes it easier for employees to contact managers without being in the same location
 - Managers can access information about all aspects of the business
 - This would include production schedules, sales figures, customer characteristics, competitive analysis, or market data



Developing a Management Strategy

- **Management Strategy** - A carefully developed overall approach to leading an organization
- This strategy ensures that managers cannot just do whatever they want based on their own instincts and experience
- Every business has a unique set of characteristics such as
 - Its size (large or small)
 - What goods or services it offers
 - If it operates locally or globally
- Resources and the environment used to operate the business affect the way it is managed
- This means that each organization must develop its own management strategy
- Developing a Management Strategy includes
 - The Business

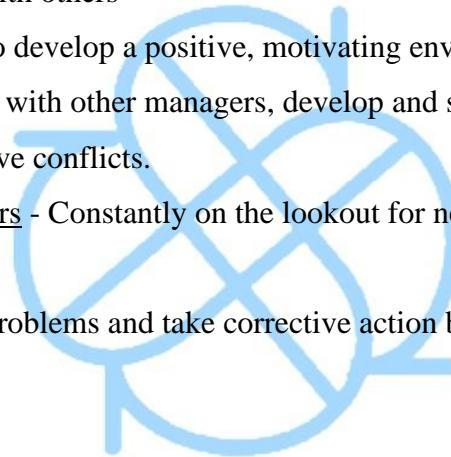
- Management will differ if the business is small or large, new or old, or operating in one or multiple locations
- Retail businesses do not have the same management as manufacturing or transportation companies
- The Work
 - Managers must be prepared to manage the work and the employees doing the work
 - Different work requires different management
 - Managing routine tasks is different from managing work in a stressful and ever changing environment
 - Today's managers usually work with employees who have different backgrounds and different aspirations
- The Business Environment
 - The environment for businesses that offer unique products and services are much less competitive
 - An effective management strategy must recognise the nature of competition
 - Must be able to effectively respond to any political, legal, and regulator issues,
 - Must demonstrate the level of social responsibility expected of customers and the communities in which the business operates.
- The Management
 - Determines the overall approach and philosophy it will follow
 - Strategy affects the responsibilities of managers
 - Includes their relationships with nonmanagement employees

Chapter 2 Management, Supervision, and Decision Making

Lesson 2.1 Increasing Management Effectiveness

Management Roles

- Managers are responsible for getting the work of an organization accomplished through the efforts of other people
 - Some managers use threats and punishment to motivate workers - not always effective
 - Even if the work is done, it may not meet quality standards
- **Management Role** - is a common set of activities that make up an important part of a manager's job
- The best managers are communicators, relationship builders and decision makers
 - Communicators - Make sure important information is gathered, used appropriately, and shared with those who need it
 - Relationship Builders - Represent their organization and maintain effective relationships with others
 - Work to develop a positive, motivating environment
 - Interact with other managers, develop and support subordinates, and work to resolve conflicts.
 - Decision Makers - Constantly on the lookout for new opportunities and areas for improvement
 - Solve problems and take corrective action but also recognize and reward success



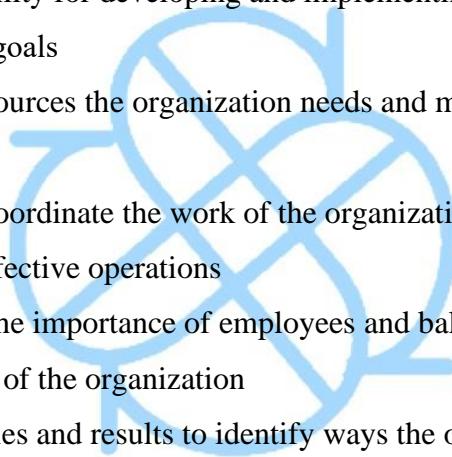
Getting Work Accomplished

- Managers' jobs are organized around four functions—planning, organizing, implementing, and controlling
- The resources of an organization include people, money, facilities, equipment, and materials
 - Most important - employees
- Steps of controlling an organization
 - Plan - shows what resources will be used to accomplish goals
 - Managers determine the type and number of people needed to operate the center
 - Budgets are established
 - Plans for facilities, equipment, and materials required are established

- Organize - makes sure all resources are in place to accomplish the plan
 - Employees are divided into work teams to complete activities
- Implement - Using the resources to complete the company's work
- Control - Check whether resources were used effectively and what changes can be made

Principles of Effective Management

- As businesses change, what it takes to be an effective manager has changed as well
- **Management Principles** - the fundamental guidelines for the decisions and actions of managers
- The 6 Principles of Management (for an effective manager)
 - Demonstrate commitment to the success of the organization
 - Take responsibility for developing and implementing plans to accomplish the organization's goals
 - Identify the resources the organization needs and make sure they are available when needed
 - Organize and coordinate the work of the organization in a way that accomplishes efficient and effective operations
 - Acknowledge the importance of employees and balance those needs with the goals and work of the organization
 - Monitor activities and results to identify ways the organization can be improved
- Managers must be consistent and objective in their work
 - Cannot rush to judgments, let biases affect their decisions, or act in their own self-interest



Lesson 2.2 Effective Supervision

The Supervisor's Job

- As first-level managers, supervisors are responsible for day-to-day activities of the company's employees
 - The act as the link between the management and non-management employees
 - Must carry out the decisions of management as well as solve employee problems and present employee concerns to management.

- Usually selected from most experienced employees but have little management training
- **Subordinate** - Subject to the authority and control of another person
 - Must command respect from the employees while encouraging them to do their best
- The effectiveness of a supervisor's job is determined by three factors
 - 1. The quality of the work of the supervised employee
 - 2. The efficient utilization of the company's resources
 - 3. The satisfaction of the supervisor's employees
- Supervisors must divide their time between management activities and work
 - Their job may vary but they all have a common set of responsibilities in all companies.

Responsibilities of Supervisors

- **Communicate the goals and directions of management to employees**
 - Can show the importance of company's goals and how they can accomplish their own goals by helping the company be successful
- **Explain Employee Concerns and ideas to management**
 - Employees like working for a company that is concerned about them, involves them planning and decision making, and takes their ideas and suggestions seriously
- **Evaluate and improve employee performance**
 - **Performance Review** - a procedure that assesses the work and accomplishment of an employee and provides feedback on performance.
 - Can reveal the employee's strengths and weaknesses
- **Encourage employees to do their best**
 - Supervisors can help create a comfortable atmosphere where employees feel safe
- **Use resources efficiently**
 - Good supervisors look for ways to operate more efficiently and use resources more effectively

Managing Day-to-Day Activities

- **Work Schedules** - identify the tasks to be done, employees assigned to the work, and the time frame for completion of each task
 - Supervisors decide when employees will work and which projects each person will complete
 - **Time Management** - Managing work schedules to achieve maximum productivity
 - Supervisors must be able to determine the work to be done, set priorities for the most important work, and ensure that it is completed properly and on time
- **Communicating with Employees**
 - Whether written or oral, communications must be specific and clear
 - Need to plan the content of their communications and determine the best method, place, and time to communicate the information
- **Controlling Quality**
 - **Quality Control** - is the process of making sure work meets acceptable standards
 - Supervisors can reduce those problems by planning work carefully, developing quality standards, and regularly checking the quality of the work being done



Improving Supervisory Skills

- Largest challenge for supervisors is understanding the need to spend less time on non-managerial activities and more time on management functions
- If supervisors constantly step in and do the work for the employees:
 - Both the quality and quantity of the employee's work will suffer
 - The supervisor will have less time for important management work
- Many companies provide formal training programs for new supervisors

- Other companies help supervisors develop their skills by paying for them to attend management classes or programs,
 - **Work Coach** - an experienced manager who meets regularly with a new manager to provide advice and feedback
 - Newer method to help new supervisors develop skills



Lesson 2.3 Managing with Information

- Managers must have information readily available to them (records on production and sales, personnel, expenses, and profit and loss) in order to make decisions
 - Data must be obtained, organized, and made available to managers so they can make decisions quickly and efficiently
- Managers cannot remember all the info needed to make decisions
 - Need a systematic way to gather info that is used for decision making
- **Management information system (MIS)** - a computer-based system that stores, organizes, and provides information about a business.
 - Computerized information systems help managers develop effective plans and control business operations
- **What-If analysis** - a systematic way to explore the consequences of certain choices using computer software
- Computers can be used to monitor the performance of activities in a company
 - Managers would be involved only when results do not meet standards

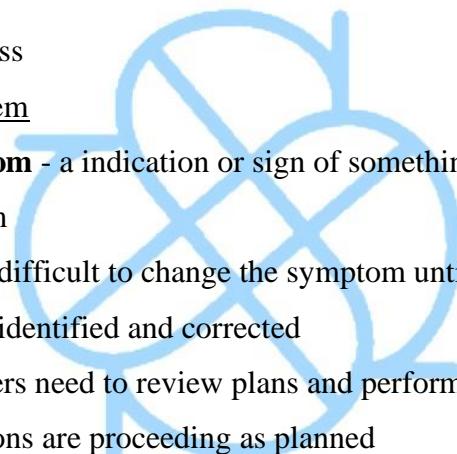
Business Research

- Managers must be careful not to make decisions without sufficient information about the problem or possible solutions.
 - **Research** - conducted to gather new information not yet included in the management information system

- Common study areas - marketing research and product development research
- Human resources studies are conducted on the supply and demand of labor, employee motivation, and training techniques
- Most companies have research departments that plan and complete studies for company problems

Problems and Decision Making

- **Problem** - a difficult situation requiring a solution
 - Usually do not have single solutions
 - Often have several good solutions and several poor
- Problem solving process
 1. Identify problem
 - **Symptom** - a indication or sign of something that appears to be the problem
 - difficult to change the symptom until the problem can be properly identified and corrected
 - Managers need to review plans and performance regularly to determine if operations are proceeding as planned
 2. Determine possible solutions
 - Many ways to determine - brainstorming, discussing with experienced workers, or reading and studying
 3. Analyze solutions
 - Should examine the strengths and weaknesses of each
 - Managers may want to conduct an experiment to test one or more solutions before making a final choice
 4. Select the best solution
 - Managers must then determine the best way to implement it and who will be part of the implementation



- Must also gather info on if the solution is actually solving the problem
- **Contingency plan** - An alternative course of action to be followed if a specific problem arises
 - Similar to problem-solving, but happens before problem emerge

Chapter 3: The Manager as Leader

Lesson 3.1 The Importance of Leadership

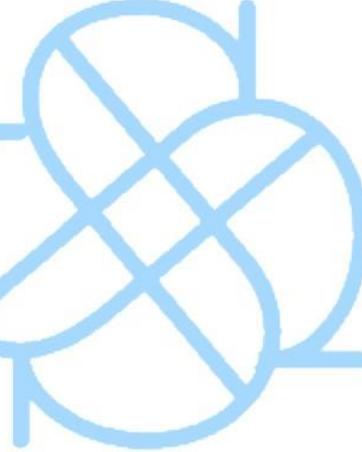
Leadership in Business

- One of the important qualities for a manager at any level is effective leadership
- Managers need to be leaders of their employees as well as managers of the business
 - Employees respond favorably to this
- **A leader** earns the cooperation and respect of employees to effectively accomplish the work of the organization.
- **Leadership** - the ability to influence individuals and groups to cooperatively achieve common goals.
- Leaders have excellent human relations skills
 - **Human relations** - how well people get along with each other when working together
- A manager can contribute to effective or ineffective human relations
 - Not every manager is currently an effective leader, but leadership skills can be developed
- A leader demonstrates effective human relations skills and also helps others to develop these skills

Leadership Characteristics

- Managers should recognize and help to meet important needs of each employee while also accomplishing the goals of the business.

- Success in this task requires leadership
- Because leadership is directly related to the success of an organization, it is important that managers develop leadership characteristics.
- Researchers have studied leaders in order to identify the characteristics that make them successful.
- Having these characteristics, though, does not ensure that a person will be a good manager.
- Leadership characteristics are personal qualities rather than specific ways that managers behave
 - Leadership characteristics prepare managers to be responsible yet flexible and able to adjust to changes.
- Common Leadership Traits include:
 - Judgement
 - Intelligence
 - Objectivity
 - Initiative
 - Dependability
 - Cooperation



Influencing people

- There are both positive and negative ways to influence others
- Just because managers can get others to do what they want does not mean that the managers are effective leaders
 - Managers can influence employees because of their power

Management Power

- **Power** - the ability to control behavior
 - Four types of power for managers.
 - **Position power** comes from the position the manager holds in an organization
 - **Reward power** is based on the ability to control rewards and punishments

- **Expert power** is given to people because of their superior knowledge about work
- **Identity power** is power given to people because others identify with and want to be accepted by them
- People other than managers can have power in an organization

Lesson 3.2 Developing Leadership Skills

Leadership in Business

- People are not born leaders. People develop their leadership qualities through *experience, training, and personal development.*
- Becoming an effective leader requires commitment, preparation, and practice.
- Managers need to be leaders. However they are not the only people in an organization who need leadership skills.
- Many businesses are using employee teams to plan work and make decisions
 - These teams may include a manager, although all will not
 - If the team is well organized, the leaders often have expert and identity power that helps individual projects completed
- Companies frequently evaluate applicants' leadership abilities before hiring them
 - Prefer to hire employees who have already developed leadership characteristics and have leadership experience

Human Relations

- Managers are continually interacting with employees, other managers, customers, and other who have an interest in the work of the business
 - Because of this contact, managers need human relations skills
- Important human relations skills needed by managers include:
 - Self-understanding - an awareness of your attitudes and opinions, your leadership style, your decision-making style, and your relationships with other people
 - Understanding others - Each person in the company is different and the manager cannot treat everyone in the same way
 - They must know the best way to work with each employ in order to satisfy their needs and accomplish the company goals

- Communication - Managers must understand what information needs to be communicated and what methods to use
 - They must also listen to employee concerns so they can identify problems, determine needs, and respond to them effectively
- Team building - Getting people to support the same goals and work well together to accomplish them
 - Take responsibility for work and pride in the results reduce the amount of time managers must spend monitoring the team's work
- Developing job satisfaction - Can be satisfied by personal characteristics of employees and managers, individual needs, the people with whom employees work, and the actual work itself
 - Managers must be aware of the differences among employees to help them maintain a high level of job satisfaction



Lesson 3.3 Leadership Styles

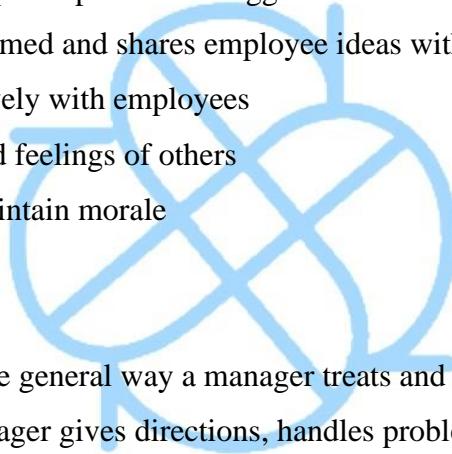
Management Views of Employees

- Good managers are able to adjust their management style to the characteristics of the people they supervise and to the situation.
- Management styles include:
 - Close Management - When managers believe that employees will not perform their work properly unless they are closely managed
 - This results in less motivation from employees because they do not feel trusted
 - Spend much of their time in close supervision of employees rather than other management responsibilities
 - Limited Management - When managers believe that employees are interested in their work because the job meets many of their personal needs.
 - Often ask people for their input on how to perform the work
 - Spend less on employee supervision and more time on other management activities

- **Flexible Management** - When managers adjust their approach as circumstances change
 - most effective
 - Employees tend to favor managers who are flexible enough to increase or decrease the amount of supervision as needed
 - Managers can work with employees to determine the reasons of their feelings and find out what they like and dislike about the type of work
 - Can develop ways to involve employees, encourage and respect their ideas, and offer opportunities to do more of what they enjoy

Leadership Qualities Examples

- Encourages employee participation and suggestions
- Keeps employees informed and shares employee ideas with upper management
- Communicates effectively with employees
- Considers the ideas and feelings of others
- Works to build and maintain morale



Leadership Styles

- **Leadership Style** - The general way a manager treats and supervises employees
 - The way a manager gives directions, handles problems, and makes decisions
- **4 Leadership Styles**
 - **Autocratic Leadership**
 - Gives direct, clear and precise orders with detailed instructions as to what, when, and how work is to be done
 - Advantages
 - Good for efficiency
 - Expectations are usually clear
 - Disadvantages
 - Employees usually do not get much of a say
 - Discourages employees from thinking of new and better ways to

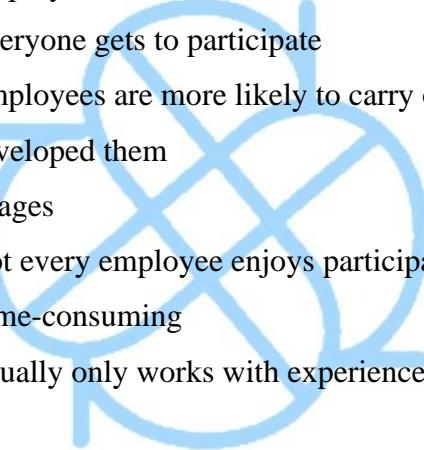


complete their work

- Frequent employee dissatisfaction
- Decline in employee work performance
- Does not prepare employees for leadership positions

- **Democratic Leadership**

- One who encourages workers to share and make decisions about work and work related problems
- Advantages
 - Managers communicate openly with employees
 - Workers are motivated
 - Employees don't need to be as closely supervised
 - Everyone gets to participate
 - Employees are more likely to carry out plans because they developed them
- Disadvantages
 - Not every employee enjoys participating
 - Time-consuming
 - Usually only works with experienced and well-trained workers

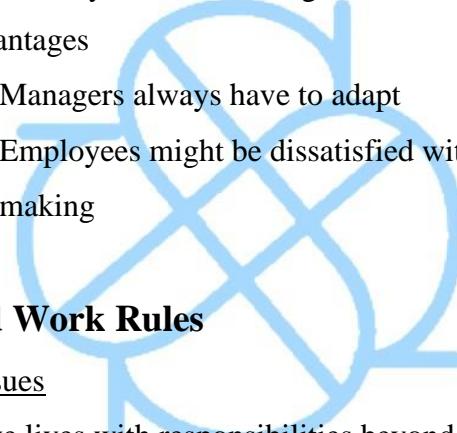


- **Open leadership**

- Give little to no direction to employees
- Advantages
 - Employees become more independent
 - Good to use when employees work in multiple locations
 - Quicker reaction time to problems
 - More creativity and specialization
 - Managers can focus on management functions
- Disadvantages
 - Works best with experienced workers
 - Can lead to confusion and lack of direction

- Only works if employees are confident in their own abilities and trust their manager
- Employees may not work as a team
- Employees might take advantage

- Situational Leadership
 - Understands employee and job requirements and matches actions and decisions to the circumstances
 - Advantages
 - They use human relations skills
 - It is flexible.
 - Used by effective managers
 - Disadvantages
 - Managers always have to adapt
 - Employees might be dissatisfied with inconsistent say in decision-making



3.4 Employee Issues and Work Rules

- Managing Personal Issues
 - Employees have lives with responsibilities beyond work.
 - Young people: Work, education, starting a family
 - Families with children: Two careers, school/activity schedules for the kids, normal daily activities (meals, errands, appointments)
- Balancing Work and Personal Life
 - Personal and family issues are important to employees. These issues cannot be ignored when the employee comes to work.
 - While most people are able to balance their work and personal life, some may find it hard to cope with some circumstances and may need additional help.
- Handling Difficult Personal Problems
 - Managers are increasingly confronted with some personal problems of employees that are more serious.

- Problems such as drug or alcohol abuse, conflicts in personal relationships, or serious financial difficulties may result in employees being unable to perform their jobs well.
 - Managers need to be aware of employees who are having difficulty on the job and try to determine the reasons for it.
 - The managers need to work with the employee to get the necessary help to resolve the problem even if it is a personal issue.
 - **Employee assistance programs** (EAP) provide confidential individual assistance including counseling and support services for employees experiencing serious personal or family issues.
 - Managers need to make employees aware of those services and the importance of solving personal problems before they affect job performance.
- The Need for Work Rules
- **Rules** are prescribed guidelines for actions and conduct
 - The rules of a business are known as work rules.
 - **Work rules** are regulations created to maintain an effective working environment in a business.
 - Employees must meet certain expectations if a business is to operate effectively.
 - Those expectations might deal with hours of work, care of equipment, worker safety, relationships among employees, etc.
- Developing Work Rules
- Companies develop work rules to identify expected behaviors.
 - The employees in some businesses are represented by labor unions.
 - **Labor Union** - an organization of workers formed to represent their common interest in improving wages, benefits, and working conditions.
 - The contract between management and the union identifying rights and responsibilities of the business and its employees is a labor agreement.
 - **Labor Agreement** - often specifies important work rules and the procedures to be followed if there are violations of the rules.
 - Managers must also clearly communicate to all employees what is expected of them and how the managers will resolve problems

Responding to Rules

- Companies must have procedures for responding to violations of those rules
 - Should be clear and specific
 - Communicated to all employees
 - Enforced fairly and equitably
- **Hot Stove Principle** - Reacting immediately, objectively, and firmly to rules violations

Chapter 4: Planning and Organizing

Lesson 4.1 The Planning Function

Why Plan?

- New businesses are started every day
- Lack of planning is often one of the reasons for business failures
- Planning = Success
- Good planning CAN mean a larger business, higher profits, and satisfaction
- Poor planning CAN mean huge losses, and possible business failure
- **Business Plan** - a written description of the nature of the business, its goals and objectives, and how they will be achieved
 - Include an analysis of opportunities and risks, as well as financial analysis showing potential profits.
 - Small businesses - may have brief and simple plans
 - Large businesses - may have large and complex plans
- Managers use plans to determine whether the business is making progress
 - Plannings helps managers communicate with each other and with employees to coordinate activities
- Large businesses require a great deal of coordination to avoid problems, conflicts, and missed opportunities
- **Elements of a Business Plan**
 - Nature of the business
 - Detailed description of products and/or services
 - Estimation of risk based on analysis of the industry

- Size of the business
- Location of business
- Background of entrepreneur(s)
- Goals and Objectives
 - Basic results expected in the short and long run
 - Results expressed in terms of sales value or profits
- Marketing Plan
 - Customers and their demand for the product or service
 - Pricing, distribution and promotion activities
 - Comparison of product or service with competitors
- Financial Plan
 - Investment needed to start and maintain the business
 - Projected income expenses, and profit
 - Cash start-up and cash flow needs
- Organization Plan
 - Legal form of ownership
 - Legal factors - licenses, leases, contracts
 - Organization chart
 - Job descriptions and employee skills needed
 - Physical facilities - buildings, equipment, tools

Levels of Planning

- Managers plan on two levels - strategic and operational
 - **Strategic Planning** - long-term and provides broad goals and direction for the entire business
 - **SWOT analysis** - the examination of the organization's internal **Strengths** and **Weaknesses** as well as the external **Opportunities** and **Threats**
 - **Internal Factors** - all of the things within a business that managers can influence and control to help accomplish business plans
 - **External Factors** - The things operating outside of the business that managers cannot control but that may influence the success of business plans

- **Steps in Strategic Planning**

1. External Analysis

- a. Study factors outside the business that can affect operations such as customers, competitors, the economy, and government

2. Internal Analysis

- a. Study factors inside the business that can affect success such as operations, finances, personnel, other resources

3. Mission

- a. Agreeing on the most important purposes or direction for the firm based on the info collected

- b. **Mission** - short, specific statement of the business's purpose and direction
- c. **Vision** - the company's reason for existing



4. Goals

- a. Develop outcomes for the business to achieve that fit within the mission

5. Strategies

- a. Identify the efforts expected from each area of the firm if goals are to be achieved

- **Operational Planning** - short-term and identifies specific goals and activities for each part of the business.

- Based on the business's strategic plan and are developed after the strategic plan is completed

4.2 Using Planning Tools

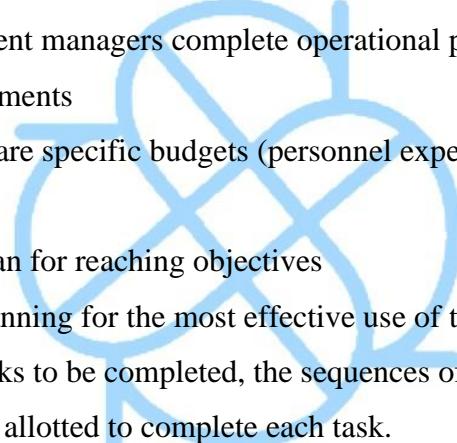
Establishing Direction

- **Goal** - a specific statement of a result the business expects to achieve
 - Several characteristics of effective goals
 - Must be specific and meaningful

- Must be achievable
- Should be clearly communicated
- Should be consistent with each other and with overall company goals

Planning Tools

- In order to be skilled and efficient in planning, a manager has a number of planning tools such as budgets, schedules, standards, policies, procedures, and research to help them with their work
- **Budgets** - written financial plan for business operations developed for a specific period of time
 - Most widely used planning tool
 - Assist managers in determining the best way to use available money to reach goals
 - When department managers complete operational planning, they prepare budgets for their departments
 - They also prepare specific budgets (personnel expenses, equipment, costs of materials, etc.)
- **Schedules** - A time plan for reaching objectives
 - Valuable in planning for the most effective use of time
 - Identify the tasks to be completed, the sequences of related tasks, and time allotted to complete each task.
- **Standards** - A specific measure against which something is judged
 - Businesses set quality standards for products and services they produce
 - Standards are also set for time and defective products
 - **Managers are responsible for setting realistic standards and for using those standards to judge performance**
 - Also must know when to revise outdated standards
- **Policies** - Guidelines used in making decisions regarding specific, recurring situations
 - A policy is often a general rule to be followed by the entire business or by specific departments
 - Help reduce misunderstandings and encourage consistent decisions for similar conditions by all managers and employees



- **Procedures** - A sequence of steps to be followed for performing a specific task
 - Procedures for both routine and complex tasks improve business efficiency and are of special help to employees learning a new job
 - Experienced can help managers design new procedures and improve existing ones
- **Research**
 - Managers need a great deal of information to develop budgets, improve schedules, and establish better standards, policies, and procedures
 - Research is done to collect data for managers and to provide the info needed to improve their planning decisions

Lesson 4.3 The Organizing Function

- Before a plan can be put into operation, the company must be organized to carry out the plan and perform work effectively
- Making a product involves several departments: research, manufacturing, human resources, marketing and sales, finance, and information management
 - Each manager organizes the assigned activities so work will be accomplished on schedule
- **Organizing** - determining how plans can be accomplished most effectively and arranging resources to complete work
- **Organization Chart** - An illustration of the structure of an organization, major job classifications, and the reporting relationships among the organization's personnel.
 - Purposes of the chart
 - Shows the major work units that make up the business
 - Allows employees to identify which unit they are affiliated with, how it relates to other units, and to whom they are accountable
 - Identify lines of authority and formal communication within the organization
 - The process of organizing work has three elements

- 1. The division of work
 - the total work to be done must be divided into **units**, such as **departments**, when establishing an organization structure.
 - Employees should be assigned to the units where they have expertise to complete that work.
- 2. The facilities and working conditions
 - All necessary equipment and materials must be provided to employees to be able to complete their work
 - Morale must be considered - influenced by lighting, temperature, ventilation, and cleanliness, as well as quality and maintenance of tools and equipment
- 3. The employees
 - Dividing the work into manageable units and providing adequate equipment and facilities must be done with employees in mind

Characteristics of Good Organization

- **Responsibility** - the obligation to do an assigned task
 - Tasks that are assigned must be clearly identified so all employees know exactly what work they are responsible for
- **Authority** - the right to make decisions about work assignments and to require other employees to perform assigned tasks
 - Delegated from the top of the organization to others at lower levels
- One of the greatest mistakes in business is to assign responsibilities to employees without giving them sufficient authority to carry out those responsibilities
- Each employee and each manager should specifically know:
 1. The description and duties of each job
 2. What authority accompanies the job
 3. The manager in charge
 4. Who reports to the manager
 5. What is considered satisfactory performance
- **Empowerment** - the authority given to individual employees to make decisions and solve problems they encounter on their jobs with the resources available to them

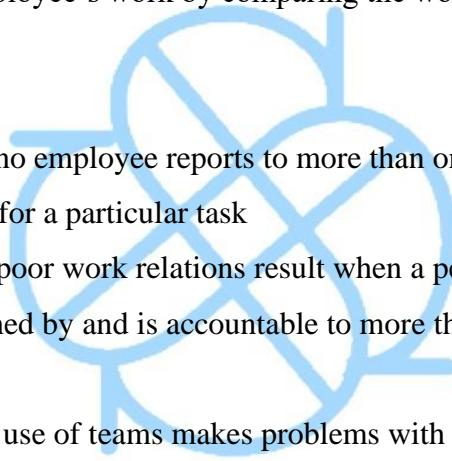
- A growing practice in many organizations today
- Empowered employees need to be well trained and be effective decision makers and problem solvers
- Effective organization is helpful in eliminating conflicts between managers, employees, and departments and in increasing cooperation and collaboration

Accountability

- **Accountability** - the obligation to accept responsibility for the outcomes of assigned tasks
 - Even when a manager assigns responsibility and delegates authority to an employee, they still do not give away the responsibility for ensuring the work is completed and for evaluating the quality of that employee's performance
- Managers evaluate employee's work by comparing the work to established goals and work standards

Unity of Command

- **Unity of Command** - no employee reports to more than one supervisor at a time or for a particular task
 - Confusion and poor work relations result when a person has work assigned by and is accountable to more than one supervisor
- The increase in use of teams makes problems with the unity of command more prominent
 - Teams need clear assignments of responsibility and authority for their tasks and all team members need to be aware of who is in charge

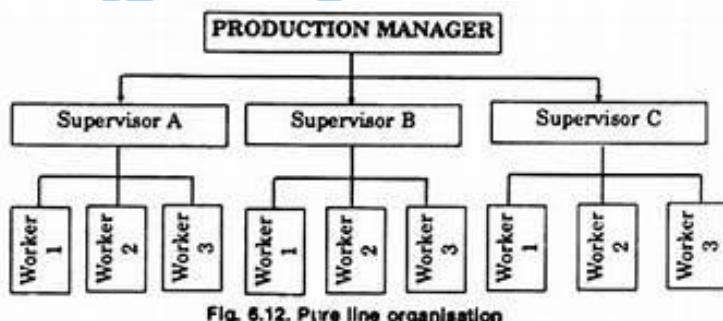


Span of Control

- **Span of Control** - the number of employees that any one manager supervises directly
 - Organizations must establish a reasonable span of control for each manager
 - If the manager is given to many people to supervise, they will become overworked and unable to perform all duties effectively, employees may not have access to help when needed
 - If they are given too few people, the business is wasting money

4.4 Developing Effective Organizations

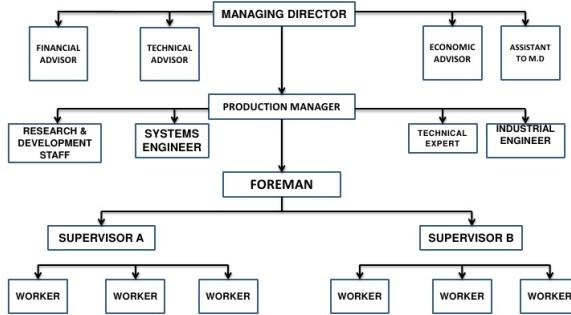
- A business' organizational structure identifies the relationships among departments and personnel and indicated the lines of communication and decision making
 - Two principal types of organizational structure
 - **Line Organization** - all authority and responsibility can be traced in a direct line from the top executive down to the lowest employee level in the organization
 - The top executive has direct control over all units of the business, but responsibility, authority are passed along from one person to another, down to the lowest level
 - **Silo Effect** - a type of isolation and focus on only one part of the organization in which there is not direct way that managers of different departments can communicate and work together



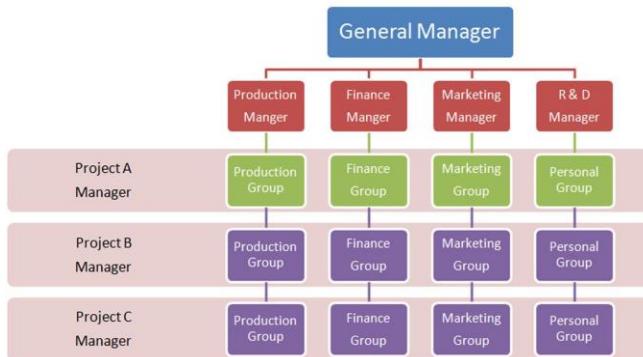
- **Line and Staff Organization** - managers have direct control over the units and employees they supervise but have access to staff specialists for assistance
 - Adds staff specialists to a line organization
 - Designed to solve the problem of complexity and still retain the advantages of direct and definite lines of authority

- Staff specialists give advice and assistance when needed but have no authority over line personnel to require them to perform tasks
- Line personnel are still only responsible to one manager

LINE AND STAFF ORGANISATION

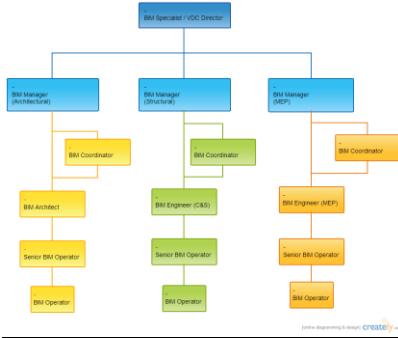


- Two newer structures in companies today
 - **Matrix Organization (project organization)** - organizes employees into temporary work teams to complete specific projects
 - Employees report to a project manager with authority and responsibility for the project
 - When a new project must be done, employees with the needed skills are assigned to work on the project team
 - Work assignments and relationships in a matrix organization are clear but temporary



- **Team Organization** - divides employees into permanent work teams
 - Teams have responsibility and authority for important business activities with limited management control over their daily work

- Teams often have team leaders who are likely to be experienced employees rather than managers



- **Self-directed work teams** - when team members together are responsible for the work assigned to the team
 - Without a permanently designated team leader
 - In self-directed work teams, the team decides who will do which types of work and how they will do it
 - Effective work teams have been shown to increase productivity and improve quality
 - Members work hard to support the team and ensure they meet their goals
 - In order to be successful, team members must be competent in three areas:
 1. Technical job skills
 2. Interpersonal skills (writing, speaking, and negotiating)
 3. Administrative skills (leading meetings, thinking analytically, and maintaining records)

Improved Business Organization

- **Centralized Organization** - when a few top managers do all major planning and decision making
 - Traditionally used by businesses
 - May cause communication problems and the need for many policies and rules to control the organization

- Lack of communication leads to frustration when rules keep them from doing things they consider important
- **Decentralized Organization** - a large business is divided into smaller operating units, and managers who head the units have almost total responsibility and authority for operations
 - Often operate like independent companies
 - Could be separated by categories of products or by types customers
- **Flattened Organization** - fewer levels of management than traditional structures
 - Remaining managers and employees assume many of the responsibilities previously assigned to other levels of management
 - Often has better communication because info flows through fewer levels
 - Also would have more coordination and cooperation because there is less specialization within the organization
 - A complex organizational structure that requires a lot of time for decision making and for communicating information will not be as competitive as one that is more flexible and responsive

Chapter 5: Implementing and Controlling

Lesson 5.1: The Implementing Function

The Challenge of Implementing

- The implementing function of management involves carrying out the organization's plans and helping employees to work effectively
 - The majority of managers spend a great deal of time on implementing and controlling activities
- Implementing involves guiding employee work toward achieving the company's goals
- Challenge of implementation - changing conditions in a business create problems in the way work is accomplished

Implementing Activities

- Managers must complete a number of activities designed to channel employee efforts in the right direction to achieve goals
 - Effective communication
 - Managers must be able to communicate plans and directions, gather feedback from employees, and identify and resolve communication problems
 - Both personal and organizational communications are important
 - Motivating employees
 - **Motivation** - a set of factors that influence an individual's actions toward accomplishing a goal
 - Managers can use rewards and punishments to encourage employees to motivate themselves toward pursuing company objectives
 - **Internal Motivation** - motivation from a person's beliefs, feelings, and attitudes that influence their actions
 - For many, this is the most influential motivation
 - **External Motivation** - motivation coming from rewards and punishments supplied by other people
- Work Teams
 - **Work team** - a group of individuals who cooperate to achieve a main goal
 - Effective work teams have members who:
 - Understand and support its purpose
 - Clearly understand the activities to be completed
 - Are committed to meeting the expectations of others in the group and helping the group succeed
 - Communicate well with each other and work to resolve problems within the group
 - To create an effective work team, managers need to help organize the team and develop needed team skills, create a work environment that supports teamwork, and help the group resolve problems when they occur
 - Operations management

- **Operations** - the major ongoing activities of a business
- **Operations Management** - effectively directing the major activities of a business to achieve its goals
- What must be available for employees to perform their work
 - Facilities
 - Equipment
 - Materials
 - Available supplies in good condition
- **Process Improvement** - The efforts to increase the effectiveness and efficiency of specific business operations
 - Due to increasing competition, companies must operate efficiently to keep costs low so that they can compete successfully

Lesson 5.2 Motivation and Change Management

Motivation Theories

- Psychologists have developed theories about what factors motivate people to behave as they do
- Managers can influence employees to behave in ways that help achieve company goals by understanding and applying theories of motivation
- Motivation theories

- Maslow's Hierarchy of Needs

- Describes motivation in terms of a hierarchy of needs
- The first level is physiological followed by security, social, esteem, and self-actualization needs
- **Physiological needs** - things required to sustain life (food, shelter)
- **Security needs** - ensuring you and those you care for are safe and free from harm
- **Social needs** - the need to belong, to interact with others, to have friends, and to love and be loved



- **Self-actualization** - the need to grow emotionally and intellectually, to be creative, and to achieve your full potential
- People seek to satisfy these needs (above) from lowest to highest
 - If a lower level is not satisfied, a person will have little motivation for higher levels

- **McClelland's Achievement Motivation**

- Based on a set of needs common to all people
 - Believed that people are influenced most strongly by one of three specific needs:
 - The need for achievement
 - The need for affiliation
 - The need for power
- **Achievement Need** - people who take personal responsibility for their own work, set personal goals, and want immediate feedback on their work
- **Affiliation Need** - people concerned about their relationships with others and work to get along well and fit in with a group
- **Power Need** - People who want to influence and control others and to be responsible for a group's activities
- This theory recognizes that various jobs provide greater or fewer opportunities for achievement, affiliation, or power

- **Herzberg's Two-Factor Theory**

- Identifies two distinct groups of factors related to motivation
- Two groups : hygiene factors and motivators
- **Hygiene factors** - job factors that dissatisfy when absent but do not contribute to satisfaction when they are present
 - Can create dissatisfaction but cannot improve satisfaction
- **Motivators** - factors that increase job satisfaction
 - Managers should provide motivators such as opportunities for interesting work, greater individual control and responsibility, and recognition for good work

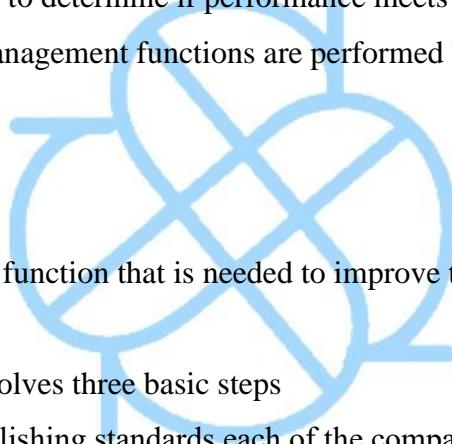
- People resist change when:
 - Their jobs are threatened
 - They do not trust those responsible for planning change
 - They are uncertain about how change will affect them
- To implement change managers must work to reduce that resistance and to make change as comfortable as possible
- Steps in Effective Change
 1. Planning
 - a. To ensure the change isn't too rapid, managers should follow a careful procedure to gather info, identify and study alternatives, and determine the consequences of change
 2. Communicating
 - a. Damage will be prominent if employees are surprised by change or they believe they are misled
 - b. Managers who have previously established open communications are in the best position to communicate with employees about changes
 3. Involving
 - a. People are more likely to support changes when they have been involved in planning
 - b. Managers must realize that employees can be a good source of ideas for solutions and changes
 4. Educating
 - a. As plans for change develop, managers must determine who will be affected and what new knowledge and skills those employees will need
 - b. Some companies try to help employees who are losing their jobs develop skills to help them get new jobs
 5. Supporting
 - a. Some changes have negative effects on employees that cannot be avoided
 - b. Employees may have to deal with major job changes such as
 - i. Reduction in pay
 - ii. Different working conditions

- iii. Additional training
- iv. Move to another location
- c. Companies may provide full/partial salary for people looking for new jobs
- d. Many companies now provide personal and career counseling, help with job-seeking skills, and pay for employment services for terminated employees

Lesson 5.3: The Controlling Function

Understanding Controlling

- With the proper information, managers can tell how well activities are being performed
 - Reviewing performance is one part of controlling
- Managers must be able to determine if performance meets expectations
- If not all of the four management functions are performed by managers, the remaining functions will suffer



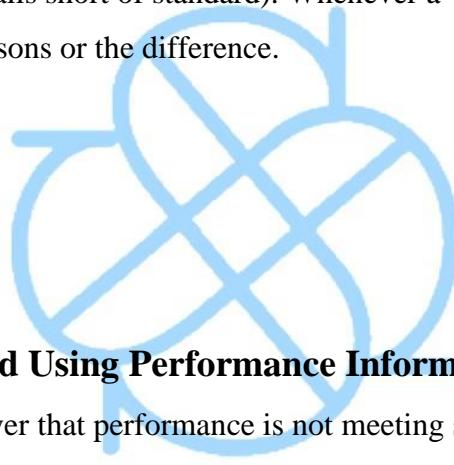
The Steps in Controlling

- Controlling is the final function that is needed to improve the management process and business environment
 - Controlling involves three basic steps
 - 1. Establishing standards each of the company's goals
 - 2.. Measuring and comparing performance against the established standards to see if performance met the goals
 - 3. Taking corrective action when performance falls short of the standards.
 - Controlling activities should be completed before the problem is too big or too expensive to correct

Setting Standards

- Standards become the means for judging success and for applying controls.
- The standard used to control business operations depend on the type of business, its size, and the activities being controlled.
 - The major types of standards are quantity, quality, time, and costs standards

- **Quality standards** - the expected amount of work to be completed. Quantity standards take different forms depending on the tasks
- **Quality standards** - expected consistency in production or performance
- **Time standards** - The established amount of time needed to complete an activity. The amount of time it takes to complete an activity has an effect on costs, the quantity of work completed and often on the quality of the work.
- **Cost standard** - The predetermined cost of performing an operation or producing a good or service, are an effective way of helping businesses maintain profitability
 - **Profit** equals income minus costs
- **Variance** - the difference between current performance and the standard
 - A variance can be positive (performance exceeds the standard) or negative (performance falls short of standard). Whenever a variance exists, managers must identify the reasons or the difference.



Lesson 5.4 Gathering and Using Performance Information

- When managers discover that performance is not meeting standards, they can take three possible actions:
 - Take steps to improve performance
 - Change policies and procedures
 - Revise the standard
- Most often, managers need to improve performance when standards are not being met
 - This usually means making sure that the work is well organized, that supplies and materials are available when needed, that equipment is in good working order, and that employees are well trained and motivated
- Occasionally, standards are not met because activities cannot be accomplished as planned, or policies and procedures are not appropriate

- Finally, when the managers have explored all possibilities to improve performance and it still does not meet the standards, they need to evaluate the standards themselves.
 - Managers cannot expect that all standards will be appropriate

Controlling Costs

- All managers need to watch constantly to reduce costs
- There are several areas where managers can anticipate costs problems
 - **Inventory** - All materials and products a business has on hand for use in production and available for sale
 - Wholesalers and retailers must maintain inventories to meet their customers' needs
 - **Just-in-time (JIT) inventory control** - a method of inventory control used by many companies maintains very small inventories and obtains materials just in time for use
 - To set this up, managers carefully study production time, sales activity , and purchasing requirements to determine the lowest possible inventory levels
 - **Credit** - The provision of goods and services to a customer with an agreement for future payment
 - Must develop credit policies to reduce the amount of losses from credit sales
 - Must check each customer's credit history before offering credit
 - **Theft** - Businesses can lose a great deal of money if products are stolen
 - Can occur in many parts of a business by employees, customers, and others
 - **Employee health and safety** - When an employee is absent, coworkers must be available to fill in or the work will go undone
 - A share of employee health insurance costs and other benefits are often paid by the company as well
 - Companies provide safety training for all employees

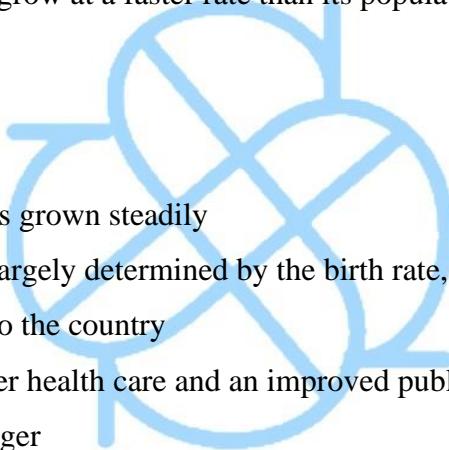
***Chapter 6 is not associated with the curriculum**

Chapter 7: Social and Ethical Environment of Business

Lesson 7.1: Human Resources

Characteristics of the Workers

- The U.S. has the world's largest single country economy and relies on highly sophisticated and modern means of production, transportation, and communication
 - Problems in the economy persist in terms of discrimination, crime and violence, environmental protection, ethical conduct, and social responsibility
- The GDP of a country cannot increase unless there are enough people to provide the necessary labor and to purchase the goods and services produced
 - The GDP must grow at a faster rate than its population to improve living standards



Growing Population

- The U.S. population has grown steadily
 - Growth rate is largely determined by the birth rate, the death rate, and the level of immigration into the country
 - Because of better health care and an improved public health system, people are living much longer

Changing Population

- Currently 25% of Americans can be racially classified as non-white
 - Higher birth rates of non-white individuals and recent immigration, the proportions in the population have been rapidly changing
- Population size and birth rate affect businesses because they influence the number of people available to work and to consume good and services
- **Baby Boom** - The generation formed by the high birth rate between 1945 and 1965
- **Generation X** - The generation born during the low birth-rate period between 1960 and 1980
- **Generation Z** - The generation caused by the higher birth rate between 1991 and the end of the millennium

- **Baby Bust** - the period between baby boomers and the millennials which created a shortage of workers

Moving Population

- Americans are people who are always on the move
- **Frost Belt** - colder states in the north and northeast
- **Sun Belt** - the warmer states in the south and southwest
 - People often often move from the frost belt to the sun belt
- As businesses relocate to where customers are located, they affect where other people move to in order to find jobs
- **Rust Belt** - the north central and northeastern states where major manufacturing firms once dominated

Labor Force

- **Labor Force** - most people aged 16 or over who are available for work, whether employed or unemployed
 - People actively looking for work
- **Labor Participation Rate** - the percentage of the adult population that is in the labor force
 - Calculated by dividing the labor force by the adult population
- While the overall labor participation rate hovers around 65 percent, the participation rate is higher for men than for women
 - Narrowed over time
- The job market is influenced by fluctuations in the economy, changes in the population and where people live, and technological advances
- One of the greatest strengths of the American economy is the flexibility of the workforce and entrepreneurial culture allowing for new jobs
- Many new jobs that come with the introduction of technology require new skills which means workers have to be educated
 - More people are going to college or acquiring training in new skills as a result

Poverty

- The prosperity of Americans is not equally distributed among the population

- Between 13 and 15 percent of the population in any given year live in poverty
 - Are poorly housed, clothed, and fed
 - Live in inner-city slums or in rural areas
- Many parents cannot participate fully in the labor force because they don't have access to good quality, affordable child care
- The strongest influence on increased income is increased education
- The government has several programs to reduce poverty such as minimum wage rates, unemployment benefits, financial or food aid, and subsidized medical care
 - Also offer training programs to increase skills people need to find jobs

Equal Employment

- Equality is one of the basic principles on which the United States was founded
- Several laws have been passed to outlaw discrimination on the basis of race, gender, national origin, color, religion, age, handicap, and other characteristics
- **Glass Ceiling** - an invisible barrier to job advancement
 - Often difficult to detect
 - When people in certain groups may encounter difficulties in being promoted
- Many women and members of racial minority groups are employed in entry level position with little hope for career advancement
 - **Sticky Floor Syndrome** - The inability of these workers to move up from these jobs

Comparable Worth

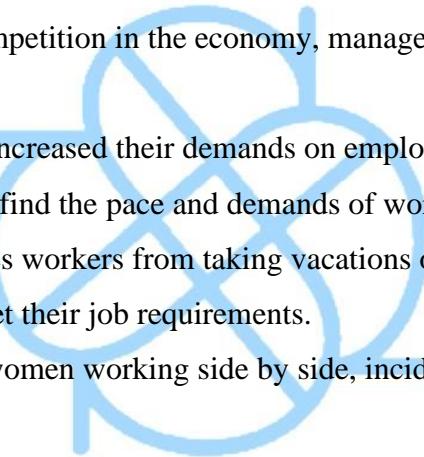
- **Comparable Worth** - paying workers equally for jobs with similar but not identical job requirements
- Wages tend to be lower in jobs that employ lots of women than in jobs held primarily by men
- If two different jobs require the same level of training and responsibility, the pay scale for the two jobs should be the same
 - To determine whether work is of equal value, analysts compare factors such as special skills, physical strength, job dangers, responsibility, and education

- But it is not easy to determine the specific factors that measure the worth of jobs
 - Factors such as physical strength come into play between certain jobs (such as between legal secretaries and carpenters)

7.2 Societal Values

Changing American Values

- Values - underlying beliefs and attitudes
- Because of increased competition in the economy, managers are striving to produce more while keeping costs low
 - Employers have increased their demands on employees
 - Many employees find the pace and demands of work stressful
- Job insecurity discourages workers from taking vacations or time off, and instead they work longer hours to meet their job requirements.
- With so many men and women working side by side, incidents of sexual harassment have blossomed
- A disturbing aspect in some parts of contemporary American society is the incidence of unpredictable and unprovoked violence through the use of guns, often by young people.
 - This concern over violent crime has led to an expanding personal-security business



Employer Responses

- Many social issues transfer to work settings
 - Responsibilities may be enormous for workers with preschool children, aging parents, family illnesses, and financial burdens
 - Employers work to improve the way work is done, to assure healthier and safer working conditions, and to help workers deal with some personal problems

- When jobs consist of mainly repetitive tasks, workers get bored, productivity drops, and morale declines
 - Employers redesign jobs to make them varied and challenging
 - Employees learn a variety of jobs and regularly switch jobs within the same organization
 - Increases workers' interest in their jobs and enables employees to fill in for co-workers who may be absent
 - Workers now often participate in job decisions, provide suggestions, and serve on committees that look for ways to improve work quality
- In response to concerns over health and safety, businesses operate wellness and fitness programs
 - Provide incentives for smokers to quit, membership to health clubs, counseling services where workers can receive support for stress or emotional problems, and payment for treatment of drug, alcohol, and other forms of addiction.
- By law, employers provide unpaid leave to employees to take care of their sick children or parents, or to give birth to, adopt, or take care of newborn children
 - Many progressive businesses provide day-care facilities for the young children of employees and flexible scheduling
 - **Telecommute** - working from home or on the road, staying in contact with their employers electronically.

Sustainability Issues

- The increasing demand for products places great pressure on natural resources
 - Affects the habitats of wild animals and the lives of native peoples
- **Sustainability** - using strategies that consider the needs of the environment, society, and the economy to meet present needs without compromising the ability of future generations to meet their needs.
- **Recycling** - reusing products and packaging whenever possible
 - Conserve nonrenewable resources (oil, natural gas, and iron ore)
- Pollution dangers have become more and more apparent
 - Many residents suffer from breathing problems and marine life have been killed

- **Environmental Protection Agency** - helps control and reduce pollution in the basic areas of air, water, solid waste, pesticides, noise, and radiation
 - Enforced include the Clean Air Act, Clean Water Act, Resource Recovery Act, Federal Water Pollution Control Act, Federal Environmental Pesticide Control Act, Noise Control Act, and Resource Conservation and Recovery Act
- Laws against pollution and demands for conserving natural resources are costly to businesses
 - Issues arise when other countries show less concern about the environment or less commitment to conservation than the United States
 - Allows other countries to make cheaper goods

Lesson 7.3: Ethical Issues and Social Responsibility

Business Ethics

- **Ethics** - standards of moral conduct that individuals and groups set for themselves, defining what behavior they value as right or wrong
 - is closely linked to personal values - underlying beliefs and attitudes that individuals or groups possess.
- **Business Ethics** - A collection of principles and rules that define right and wrong conduct for an organization
 - Moral conduct that is favorable to the largest number of people is considered ethically desirable
- **Code of Ethics** - a formal, published collection of values and rules that reflect the firm's philosophy and goals
 - Deal with such issues as accepting business gifts, respecting employee privacy, using company property for personal use, and maintaining confidentiality
 - Communicated to employees through memos, newsletters, posters, and employee manuals
- The issue of ethics often arises when it is not clear whether a particular action is legal or illegal

- Businesses are constantly faced with ethical dilemmas of various kinds
- Because values also differ among nations, problems sometimes arise for firms involved in international business
 - Firms have to choose between the ethical practices of the foreign country and of their home country

Social Responsibility of Business

- The primary goal of business is to make a profit for the owners
- **Social Responsibility** - the duty of a business to contribute to the well-being of society
- **Stakeholders** - any individuals or groups that are affected by the firm's actions, such as owners, customers, suppliers, employees, creditors, government, and the public
 - Expect a business to be responsible and responsive to their interests
 - Usually believe that a business has the resources to contribute to a community's well-being
- It is now widely recognized that business has an important responsibility to its stakeholders
 - Getting involved socially advances the business's own interests
- **Nongovernmental Organizations (NGOs)** - The conduct of businesses is being increasingly and closely examined by various independent groups
- Given the fast pace of change in the world today, society and business will face different issues in the future
 - The racial and ethnic mix of the labor force will continue to change
 - Computer-related jobs are multiplying as entrepreneurs establish Internet companies to find new applications for this new technology
 - The general public has become more conscious of environmental and human rights issues, and there is growing concern over balancing family and work life

*Chapters 8-12 are associated with **Introduction to Business (the course prior to Business Management)** and are not used in this course

Chapter 13: Organizational Communications

Lesson 13.1: The Communication Process

The Communication Model

- **Communication** - the sharing of information in which the receiver understands the meaning of the message in the way the sender intended
 - Vital in running organizations because it provides a link between employees and customers and between employees and managers
 - Clarification should be asked for when communication is not effective
 - Poor communication is one of the biggest problems
 - **Two-Way Process** between senders and receivers
- **Feedback** - a receiver's response to a sender's message
 - Often in the form of a question or verification
- **Distraction** - Anything that interferes with the sender's creating and delivering a message and the receiver's getting and interpreting a message
 - Ex. Ringing phones, grammar errors in messages and loud noises
 - Potential causes of communication problems
 - some managers learn to work with various interruptions, whereas others try to keep interruptions to a minimum
- **Distortion** - People consciously or unconsciously changing messages
 - "People often 'hear' what they want to"
 - Filter messages we receive through our own system of beliefs and experience

Channel of Communication

- **Channel of Communication** - the means by which a message is conveyed.
 - Carry three types: oral, written, and nonverbal
- **Oral Communication** - Speaking with employees, attending meetings, and receiving and making phone calls - take a lot of time for managers
 - Day-to-day communications require frequent contact with people on a one-to-one basis.

- **Written Communication** - common: emails, reports, memos, and letter
 - Senders should compose messages using precise, unambiguous words and proper grammar - should be concise
- **Nonverbal Communication** - Delivering message by means other than speaking or writing
 - Diagrams, charts, pictures, body language
 - **Body Language** - Gestures, movements, and mannerisms used to communicate
 - Ex. frowns, smiles, posture, hand or body movements, or the presence or absence of eye contact
- **Examples of Written Business Communication:**
 - Acknowledge or make a request
 - Provide or Request Information
 - Share an idea or news
 - Show respect or courtesy
- **Electronic Communication** - can be verbal, written, or nonverbal
 - **Email Policies** - Some businesses establish e-mail policies to protect the organization, business partners, employees, and customers
 - Typically such policies state that employees should use email only for job-related matters, with occasional exceptions.
 - **Flame** - An electronic message that contains abusive, threatening, or offensive content that may violate company policy or public law
 - **Spam** - unsolicited advertising that finds its way into email inboxes
 - Unwanted
 - **Teleconferencing** - an audio or video meeting with participants in two or more locations
 - In the next few years 75% of business will use some type of teleconferencing
 - Allows individuals in multiple locations to meet without the time and expense of traveling across town, across the country, or around the globe
 - **Wireless** - The use of cellular phones is growing to dominate electronic verbal communication

13.2 Communication Management

Organizational Culture

- **Organizational Culture** - The collection of beliefs and patterns of behavior that are shared by people within an organization.
 - Created by type of business, personalities of its leaders, and its operating procedures
 - Influences communication climate
 - Cultures differ widely among firms and may be very closed, very open, or somewhere in between
- **Closed Culture** - top-down decision making and adheres to numerous rules and strict disciplining for violations of established procedures
 - Breeds distrust and secrecy, discourages creativity and decision making
- **Open communication system** - encourages creativity and problem solving at all levels and supports communication and information sharing
- **Closed communication system** - less likely to benefit from upward communication
- **Communication network** - The structure through which information flows in a business,
 - **Formal communication network** - The system of official channels that carry organizationally approved messages
 - Flows upward (mostly in open communication), downward, and across the organization in a prescribed manner
 - Upward communication includes oral and written reports from lower-level to upper-level managers
 - Downward communication in organizations occurs mainly by memos, e-mails, reports, and manuals
 - Lateral communication flows horizontally or across the organization
 - **Informal communication networks** - the unofficial ways that employees share information in an organization - rely on interpersonal and email
 - Have more influence than managers do over the behavior of individual workers

- Common forms - grapevine and small informal groups
- **Grapevine** - one person informally talks to another and that person gives the info to the next person
 - Can be distorted because of unofficial, partial or incorrect info
 - Managers should not interfere with these
 - Often fill the social needs of workers to communicate about their work lives

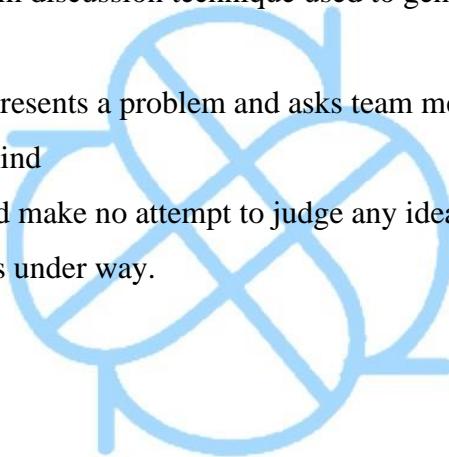
Managing Teams Effectively

- Teams of individuals with different skills and backgrounds often work together on complex projects
 - Managers must ensure all ideas are heard and considered
- **Disadvantages of team meetings:**
 - Excessive time meetings take
 - Can be overcome by careful planning
 - Differences among those who attend the meetings
 - Some people would dominate while others not get a say
- **Suggestions for Planning Effective Meetings**
 - 1) Have a good reason for calling a meeting
 - 2) Develop a specific agenda and stick to it
 - 3) Decide who should and who should not attend
 - 4) Determine how long the meeting will last
 - 5) Schedule the meeting at a convenient time and place
 - 6) Be on time for beginning and end
 - 7) Make individuals face each other to encourage communication
 - 8) Summarize results at end of meeting
- **Nominal Group Techniques (NGT)** - A group problem-solving method in which team members write down and evaluate ideas to be shared with the team

Encourages each team member to think about the problem, and it gives the quiet person and the outspoken person an equal opportunity to be heard

 - **Steps in Using the Nominal Group Technique**
 - 1. Present the problem to be resolved to team members.

- 2. Distribute blank cards and, without discussion, ask members to write possible solutions by using a different card for each solution.
- 3. Read solutions from the cards and display for all to see.
- 4. Discuss each solution listed.
- 5. Distribute blank cards and ask members to write their three best solutions on separate cards.
- 6. Tabulate and display results.
- 7. Select the solution receiving the most agreement and present it to the team leader.
- **Brainstorming** - A team discussion technique used to generate as many ideas as possible for solving a problem
 - A team leader presents a problem and asks team members to offer any solution that comes to mind
 - The team should make no attempt to judge any ideas as good or bad while brainstorming is under way.



Lesson 13.3

- **Conflict** - Interference by one person with the achievement of another person's goals - obstacle to job performance
 - Can be healthy or harmful based on effects on the business and relationships between employees
 - Usually occur between two people, but they may also occur between an individual and a group or between groups
- **Desirable Conflict** - may challenge employees and stimulate new ideas

- **Undesirable Conflict** - when the actions of any person or group interfere with the goals of the organization
 - Employees who dislike others and carry grudges often cause problems for an organization

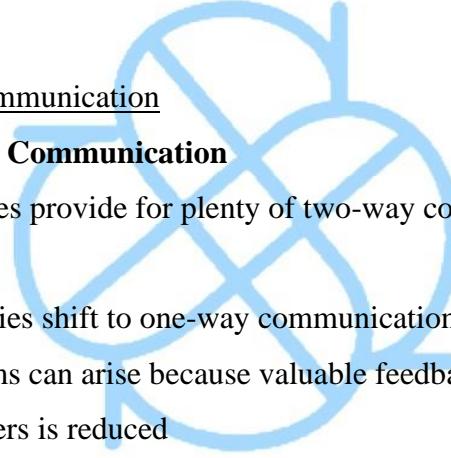
Resolving Conflict

- **Avoidance strategy** - Avoid the conflict completely
 - can be used if conflict is unimportant
 - Take a neutral position or to agree with another person's position even if it differs from your personal belief
- **Compromise strategy** - Everyone in conflict agrees to a mutually beneficial solution
 - leads to workable solutions
 - Compromise often grows out of a thorough discussion of the goals and the best way to achieve those goals
 - Better than avoidance because it often leads to a workable solution
- **Win/Lose strategy** - no compromise so one person wins while the other loses
 - Negatives - take time and energy away from the main problems and issues, delay decisions, hurt relationships, and cause personal resentment
 - Often interfere with goals because they often:
 - 1. take time and energy away from the main problems and issues
 - 2. delay decisions
 - 3. arouse anger that hurts human relationship
 - 4. cause personal resentment

Cross Cultural Communication

- A nation's culture sets the broad boundaries of shared values, beliefs, and behavior
 - There are also subcultures or smaller groups with their own unique values, beliefs, and behavior
- **Language Differences**
 - Very few American managers speak a foreign language fluently
 - People of most nations realize that learning a new language is difficult
 - Are willing to help foreigners learn
 - Impressed when someone makes an effort to learn

- Many corporations now provide intensive language training for managers assigned to foreign branches
- **Cultural Differences**
 - People from other cultures often place different values on such things as family, status, and power
- **Nonverbal Differences**
 - Great differences exist in the area of nonverbal communication, especially body language
 - How close one stands when talking to someone else differs from culture to culture
 - Executives prefer to conduct extremely important business transactions in a formal manner



Improving Organizational Communication

- **Encourage Two-Way Communication**
 - Small businesses provide for plenty of two-way communication between owners and employees
 - Larger companies shift to one-way communication often for efficiency purposes
 - Problems can arise because valuable feedback from employees and customers is reduced
 - Some managers, however, discourage two-way communication because they feel uncomfortable with it and because it is time-consuming
- **Listen Actively**
 - Effective listening results in effective feedback
 - Frequently, employees have questions and encounter problems on the job
- **Facilitate Upward Communication**
 - In large organizations, upward communication is sometimes neglected
 - To make certain that upward communications occur, some businesses ask managers to use specific techniques:
 - One technique is called “management by walking around.”

- Managers leave their offices from time to time and make trips through the working areas
 - Chat with employees about problems and conditions
 - Another is for managers to encourage employees to meet with them when they have concerns
 - Some managers restrict the practice to one hour per week, when employees can make appointments
 - Suggestion boxes are also used
 - No technique is better than regular meetings with employees
- **Select Communication Channels Carefully**
- When a manager must reprimand an employee or settle a dispute, the oral communication channel is best
 - The written communication channel is best when managers want to communicate information requiring future action or information of a more general nature
 - In some situations, two channels of communication work best—first oral and then written
 - Should use both channels when they want to
 - 1. Give an immediate order
 - 2. Announce a new policy
 - 3. Contact a supervisor about work problems
 - 4. Compliment an employee for excellent work

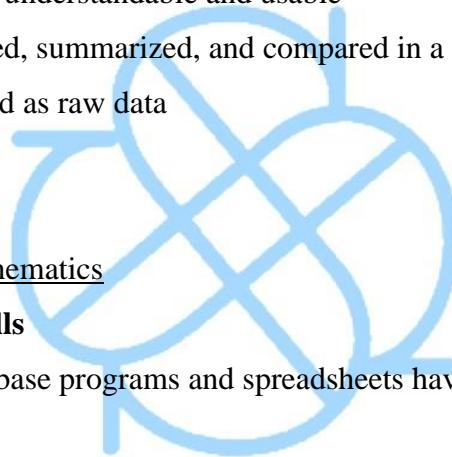
Chapter 14: Data Analysis and Decision Making

Lesson 14.1: Mathematics and Management

Mathematics Skills for Managers

- **Data-based decisions** - use of information, facts, and measures, usually in numerical form, as the primary basis for choosing among alternatives
- Managers gather and analyze information to keep decisions objective and as free from bias as possible

- **Inductive Reasoning** - the analysis of specific data to draw broader conclusions
- **Deductive Reasoning** - taking general principles and using them to make predictions about specific situations or circumstances.
- **Statistics** - mathematical tools that use carefully selected numerical information to describe the situation being studied and to make predictions about future similar circumstances
 - Used for more advanced numerical analysis in business
- Businesses also need to be able to organize, analyze, and present data visually
- **Raw Data** - the original information that has not been processed for meaningful use
 - Must be processed and organized to be understandable and useful decision makers
- **Processed data (information)** - data that have been checked for accuracy and organized in a way to make them understandable and usable
 - Can be classified, summarized, and compared in a more easily understood way than if presented as raw data



Business Applications of Mathematics

- **Developing Math Skills**
 - Electronic database programs and spreadsheets have become the primary tools for analyzing data
 - Database programs categorize and store detailed information in the form of individual records that can be accessed and reorganized for varied uses
 - Electronic spreadsheets allow large amounts of data to be analyzed and updated using simple to sophisticated formulas along with charting and graphing tools
 - Must develop mathematics skills for analyzing situations, determining the data needed to
 - Support decision making
 - Organize the information in the correct way for analysis
 - Judge the results to make sure the solution is reasonable
- **Math Applications in Business**

- Many common mathematics applications are used throughout a business, while some are unique to a specific business function or operation
 - Most widely used is a budget
 - Need to be able to identify and accurately predict expenses
 - Other common tools are schedules, standards, business records, and research
 - Accounting and Finance
 - Manage financial resources
 - Maintain all financial records
 - Prepare financial statements and reports
 - Communicate financial information and performance to those who need the info
 - Production and Operations
 - Turn the resources of the organization into the products and services that are sold to customers
 - Major activities using mathematics include
 - Forecasting
 - Resource management
 - Personnel and production planning and scheduling
 - Purchasing
 - Inventory management
 - Marketing
 - Work to
 - Identify markets
 - Develop demand
 - Sell the products and services to maximize profitability
 - Almost all marketing activities use mathematics including:
 - Budget development and cost controls
 - Pricing
 - Advertising and sales planning
 - Managing financing and credit services

- **Human Resources**
 - Include management involved in
 - Acquiring, preparing, and compensating the people who do the company's work
 - Major area requiring math skills include:
 - Planning compensation and benefits programs
 - Managing personnel records such as:
 - Payroll
 - Payroll taxes
 - Benefits

Lesson 14.2 Basic Math and Measurement Systems

Basic Mathematical Operations

- Consumers use math every day
 - Examples include debit card, restaurant tip, price comparisons
 - Business individuals encounter similar situations
- A starting point for effectively using mathematics in business is understanding and applying basic arithmetic operations
 - Arithmetic involves addition, subtraction, multiplication, and division
 - Business people need to understand, use, and convert fractions, decimals, and percents
- **Adding and Subtracting**
 - Many of the numerical situations faced in business that require addition and subtraction involve large numbers
 - May include decimals or fractions and percentages
 - More complex addition and subtraction problems lead to the use of spreadsheets or calculators.
 - Remember when adding numbers
 - The order of the addends does not matter
 - Check answers by adding the numbers again in reverse order as added originally

- Both positive and negative numbers can be added
- To simplify the addition of large numbers add each column of numbers separately and then add the column sums together
- Remember when subtracting numbers
 - Only two numbers can be subtracted at a time
 - The order of numbers in subtraction is important. The subtrahend must be subtracted from the minuend
 - A larger number can be subtracted from a smaller number
 - Check subtraction problems by adding the difference and the subtrahend.
The correct answer is the minuend

- **Multiplying and Dividing**

- When using multiplication regularly, people use calculators or computers
- Remember when using multiplication
 - Count the number of decimal places in the multiplicand and the multiplier.
The total will be the number of decimal places in the product.
 - To check the work, divide the product by the multiplier. The correct answer is the multiplicand
- Remembering when using division
 - Make sure the decimal in the quotient is aligned with the decimal in the dividend when dividing whole numbers
 - To check work, multiply the quotient by the divisor. The correct answer is the dividend

- **Fractions, Ratios, Decimals, and Percentages**

- **Fraction** - a part of a whole number expressed as a proportion
 - The top number is the numerator; the bottom number is the denominator
- **Ratio** - the relationship between two quantities
- **Percentage** - a part of a whole expressed in hundredths
 - Calculate the percentage represented by a fraction by dividing the numerator by the denominator.

Measurement Systems in Business

- Precise measurement is crucial in business

- Customers expect exact measures in products they purchase
- Businesses must be able to develop products that meet the standards and expectations of customers in any country in which they choose to do business.
- The common measures used in business are length, weight, and volume
- **Traditional U.S. Measures**
 - Measurement units in the United States are different from most other countries
- **Metric Measures**
 - **Metric System** - based on the decimal system, meaning that all measures are in common units of ten
 - Proposed by a French scientist and adopted by the French government in the late 1700s

Lesson 14.3: Understanding and Using Basic Statistics

Understanding Numerical Information

- Managers frequently use statistics to help them understand, interpret, communicate, and apply numerical information
 - Helps them make decisions more quickly, with greater confidence, and with a higher probability that the best choice has been made
- The effective use of statistics helps the decision maker remain objective
 - Managers must keep an open mind when a problem is identified or a question is asked
 - Information needs to be collected, organized, studied, and analyzed
 - Statistics help direct the manager to the best solution or answer
- Managers face two very different types or situations that call for decisions
 - Most common - making decisions about current operations
 - **Descriptive statistics** - meaningful summaries of data to help managers understand the current situation
 - Managers want to identify factors contributing to changes in sales in order to improve the performance of all stores and ensure the stores that have increased sales will have inventory for upcoming sales period

- Second situation - using available information to improve future decisions about similar circumstances
 - **Inferential Statistics** - the analysis of information to help managers make predictions about similar circumstances or about the future

Statistics Terms and Concepts

- Many managers do not actually conduct research or complete the statistical analysis
 - Receive reports that present the results of data collection and analysis
 - Must be able to read and understand the reports and use the info to make decisions
- **Common Descriptive Statistics**
 - Descriptive statistics are used when decision makers have a large amount of data and want to understand it better
 - Make it easier to examine important characteristics of the information being studied and to determine if any meaningful relationships exist
 - First step in using descriptive statistics
 - **Data Set** - all of the data that have been collected for study
 - **Characteristics** - the unique, identifiable qualities or features of the people or objects being studied
 - Ex. age, gender, income level, number of years as a customer, and types of products purchased.
 - When important characteristics have been identified, the data are then classified
 - Data collected for each characteristic will fall within a range of numbers
 - **Range** - all of the possible values of a characteristic from lowest to highest
 - When data are classified, they are organized within meaningful categories for further analysis
 - Most common classification - frequency distribution

- **Frequency distribution** - each value in the range for a characteristic and the number of times that value appears in the data set
- Other classifications
 - Range
 - Frequency - shows how often a particular value or group of values appears
 - Measure of central tendency - the value representing the average, or most common, of all the data
 - Three averages used in statistics
 - **Mean** - the sum of all values divided by the number of values
 - **Median** - the middle number in the range of all the values
 - **Mode** - the value that appears the most frequently in the range
- **Common Inferential Statistics**
 - Inferential statistics refers to the use of a small amount of info to draw conclusions about a larger groups
 - To compare two groups
 - To use existing info to make predictions about the future
 - **Infer** - to draw a conclusion with only partial information
 - **Population** - is all of the people or objects with a similar characteristic or characteristics being studied
 - **Sample** - a small, representative part of a population selected for study
 - With inferential statistics, a manager makes a conclusion about a population based on a sample.
 - When reviewing a sample, there is a chance that the results vary from the total population
 - Must know the probability that the results are representative of the population

- **Probability** - the likelihood that a certain outcome will occur
- **Correlation** - a relationship between two things being studied

Lesson 14.4: using Data in Decision Making

Communicating Results of Data Analysis

- Having a large amount of data to review can present problems for decision makers
- Effective guidelines that help in completing an effective analysis
 - Focus on the problem or question
 - Recognize the purpose of the data analysis
 - Summarize the information accurately
 - Look for changes, differences, and unexpected results
 - Search for patterns or relationships.
 - **Cause-and-effect** - the relationship between two events in which the second event is a consequence of the first
 - An action or change occurs as a result of something that preceded it
 - Decision makers identify relationships without judging whether one of the events occurred as a direct result of the other

Summarizing Results

- Information gathering and data analysis aids in problem solving and decision making
- In order to create a productive environment, information needs to be analyzed, summarized, and communicated to decision makers
 - summarized and communicated in two main ways: in writing and visually using tables, charts, and graphs.
- **Written summaries**
 - A complete written report including
 - A statement of the problem or purpose
 - A description of the data collection procedure
 - All important data collected
 - The identification and analysis of possible decisions

- **Executive summary** - is a written summary of a longer report containing adequate information for the reader to fully understand the information being communicated
- **Tables, Charts, and Graphs**
 - The preferred way of summarizing and communicating numerical information
 - Can be understood in an easier way
 - **Table** - a visual presentation of information organized in rows and columns
 - **Data Table** - When the information in a table is numerical
 - Used to summarize data and clearly communicate complicated info to readers
 - Main components
 - **Title** - the focus or purpose of the table - concise and clear
 - **Column and row headings** - identify the characteristics or variables from the data set included in the table.
 - **Cell Data** - presented for each region and quarter
 - **Chart** - a type of diagram that organizes and summarizes a set of numerical data
 - Usually simpler than a table and focuses on summarizing and comparing information for a few characteristics in a data set
 - **Bar Chart** - presents important characteristics or variables from the data set as bars whose lengths are proportional to their values
 - **Pie Chart** - represents one or more important characteristics from a data set as a circle divided into sections
 - Main components:
 - **Title** - identifies the focus or purpose of the chart
 - **Data Presentation** - the content of the chart
 - **Legend** - identifies each of the variables in the chart
 - **Graph** - a visual representation of data as they change over time
 - Data are shown as one or more lines connecting data points
 - may present information on only one or a number of characteristics or categories of the data being studied
 - Same components as charts

- **Trend** - a general direction in which something is developing or changing

Using Data-Based Decisions

- In preparing to make a decision, managers should take the time to review written summaries of the information
 - Make sure the process used to collect, analyze, and summarize the information is clear, objective, and unbiased
 - Next, study carefully each table, chart, and graph that summarizes the key data needed to make a decision
 - Effective procedures when studying tables, charts, and graphs:
 - Read the title carefully
 - Determine what is represented in the data set
 - Review the row and column headings of a table or the data labels and legends on charts and graphs
 - Examine the type of data being reported in the data cells or data presentation
 - Study all of the data carefully and thoroughly to understand their meaning

Answering Questions and Solving Problems

- Data alone cannot answer a question or solve a problem
- Information can be helpful only if the right question is asked or the problem is identified correctly
 - Reviewing information regularly helps to identify when problems are occurring and what decisions need to be made
- Data can also help to identify possible answers to questions or solutions to problems
- Should seldom rely on information collected from one group or at one time
 - Monitoring and comparing data from various time periods or several groups gives a much clearer and more objective view
- Data needs to be:
 - **Representative** - need to be consistent with other similar data that could be collected
 - **Significant** - meaningful and did not occur by chance
- Questions to ask when using data for decision making

- Do the results point toward one answer or solution or to more than one?
- Is there other information that could affect the decision that has not been considered?
- Do differences in the data indicate important differences, or are the differences the result of the type of data collected, the method used to collect data, or the timing of data collection?
- Does the information appear to present a pattern or trend or does it seem to be a one-time occurrence?
- Are there multiple factors rather than just one that could be affecting the results?

Chapter 15 Business Financial Records

Lesson 15.1 Types of Financial Records

Financial Records

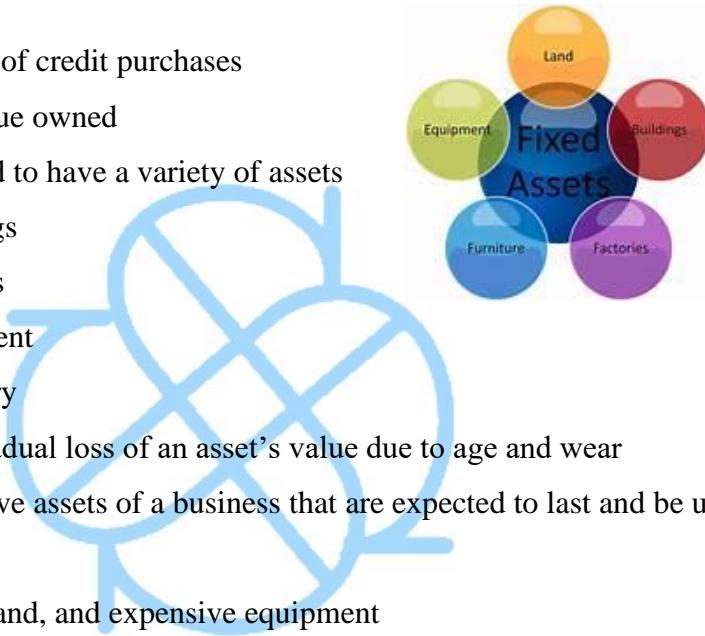
- **Financial Records** - organized summaries of a business's financial information and activities
 - Main purpose - to determine if the business is profitable
 - Make it possible for owners and managers to understand financial performance and make the best possible decisions while using the company's resources
- All companies must determine what records to keep, how to prepare and maintain them, and who should be responsible for the records
- **Record Keeping System** - a manual or automated process for collecting, organizing, and maintaining the financial information of a business
- Whether a record-keeping system is simple or complex, it contains four elements:
 - Records
 - People
 - Procedures
 - Tools
- The system must be accurate, keep information safe and secure, and provide timely and accurate information

- Businesses are replacing old financial record keepers (cash registers) with point-of-sale (POS) terminals
 - POS terminals include cash register functions but also have credit and debit card processing capabilities, and a scanner that reads product barcodes to update inventory records.
- **Accounting** - the process of recording, analyzing, and interpreting financial activities of a business
 - Most firms use accounting software programs to maintain their financial records
 - Simplifies and speeds the record-keeping process while reducing errors
- **Data Processing** - the set of activities involved in obtaining, recording, organizing, and maintaining the financial information of an organization
 - Location where data processing activities occur
 - Contains the computers, software, security systems, and personnel
- Some business choose to purchase all their data processing services
 - Others purchase services for selected tasks such as maintaining inventory records or payroll systems
- It is common for businesses to divide their accounting department into several sections
 - Each is responsible for handling one or more specific accounting activities, such as:
 - Maintaining cash records
 - Receipt and payment records
 - Depreciation records
 - Tax and payroll records

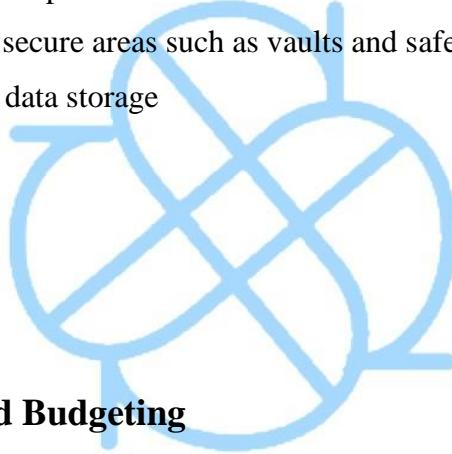
Types of Financial Records

- **Cash Records** - Money taken in by a business
 - a written record of the transaction must be prepared and entered into the business's record-keeping system no matter the size of the cash receipt
- **Cash Disbursements** - Cash payments made by a business
- Businesses must develop specific procedures for employees to follow when receiving payments by cash or checks and when using cash for purchases
- Businesses may also accept credit

- With credit, goods and services are provided with the expectation of future payment by the customer
- **Accounts Receivable Record** - shows what each customer purchases, pays, and owes
 - When a credit sale is made, an electronic or paper record of the transaction is transmitted to the accounting department
 - The accounting department enters the sale into the accounts receivable record
- **Accounts Payable Record** - identifies the credit purchases of a business, amounts owed, and payments made
 - Records details of credit purchases
- **Asset** - anything of value owned
 - Businesses need to have a variety of assets
 - Buildings
 - Vehicles
 - Equipment
 - Inventory
- **Depreciation** - The gradual loss of an asset's value due to age and wear
- **Fixed Assets** - expensive assets of a business that are expected to last and be used for a long time
 - Ex. buildings, land, and expensive equipment
 - Depreciate over time (except land)
 - Value of each fixed asset is recorded by the company when purchased
- **Book Value** - the total amount of depreciation deducted from the asset's original value
- Property may also decrease in value because of obsolescence (when an asset is still usable but out of date or inadequate for a particular purpose)
- Financial statements do not provide detailed info about their assets
- Businesses maintain detailed special records for all fixed assets
 - Provide info such as asset description, date of purchase, cost, monthly depreciation expense, and asset book value
- **Asset Book Value** - the original cost less accumulated depreciation
- **Tax and Payroll Records**



- Federal and state tax laws require every business to keep adequate records in order to report its income and expenses, file required forms, and calculate and pay taxes
- Employers must withhold a certain percentage of each employee's wages for federal income tax purposes
- Businesses must keep detailed payroll records for each employee:
 - Hours worked
 - Wage or salary rate
 - Regular and overtime wages paid
 - All types of deductions and withholding made from the employee's wages
- Personal information about customers and employees must be secure from theft and misuse and should also be protected from natural hazards
 - Companies use secure areas such as vaults and safe rooms for records, computer equipment, and data storage



Lesson 15.2: Budgets and Budgeting

Business Budgets

- The financial practices of successful businesses include:
 - Maintaining a complete and up to date set of financial records
 - Having detailed financial records reviewed regularly by objective professionals
 - Keeping accurate records of business inventory
 - Using financial budgets as planning and management tools
- **Budget** - is a written financial plan for business operations developed for a specific period of time
 - often developed for six months or a year but can cover a longer or shorter time period depending on the type of budget and the nature of the business

- project and offer detail on the business's estimated revenue and expenses over the time period
- **Start-Up Budget** - projects income and expenses from the beginning of a new business until it is expected to become profitable
 - Usually prepared in large and established businesses whenever a new venture is being planned such as:
 - Introduction of a new product
 - Expansion into a new market
 - Development of a new type of business operation
 - Usually require large expenditures of equipment, inventory, salaries and operating expenses
- **Operating Budget** - a plan showing projected sales, costs, expenses, and profits for the ongoing operations of a business
 - Projects operating income and expenses for the entire business or for a specific part of the business for an identified time period
 - Useful planning tool because it uses the same financial categories as the company's income statement
- **Cash Budget** - an estimate of the flow of cash into and out of the business over a specified time period
 - Needed to make certain that enough cash will be available at the right times to meet payments as they come due
 - Cash comes into the company from two primary sources:
 - Cash receipts
 - Borrowing
 - shows as cash flowing in and repayments as cash flowing out when each payment is due
 - Used to ensure businesses have money
- **Capital Budget** - a financial plan for replacing fixed assets or acquiring new ones
 - Important because acquiring assets ties up large sums of money for long periods of times
 - A wrong decision can be costly

- **Sales Budget** - a forecast of the sales revenue a company expects to receive in a month, a quarter or a year
 - Estimated sales are usually projected for sales territories, types of customers, sales representatives, geographic areas, or product categories
 - Each of the sales managers responsible for various areas make estimates for the sales and expenses of their unit
 - Use those estimates to prepare a final sales budget
 - Numerous factors influence sales estimates
 - Specific operating and management factors of each company
 - Economic conditions
 - Major competitors

Forever Tuna, Inc.
Sales Budget
For the Year Ended December 31, 2013

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Year
Expected unit sales	4,000	5,000	6,000	7,000	22,000
Sales price	\$100	\$100	\$100	\$100	\$100
Total sales	\$400,000	\$500,000	\$600,000	\$700,000	\$2,200,000

Administering the Budget

- Managers often prepare three budget estimates
 - 1. Assume that sales will be less than expected
 - 2. Considers what most likely will occur
 - Followed unless anticipated conditions change
 - 3. Assume sales will be better than expected
- If sales are less than expected, the business can shift immediately to the first set of budget figures
 - Vice versa, the business can shift to the third set of business figures
- Managers must use the budget to monitor ongoing operations and control expenses
- The use of budgets and a budgeting system cannot guarantee the success of a business, but can help reduce losses or increase
- Whether a business is a success or not can be determined only after the budget time periods have passed

Lesson 15.3: Financial Reports

- Every business must:
 - Keep thorough and accurate records
 - Prepare important financial reports regularly
 - Interpret the financial info in the reports
 - Make decisions that will have a positive influence on future financial results
 - Businesses most often use:
 - **Balance sheet** - a financial statement that reports a business's assets, liabilities, and capital on a specific date
 - **Liabilities** - claims against assets
 - **Capital (net worth)** - the value of the owners' investment in the business after subtracting liabilities from assets
 - Has two sides: assets are listed on the left and liabilities and capital are listed on the right
 - **Accounting Equation** - assets = liabilities + capital
 - **Merchandise Inventory** - the value of goods purchased to sell to customers at a profit
 - **Accounts Receivable** - The amount customers owe the business
 - **Accounts Payable** - the amount the company owes for purchases it made on credit
 - **Income statement (profit and loss statement)** - a financial statement that reports information about a company's revenues and expenses for a specific period
 - Usually prepared monthly, quarterly, or semiannually
 - Have three major parts:
 - 1. **Revenue** - income earned for the period, such as from the sale of goods and services

- 2. **Expenses** - all costs incurred in operating the business, such as the cost of equipment and supplies, inventory, and wages
- When revenue is greater than expenses, the company has earned a profit
- When expenses are greater than revenue, the company has incurred a loss
- To earn revenue, a retail business purchases merchandise from suppliers and sells it to customers at a profit.
- **Cost of Goods Sold** - The amount the retailer pays the supplier for the merchandise it buys and sells
 - Includes the amount the company paid for raw materials and parts to make its products
 - A large deduction from revenue
- **Gross Profit** - the amount remaining after subtracting the cost of goods sold from revenue
- **Net Profit** - the amount remaining after subtracting all expenses from revenue except taxes
- **Operating Expenses** - all expenses not directly associated with producing or purchasing merchandise the business sells
- The net result of the business activity reported in the form of revenue, cost of goods sold, expenses, and profit on the income statement appears in one form or another on the balance sheet

PREMIER TOOLS AND CONSOLIDATED SUBSIDIARY			
Balance Sheet			
March 31, 20X3			
Assets		Liabilities	
Current assets		Current liabilities	
Cash	\$150,000	Accounts payable	\$160,000
Trading securities	70,000	Salaries payable	30,000
Accounts receivable	110,000	Interest payable	<u>10,000</u> \$ 200,000
Inventories	<u>220,000</u> \$ 550,000		
Property, plant & equipment		Long-term liabilities	
Land	\$135,000	Notes payable	\$240,000
Buildings and equipment (net)	<u>375,000</u> 510,000	Mortgage liability	<u>110,000</u> 350,000
			\$ 550,000
Intangible assets		Stockholders' equity	
Patent	\$225,000	Capital stock	\$300,000
Goodwill	<u>65,000</u> 290,000	Retained earnings	<u>500,000</u> 800,000
Total assets	<u><u>\$1,350,000</u></u>	Total liabilities and equity	<u><u>\$1,350,000</u></u>

Lesson 15.4: Analyzing Financial Data

Using Financial Information

- Managers use financial statements to understand the financial health of a business
 - Must be prepared in a way that provides a clear and understandable picture of the financial health of an organization
- **Cash Flow** - the movement of cash into and out of a business
 - Money comes in immediately as a result of the sale of goods and services for cash and later from customers who buy on credit
- Regardless of the size of a business, cash is both a short-term and a long term concern
 - Must have cash on hand to pay bills when they are due and to plan ahead for large cash payments
- **Working Capital** - the difference between current assets and current liabilities
 - **Current** - assets and liabilities that are expected to be exchanged for cash within one year or less, such as accounts receivable and payable
 - When current assets are much larger than current liabilities, businesses are better able to pay current liabilities

- The amount of working capital is one indicator that a business can pay its short-term debts
 - Larger amounts make it easier to borrow money, because lenders feel assured that they will be repaid
- Managers use ratios to examine different areas of the business for possible financial problems
 - Use to identify possible problems needing corrective action
 - Lenders use ratios to decide whether a company is a good loan risk
- investors. If the company's current ratio keeps decreasing each period, then its liabilities are growing faster than its assets

Sources of Financial Information

- In some situations, businesses may need general advice or special help with a financial problem
 - Accountants, bankers, and financial consultants can provide expertise beyond what the company's employees and managers can provide
- Accountants understand the complex systems used to collect, sort, and summarize financial data
 - Can analyze and explain the meaning and importance of the details found on financial statements
 - Also help managers interpret financial data and make suggestions for financial aspects
 - **Certified Public Accountant (CPA)** - a person who has met a state's education, experience, and examination requirements in accounting
 - **Audit** - an examination of a company's financial records by an expert to verify their accuracy
- Bankers also assist businesses with financial decisions
 - Are well informed about the financial condition of businesses
 - Provide advice on how and where to get loans

- Aware of businesses' problems and needs
- **Consultant** - someone who gives professional advice or offers professional services
 - hire consultants with specific expertise to help managers solve problems or to provide services that are not available within the business
- Many state and federal government agencies provide financial information and other resources for businesses
 - **Small Business Administration** - an agency of the federal government that provides information, advice, and assistance in obtaining credit and other financial support for small businesses.



***Chapters 16-22 from the Cengage Learning Business Management Textbook are not effective in the curriculum**

Chapter 23 Managing Human Resources

Lesson 23.1: Human Resources in Business

The Need for Human Resources

- Of all the resources used by a business, people are the most important for success
- **Human Resources Management** - all activities involved with acquiring, developing, and compensating the people who do the company's work
- Human resources activities support the overall goals of the organizations
 - Sometimes called personnel management
- Although the size of the business, the number of employees, and other factors may influence how human resources activities are carried out, a number of activities are completed in all organizations.
 - These activities include:
 - Employment
 - Wages and benefits
 - Performance improvement
 - Employee relations

- Health and safety
 - Performance Management
 - Employee Assistance
 - Employment Planning and Research
- **Employment** - Maintaining the right amount of employees in the company at a given time.
- Most associated with human resources
 - Includes
 - Determining the need to hire employees
 - Recruiting applicants
 - Determining the qualifications of applicants
 - Hiring the best applicants to fill the available positions
- **Wages and Benefits** - Planning and managing the rewards available for employees whether it is financial or not.
- Helps with determining who will apply for job openings and if they can commit to the business
 - Must be carefully controlled
 - Employee productivity compared to pay and benefits determine whether the company can be profitable.
 - The system determining pay must be viewed as fair in the eyes of the employees.
- **Performance improvement** - Ensuring high quality and efficiency by training and educating employees
- Employees must improve their skills and learn new ones on the job.
 - The human resources department plans and manages programs to improve performance in cooperation with its managers and employees.
 - Prepares employees for promotions or moving current employees to new jobs.
 - Prepares employees for potential termination in the event of employee cutbacks or major changes in the business activities.

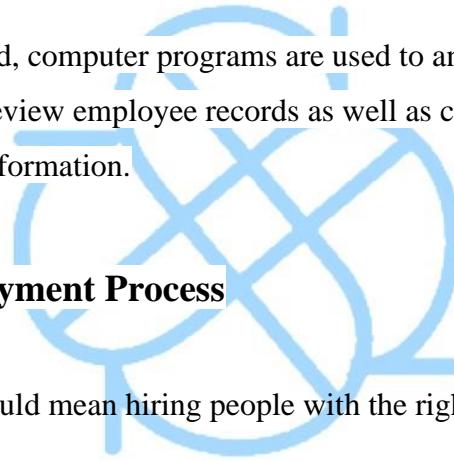
- These programs are a responsibility to employees who have contributed to the company's past success.
- **Employee Relations** - Ensuring that communication and relationships between the management and its employees is strong and efficient.
 - Assists in negotiating labor contracts with the union and deals with employee activities and issues that relate to the contract.
 - Presently, businesses expect employees to be more responsible for their own work.
 - Employees and managers take responsibility for many decisions that were once made only by managers. These decisions include:
 - Hiring
 - Determining how work will be performed
 - Improving work procedures
 - Help people prepare for future job openings and promotions, and ensure they can work cooperatively.
 - Companies are more successful when all employees have access to any job they are qualified for and when there is no discrimination in any part of the work environment.
 - **Health and Safety** - Working with managers to ensure that the company has safe work procedures, safe work areas, and establish laws and regulations that relate to health and safety.
 - When employees are injured or ill, other employees have to complete their work or the company has to hire replacements.
 - The cost of insurance and health care rises when the number of employee illnesses and injuries go up.
 - Substance abuse leads to many problems
 - Drunk workers have reduced dexterity and impaired judgement so they may ignore safety procedures or do their work properly.
 - Lowers worker productivity and increases absenteeism.
 - Regular safety training is implemented, safety related posters and materials placed in the workplace as reminders, and correct problems that are affecting safety.

- Good health is maintained through a smoking free environment and education programs
- **Performance Management** - Developing materials and procedures and having managers and employees educated on how to evaluate and improve performance.
 - Provide advice and training to help employees with improvement
 - Individual managers are responsible for evaluating the employees they supervise and improve their performance through the results of these evaluations.
 - The role of human resources in performance management is to develop an evaluation system in order to educate managers and employees on the proper methods for evaluating and improving work performance.
 - Human resources personnel work with managers and experienced employees to design a performance management system and prepare with the necessary materials.
 - 360-degree feedback - a newer method of performance evaluation uses performance feedback gathered from a vast amount of people with whom the employee works.
 - Supervisors, co-workers, and subordinates contribute to performance feedback.
 - People fill out a detailed, but anonymous review about a person's performance.
- **Employee Assistance** - Helping employees balance work with their personal lives.
 - Personal and family concerns may interfere with an employee's work.
 - Issues include financial problems, family issues, or alcohol or drug abuse.
 - Employee assistance programs - provide confidential personal problem-solving, counseling, and support services for employees.
 - Some have expanded to provide services needed by single-parent or two-working parent families, or by employees in transition because of changes in job or moving to a new location.



- Human resources personnel involved in employee assistance programs may arrange for day care for children or elderly family members.

- **Employment Planning and Research** - Researching and managing the information that managers need for determining personnel needs and managing the workforce.
 - It takes weeks/months to hire new people, design training programs, or complete performance reviews.
 - It is required by federal and state employment laws to have information about each employee to be collected and maintained.
 - A major human resource function involves researching and maintaining the information needed by managers to determine personnel needs and manage the workforce.
 - Data is gathered, computer programs are used to analyse information, and maintain and review employee records as well as company and competitive employment information.



Lesson 23.2: The Employment Process

Selecting Personnel

- Effective Selection would mean hiring people with the right skills for the right job
- Establishing a Need
 - Need may come if the company is growing or an employee has left.
 - The human resources department must have detailed and accurate information about the position in order to screen applicants and choose the most qualified people.
 - **Job description** - A list of the duties and responsibilities that make up a job.
 - **Job Specification** - A list of qualifications and skills a worker needs to do the job.
 - Human resources employees work with managers and employees who are currently doing each job to prepare job descriptions and specifications.
- Recruiting Applicants
 - An effective recruitment process results in a number of appropriately qualified applicants.

- A pool of applicants that's too small makes the chance to find a qualified person decrease
- A pool of applicants that's too big would elongate the process and add to the company's costs.
- **Current Employees**
 - Companies need to inform employees about open positions and ask for help when recruiting candidates.
 - Incentives are sometimes given to employees who help with recruiting a new candidate
- **On Site Applications**
 - Some companies use physical application forms while others have it done electronically.
 - Some companies accept applications even when there are no openings for a certain position.
 - After applications are screened, they are kept between six months to a year to be reviewed once there is an opening.
- **The Internet**
 - Employee websites provide thousands of job listings that job seekers can search by job category, location, company, or salary expectations.
 - Employees can submit or post their resumes for prospective employers online
 - Networking sites can be used to send job announcements to people with special interest in the company
- **Employment Agencies**
 - Organizations that actively recruit, evaluate, and help people prepare for an locate jobs
 - Services for job seekers include job matching, resume preparations, skills analysis, and interview coaching.
 - Services for employers include resume screening, active recruiting, initial interviewing, and testing.

- All states maintain a public employment service supported by state and federal taxes
- The goal of public employment agencies is to help employers find qualified applicants and to help job seekers find employment.
- **Advertising**
 - A commonly used method of attracting job applicants
 - It usually occurs on local media such as newspapers and radio when they have an opening
- **Other Sources**
 - Many universities and schools assist graduates who are looking for jobs
 - Job fairs are popular for reaching a large number of potential applicants at once.
 - Some employers use job fairs for exchanging information while others accept applications and conduct interviews.

Processing Applications

- Job seekers usually fill out an application form so companies can see who meets the employment criteria the most.
- **Application review**
 - Eliminate applicants who do not meet the minimum requirements
 - Typically include
 - Level of education
 - Previous employment experience
 - Specific training
 - Certifications
 - Licenses
- **Screening**
 - Critical applicant information needs to be checked for accuracy
 - This is done by contacting schools attended, previous employers, and agencies and organizations that issue licenses and certifications
- **Testing**
 - Top applicants may be tested as part of the application process

- They need an appropriate level of knowledge or specific skills
- Can only measure characteristics that can be linked directly to successful job performance
- **Interviewing**
 - Employers can learn more about an applicant than can be seen on an application
 - This includes human relations, oral communication skills, and decision making ability
 - The manager could share details about the job and answer questions
- **Selection and Background Check**
 - Occurs when the best candidate is chosen
 - Some require a drug screening before finalizing an offer
- **Job Introduction and Orientation**
 - Members of the HR department help new employees understand and complete the necessary paperwork.
 - Usually there is an orientation program or initial training



Promoting, Transferring, and Releasing Employees

- The amount of time and money invested in recruiting, hiring, and training is very high
- Changes in Employment Status
 - **Promotion** - the advancement of an employee within a company to position with more authority and responsibility
 - A business should fill vacancies by promotion
 - All employees should have equal opportunity to receive promotions
- **Transfer** - the assignment of an employee to another job in the company that usually involves the same level of responsibility and authority as the person's current work
- **Discharge** - the release of an employee from the company due to inappropriate work behavior
- **Layoff** - a temporary or permanent reduction in the number of employees because of a change in business conditions.



- When there is a large number of layoffs, the HR department must help employees plan for them
- **Employee turnover** - the rate at which people enter and leave employment in a business during a year
 - Important because the loss of experienced employees means that new employees have to be hired and trained
 - The replacement method calculates the employee turnover based on the current size of the company's labor force
- **Exit Interviews** - A formal interview with an employee who is leaving the company to determine the employee's attitudes about the company and seek suggestions for improvement
 - Provides insight into the causes of employee turnover and feedback about the company's policies and procedures, management, and operations



Lesson 23.3: Employment Law

Regulating Employment Conditions and Benefits

- The Department of Labor (DOL) - responsible for administering and enforcing nearly 200 laws and hundred of related regulations
 - Affects more than 10 million businesses and close to 125 million workers.
- The major categories in which laws regulate employment relationships:
 - Wages and work hours
 - Health and safety
 - Retirement and employee benefits
 - Workers' compensation and unemployment
- Wages and Work Hours
 - **The Fair Labor Standards Act (FLSA)** - federal law regulating wages paid and hours worked by employees
 - Requires employers to pay covered employees at least the federal minimum wage and overtime pay of 1 ½ times the regular rate of pay.
 - Regulates the employment of young people (under 18)

- Worker Safety and Health
 - **Occupational Safety and Health Act**
 - Created the Occupational Safety and Health Administration
 - ensure safe and healthful working conditions for workers by enforcing standards by providing training, outreach, education, and assistance.
 - Part of the Department of Labor regulates safety and health conditions of businesses
 - Workplace inspections and investigations are key to enforcement.
- Retirement and Employee Benefits
 - **Social Security** - A social insurance program funded through payroll contributions.
 - Formal title of the program - The Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund (OASDI).
 - Largest component is the payment of retirement benefits
 - Social Security Administration keeps track of the contributions
 - **Medicare** - health insurance for people 65 or older and for people under 65 with certain disabilities.
 - Three parts: hospital insurance, medical insurance, and prescription drug coverage
 - Covered by payroll taxes
- **Family and Medical Leave Act (FMLA)**
 - Allows eligible employees to take unpaid leave for specified family and medical reasons
 - Requires employers to allow eligible employees up to a total of 12 weeks of leave during a year for
 - The birth, adoption, or foster-care placement of a child
 - Caring for an immediate family member with a serious health condition
 - Medical leave for a serious health condition

- Workers' Compensation and Unemployment
 - **Workers' compensation** - requires employers to provide insurance for the death, injury, or illness of employees that result from their work
 - **Unemployment insurance** - a state-managed program that provides temporary income to individuals who have been laid off from their jobs.

Equal Opportunity in Employment

- Government plays a role equal opportunity for employment by passing laws that protect workers and guide employers
- Businesses take positive steps to correct discrimination in employment including:
 - Development of written plans for fair employment practices
 - Review of recruitment and selection procedures
 - Improved access to job training to qualify employees for promotion who many have been discriminated against in the past
 - Diversity training for all managers and employees
 - Improved performance evaluation procedures that reduce bias
- Laws that Expand Employment Opportunities
 - **The Civil Rights Act** - prohibits discrimination in hiring, training, and promotion on the basis of race, ethnicity, gender, religion, or national origin
 - **Equal Pay Act** - prohibits unequal pay for men and women who are doing the same work
 - **Age Discrimination in Employment Act** - prohibits discrimination in conditions of employment or opportunities for people over 40
 - **Immigration Reform and Control Act** - Requires employers to verify that potential employees are not unauthorized to work in the U.S and prohibits employment discrimination because of national origin or citizenship status
 - **Americans with Disabilities Act** - Prohibits discrimination against qualified people with disabilities in employment, public services, transportation, public accommodation, and telecommunications - provide reasonable accommodations to support the employment of disabled employees.
- Two most effective strategies for reducing discrimination are the use of work teams and cross-training

Chapter 24: Rewarding and Developing Employees

Lesson 24.1: Compensation Planning

Compensation Plans

- There are many benefits that employees receive for their labor
 - Paid vacations
 - Company-sponsored insurance
 - Health and wellness programs
 - On-site day care
 - Employee assistance programs
- **Compensation** - the pay and other benefits employees receive in exchange for their labor
 - Method used to determine pay is important to attract employees, motivate them, and retain the most motivated ones
 - Compensation system must be fair to encourage effective work.
- Factors affects employee's pay - skill requirements, work conditions, amount of experience/education of individuals, supply and demand for work type, and economic conditions
- **Wage** - pay based on an hourly rate or for the completion of a specified amount of work
- **Salary** - fixed amount of pay made on a regular schedule such as weekly or monthly
 - Most often paid to executives, supervisors, professionals, and people without fixed schedule
- **Compensation plan** - a system of policies and procedures for calculating the wages and salaries in an organization
 - Different methods based on type of work and qualification of employees in a business
 - Commonly based on time, performance, or a combo

Time Plans

- **Time plan** - pays a certain amount for a specified period of time worked
 - Most common payment method
 - Easy to administer because pay is based directly on time

- Do not reward employees for outstanding work
- Neither rewarded nor penalized based on efforts

Performance Plans

- Two types of plans pay employees for amount of work produced
 - **Commission plan** - pays for percentage of the volume of sales for which they are responsible
 - Provides direct incentive because efforts determine pay
 - Negative - encourages employees to only focus on largest commission
 - Try to sell products that customer does not need
 - May concentrate only on larger customers and ignore smaller, but important customers
 - May not complete other tasks that take away selling time
 - **Piece-rate plan** - pay employee fixed rate for each unit produced
 - Pay is based directly on amount of work employee produce
 - Negative - new employees would have difficulty earning because of inexperience and lack of efficiency in comparison to experienced workers
 - Experienced workers may also use shortcuts to increase production
 - safety/quality problems
- Some companies are developing ways to compensate performance on specific, short-term projects motivating employees while not adding too much to organization's costs.
 - Reward - often a product or service rather than money

Combination Plans

- **Combination plan** - a pay plan that provides each employee a base wage or salary and adds incentive pay based on percentage
 - Assure employee specified amount of money, but can earn additional reward for effort
 - Effective for jobs with activities that do not directly result in increased production/sales
 - **Bonus** - money paid at the end of a specific, but long period of time.
 - Relate employees rewards to achievement of important company goals or overall organizational performance

Factors Affecting Pay Levels

- Importance of job
- Skills of employees
- Experience of employees
- Years at company
- Supply and demand for labor
- Economic conditions
- Wage rates in community and industry
- Federal and state labor laws

Importance of Compensation Planning

- Largest expenses of a company
 - Must be paid consistent with sales and other income earned by the business
 - Compensation = too high means no profit for company
 - Compensation = too low means no attraction of employees to company
 - Employ economists and specialists to determine the total amount of money that should be spent on compensation
- Small companies try to compare wages and salaries offered by competitors to not lose employees
- Difficult to change compensation plan
 - Need approval to change by executives and should involve employee groups
 - Should be explained to employees and give time to adjust

Meeting Legal Requirements

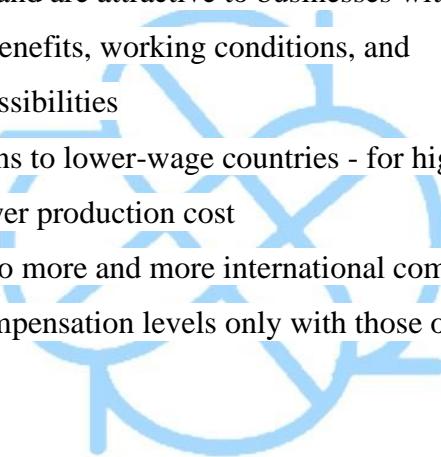
- Must meet all federal state laws
- Minimum wage
 - Minimum wage laws - illegal for employers to pay less than an identified wage rate to an employee
 - Developed as both social and economic policies
 - Employees cannot be exploited
 - Most states have established higher minimum wages than federal law.

- Compensation Discrimination
 - Employees must have fair levels of compensation
 - Equal compensations for workers who performs jobs with the same skill, effort, and responsibility - similar working conditions
 - Illegal - unfair differences based on race, ethnicity, religion, gender, national origin, age, marital status, or disability



Competitive Pressures

- Affected by competitors when establishing pay rates
 - Employees usually consider many businesses when deciding on job and are attractive to businesses with best compensation, benefits, working conditions, and advancement possibilities
 - Move productions to lower-wage countries - for higher income with lower production cost
- As businesses respond to more and more international competition, it is no longer possible to compare compensation levels only with those of competitors in the same state or country



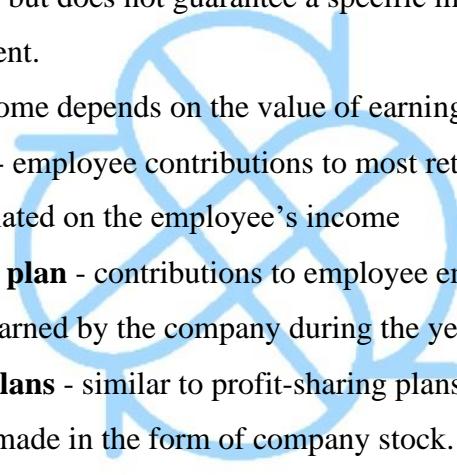
Lesson 24.2: Employee Benefits

Customary Employee Benefits

- Employees often receive other valuable benefits from their employer as part of their total compensation
 - When making the decision to accept a promotion, the wage or salary level is often considered the most important factor in the decision
- **Employee benefits** - all forms of compensation and services that a company provides to employees in additions to salaries and wages
 - Can increase the total compensation an employee receives

Common Employee Benefits

- **Insurance** - businesses make it possible for their employees to obtain insurance at lower costs through group insurance policies
 - Common types of insurance - Health, vision, dental, life, disability
 - Often covers family members
- **Retirement Plans** - designed to help retired employees have a steady income
 - 2 major categories of retirement plans:
 - **Defined benefit plan** - Specific monthly benefit to retired employees determined by their years of employment and amount of earnings while employed
 - **Defined contribution plan** - regular payments to an employee retirement account but does not guarantee a specific monthly benefit to be paid on retirement.
 - Retirement income depends on the value of earning from investments.
 - **Tax-deferred** - employee contributions to most retirement plans are made before taxes are calculated on the employee's income
 - **Profit-sharing plan** - contributions to employee retirement funds based on the profits earned by the company during the year.
 - **Stock-bonus plans** - similar to profit-sharing plans but contributions to employee retirement are made in the form of company stock.
- **Vacations and time off** - paid or unpaid
 - Most companies pay employees their regular wage or salary during vacations
 - Some companies are closed for holidays and may pay their employees for those days
 - Due to illness, personal business, illness/death of family members, birth/adoption of child
- **Required benefits** - federally/state required
 - Social Security and Medicare contributions
 - Workers' compensation
 - Unemployment insurance



Hours of Work

- Companies often stagger the workweek by having some employees start their week on days other than Monday
 - Allows them to operate seven days a week without having employees work more than five days
- **Flex-time** - lets employees choose their own work hours within specified limits
- **Job Sharing** - allows two people to share one full-time job

Other Benefits

- Many companies offer other benefits such as
 - Free/low-cost parking
 - Food services and cafeteria
 - Discounts on products by company
- **Cafeteria plan** - A program in which employees can select the benefits that meet their personal needs
 - Employees can choose song benefits with equal value or give up certain benefits and receive their cost as additional compensation
- Other increasingly important benefits are programs that help employees locate and pay for convenient care for children or other family members including elderly parents

Improving Human Resources Services

- **Use of Technology**
 - Managing human resources requires a great deal of info pertaining to every employee in the organization.
 - Computers have greatly improved how companies gather and store employment information.
 - Made entering, retrieving, and updating personnel information more efficient
 - To keep records confidential, companies take security precautions, such as limiting access and requiring a password to access employees' files
 - Made HR activities more efficient



- provides a way for employers and job seekers to exchange information
- Help companies communicate new policies or new benefit options to employees throughout the company and the world
- **Outsourcing Services**
 - **Outsourcing** - hiring an outside firm to perform specialized tasks.
 - Ex. a company may hire an outside employment agency to perform all
 - of its employment activities, including recruiting, selecting, and even training

Lesson 24.3: Improving Employee Performance

Employee Performance Review

- Two requirements for maintaining a high-quality workforce
 - Have an effective system for performance review
 - well-designed training and development programs
- **Performance Review** - the process of assessing how well employees are doing their jobs
 - Used for career planning, determining increases in wages and salaries, and planning training programs.
 - Occurs once or twice a year
 - Forms and records should be specific to each employee's job and based on the employee's job description and job responsibilities.



Conducting a Performance Review

- First step - developing process to determine what to evaluate
- Next - human resources department prepares forms and procedures for performance reviews
 - Should be designed to make the review process as easy and objective as possible
- Managers could show biases or base evaluations on recent work or general observations
- managers should use observation forms and record information on the employee's performance

- Should be specific to each employee's job and based on the employee's job description and job responsibilities
- Employees should be just as careful and objective in completing their self-evaluation as they expect their supervisor to be

Performance Review Conference

- Information from performance review should be discussed in a conference
- Guidelines for managers to make the evaluation conference positive
 - Schedule enough time to review employees job, evaluations, and career plans
 - Focus on employee performance ONLY
 - Discuss strengths and weaknesses
 - Allow employees to discuss performance, the job, working conditions, and available support
 - Agree on a specific development plan for next work period
- If an employee is terminated for having performance below standard, managers should ensure they are not surprised by the negative info

Informal Reviews

- Aside from reviews, managers should regularly provide informal feedback, support, and encouragement to all employees
 - Helpful to employees in understanding their jobs and how they can improve or even prepare for promotions/career advancement

Planning Training and Development

- Training is divided into two categories
 - Organization
 - Delivery
- **Formal training** - carefully planned instruction with a specific curriculum and instructor.
 - May be offered by the company, professional, and trade associations, schools and colleges, or private companies
 - Increasingly delivered using tech
- **Informal training** - unstructured instruction developed for specific situations or individuals

- Often delivered by a supervisor, co-worker, or mentor in one-on-one situations with an individual employee or a small group of employees.
- Characteristics of Effective Training Programs
 - Be interesting to trainee
 - Be related to knowledge that trainee has developed
 - Explain why something has to be done
 - Progress from simple to difficult steps
 - Let trainee learn complicated procedures in small steps
 - Allow practice time
 - Let trainee concentrate on becoming comfortable before worrying about accuracy
 - Provide regular, positive feedback on progress
 - Be done in short time blocks with various activities
 - Involve the learner in training activities

Effective Training

- As companies recognize the value of training, they are working to develop more effective training procedures
 - Designed to help people learn

Identifying Training Needs

- Important for all companies to determine the need for employee training
- Poor work performance can be caused by insufficient training
- When new employees are hired or experienced employees are promoted to new jobs, they do not have all the skills they need to begin work immediately
- Signals for the need of training include conflicts among employees, areas of customer dissatisfaction, or work hazards and employee injuries
- In some companies, each department forms a problem-solving group made up of managers and employees

Types of Training

- Basic skills training
- Occupational safety training
- Employee health and wellness training
- New employee orientation training

- Awareness training
- Communication, employee development, and quality training
- Job skills training

Chapter 25: Developing an Effective Organization

Lesson 25.1 The Changing Organizational Environment

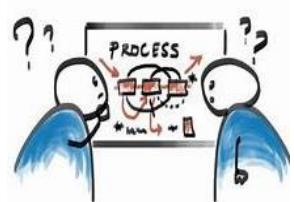
The New Employment Environment

- Many companies faced global competitive pressures unlike those they had seen before
 - Forced companies to reconsider their organizational size, structure, and operations
 - Cut the number of employees
 - Reduce product offerings
 - Cutting costs in other ways
 - Restructured their operations to work and use resources more efficiently
- Many employees who lost their jobs when businesses cut back have been unable to find satisfying employment
- **Job Security** - the likelihood of being employed by the same company in the future
- **Economic and Political Changes**
 - The Internet has led to the creation of many new organizations that look quite different from traditional businesses
 - may have only a few employees, and the employees may not work in the same building or even in the same city
 - few businesses rely on the Internet only, but most have incorporated extensive Internet-based operations within their more traditional operations
 - International competition has grown dramatically as large firms expand into new markets, develop cooperative agreements with foreign firms, or purchase competing businesses
 - **Free-trade agreements** - treaties between two or more countries that eliminate almost all trade restrictions and subsidies between the countries

- The most significant change in political structure affecting international business competition and trade was the development of the European Union
 - **European Union** - first and most important international market system in the world
 - Formed to increase the economic and political power of the countries of Western Europe in the face of growing global competition
- **Adapting to Change**
 - Almost all businesses are facing dramatic changes
 - Presents challenges to both employees and managers
 - Most of the pressure is presented to the human resources department
 - Two major responsibilities that have emerged for the human resources department include:
 - **Organizational Development** - carefully planned changes in the structure and operation of a business to adjust to a competitive business environment
 - HR managers help companies make changes in the way they are organized
 - **Career Development** - an effort to match employees' career plans with the changing employment needs of the business
 - HR managers work with individual employees and managers to prepare them to take responsibility for their own career development through effective career planning

The Role of Human Resources in Change

- The ways businesses organize work and resources also affect their success
- What hinders a business's ability to meet customer needs?
 - Inefficient work processes
 - Delays in receiving needed materials
 - Problems within channels of distribution
- In order to maintain their competitiveness companies pay more attention to



- How they structure their organization
- How work flows through the business
- How employees work together and with their managers
- Businesses use organizational development to make changes like:
 - Making improvements in work processes
 - Eliminate errors, improve quality, and reduce costs
 - Building effective working relationships
 - There are many important relationships that contribute to an effective organization such as:
 - Management-employee relationships
 - Relationships with people in other organizations with whom the company works
 - Relationships with the company's customers
- **Improving Work Processes**
 - One of the purposes of organizational development is to improve the way work is accomplished includes
 - Materials and resources used
 - The organizational structure and relationships among work units
 - The job duties assigned to individuals and groups
 - Work procedures and operations
 - But improving work processes also involves the way businesses work with each other as part of product development, production, distribution, sales, and customer service
 - Improving the way work is accomplished may require:
 - Using new technologies
 - Rearranging work areas
 - Changing relationships between departments and work groups
 - Modifying procedures for completing tasks
 - May not be easy for any company to make changes
 - Employees may be reluctant to use new technologies or change the way they do things

- May be difficult to identify new ways to organize and accomplish work
- Organizational development programs often bring in experts from outside the company to help identify new work processes and to work with employees and managers to help them accept change
- **Identifying the Need for Change**
 - The causes of a business failure may be that:
 - Competitors were able to improve their products and services
 - Customers did not receive the service they expected
 - Costs were not controlled
 - The organizational structure did not adjust to new conditions
 - Failure is most likely from the inability to change
 - **Business Environment** - The factors and conditions within which a business operates and that can affect its success
 - **External Environment** - Factors and conditions outside the business
 - Ex. workforce demographics, competition, consumer expectations, technology
 - **Internal Environment** - Those occurring inside the business
 - Ex. makeup of the company's workforce, employer-employee relationships
 - **Important Indicators that an Organization Needs to Make Changes:**
 - New competitors entering the market
 - Introduction of new technologies in other businesses
 - Changes in laws and regulations
 - Major changes in products and services offered in markets served
 - Rapid growth
 - Every organization should pay careful attention to its external and internal environment to monitor those indicators

Lesson 25.2: Managing Organizational Change

Planning Organizational Development Programs

- Every organization should pay careful attention to its external and internal environment to monitor those indicators
 - Human resources should be involved because change affects employees
- Changes may involve developing new employee skills or increasing/decreasing workforce size
- Every organization should pay careful attention to its external and internal environment to monitor those indicators

- **Step 1: Affirm Missions and Goals**

- Every organization should pay careful attention to its external and internal environment to monitor those indicators

- **Step 2: Identify Important Markets and Products**

- The organization needs to identify the important markets that will be the company's primary focus and the products and services needed to serve those markets.

- Will require establishing customer service standards

- **Customer Service Standards** - measures against which the company judges its performance in meeting customer expectations

- May include:

- The minimum acceptable levels of product quality
- Delivery speed
- Order fulfillment accuracy
- Customer support and follow up

- **Step 3: Determine Needed Changes**

- The business must determine the organizational changes required to achieve the company's mission, goals, and customer service standards, and prepare a plan for implementing the changes

- Usually involved one or more of the following factors:

- Work processes
- The organizational structure

- Work relationships
- Employee skills
- **Performance Standards** - specific statements of the expected results from critical business activities
- **Step 4: Build Commitment**
 - Successful organizational change requires the understanding and support of managers and employees
 - Most likely if all employees are full informed of
 - The change
 - The reasons change is necessary
 - The likely results if the change is not made
 - How employees will be affected by the change
 - How the organization and its employees will benefit if the change is successful
- **Step 5: Follow Through**
 - Employees will support the plan if they see that the organization is committed to it and that change is occurring.
 - Employees should be informed of the results of the changes even if they are not always positive at the beginning
- **Step 6: Incorporate the Change**
 - If people believe the change is not important or is only temporary, they will not commit to its success
 - When the new process is implemented and supported, the organization has changed, and the old procedures are no longer appropriate, the organizational development program is complete

Improving the Work Environment

- Today, employees are concerned about a variety of factors related to their work, including the work schedule and working conditions
 - Vacations, insurance, pensions, and other benefits are also important to most people

- They also want an interesting and challenging job as well as recognition for their work
 - Both personal and financial needs are important to employees
- Studies have found that employees are most satisfied with their work when they:
 - Perform interesting work
 - Feel responsible for the work
 - Receive recognition for good work
 - Have a feeling of achievement
- **Job Design** - the kinds of tasks that make up a job and the way workers perform these tasks in doing their jobs

Job Enlargement

- Organizations try to make work more meaningful and motivating for employees
- **Job Enlargement** - making a job more interesting by adding variety to the tasks
- Employees also need training and adequate time and practice to develop the new skills
 - Companies should not enlarge jobs just to reduce the number of employees or to get employees to do more work

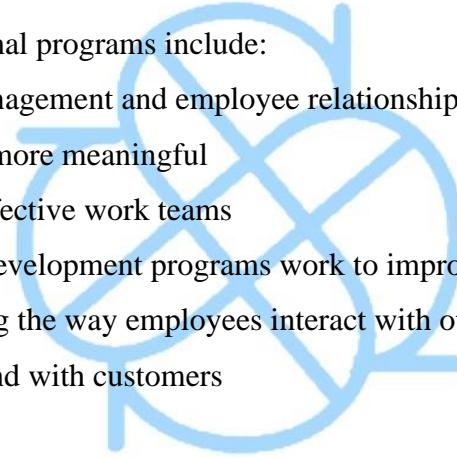
Cross Training

- **Cross Training** - When employees are trained to perform more than one job in the company, even though they typically perform only one
- Employees can be rotated to other jobs when:
 - An absence or illness occurs
 - While a replacement employee is being trained
 - When a significant increase or decrease in the amount of work occurs for a specific job
 - To provide change and variety for employees
- Makes employees more valuable to the company because that person can perform a broader set of work tasks

Job Enrichment

- **Job Enrichment** - gives employees the authority to make meaningful decisions about their work

- Managers may ask employees for advice on how to improve performance or reduce errors
- Job responsibilities may be changed so employees can solve problems themselves without checking with their supervisor
- Some companies expand the duties and responsibilities of employees for the wrong reasons
 - To save money, the companies cut the number of personnel and divide the additional work among the remaining employees
 - Sometimes done without providing additional training or any recognition for employees given additional work
- An improved work environment and worker involvement are important goals of organizational development
- Important organizational programs include:
 - Improving management and employee relationships
 - Making work more meaningful
 - Developing effective work teams
- some organizational development programs work to improve relationships in the external environment, including the way employees interact with other businesses in the distribution channel and with customers



Lesson 25.3: Career Development

The Importance of Career Development

- Successful businesses view their relationships with employees very differently today
 - Realize that it is not easy to find employees with the required qualifications
 - Also very expensive to hire and train a new employee
- Companies invest in employees and want to get the greatest value from them
 - Occurs when companies hire employees with skills that closely match the needs of the job, train them, and then keep them happy, so they will want to contribute to achieving the company's goals.
- Changing technology requires employees to regularly update their skills
 - Today, companies process information with computers

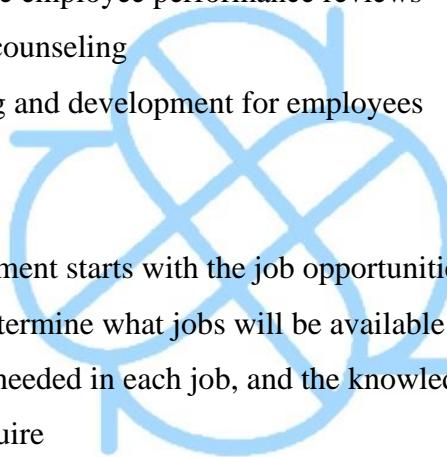
- To get the needed skills, businesses offer training to current employees when new technology requires it and search for new employees with up-to-date skills to fill vacancies

Career Development Planning

- **Career Development Program** - a plan for meeting the company's future employment needs by systematically preparing current employees for future positions in the company
 - Human resources personnel are responsible for its development but need support of all parts of the company
 - Requires:
 - A long-term organizational plan
 - Career paths
 - Effective employee performance reviews
 - Career counseling
 - Training and development for employees
- **Long Term Plans**
 - Career development starts with the job opportunities in a company
 - must determine what jobs will be available in the future, how many people will be needed in each job, and the knowledge and skills those employees will require

Career Paths

- **Career Path** - a progression of related jobs with increasing skill requirements and responsibility
 - Provide opportunities for employees to advance within the company, make additional contributions, and receive greater satisfaction from their work
- Companies need to make other opportunities available so that employees are not locked into one job if they choose not to become managers or are unable to qualify for management positions.
 - Each job in the company should be part of a career path, and employees should be aware of the paths available to them



- **Performance Reviews**
 - Employees need accurate information on their skills and abilities to make good career decisions
 - When employees know how well they are performing, they can determine what skills they need to improve to meet current job requirements or to qualify for another job in a career path
 - Together, the manager and employee determine whether the employees need additional training to improve performance and to advance in the organization
- **Career Counseling -**
 - For career development to be effective, employees must be aware of opportunities and plan their career paths
 - The human resources department offers career information and counseling services as part of the career development program
 - Managers are often trained to provide career information to the employees they supervise
 - **Individual Career Plan** - the jobs that are part of the employee's career path, the training needed to advance along the career path, and a tentative schedule for the plan's activities
 - Jointly developed by the employee, a human resources specialist, and usually the employee's manager
 - **Career Centers** - facilities where human resources employees manage career development activities
- **Training and Development**
 - The final part of a career development program is helping employees obtain the training and education they need for changing job requirements and new jobs
 - companies can develop training programs and other educational opportunities to prepare employees for new job requirements before the need arises

Implementing a Career Development Program

- Businesses that want to match employees and jobs successfully must do several things to ensure that the career development program works well

- Responsibility for organizing and managing the career development program is usually assigned to the human resources department
 - The department does much of the initial planning and puts together the people, resources, and procedures needed for the program
- Everyone in the business must be educated about the career development program and his or her role in career planning
- Managers must also evaluate employee performance and include career planning in follow-up conferences
 - Help identify employees who are ready for career advancement
 - serve as coaches and mentors to help each worker make effective career choices
- Employees should be aware of career development resources and how the career-planning process works
 - Responsible for much of their individual career planning and development but must know where to get help when they need it
 - use performance reviews and evaluation conferences to gather information to make career plans
- The human resources department manages the career development program
 - Specialists provide career counseling, training, and help in understanding the performance review process

Special Career Development Programs

- Companies that offer career development programs should make the services available to all employees
 - But, there are situations in which specific individuals or groups of employees participate in programs designed to meet specific needs in the company
- Most large businesses offer career planning, training, and counseling to employees selected to be managers
 - Receive testing services, obtain experience in all parts of the business, and often are assigned to an experienced manager who serves as a role model and mentor
- Companies may make extra efforts to encourage and prepare people from the underrepresented gender for those jobs
- Some companies may have difficulty finding qualified candidates for certain jobs

- Those positions may be targeted for career development attention

Lesson 25.4

Business Careers

- Business careers are appealing because of the number and variety of jobs available and the opportunities for advancement
 - Once you have obtained your first job and gained both experience and knowledge of business procedures, many opportunities open up
- Because common areas of knowledge and skills are important to many types of businesses, you are not limited to one career path, one type of business, or one geographic area
- **Levels of Employment**
 - Businesses have several levels of employment, based on the amount of education and experience required
 - Common levels: entry, career, specialist, management, and executive/entrepreneur
 - **Entry-Level Occupations** - involve routine activities and require little training
 - Open to people with little or no previous business education or experience
 - Ex. cashier, clerk, receptionist, operator
 - **Career-Level Occupations** - have the authority to control some of their work and make some decisions
 - Workers should have a basic understanding of business and skills in the areas in which they are working
 - Ex. sales associate, manufacturing technician, bank teller
 - **Specialist Occupations** - require a variety of skills in one or more business functions and extensive understanding of the operations of a specific company or industry
 - Considered the most skilled or expert in the activities they perform on the job
 - Ex. buyers, researchers, website designers, programmers, analysts

- **Supervisor/Management Occupations** - responsible for specific units in a business and must make decisions about operations and personnel
 - Hold the first levels of management positions
 - Must have a high level of knowledge in the parts of the organization that they supervise
 - Must be effective decision makers and have strong leadership ability
 - Job titles in this level include supervisor, assistant manager, and manager
 - Often called team leaders
- **Executive/Entrepreneur Occupations** - fully responsible for the success or failure of the company
 - Must possess a comprehensive understanding of business and management
 - They spend most of their time planning and evaluating the work of the organization
 - Job titles in this level include vice president, president, chief executive, and owner
- **Careers in International Business**
 - The growth of trade between countries and increasing global competition provide continuing evidence of the importance of international business
 - As businesses expand into international markets, so do the opportunities for international business careers
 - International business careers have all the advantages of a career in one country plus more
 - The international businessperson must be familiar with the cultures of the countries in which the business will operate or to which the company's products and service are directed
 - The economic and political environments of countries is another important area of study

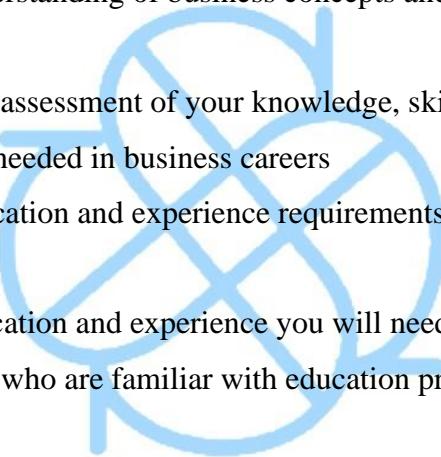
Preparing for a Business Career

- People who are not familiar with business may have difficulty determining what preparation they need and how to obtain the job they want
- Today, a person is less likely to enter a business career without specific preparation

- People who understand the requirements and carefully plan to develop the necessary skills are more likely to succeed in business
- Business is usually one of the largest degree programs in colleges and universities
- Experience in business is always an advantage
 - Can give you confidence and develop important communication and interpersonal skills.
- Beginning employees who stay with one employer for a length of time and receive favorable evaluations will find it easier to receive promotions or be hired by an employer offering a better job

Developing an Individual Career Plan

- Steps for Developing Your Own Career Plan:
 1. Develop an understanding of business concepts and the different types of business careers
 2. Complete a self-assessment of your knowledge, skills, and attitudes that are related to those needed in business careers
 3. Identify the education and experience requirements for business careers that interest you
 4. Discuss the education and experience you will need with people (counselors or businesspeople) who are familiar with education programs and employment opportunities
 5. Develop a career plan that identifies the knowledge and skills needed for the career you have chosen and how you will develop them through a combination of education and experience



Preparing a Career Portfolio

- **Career Portfolio** - an organized collection of information and materials you develop to represent yourself, your preparation, and your accomplishments
 - Should provide clear descriptions of your preparation, skills, and experience
 - Can include examples of projects you have completed in school and on the job or for organizations to which you belong.

- Can include evaluations of your skills and work evidenced through tests, checklists of competencies you have mastered, and performance reviews from employers
- A portfolio is a good way to identify important materials that will help you with your self-assessment
 - Also keeps materials organized so you can show them to others to demonstrate achievement, or as you apply for educational programs and jobs

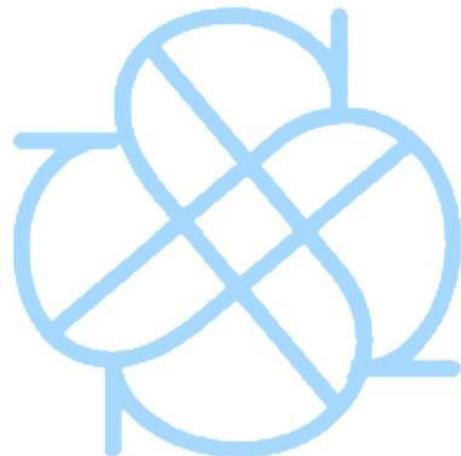


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