

The Ideal employee:

- Initiative
- Motivation
- Creativity
- Etc.

What is most important:

- Attracting a quality workforce
- Developing a quality workforce
- Maintaining a quality workforce

**

Dubai: Employers did anything it took to keep staff happy, (hotels, like Atlantis and [Burj Al Arab] , etc.) – Faced a lot of challenges like their staff being poached by other hotels.

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Various recruitment methods:

- External
- Internal
- Traditional
- Realistic job previews

Steps in hiring selection process:

- Formal app.
- Interview
- Testing
- Reference check
- Physical exam
- Analysis and decision

How to develop a quality workforce?

- Performance management system
 - Assessment
 - Targets set, performance requirements, etc.

Appraisal methods:

- Peer appraisal
- Upward appraisal
- 360 degree feedback

Work-Life Balance

- Gym
- Day care
- Etc.

THE 'NEW DAD'

- Study: Men wrestling with balancing work and life
- Effects of stressed/ overworked employees on organizations:
 - Lack of focus
 - Low morale
 - Poor performance
 - Irresponsibility
 - Switching to a rival company

Compensation and Benefits

- Base compensation
- Fringe benefits
- Flexible benefits
- Family-friendly benefits
- Employee assistance programs

Apple Mini Case Study

- Foxcon – long work hours
- Strain on employees in China

CSR

Slumdog Millionaire Case Example

Attracting, Motivating, and Retaining the Best

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Why do people work?

- Money
 - Identity – “We know who we are through what we do”
 - Self-worth
 - Self-actualization
 - Maslow’s hierarchy of needs
-

Today's lecture will answer the following

1. Why do people work?
2. Why do people work hard?
3. What problems arise in an employment relationship?
4. How do effective managers manage employees at work?

1. They need money, but is it only about money?

No they also need to work because it gives them:

- Identity
- Self-worth
- Self-actualization

A.K.A Maslow’s Hierarchy of Needs

Work life balance is what people ask for the most. (Ranked higher than money)

Next up is competitive health benefits

Work environment is 3rd

Pay is ranked last

Engagement drives

The top 2 are learning and development / work environment. Pay and benefits do not play a big role in this

2. Work has rewards, and the rewards are attractive.

The rewards must be attractive in order for the person to work hard

Effort will lead to performance.

This is the expectancy theory.

Fundamental assumptions about people

A couple questions about people

- Are people inherently lazy?
- Or are people inherently creative?
- What if we did not supervise their work?
- Can people manage their own work?

McGregor: Theory X and Y. X is people are lazy, Y is people are creative

Problems

- Problem employee
 - o Someone who is late, incompetent, very competent but hard to get along with, etc.
- Problem employer
 - o Change in leadership style (i.e. new manager),
- Why is there conflict in the employment relationship?
- Relative power and exchange
- Bargaining – collective or individual

Explanation of the system

- Work must be interesting in order to keep the interest of the workers.
Work that is boring may lead workers to not work hard and not care
- Skills- like what we are all doing at uoft learning and obtaining skills
- Incentives- we must give people something to work for, a goal to achieve and rewards to reward them.
- Autonomy-
- Work – family balance
- Respect for diversity

The value chain

- Employee capability and engagement
- Customer satisfaction and loyalty
- Shareholder value

Lecture Notes 3 – Jan 28th

New in the World of Business?

Exxon > Apple in value

Stock drop 12%

Drop b/c of overprojected growth rate

iPad mini cannibalized some iPad (regular) sales

Too many competitors

Outlook for Apple in the next 5 years?

A lot of R & D money

Brand Name

Might introduce new products

Competition is still very powerful

Importance of financial information:

Financial info is used to make investment decisions

Accounting = the language of business

Users of financial statements = investors, management, union officials, creditors, stakeholders

Used to predict future events based on past events

Governments use financial statements to value taxes

Suppliers and creditors use them to determine whether they can be paid back or not

Difference between Managerial and Financial accounting?

Managerial is internally focused, and it looks to the future (i.e. projections)

Financial is externally focused, is required by external bodies, and it looks to the past

Public accountants; work for multiple companies

MBA = degree

CA/CPA = designation → only professional business designation

Bookkeeping = recording information

Accounting = analysis (encompasses bookkeeping)

IFRS call the 3 important financial statements:

Statement of Financial Position

Statement of Comprehensive Income

Statement of Cash Receipts & Disbursements

Balance sheet = where you are right now (fixed point in time)

Income Statement = Over period of time

SoCF = Converts income from accrual to cash basis

Accrual basis of accounting = recording transaction even if no cash is involved

Fiberrific's Statements:

Values can't be proven correct

Helps to get statements audited

Current assets = more liquid than fixed assets

(NET) = including depreciation & amortization

Depreciation doesn't set value, but allocates cost

Goodwill = FMV (fair market value of net assets) – Selling Price

Rule of thumb = Current Assets should be at least 2 times greater than Current Liabilities

A Company made \$1 million last year, is this good?

Depends

Revenue vs. Income?

How big is the company → ratio analysis

Quick ratio only looks at extremely liquid assets

Measures immediate ability to pay debts

Too low debt-equity means you aren't taking advantage of debt financing and growth

High inventory turnover

Lower carrying costs

Increase risk of stock outs and shortages

Banks are most concerned with liquidity and current ratios

Small private companies can use IFRS or ASPE (Accounting Standards for Small Enterprises)

- RIMM stocks price
- Penny and affecting business (rounding down, and rounding up)
- Super bowl and its impact (commercials, businesses)

Accounting I

Review:

- Audit:
 - purpose: to make sure the numbers are correct (why an audit: auditors are not related to the company so there would be no bias) – independent party checking numbers
- difference in private and public company:
 - private: not publicly traded, conserved statements
 - public: publicly traded, have to disclose financials
- Cost principle: things are recorded at their actual cost
- Revenue recognition:
 - should be recorded (revenue) when it is earned
 - “earned”: does not necessarily mean client has paid or cash has exchanged – revenue comes up on income statement – you can only present it on statement once revenue has been earned
 - when the good has changed hands is when you record the sale of that good – vice versa for services – irrelevant of exchange of cash
 - when would a company not want to show high income:
 - for tax purposes, etc.
- matching principle: match expenses with revenues – don’t recognize an expense until revenue in relation to the expense is realized (you record expense of inventory in the same accounting period of the revenue, don’t record when you buy your expenses but when you sell it)
- in accounting, depreciation and amortization is only to allocate cost and not to get an approximate value

Causes for difference between Net Income and Cash Flow:

- cash flow statement records exchanges of cash
- income statement records revenue and expenses with goods and services as well
 - eg. When you take a loan, there is no income coming in but there is cash flowing into the company, hence its not recorded on the income statement yet, but it is recorded in cash flow
 - Cash flow [3 categories]: operating, investing, financing
- non-cash items related to accrual basis of accounting
 - amortization (depreciation)
 - accrued interest
 - sales made where cash payments have not been received

Why do people cook the books?

- lower taxes
- etc.
 - How do people cook the books?
 - invent transactions
 - play with numbers
 - choosing and playing with accounting principles
 - changing inventory method
 - move around periods in which transactions are recorded
 - manipulation
 - phony transactions with partnerships

What is an annual report?

- How to read a Corporate Annual Report?

Business Strategy and Planning

Basic concepts of strategy:

- **Competitive Advantage** – operating with an attribute or set of attributes that allows an organization to outperform its rivals
- **Sustainable competitive advantage** – one that is difficult for competitors to imitate

Strategies vs Tactics:

- Battlefield strategy: the big picture of how the war will be waged over the next months
- Battlefield tactics: not the broader pictures, more of day to day details

WALMART LOGOS

- spending millions to change logos

Strategy Formulation

AND

Strategy Implementation

Eaton CO. Case Study:

- priority was to move from middle end to high end store
- analyze – appeared like the environment was open for another higher end department store and changed
- Revise – changed to be high end
- Implement – changed appearance
- Failed due to lack of ability to change impression

SWOT Analysis

- strengths, weaknesses, opportunities, threats

What is the strategic management process?

- Analysis of organizational resources and capabilities
- Analysis of industry and environment
 - assessment of macro and industry environment

Porter's model of five strategic forces affecting industry competition:

- Industry Competition (Rivalry among competing firms)
 - suppliers
 - new entrants
 - substitute products
 - customers

What type of strategies are used by organizations?

- growth and diversification strategies:
 - growth:
 - concentrations
 - diversification
 - related
 - unrelated
 - vertical
- restructuring and divestiture strategies:
 - readjusting operations when an organization is in trouble
 - retrenchment
 - correcting weaknesses by making changes to current operations
 - liquidation
 - restructuring
 - downsizing and rightsizing
 - restructuring through divestiture

Lecture 5: Feb 11th

What's new in the world of business?

Dell is going private

Why?

More freedom

Corporate debt financing is cheaper than equity financing

Mark Carney

New governor of the Bank of England

We need a new governor for the Bank of Canada

Jack Welch

Before he was the CEO of GE, they had \$27 billion in revenues

When he came in, \$130 billion in revenues

By the time he was retiring, they had \$400 billion in revenues

He said when he first came in:

'You're either number 1 or 2 in your market, or I'll divest your business'

Pushing the subsidiaries to become large in their market place and gain market share

15 years later, he said:

'Make sure you have 15% or less market share of your market by our next meeting, or I'll send you back to redo your analysis'

He said this because the subsidiaries were getting so big that they weren't focusing on growth

For example, a tire manufacturer would become the biggest in that industry, and it would stop focusing of growing when it could, for example, start getting into tire repairs, and other tire services, and grow in other marketplaces, related to its marketplace

Models and how we see things

Our minds don't take in too much complexity

It filters out complexity

Thus, our mind builds models of what we're looking at

A model is an idealized version of something;

Put more simply, a model is a simplification of something complex

Models are almost never accurate

We make choices and decisions confidently based on models

Black-Scholes model is used to determine the price for **certain** options, mostly European-based. When used to determine all, some places went bankrupt

The model to lend subprime mortgages failed horribly in the U.S.

We don't respond well to opposing models

Opposing models create problems, or, at best, slow us down

Successful leaders **look** for opposing models

AG Lafley was the CEO of P & G for a decade

His predecessor only lasted 18 months and was then fired... the only P & G CEO to be fired

Tripled R & D, and eliminated all profits in doing so

Stock price dropped in half

AG Lafley was left with a problem

He needed to invest in R & D

But he couldn't do it easily because his predecessor set up a real bad tough spot for AG to fix, that couldn't be fixed by pushing more money into what caused the problem

So, AG bought ideas from outside sources

Increased number of good ideas

Less internal costs

50% or more ideas came from outside sources

Ex. AG bought the idea of a spinning lollipop head, and transferred the motor in it, to create the first Crest spinning brush

Side note:

R & D is sometimes called Invention and Commercialization

Or, what AG did, was C & D, Connect and Develop

Back to Models

Our mind can only consider 5-9 variables at a given point in time

Wicked Problems

Require integrative thinking (as opposed to structured problems)

Usually messy, mysterious, and have more than one right answer

There is **always** a better solution than the one in your head

Video

Imagine the possibility of making a better answer

At every point in history, we thought we knew everything, and these were almost always proved wrong

The Church thought the Earth was flat, Galileo proved them wrong

Some of Newton's work was disproved by Einstein, when people thought that Newton had unlocked all the secrets of the world

Astrophysicists look at the stars, see their progression, and calculate equations to depict their movements, but sometimes, these stars go into 'regions' where they just move unpredictably, and these areas are called 'dark matter', more accurately, places **we don't understand or know** – 90% of the physical universe that we know, is dark matter

So, it's important to realize, that we really don't know everything – if anything, we know for sure, that we don't know 90% of what's going on

The idea is – lead a life free of dogma, celebrate possibility, and praise uncertainty

Professor Richard Powers – Guest Speaker

Canadian Legal System

- Common Law vs Civil Law (Only practiced in Quebec)
 - Civil: Came from the war of 1812
- Court Systems
 - Provincial
 - Family law, small claims court (Judge Judy) – faster system, more casual, only deals with disputes up to a max of \$25k
 - have the automatic right to appeal to the appeal court but no automatic right from provincial court to the higher courts
 - Federal
 - federal tax court (i.e. CRA stuff)
 - National court
 - Supreme Court (most common) – full panel consists of 9 judges – not all used at once
- Class Action
 - Examples: Bre-X Minerals – most of these actions are perceived as class actions – decisions and all procedures are incurred upon the entire class instead of individuals
- Lawyers and Judges
- Fees
- ADR – Alternative Dispute Resolution

Contract Law

- Offer
 - Verbal v Written
 - Offer v Invitation to do business
 - Lapse
 - Statute of Frauds
- Acceptance
- Consideration

Case:

Toronto and Oakville

- Toronto bylaws prohibits the sale of horsemeat for human consumption
- Onnasis has a restaurant in Toronto
- Peter had a horse farm in Oakville
- Onnasis calls Peter to order 50k of horsemeat
- Peter agrees
- Onnasis serves 'filly mignon' in restaurant
- has the bylaw been breached?

International Business III – Culture Ethics

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New in the world of business:

- S4 – competition with Apple – people realizing Apple is not IT

Culture and International Business

- Culture is a key factor in *determining what we decide to do and how go about doing it*
- In international business – people from different cultures:
 - Work together
 - Compete with each other
 - Sell products and services to one another
 - Negotiate agreements
 - Are rivals in commercial disputes
 - +++

Challenges of cultural diversity:

- Example working with an international
- Developing the personal relationship with them first before they get into business (different from north American culture)
- misunderstandings, especially when considering language differences
- unintended offenses, gestures
- **misunderstandings can be avoided through education of cultures**

Cultural Diversity and Canada

- an issue within Canada as well
- we need to make sure our institutions, etc., are multicultural too

Ethics:

- international business must consider ethical standards of societies in both home and host country
- Canadians are more conservative (one of the reasons we were less affected by the financial crisis)

Cultural standards:

- can differ from country to country
- especially labor standards
- ****Child Labor**** VIDEO

Int. Business IV

Canada.

Why is Canada in the state that it is in?

- map: lights on around southern Canada and South North America
- Biggest export partner is the US
- cross border shipping in the US
- 90% of Canadian population is within 100 miles of the US border
- we are very cultural diverse
- NAFTA (Canada joined to increase their market share, to enhance and preserve relationship with Mexico)
- Trade with internationals

Management and Information Technology

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Intro:

- Discussion on Samsung Galaxy 4
- comparison to blackberry's market

Evolution of technology:

- computers in the 80s had a very different role in society (not like today) – (Business Technology)
- by mid 90s things changed, and virtually everyone had a desktop computer (Info technology)
- Present day: (Knowledge Technology)

Info Glut

- a massive accumulation of information; being stored in various ways
- technology is a cause of, and provides a solution for info glut
- Solutions:
 - Software-as-a-service (SaaS) & Cloud Computing
 - universal access for data and processing of data
 - Mobility of workers (work from home, etc.)

Data Mining

- taking large amounts of information and finding pieces of data needed from all that

Groupware

- having an increasingly profound effect on teamwork – makes it possible for groups to work together on projects across different time-zones, bringing together teams for long-term or short term engagements

Online Meeting rooms

- online teleconferencing
- in the past, this could cost almost \$400k per location plus 18k maintenance
- runs on desktops as well

Issues facing MIS Managers and ALL managers

- People Issues
- Security Issues
 - viruses
 - hackers
 - etc.

Video Case: Yahoo Telecommuting

- why do u think Marissa is changing the work at home arrangement?
- Do you think her decision is correct?
- What are some possible consequences for this decision?
- Do you think her manner of communicating the change is the issue?

Internet:

- Came about the time of the cold war problem – risk that Soviets would launch nuclear weapons and knock out the US phone system
- packet switching was developed
- America Online in 1985 provided email
- In 1991 Tim Berners-Lee and Robert Caillau brought in the “world wide web”
- Web 2.0 :
 - “a 2 way conversation” – developed to encourage collaboration, creativity, information sharing
 - innovations:
 - web entrepreneurship
 - 2001: Wikipedia
 - 2004: larry page and sergey brin’s google
 - 2005: youtube
 - sociable web inventions:
 - 2003: myspace
 - 2003: second life
 - 2004: facebook, etc.
- internet is now being used for everything and is very efficient
- it can help enable business but also hinder business
- Problem Solving (internet is used for this as well)
 - work has become a lot more efficient and quick

MOVIE

Age Compression: Tweens are buying lingerie from Victoria's Secret

Is it government's place to intervene in situations like this?

Business and Governments

Government and Their roles:

3 levels of government in Canada

Federal

Territorial and Provincial

Municipal

Federal and provincial governments earn most of their money through taxes

Municipal government earns its revenue through property taxes

Health Care Privatized?

Cons

The focus will shift to profits rather than saving people

Corruption is likely

Pros

Less waiting time

Might attract better care

Well paid doctors

Government as Customers:

The government is a customer that makes frequent purchases (such as for construction)

Governments are also regulators:

Conflicts of Interest (reasoning behind why government should regulate itself, and not society)

A lot of corruption comes from governments as well

Governments are also involved in protecting competition

More efficient economy, lower prices

Competition act makes it illegal for businesses to act to reduce competition
But isn't reducing competition by gaining market share what business is all about?

Diamonds:

Are mainly stored away to keep prices high

Predatory pricing

Protecting the environment

Government provides essential services to businesses

Businesses benefit from infrastructures provided by governments

Government services are important for creating healthy lives

Businesses influencing Governments:

Lobbying

Businesses have legitimate reasons to influence government and cause change

The future of business-government relations?

If businesses are not allowed to flourish, they lose their jobs, and economy becomes weaker

RED BULL:

Red bull is BAD!!

Strong concentrations of caffeine, taurine, and sugar raise claims of whether it is a natural health product

Health Canada and its marketing strategies are now being debated

Why did Health Canada approve the sale of Red Bull even when other countries have banned the sale of this product?

There is no concrete evidence claiming Red Bull can be fatal (likely just as dangerous as Coca Cola)

High Caffeine/sugar content → Coca Cola and Coffee

Amino acids, carbohydrates

Mixing with alcohol

WAL-MART CASE STUDY

Importance of Barcode: Used to make an encyclopedia of information that allows Wal-Mart to keep track of what to buy/sell

Push/Pull Strategy: Retailer decides what is selling and makes manufacturers produce this (pull strategy introduced by Wal-Mart) as opposed to historically dominant push
Thus power presides in the retailer, instead of the manufacturer
Wal-Mart decides the price and forces manufacturers to adhere to that price
Rubbermaid (shift from Most-Admired to an auction center)

Wal-Mart Ritual: Daily a morning meeting is held with workers in every Wal-Mart to increase their loyalty, and encourage selling

Pricing Strategy: Tremendous amount of strategy goes through to decide the opening price points (the big price displays near every section)

Import from China:

Can get products for even lower prices
Low-wage countries like China make very profitable suppliers
Most of Wal-Mart suppliers are in China (80% of over 6000 suppliers)
Wal-Mart decides the price that Chinese suppliers need to meet

Core concepts:

Fast inventory turnover
Monopsonist behavior (as opposed to monopoly, where a company is the main supplier and can make prices ridiculously high, a monopsony is the main buyer, who decides the prices to be ridiculously low)

Marketing and Wal Mart:

- Why do so many love walmart:
 - Good value for money – decent quality
 - Variety of products
- Does Wal Mart help small suppliers:
 - They do buy in bulk and large volumes
 - They also do decrease profit margins and ability to grow faster for small suppliers
 - If you can sell to Wal Mart, you are competitive from the price perspective – competitive with other suppliers as well
 - Efficiency increases due to Wal Marts shipping/ receiving efficiency as well
 - Wal Mart purchase patterns are fairly predictable
- Ethical issues with the slogan “always low prices”?
 - Not a big problem as long as prices are always low
- Is WalMart being realistic about the Globalization of Production – or is it needlessly forcing North American companies offshore and into hyper-competition in China?
 - They just want to maximize profits
 - Shareholders and stakeholders trying to maximize their success
 - If you can save money, why shouldn't they
 - If WalMart doesn't force you overseas, someone else will (you need to be competitive if you want to go against WalMart)
- Is Wal Mart good for China and vice versa?
 - 'exploitation of workers in China' is a concern – some may say they're benefitting people though
 - Wal Mart teaches China how to appeal to North American markets
 - WalMart may be benefitting the bigger companies in China but may be bad for the individual workers (wage compression, etc.)

What would the impact of Wal-Mart be if they became more flexible with the suppliers?

- Due to their accounts, an increase of only 10% in their cost would cause them to dive into a loss – 5% increase would almost eliminate all the \$15b income they do generate