

ADM1100N- Introduction to Business- Patrick Woodcock**Lecture 1**

- Why is Sara McLachlan a good entrepreneur?
 - o More than just a song-writer, makes herself unique
 - o Lots of different aspects to her in terms of working with the band dynamic, her brand (Who she and her music appeal to), band operations, etc
 - o Started business
 - Never Get Off the Boat Inc. Tours
 - Amp Merchandising- \$48 million in 1998
 - McLachlan Foundation- manages philanthropy
 - o Founded the Lilith Fair Tour- a showcase of female musicians which ended as the most successful music tour in history (Grossed over \$60 million and raised awareness and money for shelter women)
 - o Lots of partners
- What is a business?
 - o All profit-seeking activities and enterprises that provide goods and services necessary to an economic system (Thus filling a need)
 - o Profits: Rewards for business people who take the risks involved _____
- Not-for-profit businesses - Goal is not profits
 - o Goal is to provide benefits to customers as well as raise money from donor stakeholders
- Profitability list of 2012
 - o Top 3 are banks (TD, Scotia, RBC)
 - o Followed by 3 Energy, then 2 more banks, and 3 more energy to round out the top 11
- Factors of Production- Things that allow you to do a production process to create products and services
 - o Natural resources - Rent
 - o Capital - Interest
 - o Human Resources (People, their knowledge and abilities)- Wages
 - o Entrepreneurship (The ability to innovate and create;)- Profit
- Production Process= Products/ Services
- Production GDP (Flow chart down)
 - o Entrepreneurship (Innovation and Organizational Management)-
 - Labour (Working population and skills)
 - Natural Resources (Land, Minerals, Oil, etc.)
 - Capital (Cash, material, building, machinery).
- Economic Performance- Economic Productivity is the ratio of outputs to inputs
 - o Economic Productivity = Outputs/ Inputs
 - Products and Services/ Factors of Production (Values \$)
- Increase of productivity due to new technology, and the growth of new businesses using this technology
- Canadian relative technology petered off in the late 90s. Why? Different reasons
- Colonial Period
 - o Agricultural and trading are the principle business
 - Land is the main factor of production

- o Trading and transportation hubs
 - o Wealthy – those who owned land and trading hubs
- Industrial Revolution:
 - o Beginning of mass production and specialization begins
 - o Mechanization invented for transportation, agriculture, and resource harvesting
 - o Beginning of the transition to full industrial production. Labour skills are starting to become specialized (Where before it was largely just grunt work)
 - o Industrial period in its initial stage
- Industrial entrepreneurs:
 - o Machinery becomes widespread and people begin to innovate new concepts around the principles of 'engineering'
 - o Industrial Revolution in full swing; high growth
 - o New product and service opportunities begin to stimulate customer demand
- Production Era
 - o Large factories are built and mass production is the focus
 - o Specialization of work becomes more intense
 - o Focus in on internal processes, becoming larger and more productive (Efficiency and effectiveness)
 - o Demand blossoming because of the new products and lower (relative) costs
 - o Industrial period is maturing (Need to remain competitive and remain productive)
- Marketing Era
 - o Competition has intensified
 - o Great depression (poor economy) – customer demand has tanked
 - o Marketing, branding, customer orientation becomes important (How do we sell our product?; Show its value to the customer?)
 - o Focus on finding and educating the customer on the value of the product or service
 - o Customer orientation and branding try and make products to suit customers
 - o Moving away from competition to fill the need for a unique market
- Relationship Era (Current era)
 - o Transaction management
 - o Tech driven; machinery is no longer the focus but what tech can do for us
 - o Want to enhance and keep relationships rather than continually build them (with customers)
 - o Alliances, joint ventures, etc. become popular
 - o Internet makes relationships easier and business built around relationships arise (Social media, etc.)
- Managing Relationships through Technology
 - o Relationship Management
 - The collection of activities that build and maintain ongoing mutually beneficial ties with customers and others

IF YOU ARE A 'BUSINESS' WHOSE GOAL IS TO MAKE A PROFIT WITHOUT PROVIDING GOODS OR SERVICES, YOU ARE A THIEF

- Strategic Alliances
 - o A partnership is an affiliation of two or more companies that help each other achieve common goals

- o Strategic alliance- a partnership formed to create a competitive advantage for the businesses involved (Amazon)
- Key Business Trends
 - o Aging population
 - o Temporary workers/ people have many jobs (Outsourcing as well?)
 - o New developing economies (Direct selling by companies from developing countries such as China to avoid a North American distributor)
 - o Technology
 - Communication
 - Knowledge- information, learning, analysis, etc.
 - Competitive Impact- new business models

MEMOS

- Memo question goes up within 24 hours of the class
- Details to follow

Lecture 2- Management, Leadership and the Internal Organization

- Exams, everything will be connected to the textbook
 - o Concepts are key!!!
- Step 1- Shirt-less dancing guy is key
 - o Lead by example- stand up and take off your shirt
- Leadership is getting people to go in a different direction
 - o Bad or good. Leadership is leadership
- Leadership- the ability to direct or inspire people to reach goals
 - o Involves the use of influence or power
 - Common traits of leaders-
 - Empathy
 - Self-awareness
 - Objectivity in dealing with others
- Leadership styles
 - o Autocratic- leader-centred; making decisions on their own without consulting employees
 - Useful: When a company is in difficulty and corrections must be made quickly and decisively. No time for talking or deliberation. Overseeing firings
 - o Democratic – involves employees in decisions, delegate assignments, and ask them for suggestions
 - Useful: When a firm has skilled workers doing key jobs for the firm. Using their expertise to add to the decision-making process.
 - o Free-rein- involves minimal supervision, leave most decisions to employees
 - Useful: Smaller firms with highly skilled workers doing jobs independent of each other. These people should understand where they are going and the larger picture
- Certain organizational practices and leadership styles positively influence firm financial performance (ex. Transformational leadership)

What is management?

- Management: the process of achieving organizational goals through people and other resources

- A hierarchy of management levels are present in large companies
- Top Management (Long-term)
 - o Develop long-range strategic plans for the organization
 - o Inspire executives and employees to achieve their vision for the company's future
 - o Examples- Chief Executive Officer (CEO), Chief Financial Officer (CFO), Premier, Mayor
- Middle Management (Operation plans or units)
 - o Focus on specific operations, products, or customer groups within an organization
 - o Responsible for developing detailed plans and procedures to implement the firm's strategic plans
 - o Usually not found in smaller or even medium-sized firms
 - o Examples- Regional Manager, division head, director, dean
- Supervisory Management (Individual employees)
 - o Dealing with employees who are performing the job
 - o Implement the plans developed by middle managers
 - o Responsible for non-manager employees
 - o Motivate workers to accomplish daily, weekly, and monthly goals. Much shorter term!
 - o Examples- Supervisor, Department Chairperson, program manager
- What does management require?
 - o Must have the skills
 - Technical skills
 - Manager's ability to understand and use the techniques, knowledge, tools and equipment of a specific department or area of study
 - Human skills
 - Interpersonal skills that enable a manager to work effectively with and through people. More leadership based. Coordinating and motivating workers
 - Conceptual skills
 - Ability to see the organization as a unified whole and to understand how each part of the overall organization interacts with other parts. What needs to be done for the company to succeed
 - o Must be able to manage the various functions using the skills
 - Human skills are important for all levels of management. Middle managers must coordinate to certain degrees both technical and conceptual skills. Top managers largely require conceptual skills and lower-level managers largely require technical skills
 - o Managerial functions
 - Planning
 - The process of looking forward to future events and conditions and deciding on the courses of action in order to achieve said goals
 - Organizing
 - Process of blending human and material resources through a formal structure of tasks and authority
 - Directing

- Guiding and motivating employees to accomplish organizational goals
 - Controlling
 - Function of assessing an organization's performance to ensure that goals are accomplished as planned
- o It's a process of functions- Planning to Controlling
 - All hoped to lead to the achieving of the organization's stated purpose.
- o Time spent on tasks (Greatest to smallest)
 - Top Managers- Planning, Organizing Leadership Controlling
 - Middle- Leadership, planning, organizing, controlling
 - First-line- Leadership, organizing, planning, controlling
- o Planning
 - Leads to a better financial performance
 - Outlines the steps the company will take to meet goals and objectives
 - Firms that proactively plan have better financial performance
 - Microsoft- Got big as a small company after IBM sought to talk to the rivals Disk Operating System. Microsoft thus sought to fulfill what IBM sought, an operating system. Gates bought DOS for \$65,000 and incorporated it into Microsoft.
 - Opportunity pops up, and should be grabbed.
 - Luck and taking advantage of that luck and opportunity is key
 - Types of Planning-
 - Strategic- Top Management- long-term, fundamental strategies
 - Tactical – Middle Management- how to accomplish the strategic plans, what do we need to do to get there?
 - Operational – Supervisory management- scheduling, procedures, day-to-day plans, the intricate parts
 - Contingency- all levels contribute, but primarily top level- what is to be done if anything screws up; in case of emergency (Situations where risks pop-up, take-overs are rejected or fail)
 - Steps in strategic planning-
 - Define the organization's mission
 - Asses the Organization's Competitive position
 - Set objectives
 - Create strategies for competitive differentiation
 - Turn strategy into action
 - Evaluate results and refine the plan
 - Start again
 - Setting a vision and ethical standards for the firm
 - Vision- The ability to perceive marketplace needs and what an organization must do to satisfy them; must be focused yet adaptable to changes in the business environment
 - Long-term success is also tied to the ethical standards that the top management team sets
 - High ethical standard can also encourage, motivate, and inspire employees to achieve goals
 - Managers as decision makers

- Decision making: the process of seeing a problem or opportunity, assessing possible solutions, selecting and carrying out the best-suited plan and assessing the results
- Programmed decision: involves simple, common and frequently-occurring problems that already have solutions. Done over and over again
- Non-programmed decision: a complex and unique problem or opportunity with important results for the organization
- How managers make decisions:
 - See problem or opportunity
 - Develop possible ways of taking action
 - Evaluate options
 - Select and carry out one option
 - Assess outcome
 - Start again
- SWOT (Strengths, Weakness, Opportunities, Threats) analysis
 - Square chart- Internal origin and external origin on left; helpful and harmful on top
 - o Strengths- internal origin and helpful
 - o Weakness- internal origin and harmful
 - o Opportunities- external origin and helpful
 - o Threats- external origin and harmful
 - Forces analysis to be comprehensive- internal and external, positive and negative perspectives
 - Useable in many different situations- Firm, person, or project.
 - Very easy to use- can be completed by any one because no specific skills are required
 - Can be done on a personal level or a corporate level
- o Organization: a structured group of people working together to achieve common goals
 - 3 key elements:
 - Human interaction
 - Goal-directed activities
 - Structure
 - Process of organizing
 - Decide on specific work activities needs to carry out plans
 - Group all work activities into a pattern or structure that makes sense
 - Assign activities to specific employees and give them the resources they needs
 - Coordinate the activities of different groups and individuals
 - Evaluate the results of the organizing process; start again
- o Delegating work assignments
 - Delegation: the managerial process of assigning work to employees
 - Span of management : the number of employees a supervisor manages
 - Centralization : decision-making is retain at the top of the management hierarchy- consistency of decisions. Usually unskilled work group

- Decentralization: decision-making is shift to lower levels. Many firms believe it enhances their flexibility and responsiveness to customer needs. Highly skilled work group
- o Line-and-Staff Organizations
 - Plant manager
 - Accounting, Engineering and Human Resources
 - Production manager
 - Supervisors
- o Types of organizational structure features:
 - Line organizations
 - Oldest and simplest form
- o Departmentalization: The process of dividing work activities into units within the organization
 - Product- organized based on the goods and services a company offers
 - Geographical- geographical regions within a country or, from a multi-national firm by region throughout the world
 - Customer- organized by the different types of customers the organization serves
 - Functional- organized by business functions such as finance, marketing, human resources, and production
- o Different forms of departmentalization
 - Chief Executive Officer at the top
 - Check slides
- o Matrix organizations
 - Project management structure that links employees from different parts of the organization to work together on specific projects
 - Employees report to both a line manager and a project manager
 - Advantages- Flexibility in adapting to changes, focus on major problems or products, outlet for employees' creativity and initiative
 - Disadvantages- Integrating skills of many specialists into a coordinated team. Team members' permanent functional managers must adjust the employees' regular workloads
- o Two perspectives in compartmentalization- Different projects with members of different departments, each member of the different departments responding to the head of their department. Thus these department members have to answer both to project manager and department manager.
- o Different organizations have different departmental focuses based on their needs and production
- o Corporate Culture: An organization's collection of principles, beliefs and values
 - Managers use symbols, rituals, ceremonies and stories to reinforce corporate culture
 - Often companies gain cultures through the hiring of similar people with similar mindsets
 - Changing a company's culture is very difficult.
- o Simplistic good management
 - Management functions- Planning, Organizing, Directing, Controlling
 - Management Result- Efficiency, Effectiveness
 - Organizational result- Performance

Leadership v. Management

- Management is the conscious planning, organization and grunt work
- Leadership is the direction and leading. Getting stuff done.
- Lots of good managers. Far fewer good leaders. Exceptional person combines both

Memos

- Lecture, read memo, within 24 hours there will be a memo question (This will have the question, format [structure], etc.),
 - Memo body can only be 1 page- make a decision and commit (NO WAFFLING).
 - Appendices can be 5 pages (Though sometimes longer if a complex case)
 - Must reference appendices in body of memo
- Check Blackboard for demos
- Show a good analysis and solution to the memo question
- What is taken from the lecture and how it can be applied to the memo. Employ those concepts!
 - Possible to go outside and find something if need be BONUS
- Taking quotes from the case as proof of certain aspects (Not necessary though; points are fine). What it leads to.
 - Analysis is done in appendices
 - Charts, tables and figures. NO PARAGRAPHS OR FULL-SENTENCES
 - Memo summarizes and offers conclusions to that which occurs in appendices
- Clearly enunciate the most important management factor(s) or issue(s) in the answer
 - Something clearly important from the lecture demonstrated in the case
- Logical conclusion with reasoning for it clearly shown
- Straight to the point and use point form to condense the content wherever possible (in analysis)
- Reasoning behind why there are certain weak points in studies. Why? Why is it not demonstrate? What have you conclude?!!
- Simple, no adverbs, straight to the point in memos
- NO ACADEMIC LANGUAGE
- Tables and charts, point form are great
- Appendices offer the proof supporting the conclusions reached in memo
- Provide analysis through the memo. Don't just list points

Class 3- Entrepreneurship and Forms of Ownership

What is a small business?

- Less than 100 employees and revenues less than \$2 million
- 2/3rds of employment in 5 major Canadian industries
- 97% of Canadian firms are small businesses
- 2.7 million self-employed individuals in Canada
- Small businesses are a launching pad for entrepreneurs
- ¾ of all small businesses produce services (why? Easier, more feasible- no product or production line)
 - Restaurants, travel agencies, salons,
- Large companies are much more into the goods producing
- 29% of the GDP

- Creates many new jobs and industries
- Small companies go for niches, trying to avoid the big companies. Big companies go for larger markets and higher volumes
- Ottawa example of shopify
 - o Wanted to sell skateboards initially
 - o Had a great website tho, changed their plan

Small businesses

- Failure rate
 - o Approx. 4% close after 1 year
 - o 15% within 3 years
 - o 30% within 5 years
- Why?
 - o Management inexperience
 - o Inadequate financing
 - Very expensive to develop a business!
 - o Meeting government regulations
 - LOTS OF REDTAPE
 - 14 governing bodies to open a restaurant in Ottawa
- Forms of Private Business Ownership
 - o Sole Proprietorships
 - Taxed as a person, not a corporation
 - A business ownership in which the sole proprietor's status as an individual is not legally separate from his or her status as a business owner
 - o Partnerships
 - An association of two or more persons who operate a business as co-owners by voluntary legal agreements
 - Limited partnership- takes someone out of liability; often results in lesser profitability for them
 - o Corporations
 - A legal organization with assets and liabilities separate from the assets and liabilities of its owners
 - Corporations have a charter; fairly complex thing
 - o Not-for-Profit Corporations
 - Organizations whose goals do not include pursuing a profit
 - Tax-free
 - NEED to prove to revenue Canada that they are not making a profit
 - o Revenues are higher for both partnerships and corporations compared to proprietorships, despite there being A LOT more proprietorships
- Franchising
 - o A contract-based business arrangement between a manufacturer or other supplier (Franchiser) and a dealer (Franchisee) to produce and market the supplier's good or service
 - o Brand awareness and loyalty,
 - o Advantages
 - Prior performance record, brand awareness, proven business model, tested management program, savings through volume purchase

- o Disadvantages
 - Franchise fees, future payments (royalties), linked to reputation and management, franchise agreement restrictions, tight control
- o Franchising agreements exist between franchisee and franchisor-
 - Canada has 76,000 individual franchise business
 - Franchises are largely a North American thing
 - \$100 billion in sales each year
- o Most franchises fail within the first couple of years before stabilizing
- Entrepreneur TEST
 - o Questions do not prepare anyone for having their own business
- What is Entrepreneurship
 - o An entrepreneur is someone who seeks a profitable opportunity and takes the necessary risks to set up and operate a business
 - o Differ from many small-business owners in their strong desire to make their business grow
 - o Differ from managers through their overriding responsibility to use the resources of the organization to accomplish their goals
 - o Willing to take risks
- Categories of Entrepreneurs-
 - o Classic entrepreneurs
 - Start a business themselves and stick with it.
 - o Serial Entrepreneurs
 - Like to grow a business and then move on and do it again.
 - o Social entrepreneur
 - Does the entrepreneurship, not out of profit, but for social benefit
 - Almost a not-for-profit perspective
 - Done for the benefit of broader society
 - Ex. Bill Clinton (___ Institute)
- In an average month, Canadians start approximately 23,000 new businesses
- Why people become entrepreneurs
 - o Desire to be one's own boss
 - o Desire to succeed financially
 - o Desire for job security
 - o Desire for an improved quality of life (Children? Etc.)
- Many great companies are created when the economy is bottoming out
 - o People forced out of a job who are determined to succeed
- Average wage of those in a small business is often less than those in a larger business
- Opportunities in the environment pushing people towards entrepreneurship
 - o Globalization
 - The rapid globalization of business has created many opportunities for entrepreneurs
 - Most of the fastest-growing small Canadian companies have international sales (most to the US)
 - Entrepreneurship is growing worldwide; levels vary by country
 - o Education
 - Internships and more business opportunities through teaching
 - Many schools offer internships with start-ups

- o Information Technology
 - Tools to compete
 - Revolutionize industries
- o Demographics and economic trends
 - 2 groups most likely to start their own business
 - Immigrants to North America
 - People between the ages of 55 and 64. (Want to keep working after retirement, access to retirement savings and home equity)
 - Flexible adaptable entrepreneurs will have most success
- Characteristics of entrepreneurs
 - o Vision, high energy level, need to achieve, self-confidence and optimism, tolerance for failure, creativity, tolerance for ambiguity, internal locus of control (self-confidence in controlling destiny)
- Business Plan
 - o In the past many entrepreneurs launched businesses without a formal business plan
 - o Business plans help contemporary entrepreneurs prepare enough resources and stay focused on key objectives

Class 4-

- Economics
 - o The social science that studies the choices people, companies, and governments make when dividing up their scarce resources
 - Macroeconomics- deals with the performance, structure, behavior and decision-making of an economy as a whole rather than individual markets (i.e. national, regional, and global economies)
 - Microeconomics- studies the behavior of individual households and firms in making decisions on the allocation of limited resources (e.g. capital, assets, price, etc.)
- Macroeconomics
 - o Issues for the ENTIRE SOCIETY or ECONOMY
 - o Economics are generally classified in 3 categories
 - Private enterprise system (Capitalism or market economy)
 - Planned economies (Socialism, Communism)
 - Mixed market economies (Combinations of the two)
- Capitalism
 - The private enterprise system and competition
 - Businesses meet needs and demands of consumers and are rewarded through profit
 - Government favours a hands-off approach
 - Marketplace competition regulates economic life
 - Four degrees of competition:
 - o Pure competition
 - o Monopolistic Competition
 - o Oligopoly
 - o Monopoly

- Planned economies- An economic system where business ownership, profits, and resource allocation are shaped by a plan to meet government goals
 - Socialism
 - An economic system where the government owns and operates the major industries, such as communications
 - Some private ownership of industry allowed, such as retail and some manufacturing
 - Communism
 - An economic system where all property is shared equally by the people in a community under the direction of a strong central government
 - Adopted in the early 20th C by many nations, but government-owned monopolies often suffered from inefficiency
- Mixed Market economies
 - o An economic system that draws from both private enterprise economies and planned economies, to different degrees
 - The mixture of public and private enterprise can vary widely from country to country
 - Privatization- the conversion of government owned and operated companies to privately held businesses
- Comparison of alternative economic systems
 - o Capitalism (Private enterprise)-
 - businesses are owned privately, often by large numbers of people. Very little government ownership means that production is in private hands
 - Enterprises are managed by owners or their representatives with little government involvement
 - Entrepreneurs and investors are allowed to receive all profits (minus taxes) that their firms earn
 - Employees have the right to choose their own occupation and to join a labour union. These rights have long been recognized
 - Large incentives motivate people to perform at their highest levels
 - o Communism-
 - Government owns the means of production with few exceptions, such as small plots of land
 - Centralized management controls in all state enterprises in line with 3- to 5-year plans. Planning now is decentralized
 - Profits are not allowed under communism
 - Employee rights are limited in exchange for promised protection against unemployment
 - Incentives are emerging in communist countries
 - o Socialism
 - Government owns basic industries but private owners operate some small enterprises
 - Much government planning is involved in socialist nations. State enterprises are managed directly by government bureaucrats
 - Only the private sector of a socialist economy generates profits
 - Workers may choose their occupations and join labour unions, but the government influences many people`s career decisions

- Incentives usually are limited in state enterprise but are used to motivate workers in the private sector
- o Mixed Economy
 - A strong private sector works with public enterprises
 - Management of the private sector resembles the management under capitalism. Professionals may also manage state enterprises
 - Entrepreneurs and investors are allowed to receive private-sector profits, although they must often pay high taxes. State enterprises are also expected to produce returns
 - Workers may choose own jobs and may join a labour union. Unions often become quite strong
 - Capitalist-style incentives operate in the private sector. More limited incentives influence public-sector activities
- Evaluating economic performance
 - o An economic system should provide a stable business environment and sustained growth of benefits for its citizens
 - Health, happiness, Income, productivity, etc.
- Gross domestic product (GDP)- the sum of all goods and services produced within a country during a specific time period, such as a year
- Productivity- the relationship between the number of units produced and the number of human and other production inputs are needed to produce them
 - o $\text{Total productivity} = \frac{\text{Output (goods/services produced)}}{\text{input (capital/ human or natural resources)}}$
- Business Cycles
 - o Business decisions and consumer behavior differ at various stages of the business cycle
 - Prosperity- unemployment low, consumer confidence/ purchasing high, businesses expanding
 - Recession- a cycle of economic contradiction that lasts for 6 months or longer; consumers careful about purchases, businesses slow production/ expansion
 - Depression- extended recession
 - Recovery- declining unemployment, increasing business activity, renewed consumer confidence
- Price-Level Changes
 - o Inflation- Rising price caused by a combination of excessive consumer demand and higher costs of raw materials, component parts, human resources, and other factors of production
 - o Core inflation rate- the inflation rate after energy prices and food prices are removed
 - o Deflation- The opposite of inflation, occurs when prices continue to fall
 - Can cause a weakened economy
- Measuring Price-Level Changes
 - o Changing prices are tracked by the Consumer Price Index (CPI)
 - A measurement of the monthly average change in prices of goods and services
 - Commonly purchased goods and services are priced to compile the data included in the CPI “market basket”

- Unemployment rate- the percentage of total workforce actively seeking work but currently employed
 - o Four types of unemployment:
 - Frictional unemployment
 - Temporarily not working
 - Looking for a job (Ex. New grads entering the workforce)
 - Structural unemployment
 - Not working due to not demand for skills
 - May be retraining for a new job (Ex. Assembly line employees whose jobs are now done by robots)
 - Seasonal unemployment
 - Not working during some months
 - Not looking for a job (Ex. Farm workers needed only when a crop is in season)
 - Cyclical Unemployment
 - Not working due to economic slowdown
 - Looking for a job (Ex. Execs laid off during corporate downsizing or recessionary periods)
 - o Managing the economy. Government has two options
 - o Monetary policy- Central Bank (Bank of Canada)
 - Change availability of money by either printing more money or changing interest rates
 - o Fiscal policy- politicians (Minister of finance)
 - Government buys more or less, or they increase or decrease taxes
 - o Monetary Policy
 - A government's plan to increase or decrease the money supply and to change banking requirements and interests rates to affect bankers' willingness to make loans
 - Expansionary monetary policy
 - o A plan to increase the money supply to try to decrease the costs of borrowing
 - o Lower interest rates encourage new investments and increases employment and economic growth
 - Restrictive monetary policy
 - o A plan to decrease the money supply to control rising prices, overexpansion, and concerns about rapid economic growth
 - o Fiscal Policy
 - A plan of government spending and taxation decisions designed to control inflation, reduce unemployment, improve the general welfare of citizens and encourage economic growth
 - The federal budget is an annual plan for how the government will raise and spend money in the coming year. The primary sources of government funds are taxes, fees, and borrowing,
 - Budget deficit- when the government spends more than the amount of money it raised

- National Debt- Increased when we borrow money to cover the deficit
 - Budget surplus- if the government has more money than it spends
- Why do nations trade?
 - o Boosts economic growth
 - o Expands markets
 - o More efficient production systems
 - o Less reliance on the economies of home nations
 - o Exports: Domestically produced goods and services sold in other countries
 - o Imports- Foreign goods and services purchased by domestic customers
 - o Customers get better value when a resource related goods nation trades with a labour intensive goods nation
- Internal sources of factors of production
 - o Decisions to operate abroad depend upon availability, price, and quality of:
 - Labour
 - Natural resources
 - Capital
 - Entrepreneurship
 - Companies doing business overseas must make strategic decisions
 - o Factors of production:
 - 20th C- Capital, labour and land
 - 21st C- Intellectual capital , social capital, creative capital
- Absolute advantage
 - o A country has this in making a product when they have a monopoly on making that product or when it can produce the product at a lower cost than any other country (China's domination of silk production for centuries)
- Comparative advantage
 - o A nation has this when it can supply its products more efficiently and at a lower price than it can supply other goods, compared with the outputs of other countries
 - Ex. India's combination of highly educated workforce and low wage scale in software development
- INFO QUIZ- Why does Spain have a near absolute advantage in growing saffron?
 - o Saffron thrives in Spain's climate and soil but not as well elsewhere
- Trade
 - o Balance of trade- the difference between a nation's exports and imports
 - o Balance of payments- the overall money flowing into or out of a country
 - o Balance-of-payments surplus= more money into a country than out of it
 - o Balance-of-payments deficit= more money out of a country than into it
- Exchange Rates
 - o Currency rates are influenced by:
 - Domestic economic and political conditions
 - Central bank intervention
 - Balance-of-payments position
 - Speculation over future currency values
 - o Values fluctuate or 'float' depending on supply and demand

- o National governments can deliberately influence exchange rates
 - o Business transactions are usually conducted in the currency of the region where they happen
 - o Rates can quickly create or wipe out competitive advantages
- Barriers to International Trade
 - o Social and Cultural Barriers
 - Language, Values and Religious Attitudes
 - Potential problems include mistranslation, inappropriate messaging, lack of understanding of local customs, and differences of taste
 - Differing values about business efficiency, employment levels, importance of regional differences, and religious practices, holidays, and values about issues such as interest-bearing loans
 - o Economic barriers-
 - Currency shifts
 - Infrastructure- the basic systems of a country's communication, transportation and energy facilities
 - Conversion and Shifts- Fluctuating values can make pricing in local currencies difficult, and affect decisions about market desirability and investment opportunities
 - o Legal and political barriers
 - International regulations, trade restrictions
 - Political climate- stability is a key consideration
 - Legal environment- Canadian law, international regulations, country's law in which trade is planned, climate of corruption
 - International regulation- Treaties between Canada and other nations
 - o Tariffs- taxes imposed on imported goods
 - o Enforcement issues
- Trade restrictions create a legal and political barrier to international trade
- Types of Trade Restrictions
 - o Tariffs: taxes, surcharges, or duties on foreign products
 - Revenue tariffs generate government income
 - Protective tariffs raise prices of imported goods to level the playing field for domestic competitors
 - o Nontariff barriers: also called administrative trade barriers
 - Quota: A limit set on the amounts of particular produced that can be imported
 - Dumping: Selling products in other countries at prices below production costs or below typical prices in the home market
 - Embargo: A total ban on importing specific products or a total stop to trading with a particular country
 - Exchange Control: a restriction on important certain products or a restriction against certain companies to reduce trade and the spending of foreign currency
 - In accordance with national policy, through central banks or government
- The world is slowly moving towards free trade

- o There are many communities and groups that monitor and promote trade
- o International economic communities reduce trade barriers and promote regional economic cooperation
 - Free-trade area: members trade freely among selves without tariffs or trade restrictions
 - Customs union- establishes a uniform tariff structure for members' trade with non-members
 - Common market (or economic union)- Members bring all trade rules into agreement
- The Forces of Demand and Supply
 - o The study of small economic units, such as individual consumers, families and businesses
 - o Demand Curve- A group of the amount of a product that buyers will purchase at different prices
 - Driven by variety of factors such as competition, price, larger economic events, and consumer preferences
- Factors driving demand
 - o Demand Curve- a graph of the amount of a product that buyers will purchase at different prices.
 - o Demand curve for gasoline and change in quantity demanded
 - Higher prices mean people want less
 - o Factors of production play a central role in the overall supply of goods and services
 - o A change in the cost or availability of any of these inputs can shift the entire supply curve
- Demand curve shifts (Why demand would shift)
 - o Customer preferences - to the right if: increase left: decrease
 - o Number of buyers - right: increase left: decrease
 - o Buyers` incomes - right: increase left: decrease
 - o Prices of substitute goods - right: increase left: decrease
 - o Prices of complementary goods - right: decrease left: increase
 - o Future expectations become more - right: optimistic left: pessimistic
- Supply curve:
 - o A supply curve is a graph that shows the relationship between different prices and the amount of goods that sellers will offer for sale, regardless of demand
 - o The lower the price, the more suppliers will supply
- How demand and supply interact
 - o Supply and demand curves meet at the equilibrium price
 - o Buyers and sellers make choices that restore the equilibrium price
 - o Changes affect both demand and supply
- Types of competition
 - o Pure Competition
 - Many competitors
 - Easy entry into industry
 - Highly similar goods or services offered
 - No control over price by individual firms

- Ex. Small-scale farmer in Ontario
- o Monopolistic Competition
 - Few to many competitors
 - Somewhat difficult entry into industry
 - different goods offered by competing firms
 - Some control over price by individual firms
 - Ex. Local fitness centre
- o Oligopoly
 - Few number of competitors
 - Difficult ease of entry into industry
 - Similar or different goods or services offered by competing firms
 - Some control over price
 - Ex. Telecommunications companies like Bell and Rogers
- o Monopoly
 - No direct competition
 - Entry regulated by government
 - No directly competing products
 - Considerable in a pure monopoly; little in a regulated monopoly
 - Rawling Sports Goods, exclusive supplier of major-league baseballs
- Industry economic forces
 - o Industry competitors- rivalry among existing firms
 - Suppliers- bargaining power of suppliers
 - Potential entrants- threat of new entrants
 - Substitutes- threat of substitutes
 - Buyers- Bargaining power of buyers
- Factors affecting industry Economic Forces and Profitability
 - o Industry Rivalry
 - Concentration
 - Diversity of competitors
 - Product differentiation
 - Excess capacity and exit barriers
 - Cost conditions
 - o Buyer power
 - Buyers' price sensitivity
 - Relative bargaining power
 - o Threat of Entry
 - Capital requirements
 - Economies of scale (size)
 - Absolute cost advantage
 - Product differentiation
 - Access to distribution channels
 - Legal/regulatory barriers
 - Retaliation
 - o Substitute Competition
 - Buyers' propensity to substitute
 - Relative prices and performance of substitutes

- o Buyer power
 - Buyers' price sensitivity
 - Relative bargaining power

MOVIE NOTES- HOW THE ECONOMIC MACHINE WORK- Ray Dalio

- Economy- all of the transactions in all of the markets
- Market- all of the transactions of one particular good (Cars, steel, wheat, dairy, etc.)
- Credit as an asset and debt as a liability
 - o Double-edged sword of credit
 - Allows for increased spending but has to pay it back (Principal plus interest)
- Productivity does not fluctuate over time, rather debt does
 - o When debt fluctuates, credit thus does
- Borrowing means cycles- Pulls spending forward so that people can afford to buy what they don't have enough for. Anytime you borrow you create a cycle-
- Cash settles a transaction immediately
 - o Credit is a promise to pay and does not take away the debt, rather it creates a liability for the debtor and an asset for the lender
- In an economy without credit, the only way to increase spending is to produce more
- Inflation- rise in prices (People don't spend money and buy)
- When people spend less prices go down- Deflation
- Short-term debt cycle- Lending is constrained by the lenders and interest rates (usually last 5-10 years)
- Long term debt cycle- Debt burdens are too big.
- Debt burden- ratio of debt to income
 - o Manageable so long as incomes rise- the more purchases mean assets rise higher and people feel wealthier thus seeking to spend more
- At some point, debt repayments grow faster than incomes. People thus spend less and incomes decrease
 - o Cycle reverses itself
- Deleveraging- Asset prices fall, incomes fall, debt replacement rises, and lenders get squeezed
 - o As more people are less creditworthy, they cannot borrow as much and thus spend less and borrow less, while having to continue to pay
- In a deleveraging- lowering interest rates cannot be lowered as they are already at low rates
 - o Debt burden cannot keep pace with a borrowing system to fund incomes
- One man's spending is another man's income
- Deflation- cutting of spending even more with less lending
- Depression- people discovering much of their wealth isn't really there
- Debt restructuring- means lenders get paid back less or get paid back over a longer time span
 - o Lenders would rather have less of something than all of nothing (Cuts debts for borrowers though)
- Deficit- spending more in deleveraging than earnings through taxes and trades
- Central bank can print money but can only buy financial assets

- o Through buying government bonds the government can therefore have greater money to buy goods and services which go directly to people with no assets, thus giving them income and raising their debt burden
- Printing money raises inflation
- Wealth redistribution, debt restructuring and high debt burdens deflate the company
- Roughly 10 years + for an economy to restore itself and reflation to occur
- Don't have debt rise faster than income
- Don't have income rise faster than productivity (Otherwise become unproductive)
- Do all that you can to raise your productivity

Week 5- Ethics and CSR

- PPT

Textbook Notes

- Business- consists of all profit-seeking activities and enterprises that provide goods and services necessary to an economic system
 - o Drives the economic pulse of a nation
- Profits- rewards for businesspeople who take the risks involved to offer goods and services to customers
 - o The quest for profits is a central focus of business
- Natural resources- all production inputs that are useful in their natural states, including agricultural land, building sites, forests, and mineral deposits
- Capital- production inputs consisting of technology, tools, information, and physical facilities
- Factor of production / Corresponding factor payment
 - o Natural resources - Rent
 - o Capital - Interest
 - o Human resources - Wages
 - o Entrepreneurship – Profit
- Private enterprise system- an economic system that rewards firms for their ability to identify and serve the needs and demands of customers
- Business competition- the battle among businesses for consumer acceptance
- Competitive differentiation- the unique combination of organizational abilities, products, and approaches that sets one company apart from its competitors in the minds of customers
- Private property- the most basic freedom under the private enterprise system; the right to own, use, buy, sell, and hand down land, buildings, machinery, equipment, patents, individual possessions and various intangible kinds of property
- Majority of people in Canada are employed in retail trades and then accommodation and food
- 6 eras in the history of business
 - o Colonial period (prior to 1776)
 - Primarily agricultural
 - o Industrial revolution (1760-1850)
 - Mass production by semi-skilled workers, aided by machines

- o Industrial Entrepreneurs (late 1800s)
 - Advances in technology and increased demand for manufactured goods, leading to enormous entrepreneurial opportunities
- o Production (Through the 1920s)
 - Emphasis on producing more goods faster, leading to production innovations such as assembly lines
- o Marketing (Since 1950s)
 - Consumer orientation, seeking to understand and satisfy needs and preferences of consumer goods
- o Relationship (Began in 1990s)
 - Benefits derived from deep, ongoing links with individual customers, employees, suppliers, and other businesses
 - Seeks to actively promote customer loyalty by carefully managing every interaction
- Consumer orientation- a business philosophy that focuses first on consumers' unmet wants and needs, and then designs products to meet those needs
- Branding- the process of creating in consumers' mind an identity for a good, service, or company; a major market tool in contemporary business
- Brand- a name, term, sign, symbol, design or some combination that identifies the products of one firm and how they differ from competitors' offerings
- Transaction management- building and promoting products in the hope that enough customers will buy them to cover costs and earn profits
- Strategic alliance- a partnership formed to create a competitive advantage for the businesses involved; in international business, the business strategy of one company partnering with another company in the country where it wants to do business
- Diversity- the blending of individuals of different genders, ethnic backgrounds, cultures, religions, ages, and physical and mental abilities to enhance a firm's chances of success
- Outsourcing- using outside vendors to produce goods or fulfill services and functions that were previously handled in-house or in-country
- Offshoring- the relation of business processes to lower-cost locations overseas
- Nearshoring- the outsourcing of production or services to locations near a firm's home base
- Vision- the ability to perceive marketplace needs and what an organization must do to satisfy them
- Creativity- the capacity to develop novel solutions to perceived organizational problems
- Critical thinking- the ability to analyze and assess information to pinpoint problems or opportunities

LECTURE 2

- Planning- the process of looking forward to future events and conditions and deciding on the courses of action for achieving organizational goals
- Organizing- the process of blending human and material resources through a formal structure of tasks and authority arranging work, dividing tasks among employees, and coordinating them to ensure plans are carried out and goals are met
- Directing- guiding and motivating employees to accomplish organizational goals
- SWOT analysis- a short form for strengths, weaknesses, opportunities, and threats. By assessing all four factors one by one, a firm can then develop the best strategies for gaining a competitive advantage

- Objectives- the targets that managers use to plan for the organization are hoped-for performance. These objectives can relate to such areas as new-product development, sales, customer service, growth, environmental and social responsibility, and employee satisfaction.
- Leadership- the ability to direct or inspire people to reach goals
- Empowerment- giving employees shared authority, responsibility, and decision-making with their managers
- Departmentalization- the process of dividing work activities into units within the organization

Lecture 3

- Home-based businesses- firms operated from the residence of the business owner
- Business plan- a formal document that details a company's goals, methods, and standards
- Business Development Bank of Canada (BDC)- a governmental agency that assists, counsels, and protects the interests of small businesses in Canada
- Business incubator- a local program designed to provide low-cost, shared business facilities to small start-up companies
- Venture capital- money invested in a business by another business or a group of individuals in return for an ownership share
- Canada's Top franchises
 - Hampton Hotels, McDonalds, Days Inn, Vanguard Cleaning Systems, SUBWAY
- Franchisee- the individual or business firm purchasing a franchise
- Franchisor- the firm whose products are sold to customers by the franchisee
- Shareholders- owners of a corporation as a result of their purchase of shares in the corporation
- Preferred shares- shares that give owners limited voting rights and the right to receive dividends or assets before owners of common shares
- Common shares- shares that give owners voting rights but only residual claims to the firm's assets and income distributions
- Board of directors- the governing body of a corporation
- Merger- an agreement in which two or more firms combine to form one company
- Acquisition- an agreement in which one firm purchases another
- Vertical merger- a merger that combines firms operating at different levels in the production and marketing process
- Horizontal merger- a merger that joins firms in the same industry for the purpose of diversification, increasing customer bases, cutting costs, or expanding product lines
- Conglomerate merger- a merger that combines unrelated firms, usually with the goal of diversification, increasing sales, or spending a cash surplus to avoid a takeover attempt
- Joint venture- a partnership between companies for a specific activity
- Lifestyle entrepreneur- a person who starts a business to reduce work hours and create a more relaxed lifestyle
- Seed capital- the initial funding needed to launch a new venture
- Debt financing- borrowed funds that entrepreneurs must repay
- Equity financing- funds invested in new ventures in exchange in part ownership
- Angel investors- wealthy individuals who invest directly in a new venture in exchange for an equity stake

Lecture 4

- Economics- the social science that studies the choices people and governments make when dividing up their scarce resources
- Microeconomics- the study of small economic units such as individual consumers, families and businesses
- Macroeconomics- the study of a nation's overall economic issues, such as how an economy maintains and divides up resources and how a government's policies affect its citizens' standards of living
- Demand- the willingness and ability of buyers to purchase goods and services
- Supply- the willingness and ability of sellers to provide goods and services
- Demand curve- a graph of the amount of a product that buyers will purchase at different prices
- Supply curve- a graph that shows the relationship between different prices and the amount of goods that sellers will offer for sale, regardless of demand
- Equilibrium price- the current market price for an item, where the two curves meet
- Pure competition- a market structure where larger numbers of buyers and sellers exchange similar products, and no single participant has a large influence on price
- Monopolistic competition- a market structure where large numbers of buyers and sellers exchange similar products so each participant has some control over price
- Oligopoly- a market situation where relatively few sellers compete and high start-up costs act as barriers to keep out new competitors
- Monopoly- a market situation where a single seller controls trade in a good or service and buyers can find no close substitutes
- Regulated monopoly- a firm that is granted exclusive rights in a specific market by a local, provincial or federal government
- Privatization- the conversion of government-owned and -operated companies to privately held businesses
- Productivity- the relationship between the number of units produced and the number of human and other production inputs needed to produce them
- Gross Domestic Product (GDP) – the sum of all goods and services produced within a country during a specific time period, such as a year
- Inflation- rising prices caused by a combination of excess consumer demand and higher costs of raw materials, component parts, human resources, and other factors of production
- Core inflation rate- the inflation rate after energy prices and food prices are removed
- Hyperinflation- an economic situation marked by soaring prices
- Deflation- the opposite of inflation, occurs when prices continue to fall
- Consumer Price Index (CPI)- a running measurement of the monthly average change in prices of goods and services
- Monetary policy- a government plan to increase or decrease the money supply and to change banking requirements and interest rates to affect bankers' willingness to make loans
- Expansionary monetary policy- a plan to increase the money supply to try to decrease the cost of borrowing. Lower interest rates encourage businesses to make new investments, which leads to employment and economic growth
- Restrictive monetary policy- a plan to reduce the money supply to control rising prices, overexpansion, and concerns about overly rapid economic growth

- Fiscal policy- a plan of government spending and taxation decisions designed to control inflation, reduce unemployment, improve the general welfare of citizens and encourage economic growth
- Exports- domestically produced goods and services sold in other countries
- Imports- foreign goods and services purchased by domestic customers
- China is the world largest country while Luxembourg is the wealthiest per-capita for GDP
- Balance of trade- the difference between a nation's exports and imports
- Balance of payments- the overall money flows into and out of a country
- Exchange rate- the value of one country's currency in terms of the currencies of other countries
- Devaluation- a reduction in a currency's value in terms of other currencies or in terms of a fixed standard
- Infrastructure- the basic systems of a country's communications, transportation and energy facilities
- Quota- a limit set on the amounts of particular products that can be imported
- Dumping- selling products in other countries at prices below production costs or below typical prices in the home market to capture market share from domestic competitors
- Embargo- a total ban on importing specific products or a total stop to trading with a particular country
- Exchange control- a restriction against certain companies to reduce trade and the spending of foreign currency
- General Agreement on Tariffs and Trade (GATT)- an international trade accord that has greatly reduced worldwide tariffs and other trade barriers
- World Trade Organization (WTO)- a 157-member international institution that monitors GATT agreements and mediates international trade disputes
- World Bank- an organization established by industrialized nations to lend money to less developed countries
- International Monetary Fund (IMF)- an organization created to promote trade, eliminate barriers, and make short-term loans to member-nations that are unable to meet their budget
- North American Free Trade Agreement (NAFTA)- an agreement among the United States, Canada, and Mexico to break down tariffs and trade restrictions – effective in 1994
- Central America- Dominican Republic Free Trade Agreement (CAFTA-DR)- an agreement among the US, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua to reduce tariffs and trade restrictions
- European Union (EU)- a 27-nation European economic alliance
- Countertrade- a barter agreement whereby trade between two or more nations involves payment made in the form of local products instead of currency
- Foreign licensing agreement- international agreement in which one firm allows another firm to produce or sell its product or use its trademark, patent, or manufacturing processes, in a specific geographical area, in return for royalties or other compensation
- Subcontracting- an agreement that involves hiring other companies to produce, distribute, or sell goods or services; in international subcontracting, local companies in a specific country or geographical region are hired to produce, distribute or sell goods or services
- Joint venture- a partnership between companies for a specific activity

- Multinational corporation (MNC)- a firm with many operations and marketing activities outside its home country
- Global business strategy- the offering of a standardized, worldwide product and the selling of it in basically the same way throughout a firm's domestic and foreign markets
- Top 2 world companies are both banking giants, JPMorgan Chase (US) and HSBC Holdings (UK)
- Global business strategy- the offering of a standardized, worldwide product and the selling of it in basically the same way throughout a firm's domestic and foreign markets
- Multidomestic business strategy- a plan to develop and market products to serve different needs and tastes in separate national markets

Lecture 5

- Business ethics- standards of conduct and moral values regarding right and wrong actions in the business environment
- Sarbanes-Oxley Act of 2002- U.S. federal legislation designed to deter and punish corporate and accounting fraud and corruption. It is also designed to protect the interests of works and shareholders by requiring enhanced financial disclosures, criminal penalties for CEOs and CFOs who defraud investors, and safeguards for whistle-blowers. The act also established a new regulatory body for public accounting firms.
 - Bill 198 was the Canadian version, enacted in 2003
- On-the-job ethical dilemmas
 - Conflict of interest- a situation in which an employee must choose between a business's welfare and personal gain
 - Integrity- behaving according to one's deeply felt ethical principles in business situations
 - Whistle-blowing- disclosure to company officials, government authorities, or the media of illegal, immoral, or unethical practices committed by an organization
 - Loyalty v. Truth- Loyalty of employee to employer is put into question when the truth about a company is not favourable
- How organizations shape ethical conduct
 - Ethical awareness
 - Ethical reasoning
 - Ethical action
 - Ethical leadership
- Code of conduct- a formal statement that defines how an organization expects its employees to resolve ethical issues
- Stakeholders- customers, investors, employees and public affected by or with an interest in a company
- Social responsibility- business's consideration of society's well-being and consumer satisfaction, in addition to profits
 - Business's social responsibilities are to the general public, to customers, to employees, and to investors/the Financial COmmunity
- Social audits- formal procedures that identify and evaluate all company activities that relate to social issues, such as conservation, employment practices, environmental protection, and philanthropy
- Recycling- reprocessing of used materials for re-use
- Green marketing- a marketing strategy that promotes environmentally safe products and production methods
- Sustainable- the capacity to endure in ecology

- If a company says a product is/ the package or product must
 - o Degradable/ be photodegradable or biodegradable within a short period of time under normal disposal conditions for that type of product of package
 - o Compostable/ bio-degrade, generating a relatively homogeneous and stable humus-like substance
 - o Recyclable/ be able to be processed and returned to use in the form of raw materials or products
 - o Refillable/ be reusable for their original purchase
- Corporate philanthropy- an organization's contribution to the communities where it earns profits
- Consumerism- public demand that a business consider the wants and needs of its customers when making decisions
- Product liability- the responsibility of manufacturers for injuries and damages caused by their products
- Fair trade- a market-based approach of paying higher prices to producers for goods exported from developing countries to developed countries in an effort to promote sustainability and to ensure the people in developing countries receive better trading conditions
- A business's responsibilities to customers
 - o The right to be safe
 - o The right to be informed
 - o The right to choose
 - o The right to be heard
- A business's responsibilities to employees
 - o Workplace safety
 - o Quality-of-life issues
 - o Equal opportunity on the job
 - To ensure this, there are multiple focuses:
 - Equal rights, physical and mental disabilities, equal pay for equal work, pregnancy and parental leave, family medical leave, reservists)
- Discrimination- biased treatment toward a job candidate or employee
- Employment Equity Act (EEA) an act created (1) to increase job opportunities for women and members of minority groups and (2) to help end discrimination based on race, colour, religion, disability, gender, or natural origin
- Sexual harassment- unwelcome and inappropriate actions of sexual nature
- Sexism- discrimination against members of either sex, but usually against women
- CCSR- Canadian Business for Social Responsibility Organization
 - o Offers CSR assessments and comparisons
-