



STUDENTS OFFERING SUPPORT

BU121 Final Exam-AID

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Some images/material from course slides

'RAISING MARKS, RAISING MONEY, RAISING ROOFS'

Students Offering Support is a nationally recognized Canadian Charity.

1. Finance (35%)
2. Operations and Sustainability (20%)
3. Negotiations (15%)
4. Human Resources and Labour Relations (30%)



Finance

'RAISING MARKS, RAISING MONEY, RAISING ROOFS'

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Role of Finance & The Financial Manager

- To make money, need to spend money on items essential for operations (inventory, equipment, etc.)
- **Financial Management** ensures that a company's money is managed so that it can meet its goals (making strategic decisions)
- The **financial manager's** key activities include:
 - *Planning*: Project a plan of revenues, expenditures, etc.
 - *Investment*: Putting funds in projects and securities that yield high return versus risks
 - *Financing*: Obtain funding for operations (balance debt vs. equity)
- The main goal of a financial manager is *to maximize the value of the company to its owners!*

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Financial Planning

- Start with financial forecasts and estimated demand (sales)
- **Short-Term Forecasts:**
 - Are operating plans that project future revenues, COGS, and operating expenses over one year period
 - Form the basis for the cash budget
- **Long-Term Forecasts:**
 - Are strategic plans, cover periods from 2-10 years and takes a broader view of the company's financial activities
 - Management can assess what financial effects certain strategies will have
 - Example: Lending Contract

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How Organizations Use Funds

- **Short-Term (Operating) Expenses:**
 - Outlays used to support current selling and production activities
 - Results in current assets - convertible to cash in < 1 YEAR
 - Look for low risk investments that offer high returns (marketable securities)
 - The THREE key strategies are to collect money owed to company (A/R) as quickly as possible, pay money owed to others (A/P) as late as possible and to turn-over inventory quickly to minimize the funds tied up in it
- **Long-Term Expenditures:**
 - In long-lived assets such as land, buildings, info systems
 - Capital Budgeting: is analyzing long-term project and selecting those that offer the best returns

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Obtaining Short-Term Financing

- **Unsecured Loans** - Borrower does not have to pledge assets as collateral (based on past experience)
- **Trade Credit** - Seller extends credit (no cash paid on delivery) and is recorded as an A/P
- **Line of Credit** - Agreement that specifies that maximum amount of borrowing a bank will make available to that business
- **Commercial Paper** - an IOU issued by a financially strong corporation
- **Secured Loans** - Borrower is required to pledge certain assets as form of security
- **Factoring** - Sells its accounts receivables to a factor

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Raising Long-Term Financing

- Debt Financing: Has Pros and Cons
- The 6 C's of Credit:
 - CHARACTER: the past repayment history of borrower
 - CAPACITY: ability to repay the loan
 - CAPITAL: amount of cash borrower has access to
 - COLLATERAL: how much is available/given?
 - CONDITIONS: issues that affect the business (competition, etc.)
 - CONFIDENCE: is there reassurance that loan will be repaid?
- Examples: Term Loans, Bonds, Mortgage Loan

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Raising Equity Financing

- **Common Shares:** represent ownership interest in the company
- **Dividends:** payments to shareholder's from company's profits
- **Share/Stock Dividends:** payments in the form of more shares
- **Retained Earnings:** profits are reinvested in the company
- **Preferred Shares:** dividend amount is set at the time the shares are issued
- **Venture Capital:** specialized investment companies that receive ownership interest and voice in management

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- **INFORMATION ASYMMETRY PROBLEMS**

- Entrepreneurs have or recognize information about business opportunities that investors do not
- 3 Problems:
 - Entrepreneurs reluctant to disclose information to investors
 - Information edge allows entrepreneurs to take advantage of investors (use for own gain)
 - Adverse Selection - when unable to distinguish between two options, market ends up with entrepreneurs (without skills) that investors don't want to back

- **UNCERTAINTY PROBLEMS**

- Make judgements about value of opportunities and abilities with minimal information
- Disagreements about valuation of venture
- Want to make sure entrepreneur pays up if unsuccessful *MC*



Solutions

1. Self Financing - make sure its close to what your worth (to signal confidence in the success of the venture)
2. Contract Provisions - such as covenants, mandatory redemption rights, antidilution provisions, vesting periods, etc.
3. Specialization - investors will specialize by industry and by stage of development (gives investors more contacts and learn key success factors)
4. Geographically Localized Investing - makes it easier to be heavily involved and develop network of sources for information
5. Syndication - attract other investors to join them (diversify risks and gather information)

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Sources of Capital

- Savings
- Friends and Family
- Business Angels - private individuals who typically demand a lower return because they are less financially motivated
- Venture Capitalists - People working for organizations to raise money from large institutional investors (Pension Funds) and invest in small firms
- Corporations - strategic investments to increase scale
- Banks
- Asset-Based Lenders
- Factors
- Government Programs

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Cost of Capital

- Why investors demand and receive such high rates of return:
 1. NVs are extremely risky and returns need to compensate this risk
 2. Investors in NVs can't diversify their risks very well
 3. Demand an illiquidity premium - extra compensation for the fact they can't sell their investment
 4. Demand premium for information disadvantage
 5. Discount to adjust for overoptimistic projections by entrepreneur
 6. Investors want compensation for providing assistance to NV

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Social Capital & Behaviour Side

- Why social ties matter for raising money as a NV?
 1. Social relationships make people act in less self-interested ways
 2. Invoke sanctions against people who do harm by using social networks
 3. An efficient way to gather information and transmit that information
 4. Referrals create positive attributions about people

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Cash Budgeting

- management of cash flows
- management of working capital cycle

Beginning Cash Balance

+ Receipts

Total Cash Available

- Disbursements *

Cash Excess / (Deficiency)

Minimum Cash Balance Desired

Borrowing Req'd / Surplus or Repayment

Ending Cash Balance

* Worksheet based on historical measures of amounts and timing of cash flows in working capital cycle

Cash Budgeting

- Keys:

- 3 possibilities (besides excess = balance req'd)
 - 1. Deficiency
 - » borrow for deficiency + minimum
 - » ending balance = minimum req'd
 - 2. Excess > Minimum
 - » surplus available to repay borrowing
 - » if do... ending balance = minimum req'd
 - » if don't... ending balance = total excess
 - 3. Excess < Minimum
 - » borrow to = minimum req'd
 - » end balance = minimum req'd



Example

Prepare a cash budget for SOScorp Ltd. for the months of June and July. The firm wishes to maintain, at all times, a minimum cash balance of \$20,000. The bank charges SOScorp 10% interest on any loans outstanding. As of May 31st, the firm had a cash balance of \$20,000, and no balance outstanding on its credit line.

Actual Sales

May	\$8,000
June	\$25,000
July	\$15,000

Additional information:

- All sales are made on account.
 - 50% of accounts receivable is collected in the month of sale, 50% in the next month
- The cost of the goods manufactured is 40% of sales in that same month.
 - 30% is paid for in the month of occurrence, and the remaining 70% in the following month.
- Selling and Administrative expenses amount to 10% of Sales of the same month
- Capital expenditures for new equipment are planned to be \$10,000 in June
- Taxes of \$2,260 are due in June. Taxes of \$4,000 are due in July



SOScorp Ltd. Cash Budget Worksheet Months June, July

	<u>May</u>	<u>June</u>	<u>July</u>
Sales	8000	25000	15000
50% in the month of	4000	12500	7500
50% in the month after		<u>4000</u>	<u>12500</u>
Total Receipts		16500	20000

	2009	2010	2011
Sales	8000	25000	15000
Purchases	3200	10000	6000
30% in month of	960	3000	1800
70% in month after		<u>2240</u>	<u>7000</u>
Total Purchases		5240	8800



SOScorp Ltd. Cash Budget Months June, July

	June	July
Beginning Cash	20,000	20,000
Add: Receipts from Sales	16500	20000
Total Cash Available	36,500	40,000
Less: Disbursements		
Cost of Goods Manufactured	5240	8800
Selling and Admin	2500	1500
Taxes	2260	4000
Capital Expenditure	10000	0
Interest of Credit Line	0	29
Total Disbursements	20000	14329
Excess/Deficiency	16,500	25671
Minimum Balance	20,000	20,000
Borrowing Required	-3,500	
Surplus/Repayment		3500
Ending Balance	20,000	22,171



Interest Calculation

- Interest for June = 0 because interest is always calculated to the period immediately after the borrowing.
- Interest for July:
 - $3500 \times 10\%$
 - $\$350 / 12 = \29

Example 3

Prepare a cash budget for SunManU Ltd. for the months of August, September and October. The firm wishes to maintain, at all times, a minimum cash balance of \$65,000. Determine whether or not borrowing will be necessary during the period and, if it is, when and for how much. Assume that all borrowing, or repaying of outstanding loans, occurs on the last day of the month. Also assume that any excess cash balances at month-end will be used to pay down any outstanding bank loans. The bank charges SunManU 10% interest on any loans outstanding. As of July 30, the firm had a cash balance of \$65,000, and no balance outstanding on its credit line.

Actual Sales

June	\$25,000
July	\$50,000

Budgeted Sales

August	\$45,000
September	\$62,000
October	\$55,000

Additional information:

- All sales are made on account.
 - 45% of accounts receivable is collected in the month of sale, 30% in the next month, and 25% in the month following.
- The cost of the goods manufactured is 50% of sales in that same month.
 - 30% is paid for in the month of occurrence, and the remaining 70% in the following month.
- Selling and Administrative expenses amount to \$12,000 per month + 10% of sales in August, and a flat fee of \$15,000 for September and October
- The company declared dividends of \$5,000 due every month on the 15th.
- Capital expenditures for new equipment are planned to be \$20,000 in August.
- Taxes of 10% of previous month's sales are due in August.



SunManu Ltd. Cash Budget Worksheet Months of Aug, Sept and Oct .

	June	July	August	September	October
Net Sales	25000	50000	45000	62000	55000
Collections:					
45% month of	11250	22500	20250	27900	24750
30% month after		7500	15000	13500	18600
25% third month			<u>6250</u>	<u>12500</u>	<u>11250</u>
Total Receipts			41500	53900	54600



SunManu Ltd. Cash Budget Worksheet Months of Aug, Sept and Oct .

	June	July	August	September	October
Net Sales	25000	50000	45000	62000	55000
Net Purchases	12500	25000	22500	31000	27500
Payments:					
30% month of		7500	6750	9300	8250
70% month after			<u>17500</u>	<u>15750</u>	<u>21700</u>
Total Cost of Goods Manufactured			24250	25050	29950



SunManu Ltd. Cash Budget Months of August, Sept, Oct

	August	September	October
Beginning Cash	65,000	65,000	65,000
Add: Receipts from Sales	41500	53900	54600
Total Cash Available	106,500	118,900	119,600
Less: Disbursements			
Cost of Goods Manufactured	24250	25050	29950
Selling and Admin	16500	15000	15000
Dividends	5000	5000	5000
Taxes	5000	4500	6200
Capital Expenditure	20000	0	0
Interest of Credit Line	0	243.75	210
Total Disbursements	70750	49793.75	56360
Excess/Deficiency	35,750	69,106	63,240
Minimum Balance	65000	65000	65000
Borrowing Required	-29,250		-1,760
Surplus/Repayment		4,106	
Ending Balance	<u>65000</u>	<u>65000</u>	<u>65000</u>
Ending Balance	65000	65000	65000



Interest Calculations

- Interest for August = 0 because interest is always calculated for the period immediately after the borrowing.
- Interest for September:
 - $29,250 \times 10\% \times 1/12$
 - $2925 \times 1/12$
 - Why divide by 12? Because the rate provided is annualized, and the budget is monthly!
 - 243.75
- Interest for October
 - We have to remember that we have paid back a portion of the interest in September!
 - $(29250 - 4106) \times 10\% \times 1/12$
 - $25144 \times .1 \times 1/12$
 - $2514.4 / 12$
 - 210

Measuring Cash Burn Rates

- Cash Burn = The cash spent on operating and financing expenses and investments in assets

Cash Burn

☰ = Cash Operating Expenses + Interest + Taxes

☰ + Increase in Inventories

☰ - Changes in Payables and Accruals

☰ + Capital Expenditures



Cash Burn Example

	2010
Net sales	\$575,000
-Cost of goods sold	-380,000
Gross profit	195,000
-Administrative expenses	-65,000
-Marketing expenses	-39,000
-Research and development	-27,000
-Depreciation	-17,000
EBIT	47,000
-Interest expense	-20,000
Income before taxes	27,000
-Income taxes (30% rate)	-8,000
Net income	\$ 19,000



Cash Burn Example

ASSETS	2009	2010
Cash and marketable securities	\$ 10,000	\$ 5,000
Receivables	75,000	105,000
Inventories	95,000	140,000
Total current assets	180,000	250,000
Gross plant and equipment	205,000	255,000
Less: accumulated depreciation	-42,000	-59,000
Net plant and equipment	163,000	196,000
Total assets	\$343,000	\$446,000
Liabilities and Equity		
Payables	57,000	84,000
Short-term bank loan	44,000	110,000
Accrued liabilities	9,000	10,000
Total current liabilities	110,000	204,000
Long-term debt	90,000	80,000
Owners' equity	143,000	162,000
Total liabilities and equity	\$343,000	\$446,000

$$\begin{aligned} \text{Cash Burn Rate} &= (\$380,000 + 65,000 + 39,000 + 27,000 + \\ & 20,000 + 8,000) + \$45,000 - (27,000 + 1,000) + 50,000 \\ &= \$606,000 \end{aligned}$$



Role of Finance & The Financial Manager

- Cash Build: what the venture receives on its sales
Cash Build
= Net Sales - Increase in Receivables
= \$575,000 - 30,000 = \$545,000
- Net Cash Burn: when cash burn exceeds cash build
= \$606,000 - 545,000 = \$61,000
- Monthly Burn Rate
Monthly cash burn rate = \$606,000/12 = \$50,500
- Monthly cash build rate = \$545,000/12 = \$45,417
= Monthly net cash burn rate = \$61,000/12 = **\$5083**
- Given that the company has **\$5,000** in cash at the end of 2010, it has **< 1 month** until it runs out of cash

Types of Financing and Sources

1. VENTURE FINANCING



LIFE CYCLE STAGE	TYPES OF FINANCING	MAJOR SOURCES/PLAYERS
Development stage	Seed financing	<ul style="list-style-type: none"> Entrepreneur's assets Family and friends
Startup stage	Startup financing	<ul style="list-style-type: none"> Entrepreneur's assets Family and friends Business angels Venture capitalists
Survival stage	First-round financing	<ul style="list-style-type: none"> Business operations Venture capitalists Suppliers and customers Government assistance programs Commercial banks
Rapid-growth stage	<ul style="list-style-type: none"> Second-round financing Mezzanine financing Liquidity-stage financing 	<ul style="list-style-type: none"> Business operations Suppliers and customers Commercial banks Investment bankers

2. SEASONED FINANCING

LIFE CYCLE STAGE	TYPES OF FINANCING	MAJOR SOURCES/PLAYERS
Early-maturity stage	<ul style="list-style-type: none"> Obtaining bank loans Issuing bonds Issuing stock 	<ul style="list-style-type: none"> Business operations Commercial banks Investment bankers

SA

Approaches to Valuation

- Income Approach: assumption that value = sum of the present values of expected future benefits
 - Discounted Cash Flow
 - Discounted for risk and the time value of money
 - Problem is that future cash flows are uncertain
 - Risk Adjusted NPV 
 - Adjusted for probability of the event occurring
 - Venture Capital Method 
 - Estimate an exit value once milestones are achieved
- Market Approach: value determined based on comparisons of similar companies where values known
- Cost Approach: determined as measure of net costs of assets or original amount invested

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- 3 things needed to value an asset
 - Income Stream
 - Growth Rate
 - Discount Rate
- Valuations are driven by subjective factors such as management team, intellectual property, value prop., etc.

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- Preferred Stock





- Provides protection for investors in way deal is structured
- Provisions provide protection for poor performance and control over management (see page 210 of textbook)
- Example: Conversion rights to common shares

- Royalties





- Takes away some risks as it increases liquidity of investor
- Benefits entrepreneur because they only pay once revenue is earned

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- Intensive Growth Strategies (Lower Rung): 

-  - Market Penetration: sell more of current product to current customers
-  - Market Development: sell product in a new geographic market (EX: franchising)
-  - Alternative Channels: pursue customers through a different distribution channel
-  - Product Development: develop new products to sell to existing and new customers


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- Integrative Growth Strategies: 
 -  - Horizontal Integration: with competitor
 -  - Backward Vertical Integration: with supplier
 -  - Forward Vertical Integration: with distributor

- Diversification: acquire or merge with company that is unrelated to your business

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The Key Transition

- During growth stage, need to become more of a manager than an entrepreneur
- Entrepreneurial Problems:
 - Centralized Decision Making
 - Reliance on one or two people
 - Lack of Skills 
 - Family Atmosphere
- How to Maintain Innovation?
 - Share the vision
 - Institutionalize change as a goal - make resources available and remove departmental barriers
 - Reward innovation
 - Create an environment that allows for failure ***SA***

- Sell the Company
 - Strategic, Financial or Employee
- Release Firm's Free Cash Flows
- Issue an IPO
- Liquidate the Business

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Operations & Sustainability

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- Critical success factor → Provide quality goods/ services
- **Production:** creation of products and services by turning inputs into outputs which are products and services
- **Operations:** management of production processes

Service vs. Manufacturing

- **Similarity**

- Take inputs (factors of production) and convert them into outputs



Service vs. Manufacturing

**

Category	Service	Manufacturing
Input	<u>Person's unsatisfied need or possession in need of care</u>	Raw materials or natural resources
How it's done	Performed	Produced
Judged on	Quality of the work as well as the service	Quality of the outcome
Customers role	Apart of the process Greater contact = bigger impact	Removed from the process
Characteristic	Intangible, value the experience Customized to each customers needs	Tangible (can be stored) Can be customized or universal product (Couches vs.. BIC pens)



- **Manufacturing**

- Set capacity ahead of demand 🗨️
- Seasonality
 - Shift demand and capacity requirements by pricing

- **Services**

- High contact - set capacity to peak demand
- Low contact - set capacity to average demand

Mass Production

**

- Manufacturing many identical goods at once
- Old style to approach things
- Stable market conditions is ideal
 - Needed since very little flexibility to make changes
- Efficiency vs.. Effectiveness
 - Relies on standardization, mechanization and specialization
 - Focused on keeping low costs and how you produce not effectiveness and what your producing
- Repetition
 - Simply repeat same production process over and over
- Economic reality: No longer most effective option since we live where there is constant change and customers want products tailored to them





Mass Customization

**

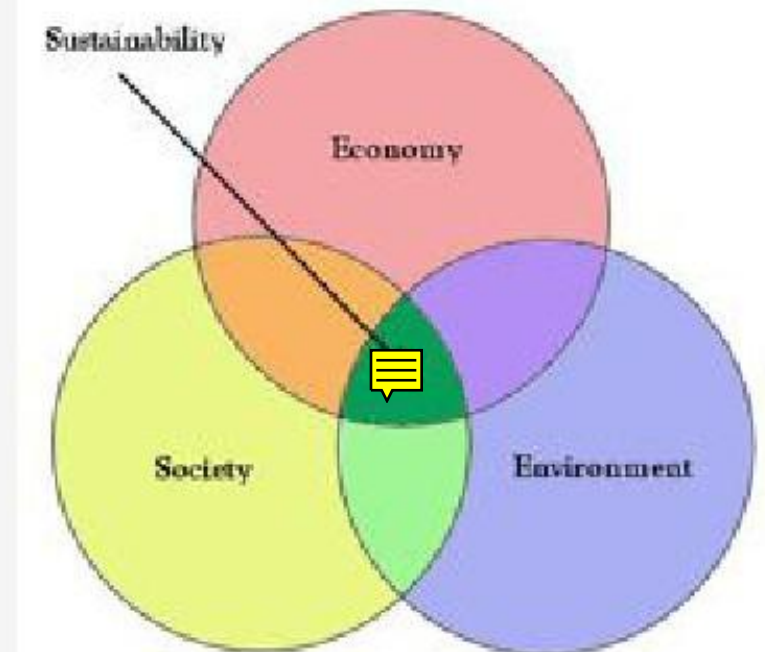
- Customization + mass production
- Use mass production techniques only to certain point
- Product or service then tailored to customer
 - Ex: Couches produced to all have basic frame , then fabric is pre-cut and applied based on customer order or demand
- Market has constant change
 - Flexible, allows production to meet market changes
- Customer driven
 - Focuses on effectiveness and what is produced
 - Customized to the tastes of customer
- Marketing works closely to deliver changes in tastes
- Programmable robots make process efficient



**



- Sustainability: meeting needs of present without impeding ability of future generations to do the same
- Measured by triple bottom line
 - Profit/people/environment
 - Exists a “sweet spot” where impact on profits, enviro. and society are in balance
 - Here there is no tradeoff between profit and impact on the planet and people



Sustainable Operations

- Not about stopping growth
- About changing our paradigm of how we do it
 - This way we can expand in a sustainable way
- Way to weave sustainability into operations
 - Product design
 - Product stewardship
 - Through service
 - In supply chain



Cradle to Cradle Design

**

- More efficient use of ecosystem
- Based on design of nature's systems
 - "Waste equals food"
- Cradle to grave
 - Take resources, make product, throw it out
- Shift to reusing products when done! Closed loop system
- Biological Nutrients
 - Bi products go back into soil
 - Ex: Sun chip biodegradable bag
- Technical Nutrients
 - Takes components, makes something new of EQUAL value
 - Ex: Nikes shoes use parts make tennis courts, tracks, etc.



**

- Sustainable innovation inspired by nature 🗨️
- Not focused on what we can take from nature but what we can learn from it
- Examples
 - Velcro! Inspired by burs
 - Olympic swim suits! Inspired by shark skin
 - Solar cell! Inspired by a leaf



Product Stewardship



**

- Focus on impact during and after use (disposal)
- Extend producer responsibility to total life cycle of product
- Many companies take back products after use
- Ontario regulates companies to be stewards, better if companies wanted to take it upon themselves

"Cradle to Cradle" System



**

- Making efficient and enviro. friendly products/processes are necessary but not sufficient
- Gains can be countered by increase in consumption
- Instead change business model from product to service
 - This gives competitive advantage because hard to imitate
 - Ex: XEROX! paper company to service that manages companies paperwork efficiently
 - It reduces demand for raw material



**

- Supply chain: Entire sequence of securing inputs, producing and delivering goods to customers. Done through network of facilities
- Outsourcing business operations doesn't mean outsourcing responsibilities or risks
- If you outsource must consider how they operate and if it harms the environment
 - If you are sustainable and they are not your whole operation is not sustainable
 - Key to brand integrity
- Ex: Body shop- Community Fair Trade
- Ex: Timberland considers carbon impact every step



Green Washing

**

- Misleading customers to think your company acts sustainably or misleading them on the environmental benefits to using a product or service



Six Sins

**

1. Sin of Hidden Trade-off: suggest product is green based on single attribute, no attention to other issues
2. Sin of No Proof: Failing to support a claim with easy accessible info or 3rd party certification
 - Harder today because more 3rd party certifiers
3. Sin of Vagueness: hard to identify what they mean, leads customer make own perception
 - Ex: :“we are green, we are low toxin”



**

4. Sin of Lesser of Two Evils: put some type of environmental claim on a product that is bad in itself
 - Ex: Green pesticides, organic cigarettes

5. Sin of Irrelevance: Making claim that may be truthful, but is unimportant not helpful when seeking enviro. Friendly products
 - Ex: CFC free, but CFC's band decades ago

6. Sin of Fibbing: False claim





Negotiating

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Multiple Choice Material

Refer to Lab Manual
Readings on Pages
250-259





EASY Process *SA*

Engage: Recognize you are in a negotiation and quickly review the viable strategies.



Assess: Evaluate your tendency to use each of the negotiation strategies, as well as the tendencies of the other side.

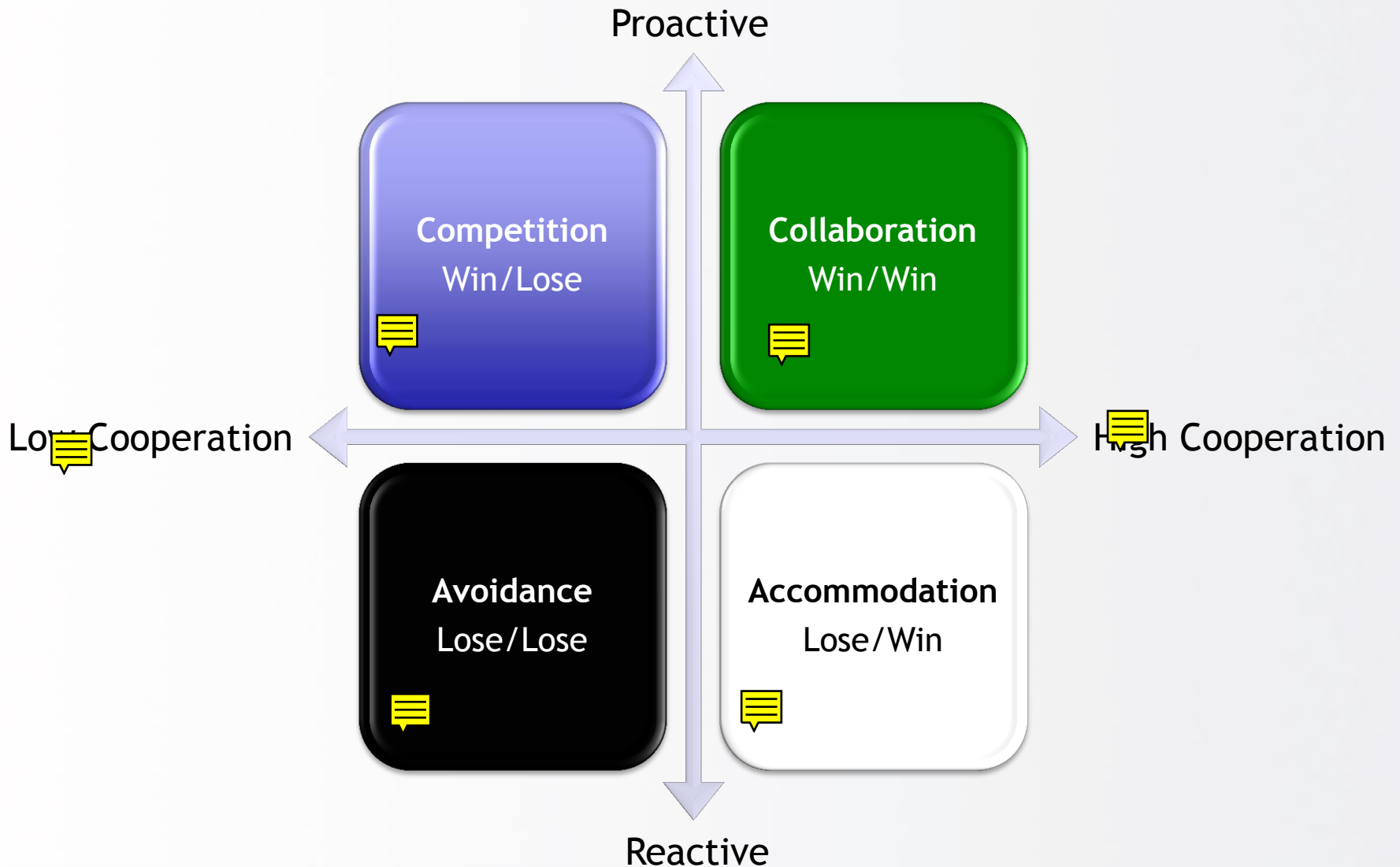


Strategize: Select the proper strategy for this particular negotiation.





Your One Minute Drill: Each time you begin a negotiation situation, take a minute to review the 3 steps.

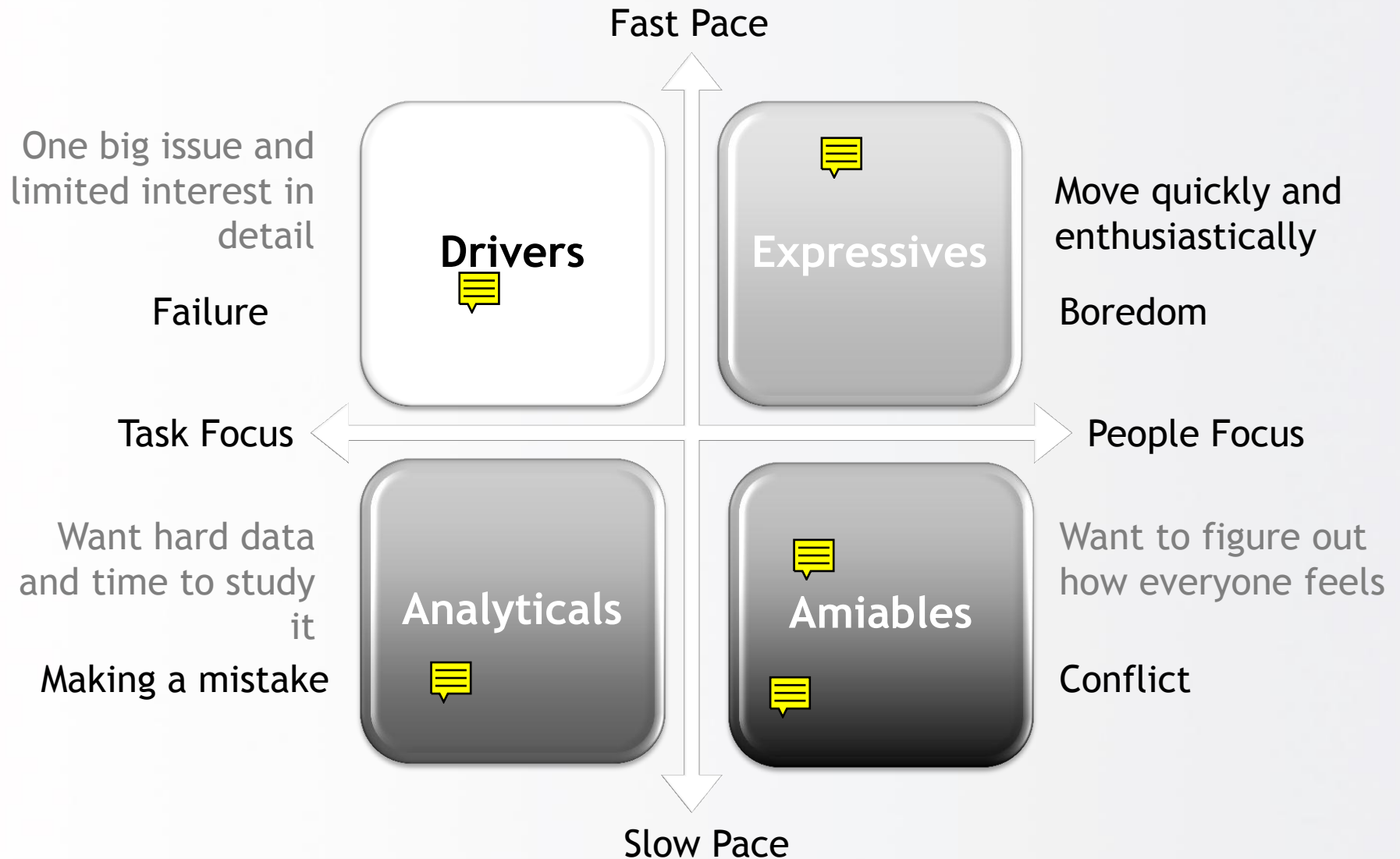
Negotiation Strategy Matrix



2 Categories of Collaborators *SA*

- Dreamers: Want to be collaborators
 - Actually are accommodators since they are trying to be a collaborator and not sticking to what they truly are
 - Want to collaborate ALL the time
- Sages: Real collaborators
 - They know when collaboration is appropriate strategy
 - They are rare
- Check strength of accommodation vs. competition
 - Tendency to compete = sage
 - Tendency to accommodate = dreamer

Interaction Styles *SA*





- Drivers (D)
 - Unemotional, task focused, fast-paced, transparent, intimidate during negotiation, competitive, biggest issue is failure, but comfortable making a mistake
- Expressives (I)
 - Emotional, like to form relationships, like to entertain, don't want boredom so dislike detail. They are dreamers, no follow through
- Amiables (S)
 - Slow paced, friendly, hate conflict, want everyone to be happy so they don't proceed until they know someone is happy. Hardest to negotiate with, don't share feelings in fear of conflict.
- Analyticals (C)
 - Detail oriented, don't want to make mistakes, seem like avoidance

When to Use Strategies

- **Compromise** 🗨️
 - Only viable when other strategies do not work or nearing end of negotiation term
 - **Avoidance** 🗨️
 - Minimal issue: need to demonstrate investment in relationship
 - **Accommodation** 🗨️
 - In significantly weaker position
 - “This time around” - avoid negative precedent
- *SA*

When to Use Strategies

- **Competitive** 
 - Opponent not inclined or capable to collaborate
 - Not worth the effort - be careful here
- **Collaboration** 
 - Significant opportunity with capable decision-makers

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Principled Negotiations

- Positional Bargaining: take a position, argue for it, make concessions to reach a compromise, give and take
 - *Soft*: avoid conflict (accommodate) vs. *Hard*: competing
- Distributive Bargaining: to distribute scarce resources (fixed pie) - competing, compromising, accommodating
 - Success: obtaining a result that is at or near resistance point
- Integrative Bargaining: collaborating to reach an outcome that meets interests of both parties (increasing the size of the pie)
 - This is principled negotiation

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Advantages of Principled

- Advantages:

- Produces a wise agreement: if positional its difficult to change it
- Efficiently: if positional only give small concessions, takes a long time
- Amicably: if positional you get angry and concerns not expressed

- 4 Basic Points:

1. Separate people from the problem - idea is to work together
2. Focus on interests not positions - look at real needs and desires
3. Generate a variety of options - broaden the possibilities
4. Insist the result be based on objective criteria - independent of the wills of either side



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Last Minute Tips

- The problems are worth about 20% of your exam grade
 - Do not waste all of your time if you are stuck on something
 - Know the formats of the cash burn/build and cash budget
 - Double check your answers for silly errors after you have finished
- Always look back and see if you hit all the “sub-questions” in the question (I.e. identify ____, discuss ____, and compare ____)
- Predict the questions and practice the answers
 - Look carefully at your notes, think back to lectures, and READ the REVIEW GUIDE (it is a gift!)
- Focus on facts and keywords
 - Emphasize them in your study notes
- Give full answers
 - This does not mean long sentences with little content. Stick to the point, and cover ALL of that point.



Human Resources

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**

• Realistic Approach

- Must be open about what the job entails
- Let them accept the bad things
 - i.e. don't hype up the job
 - If they join you they are aware and accept role

Ex: If there are no opportunities for advancement and you don't make that clear

- You will lose employee
- Waste time and resources



Employer Branding

**

- Must define the target of people you want to attract
- Understand the value you are offering
 - Has to be better than competition
- Market towards them to attract the best employee for YOUR business
- About generating qualified pool of potential employees



Selecting Methods-tools

**

- Yield ratios: 

- % of people that applied that are qualified and proceed to next stage




- Time lapse data 

- Quantitative data taken from the time of recruitment to the start of work




**

- Selection: determining which person in the applicant pool possess the qualifications needed to be successful in the job
- Criterion Validity
 - Selection method based on a predictor
 - IF they perform well on the job it is a criterion
- Validation process 
 - Administer selection process to group of people
 - Correlate results/predictors with performance/criterion
 - Look for valid predictors



Predictive vs. Concurrent

**


- Difference is who you give the validation process to
 - Has different implications 
- Predictive
 - Giving it to potential applicants
 - Store their answers and wait to compare to later performance
 - Very accurate BUT longer process
- Concurrent
 - People who are currently employed
 - Know their performance
 - Tainted by work experience/ less accurate
 - Answer differently now than they would have been during applying

- What can you ask?
 - Things that are valid to the job
 - Otherwise it is discrimination



- Weighted Applications
 - Weighting helps determine what is critical qualification to job success

**

- Most common but least valid
- Problems: 
 - Don't predict performance well
 - Natural biases (They're human)
 - Comparison to other interviews
 - Personality comes through
 - Resume gives pre conceived ideas
- Solutions to improve
 - Train interviewer
 - Have more than one (multiple points of view)
 - Use job analysis to create patterned questions
 - Ask them in the same way in the same order
 - Give feedback



Interview Questions

**

Type	Situational	Behavioural
Question Type	<ul style="list-style-type: none"> • Hypothetical • Based on incidents which could happen on the job 	<ul style="list-style-type: none"> • Asks about past experience
General Question Form	<ul style="list-style-type: none"> • “What if...?” 	<ul style="list-style-type: none"> • “What did you do when...?”
Key Assumption	<ul style="list-style-type: none"> • Intentions will reflect actual behaviour 	<ul style="list-style-type: none"> • Best predictor of future behaviour is past behaviour



**

• Objectives (ARM)

- Attract (compensation package draws people in)
- Retain (compensation matches amount of work)
- Motivate (pay is only part of motivation)



• Types of Compensation

- Hourly Wages: vary based on position and job market
- Salaries: annual salary paid biweekly or monthly basis
- Piecework and commission: Paid based on how much they produce or sell
- Accelerated commission schedule: paid more commission each month
- Bonus: Payment for reaching a specific goal



External vs. Internal Equity

**

• External Equity

- Compensation packages are comparable to other firms, in the area, industry and places that employ the type of labour you do
- Should be more competitive than they are

• Internal Equity

- Need to have job-to-job comparison
- Equal pay for equal work
 - Not very straight forward, look at many jobs within company

• Incentives

- Pay structure & Internal Influences
 - Wages, salaries and benefits reflect importance of job
- Pay level & External Influences
 - Must look at wages paid by competitors

Internal - Job Evaluation

**

- Is entirely about the job and if it's being paid adequately
 - Has nothing to do with people

1st step: Develop rating system

- Develop criteria to rate and evaluate job



2nd step: Use job analysis to rate jobs

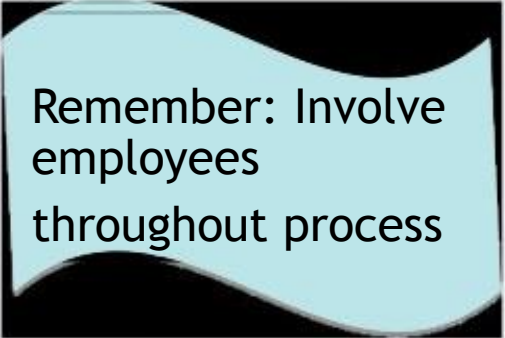
- Take info about the job and apply it to rating system

3rd step: Assign pay based on relative value

- If two different jobs have same rating (relative value) they should have same pay,

**

- Universal factors: every single job has these factors
 - Skill
 - Effort
 - Responsibility
 - Job conditions
- Sub-factors: under each universal factor
 - Degrees
 - They are defined, like a rubric (ex: degree 1: they do this, this and this)
 - Point value
 - Assigned to each degree
 - How much the factor is valued by the company or the job
 - Pay grade
 - Range of points that groups jobs into certain pay categories
 - Range gives flexibility



Remember: Involve
employees
throughout process

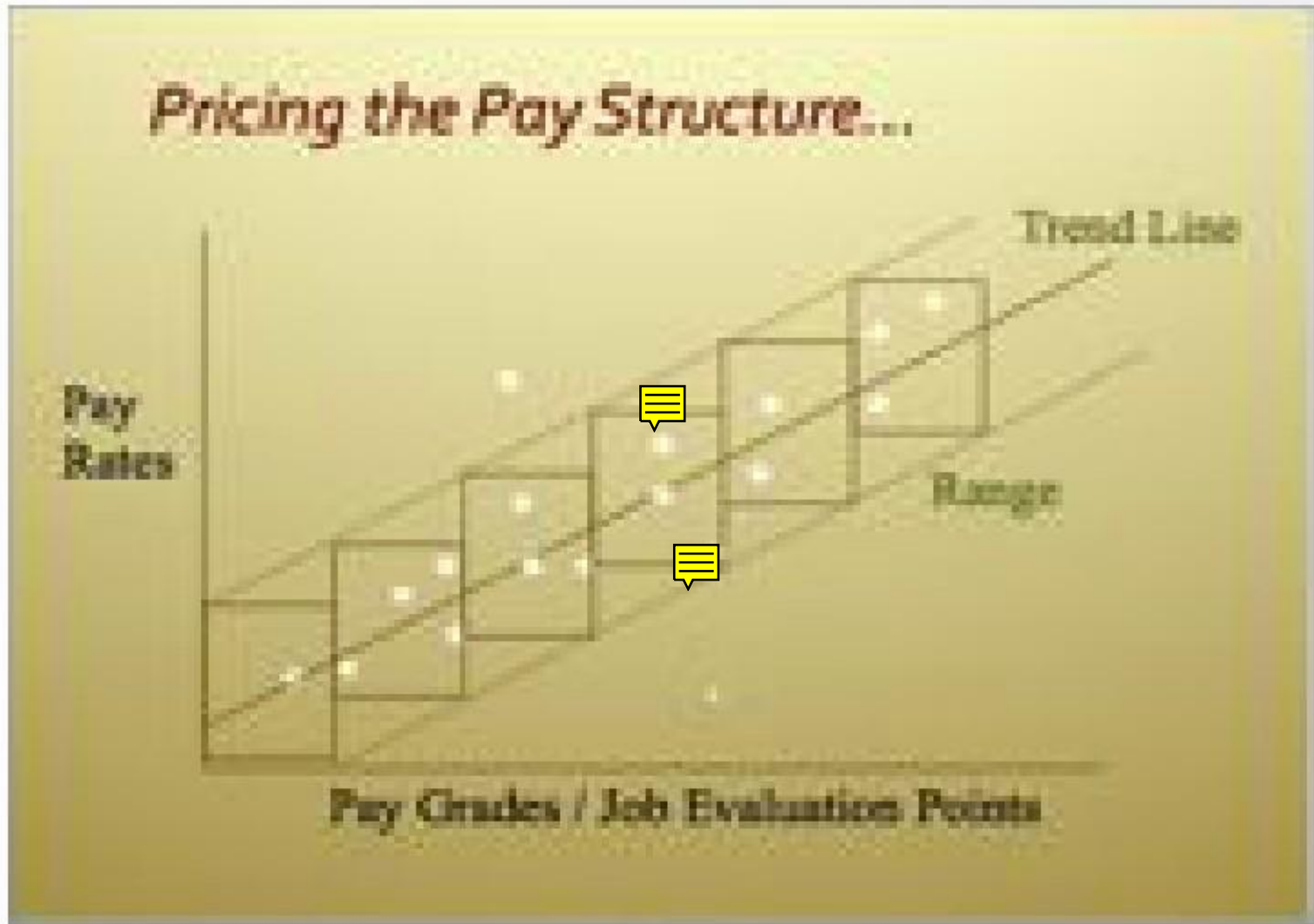
“Point Method”

**

Factor	1st Degree	2nd Degree	3rd Degree	4th Degree	5th Degree
Skill					
Knowledge	14	28	42	56	70
Experience	22	44	66	88	110
Initiative and Ingenuity	14	28	42	56	70
Effort					
Physical Demand	10	20	30	40	50
Mental Demand	5	10	15	20	25
Responsibility					
Equipment or process	5	10	15	20	25
Material or product	5	10	15	20	25
Safety of Others	5	10	15	20	25
Work of Others	5	10	15	20	25
Job Conditions					
Working Conditions	10	20	30	40	50
Hazards	5	10	15	20	25
Score Range					
Grade					
139 and under	12				
140-161	11				
162-183	10...				
...316-337	3				
338-359	2				

“Pricing the Pay Structure”

**



Pay Equity Legislation

**

- NOT “Equal pay for equal work”
- Equal pay to jobs that are different but same value to the company
 - Jobs of equal value paid the same regardless of gender
 - Attempts to eliminate systemic wage discrimination
 - Pay gap that occurs





Labour Relations

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Structure of the Labour Movement

**

Management



Union



Government

- OLRB: Ontario labour relations board
- Over seeing body that governs the Ontario Labour Relations Act





Union Structure

**

Local



Parent



Labour Congress

- Branches of the parent
- Belong to different companies
- Collective bargaining
- Worker relations and membership services
- Community and political activities




- It is the union
- Name of the union
- Authority over local
- Part of labour congress
 - Policy
 - Legal aid
 - Strike fund control
 - Research
 - Collective bargaining

- Promotes interests of unions
- Lobbies to the government
- Mediate disputes between unions

Power Struggle Union vs. Management

**

Union

- Begins with threat of a strike
 - Timing: want to do it when it hurts the most
 - Peak season
 - Ex: Post office ! Christmas time
 - When something new is coming out
- Ability to carry it out
 - Strike fund 
 - Needed to keep workers out striking and able to feed family or else they will go back to management






Power Struggle Union vs. Management

**

Management

- Ability to withstand strike (continuing to operate)
 - Stockpiling: Gather inventory if it can be held
 - Subcontracting: Outsource production of your product
 - lower margins, but won't lose customers
 - Skeleton staff: Operate with bare bone # employees (Management)
 - Strikebreakers
 - Scabs: Employees who leave strike, cross the picket line 
 - Replacement workers: Temporary workers, not employees of the company
 - Strike insurance
 - If you can't keep operating or use other people
 - Very expensive but will cover losses during strike
- Industry-wide lockout
 - Equivalent to strike on management side
 - Every firm in industry locks out employees on strike
 - Helps prevent employees just going elsewhere and non negotiation





Types of Unions

**

Type	Craft/Trade	Industrial
Power	<ul style="list-style-type: none"> • Create monopoly over scarce resource <ul style="list-style-type: none"> - Need to apprentice to become certified in particular skill • They are in high demand 	<ul style="list-style-type: none"> • Strength in #'s <ul style="list-style-type: none"> - Easily replaced if small # - Get all to walk hard to replace
Union Tactics	<ul style="list-style-type: none"> • Withdraw: Just walk away, since skill set is scarce. <ul style="list-style-type: none"> - Get jobs elsewhere • Info picket: Use signs to show other contractors 	<ul style="list-style-type: none"> • Picket lines <ul style="list-style-type: none"> - Intimidate workers from return
Management Tactics	<ul style="list-style-type: none"> • Industry-wide lockout <ul style="list-style-type: none"> - Happens only if other firms have motivation 	<ul style="list-style-type: none"> • Uses tools <ul style="list-style-type: none"> - 1 of 5 S' from previous slide
Strike Characteristics	<ul style="list-style-type: none"> • Little violence <ul style="list-style-type: none"> - Only at picket for info • Settle quickly <ul style="list-style-type: none"> - Financial burdens on both sides 	<ul style="list-style-type: none"> • Equal power= drags on longer <ul style="list-style-type: none"> - Creates tension • Picket line is where violence occurs



Collective Bargaining

**Can have union represent you, just have to show that it is wanted and follow certain steps to put it in place

• Union certification

- Voluntary recognition: management chooses to recognize

- More common with craft union, not industrial

- Membership drive: Way of gathering evidence of support

- If you sign a union card, you clearly want one
- File application when you have signed 40% of proposed bargaining unit (people union will represent) to be a part of the union

- Must take representation votes within 5 days of application

- Undue influence: Situation where management influence's employees about union. If done union gets automatically certified


- Management can't threaten, interrogate, or coerce (manipulate, promise things)



Contract Negotiations Issues

**

Issues

- **Form of recognition/Union Security** :The unions will bargain some type of financial security and membership security in the contract with management
 - Voluntary Check-off of dues: only from union members
 - Rand Formula/agency shop: Aren't required to join but everyone pays dues
 - Union Shop: Don't have to be member to work there, have to join at certain time
 - Closed shop: Only union members can be hired by company
- **Duration and Renewal: Minimum a year**
- **Seniority- "super seniority"** 
 - Union rep treated like they have super seniority
 - People with least seniority laid off first, union rep laid off last

Contract Negotiations Settlement

**

Settlement

- If agreement !Ratification vote
 - New contract always starts at end of the existing
- If NO agreement! Conciliation
- Government sends in conciliation officer to negotiate
 - Really just slows down getting strike since no negotiation will occur
 - Union asks OLRB for “No board report”
 - Since conciliation waste of time and money
 - Strike/lockout legal 17th day after no board report
- Mediation
- Arbitration



**



Conciliation

- Voluntary: You ask for someone to come in
- Necessary: Needed if you want to strike
- Not binding: Don't have to listen to whoever comes in



Mediation

- Completely voluntary
- Not binding
- Doesn't impact legality of strike
- May help avert or end strike/lockout



Arbitration

- Voluntary or Compulsory
- Binding: Whoever comes in makes final decisions
- Last resort: ends strike or lockout





Contract Administration

**

- Watch over each other to make sure living up to terms of agreement
- If not.. **Grievance Procedure**
 - Deals with when there is different perspectives and interpretations of contract
 - Procedure unique to contract but same elements
 - Statue of limitations: grieve within certain time frame of occurrence
 - Escalation of higher levels: People step in if you cannot agree/ settle
 - Time limits: Each level has time limit to make agreement
 - Arbitration at end



Last Minute Tips

- The problems are worth about 20% of your exam grade
 - Do not waste all of your time if you are stuck on something
 - Know the formats of the cash burn/build and cash budget
 - Double check your answers for silly errors after you have finished
- Always look back and see if you hit all the “sub-questions” in the question (I.e. identify ____, discuss ____, and compare ____)
- Predict the questions and practice the answers
 - Look carefully at your notes, think back to lectures, and READ the REVIEW GUIDE (it is a gift!)
- Focus on facts and keywords
 - Emphasize them in your study notes
- Give full answers
 - This does not mean long sentences with little content. Stick to the point, and cover ALL of that point.



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THANK YOU!!

Best of luck on ALL your final exams!

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