

ADM1100 Exam Review

Fall Term - 2016

Chapters 7, 8, 11, 12, 13 & 15

Structure of Notes: Copy the slideshow presentations as a foundation. Apply more information from the textbook to increase the quality of the notes.

Go through Chapter Summary at the end of chapter in textbook and make sure all the required information from the summary review section is present in your notes.

Study the “Review Questions” at the end of each chapter in textbook when review notes are completed. After reading any specific chapter, review the Summary of learning objectives in each chapter, know at least 80% of answers)

Chapter 7; Management, Leadership, and the Internal Organization

What is Management?

Management is the process of achieving organizational goals through people and other resources. The manager’s job is to combine human and technical resources in the best way possible to achieve a company’s goals. Objectives result from the firm’s mission statement. Managers use this to set performance levels in areas such as profitability, customer service, and employee satisfaction

3 Levels of Management

- **Top Management (Focus on Long Run Growth)**
 - Develop long range strategic plans for the organization by
 - Deciding whether to introduce new products, or purchase other companies, or entering new geographical markets
 - Inspire executives and employees to achieve their vision for the company’s future
 - Examples;
 - Chief Executive Officer
 - Chief Financial Officer
 - Premier, Mayor
- **Middle Management (Focus on Short-Run growth)**
 - Develop detailed detailed plans and procedures to implement the firm’s strategic plans to increase distribution
 - Focus on specific operations, products, or customer groups within an organization
 - Budget money for product development
 - Improve the way they motivate salespeople, etc.
 - Examples;
 - Regional Manager
 - Division Head
 - Director, Dean
- **Supervisory Management (First line, sustain the growth)**

- Work in firms that sell goods and services
- Implement the plans developed by middle managers
- Responsible for non manager employees
- Motivate workers to accomplish daily, weekly, and monthly goals
- Examples;
 - Supervisor
 - Department Chairperson
 - Program Manager

Skills Needed for Managerial Success

- **Technical Skills**
 - Managers ability to Understand and use the techniques, knowledge, tools, and equipment of a specific department or area of Study
 - Important for Supervisory management and not so much for Top Management
- **Human Skills**
 - Interpersonal skills that enable a manager to work effectively with and through people.
 - Ability to communicate, direct, motivate employees
 - Have different adoptable forms such as
 - Cellphone
 - Email
 - etc.
- **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
 - Be able to acquire, interpret, and analyze information
- **Conceptual > Human > Technical**

Managerial Functions

- **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
 - Includes training, setting up schedules, assigning tasks
 - Divide work into manageable units into a structure that works
- **Controlling**

- The function of assessing an organization's performance against its goals. Controlling assesses the success of the planning function and provides feedback for future rounds of planning
- **4 basic steps**
 - Setting performance standards
 - Monitor actual performance
 - Compare actual Performance
 - Making corrections if needed

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. It is the focus for the firm's actions. Can set them apart from competitors.
 - 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

There are Different Types and Levels of Plans

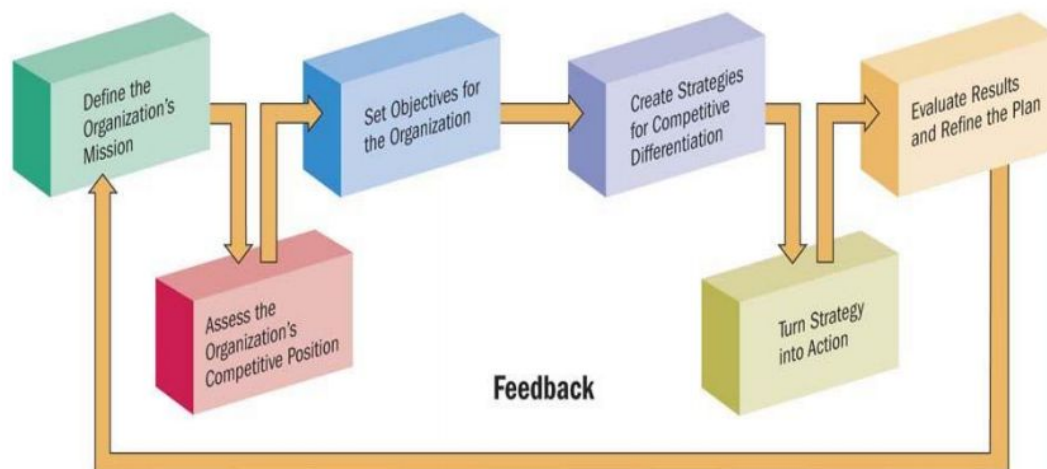
- **Strategic**
 - Top Level Management
 - The process or purpose on deciding on the primary objectives of an organization, and then taking action and setting aside resources to achieve those objectives
 - Examples;
 - Organizational objectives, fundamental
 - Fundamental strategies, long term plans
- **Tactical Planning**
 - Middle Management
 - Involves carrying out the activities set out in the strategic plans. Tactical plans guide the current and short-term activities required to carry out the overall strategies
 - Example;
 - Quarterly and semi-annual plans, departmental policies and procedures
- **Operational Planning**
 - Supervisory Management
 - Sets out detailed standards that help to carry out tactical plans. This activity involves choosing specific work targets and assigning employees and teams to carry out tasks.
 - Example;
 - Daily and weekly plans, rules, and procedures in an emergency/
- **Contingency Planning**
 - Primarily top management level, all levels contribute
 - Helps firms to resume operations as quickly as possible after a crisis
 - Planning cannot foresee every opportunity. Even the best plans may face major accidents, natural disasters and rapid economic downturn
 - 2 methods: Continuing the business and communicating with the public

- Example; Ongoing plans for actions and communications in an emergency

The Strategic Planning Process

- Organizations should have a comprehensive planning framework
 - Each step should fit into overall plan
 - Broad/long-range: mission statement; objectives and goals
 - Narrow/short range: Functional plans for specific employees/areas
- Plans outline the steps the company will take to meet goals and objectives; mission statement which is a written description of an organization's overall business purpose and aims
- Helps avoid costly mistakes

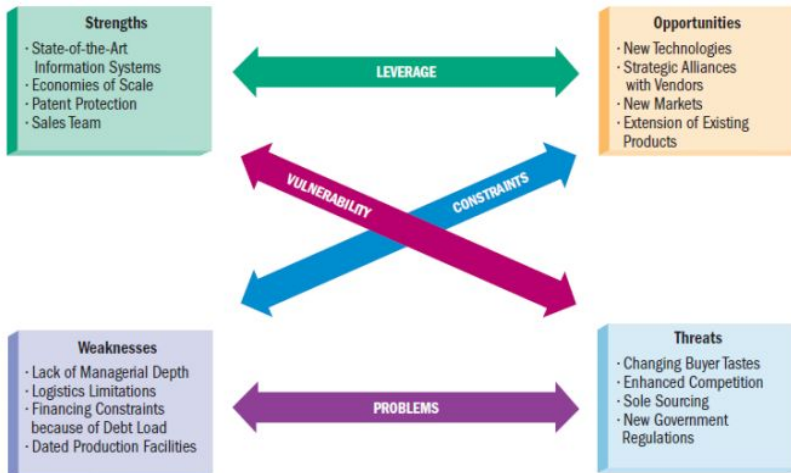
Planning Process



- Define, Assess, Set Objectives, create strategies, turn strategy in action, evaluate results - Feedback

SWOT Analysis

- Managers use this analysis to assist in picking small businesses that are strong for further investment
- **SWOT: Strengths . Weakness . Opportunities, Threats**
 - By assessing all 4 factors one by one, a firm can then develop the best strategies for gaining a competitive advantage
 - Used for growth of firm



Developing Organizations starting a Firm and Organizational Structure

- **Organization:** A structured group of people working together to achieve common goals
- Three key elements to have:
 - Human Interaction
 - Goal-directed activities
 - Structure

Planning Process



7.7.1 , 7.7.2 Leadership Styles

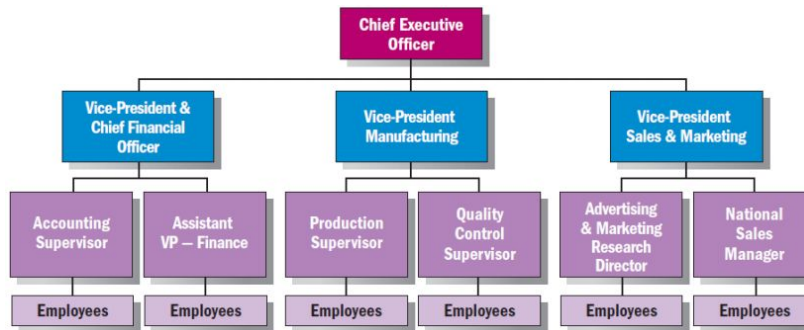
- **Leadership** is defined as the ability to direct or inspire people to reach goals
- 3 types of leaderships
 - **Autocratic leadership** is centered on the boss
 - Autocratic leaders make decisions on their own without consulting employees
 - **Democratic Leadership** includes employees in the decision making process
 - This leadership style centres on employees for suggestions, and encourage age participation.
 - **Free-rein Leadership**
 - Free reign leaders believe in minimal supervision. Allow employees to make own decisions. Free-rein leaders communicate with employees frequently.

- Leadership styles need to be changed frequently for a company to grow more efficiently

Corporate Culture

- **Corporate Culture:** An organization's collection of principles, beliefs, and values
 - Influenced by leadership style of managers, the way the firm communicates, and the overall work environment
 - Corporate culture is shaped by the leaders who founded and developed the company and by the leaders who were appointed since the founders left.

Sample Organizational Chart



Departmentalization Categories

The process of dividing work activities into units within the organization

- **Product Departmentalization:** Organized based on the goods and services a company offers
- **Geographical Departmentalization:** Organized by geographical regions within a country or, for a multinational firm, by region throughout the world
- **Customer Departmentalization:** Organized by the different types of customers the organization serves
- **Functional Departmentalization:** Organized by business functions such as finance, marketing, human resources, and production\
- **Process Departmentalization:** Organized by work processes necessary to complete production of goods and services

Delegating Work Assignment

- **Delegation:** the managerial process of assigning work to employees
- **Span of Management**
 - The number of employees a manager supervises. Employees are referred to as *Direct Reports*.

Centralization vs Decentralization

- Company that emphasizes **Centralization** keeps decision-making at the top of the management hierarchy. A company that emphasizes **Decentralization** shifts decision-making to lower levels. Firms **Decentralize** because they believe the change will improve their services to customers, and vice versa for **decentralization**.

Types of Organization Structures

There are four basic types of structures

- **Line Organizations:**
 - Sets up a direct flow of authority from the chief executive to the employees. Makes a chain of command. There is a hierarchy of command and everyone has their position
 - Most effective in a crisis situation
- **Line and Staff Organizations**
 - Combines the direct flow of authority of a line organization with staff departments that support the line departments
 - Accounting, engineering, etc are staff departments
 - Line management (leader) in those staff departments
- **Committee Organization**
 - A structure that places authority and responsibility in a group of individuals, not a manager.
 - **Committee's**
 - A committee is a group of people who take on the responsibility of managing a specific topic for an organization that is too complicated to be handled by the larger group to which they belong. Some committees are formed to solve short-term problems or issues, while standing committees meet on an ongoing basis to manage a recurring or regular issue.
- **Matrix Organizations**
 - Matrix or product design used to make their structures more suitable to their business.
 - The Matrix Structure links employees from different parts of the organization who work together on specific projects

Chapter 8, Human Resources: The People behind The People

→ Human Resources in a Company.

- ◆ Achieving a high level of job satisfaction, and dedication among employees is the goal of human resource management.
 - **Human Resource Management:** The function of attracting, developing, and retaining employees who can perform the activities needed to meet organizational objectives.
- ◆ Small companies with limited financial resources will have a hard time attracting, and keeping top managerial employees.
- ◆ Not every firm can afford a separate human resources department.
- ◆ **What are the five main tasks of a human resource manager?**
 - Plan for hiring needs
 - Recruit and hire workers,
 - Provide training & evaluate performance

- Decide on compensation & benefits
- Oversee employee separation.

◆ What are the three overall objectives of a human resource manager?

- Providing qualified, well-trained employees for the organization
- Maximizing employee effectiveness in the organization
- Satisfying individual employee needs through monetary compensation, benefits, opportunities to advance, and job satisfaction.

→ Recruitment, Selection, and General Management

◆ Finding qualified candidates

- Traditionally, companies recruited employees through college and university fairs, word of mouth, personal referrals, and add postings.
- Now, most companies rely on their personal websites to advertise job openings, and job application are mostly done online.
- Internet recruiting is a quick, efficient, and inexpensive way to reach a large number of job seekers.
- The way recruiting is handled will change overtime as technology advances.

◆ Selecting and Hiring Employees

- The human resource manager is the one that selects and hires the employees, but often does so by working with other managers/supervisors.
- Firms must follow provincial and federal employment laws. These laws state that the employers cannot discriminate against the job applicants, or treat them unfairly because of their, race, religion, colour, sex, national origin, and so forth.
- Disobeying these laws can lead to costly legal accounts against the company.
- Because of this, human resource managers must understand the laws of employment to prevent such actions. This even includes laws about the interviewing process, and what are suitable topics.
- During an interview, the interviewer cannot ask applicants about their:
 - Marital status
 - Children
 - Race or Nationality
 - Religion
 - Age
 - Criminal Records
 - Mental illness
 - Medical history
 - Previous Alcohol and or Substance abuse
- It's often that companies use drug tests to ward out 'high risk' employees.
- Finally, the recruitment and selection of employees is expensive. There are costs for advertising, interviewing, employment testing, and even medical exams. Even

after an employee is hired, there is still cost for things like training and equipment also their salary/pay.

◆ Orientation

- After employees are hired, they need to know what is expected of them, and how well they are performing.
- It is common that new hires complete an orientation program setup by the human resource department, that explains to them their company's policies regarding their rights, and benefits. It also introduces the new hire to their job, and work space. Essentially, getting them started on the right foot.

◆ Training

- Training provides workers with an opportunity to build their skills and knowledge. These new skills can also prepare them for new job opportunities within the company.
- Overall, training is a good investment for employers. It not only ensures the employee is knowledgeable, and competent with what they're doing; but also helps employers keep long-term, loyal, high-performing workers.
- A popular method is on the job training.
 - Prepares employees by having them perform tasks under the guidance of experienced employees.
 - A variation of this is apprenticeship training, an apprentice employee learns their job by working as an assistant to an experience worker. This method applies more to blue-collar trades, such as plumbing and mechanic services.
- Classroom and computer-based training
 - Many firms offer a form of classroom-like instruction through lectures, conferences, workshops, or seminars.
 - Firms are starting to replace this type of training with computer-based training programs.
 - Such programs significantly reduce the cost of training, and provide consistent presentations.
 - This enables employees to learn at their own pace, have access to permanent resources like example videos, or text explanations, and use online training programs for interactive learning.

◆ Management Development

- A management development program provides training designed to improve the skills and broaden the knowledge of current, or future managers.
- Training may be aimed at increasing specific technical knowledge, or more general knowledge.
- Areas may include leadership, interpersonal skills, initiative, etc.

◆ Evaluation

- The best way for a firm to improve its employee's performance is to provide feedback, and constructive criticism on their current performance.
- A common form of this is an annual performance appraisal.
 - **Performance Appraisal**: Evaluation of an feedback on an employee's job performance.
 - ◆ A performance appraisal can include assessments of everything from attendance, to goals met.
- A manager will use these evaluations to make decisions about compensation, promotion, additional training needs, transfers, or even employee terminations.
- Appraisals are a common practice, but is argued about how efficient they really are. Some argue that the appraisals are affected based on the manager's opinion, which can be biased towards what is actually positive or negative.
- In general, an effective performance review will follow these guidelines:
 - Takes place several times a year
 - Be linked to organizational goals
 - Be based on objective measures
 - Take place in the form of a two-way conversation
- Note that every company manages evaluation differently. Some firms use peer reviews, others ask employees to assess their managers and supervisors. It is up to human resource managers to decide how to manage their companies evaluation strategy.

→ Compensation and Benefits

Compensation: The amount employees are paid in money and benefits.

- ◆ Compensation is one of the most highly charged issues faced by human resource managers.
- ◆ Balancing compensation for employees can be a huge challenge for human resource managers.
- ◆ The way compensation is managed by a company has a huge effect on where employees live, what they eat, and how they spend their leisure time.
- ◆ An effective compensation system should attract well-qualified workers, keep them satisfied in their jobs, and inspire them to succeed.
- ◆ Most firms base their compensation policies on the following factors:
 - What competing companies are paying
 - Government regulations
 - The cost of living
 - Company profits
 - An employee's productivity
- ◆ Firms try to motivate employees to excel by offering incentive compensation in addition to an employee's wage or salary. These programs may include the following:
 - Profit sharing, awards that are bonuses based on company profits.

- Gain sharing, whereby companies share the financial value of productivity gains, cost saving, or quality improvements with their workers.
- Lump-sum bonuses and stock options, such as one-time cash payments, and the right to purchase stock in the company based on performance.
- Pay for knowledge, which distributes wage, or salary increases as an employee learns new jobs, or tasks.

◆ Employee Benefits

- *Employee Benefits*: Additional compensation such as vacation time, retirement savings plans, profit-sharing, health insurance, gym memberships, child and elder care, and tuition reimbursement.
- On top of salaries and wages, firms also provides benefits to their employees, and their families as part of their compensation.
- Benefits account for roughly 30% of the value of an employee's total earnings from the firm.
- There are benefits that are required by law. Firms may be required to make pension contributions, unemployment insurance, workers' compensation programs, etc.
- Remaining benefits are provided voluntarily by the firm, to help them attract and maintain employees.
- In general, large companies often pay for supplementary healthcare benefits. However it is becoming more common for employers to encourage employees to live healthier lives. Resulting of this, companies are beginning to cover things like gym memberships as well.

◆ Flexible Benefits

- In today's workplaces, employees represent a wide range of personalities and lifestyles. In response to this increasing diversity, firms are developing creative ways to tailor their benefit plans to an employee.
- Flexible benefit plans offer a variety of medical, dental, vision, and life/disability insurance plans. Allowing employees to create compensation plans which best suit their lifestyle.

◆ Flexible Work

- Flexible work plans allow employees to adjust their work schedule, or location to their personal needs.
- These plans reduce employment turnover, and improve productivity.
- An example of a flexible work plan, is a compressed worksheet. A plan which offers employees to work longer hours, on fewer days of the week in order to fit their personal schedule.

→ Employee Separation

Employee Separation: Is a broad term for the loss of an employee for any reason, voluntary or involuntary.

◆ Voluntary and Involuntary Turnover

- Voluntary turnover occurs when an employee chooses to leave their current job for any reason.
- Human resource managers may ask for an exit interview from the employee to learn about their time at the company, and why they're leaving. This information can be used to improve the firm.
- Involuntary turnover occurs when an employee is terminated because of bad job performance, unethical behaviour, downsizing, etc.
- Involuntary termination is never easy for a company, it can cause disrupts in the workplace, or negative views on the company.
- It is important that the termination is handled properly in the eyes of the law, as large lawsuits can appear otherwise.

◆ Downsizing

- **Downsizing:** The process for reducing the number of employees within a firm by eliminating jobs.
- Tightening economies often apply pressure on companies to cut costs, or streamline the organization. This can result in the company downsizing.
- After downsizing, some firms report improvements, but research is starting to argue otherwise.
- **Downsizing can have the following negative effects:**
 - Anxiety, health problems, and lost productivity among the workers
 - Expensive severance packages paid to laid-off workers
 - A domino effect on the local economy - unemployed workers have less money to spend, which creates less demand for consumer goods and services.
- If downsizing is the only option, then the company must make sure to support both the employees who are leaving, and the employees who are staying.

◆ Outsourcing

- **Outsourcing:** Using outside vendors to produce goods or fulfill services and functions that were previously handled in-house or in-country.
- Firms will try to outsource functions that are not part of their core business, so that they can save on expenses and remain flexible.
- Some of these functions may be delivery, office maintenance, food service, etc.
- Outsourcing is usually paired with downsizing, as they will no longer need the employee to do the function that was outsourced.

→ Motivating Employees

- ◆ One of a manager's goal is to motivate their employees to be loyal to the company, and to perform their best on the job.
- ◆ Motivation starts with good employee morale.

- *Morale*: The employee's mental view toward their employer and jobs, often including a common sense of purpose.
- ◆ High morale is a result of the employees feeling valued, and empowered to do their best.
- ◆ Low morale usually signals a poor relationship between the manager and his/her employees.
- ◆ In general, managers use rewards and punishments to motivate their employees.
 - **Extrinsic Rewards**: Rewards that are external to, or outside of, work itself. Such as a bonus.
 - **Intrinsic Rewards**: Are feelings related to performing the job, such as feeling proud about meeting a deadline, or receiving praise from coworkers.
- ◆ There are several theories of motivation, but all of these theories relate to the basic process of motivation itself: recognizing a need, and satisfying that need.

◆ Maslow's Hierarchy of Needs Theory

- A theory of motivation proposed by Abraham Maslow. According to the theory, people have five levels of need that they try to satisfy:
 - Physiological
 - ◆ The basic human needs include food, shelter, and clothing. On the job, employers satisfy these needs by paying employees, and providing them with an adequate workspace.
 - Safety
 - ◆ The need/desires for physical and economic protection. Benefits such as health insurance satisfies this.
 - Social
 - ◆ People want to be accepted by family, friends, and co-workers. Managers might satisfy these needs by encouraging teamwork and group lunches.
 - Esteem
 - ◆ People like to feel valued, and recognized by others. Managers can satisfy this by offering special awards, or privileges.
 - Self-actualization
 - ◆ These needs drive people to fulfill their dreams. Employers can satisfy these needs by offering challenging, or creative projects and opportunities in the workplace.
- ◆ Herzberg's Two-Factor Model of Motivation
 - Herzberg learned from employee questioning that there are certain factors that were important to job satisfaction, though they might not contribute to motivation.
 - He called these 'hygiene factors', and they include:
 - Pay
 - Job Security
 - Working Conditions

- Status
- Interpersonal Relations
- Technical Supervision
- Company Policies
- ‘Motivator factors’, in contrast, can produce high levels of motivation when they are present. Often relate to specific aspects of the job.
 - Job Responsibilities
 - Achievement and Recognition
 - Opportunities for Growth
- Managers should take into consideration both types of factors while trying to motivate employees.

◆ Expectancy Theory and Equity Theory

- **Expectancy Theory**: The process people use to evaluate the likelihood that their efforts will lead to the results they want, and the degree to which they want those results.
- **Equity Theory**: An individual’s perception of fair, and equitable treatment.

◆ Goal-Setting Theory and Management by Objectives

- **Goal-Setting Theory**: The idea that people will be motivated to the extent to which they accept specific, challenging goals and receive feedback that shows their progress toward goal achievement.
- Goal acceptance relates to people’s understanding of the goal, and their agreement with the goal. People are likely to reject a goal that is too challenging.
- **Management by Objectives (MBO)**: A structured approach that helps managers to focus on reachable goals and to achieve the best results based on the organization’s resources.
- MBO principles include the following:
 - A series of related organizational goals and objectives
 - Specific objects for each person
 - Participative decision-making
 - A set time period to accomplish goals
 - Performance evaluation and feedback

◆ Job Design and Motivation

- Human resource managers are always looking for ways to motivate employees through their jobs. Jobs can be designed to be more motivating in three ways:
 - Job Enlargement
 - ◆ Job design that expands an employee’s responsibilities, by increasing the number and variety of tasks.
 - Job Enrichment

- ◆ Expands an employee's job duties to empower an employee to make decisions, and learn new skills leading toward career growth.
 - Job Rotation
 - ◆ A system of moving employees for one job to another, increasing their range of activities, making it less likely for them to 'burnout'.
- ◆ Managers' Attitudes and Motivation
 - A manager's attitude towards their employees greatly influences their motivation.
 - **Theory X:** Assumes that employees dislike work and try to avoid it whenever possible. Managers must then work at getting employees motivated to do their jobs. Theory X managers believe that the average worker prefers to receive instructions, avoid responsibility, and take little initiative. These managers also believe that the average worker views money, and job security as the only valid motivators.
 - **Theory Y:** Assumes that the typical person actually likes work and will seek, and accept more, and more responsibility. Theory Y managers assume that most people can think of creative ways to solve work related problems. These managers believe in giving employees the opportunity to participate in decision-making.

→ Labour-Management Relations

- ◆ The North American workplace is an ever changing thing, and has progressively changed over history. The changed workplace is a result of labour unions, labour legislation, and the collective bargaining process.
- ◆ Development of Labour Unions
 - **Labour Union:** A group of workers who organize themselves to work towards common goals in the areas of wages, hours, and working conditions.
 - Labour Unions occur at local, national, and international levels.
 - Local Union
 - ◆ Represents union members of a specific area, such as a single community.
 - National Union
 - ◆ A labour organization consisting of numerous local chapters.
 - International Union
 - ◆ Is a national union with membership outside of Canada, or its respective home country. Canada's international organizations are usually partnered somewhere inside the United States.
 - Canadian-based labour groups grew, and eventually organized into the country's largest national organization of unions, the Canadian Labour Congress (CLC).

- The CLC represents about 3 million of the 4.6 million unionized Canadians, about 70% of the unionized workforce.

◆ Labour Relations Board

- A labour relations board is a type of judicial organization.
- The board is responsible for overseeing workers' groups that apply to become a union, and activities that occur during a labour dispute.
- Each province has their own labour relations board.

◆ The Collective Bargaining Process

- Labour unions work to increase job security, and to improve wages, hours, and working conditions. These goals are achieved through collective bargaining.
 - *Collective Bargaining*: The process of negotiation between management, and union representatives.
- Union contracts usually cover a 2 to 3 year period. They're the results of months on negotiation. Once an agreement is reached, the union members must vote to accept the contract. If the vote fails, they can either send management back to negotiate, or strike.

◆ Settling Labour-Management Disputes

- Most labour-management negotiations result in contract.
- Disagreements are usually settled through a grievance procedure, mediation, or arbitration. These options are much quicker, and less expensive than a strike.
 - Grievance
 - ◆ A complaint, by a single employee or by the entire union, that management is violating, or is breaking, the agreed on contract.
 - ◆ These complaints can be submitted through a formal grievance procedure.
 - ◆ If the highest level of management cannot settle the grievance, it is submitted to an outside party for mediation, or arbitration.
 - Mediation
 - ◆ The process of settling labour-management disagreements through an impartial, or objective, third party.
 - ◆ Although the mediator does not make the final decision, they can hear both sides of the story and make suggestions.
 - ◆ If a dispute can still not be settled, they turn to arbitration.
 - Arbitration
 - ◆ An outside arbitrator is chosen who must be acceptable to both management, and the union.
 - ◆ The arbitrator will then make a legally binding decision.

◆ Competitive Tactics of Unions and Management

- Union Tactics

- Strikes: Involves a temporary work stoppage by workers until a dispute has been settled, or a contract has been signed. It is one of the union's most effective tools.
- Picketing: Involves workers marking in a public protest against their employer. Is legal as long as it does not involve violence or intimidation.
- Boycott: An organized attempt to keep the public from purchasing the goods or services of a firm
- Management Tactics
 - In the past, management has used the lockout. It is a management 'strike' to put pressure on union members by closing the firm.
 - But companies usually use one of two tactics: they hire streak breakers in highly visible fields, such as professional sports, or they transfer supervisors and other nonunion employees to continue operations during strikes.

◆ The Future of Labour Unions

- Through most of the 20th century, union membership grew, and influence grew. Industrial workers had a voice in decisions about their wages, benefits, and working conditions.
- Economies started to shift from manufacturing, to information and service, resulting in unions starting to decline.
- How can labour unions change so they continue to play a valuable role?
 - Be flexible and adapt to a global economy
 - Adapt to be a diverse workforce
 - Respond to the growing need for environmentally responsible business and manufacturing processes

Chapter 8 Assessment Check

→ What are the five main tasks of a human resource manager?

- ◆ Plan for hiring needs
- ◆ Recruit and hire workers,
- ◆ Provide training & evaluate performance
- ◆ Decide on compensation & benefits
- ◆ Oversee employee separation.

→ What are the three overall objectives of a human resource manager?

- ◆ Providing qualified, well-trained employees for the organization
- ◆ Maximizing employee effectiveness in the organization
- ◆ Satisfying individual employee needs through monetary compensation, benefits, opportunities to advance, and job satisfaction.

- Describe the recruiting techniques used by human resource managers.
- ◆
- Is it unfair to firms that some questions cannot be asked during job interviews?
- What are the benefits of computer-based training?
- What is a management development program?
- What are the four criteria, or standards, of an effective performance appraisal?
- Explain the difference between wage and salary.
- What are flexible benefit plans, and how do they work?
- What is the difference between voluntary, and involuntary turnover?
- What is downsizing, and how is different from outsourcing?
- What are the four steps in the process of motivation?
- Explain how goal setting works.
- Describe the three ways that managers design jobs for increased motivation.
- What is a labour union? What is collective bargaining?
- What are the three main tactics used by unions to win support for their demands?

Chapter 11

Marketing:

- marketing is “an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders
 - The best marketers not only give consumers what they want but even anticipate consumers’ needs before those needs surface
 - When two or more parties benefit from trading things of value, they have entered into an exchange process. Ex: buying coffee, buying video games
 - Marketing makes consumers crave products and commence exchange processes
 - **Utility: power** of a good or service to satisfy a want or need.
 - **Form utility**: converting raw materials into useful products.
 - **Time utility** is created by making a good or service available when customers want to purchase it
 - **Place utility** is created by making a product available in a location convenient for customers.
 - **Ownership utility** refers to an orderly transfer of goods and services from the seller to the buyer
 - Production era (1900-): production era stressed efficiency in producing quality products. Their philosophy could be summed up by the remark, “A good product will sell itself.”
 - Sales era (1920’s): business assume customers will buy as a result of energetic sales efforts
 - Marketing era: Businesses conform to the needs of the market
 - Relationship era: companies emphasize customer satisfaction and building long-term business relationships.
 - Both for and non profit companies use marketing

- In some cases, not-for-profit organizations form a partnership with a profit-seeking company to promote the firm's message or distribute its goods and services.

Forms of non traditional marketing:

- Efforts designed to attract the attention, interest, and preference of a target market toward a person are called **person marketing**. Ex celebrity endorsement
- **Place marketing** attempts to attract people to a particular area, such as a city, state, or nation ex: tourism.
- **Event Marketing:** Marketing or sponsoring short-term events such as athletic competitions and cultural and charitable performances
 - Event marketing often forges partnerships between not-for-profit and profit-seeking organizations
- **Cause marketing:** Marketing that promotes awareness of, or raises money for, a cause or social issue, such as drug abuse prevention or childhood hunger
 - Cause marketing seeks to educate the public and may or may not attempt to directly raise funds. An advertisement often contains a phone number or website address through which people can obtain more information about the organization or issue
- **Organization marketing:** influences consumers to accept the goals of, receive the services of, or contribute in some way to an organization.

Marketing strategy:

- Decision makers in any successful organization, for-profit or not-for-profit, follow a two-step process to develop a marketing strategy
 - First step: Study and analyse potential target markets and chose among them
 - Second step: Create a marketing mix to satisfy the market.

Types of market products:

- **Consumer products:** goods and services, such as GPS systems, tomato sauce, and a haircut, that are purchased by end users
- **Business products:** or business-to-business (B2B) products—are goods and services purchased to be used, either directly or indirectly, in the production of other goods for resale
- **Target Market:** the group of potential customers toward whom it directs its marketing efforts.

Marketing mix:

Marketing mix blends 4 strategies to fit the needs and preferences of a target consumer market:

- **Product strategy:** in addition to designing a good or service with needed attributes, it includes brand name, trademarks warranties, product image, new-product development, and customer service
- **Distribution strategy:** ensures that customers receive their purchases in the proper quantities at the right times and locations.
- **Promotional strategy** effectively blends advertising, personal selling, sales promotion, and public relations to achieve its goals of informing, persuading, and influencing purchase decisions.
- **Pricing strategy:** Most difficult; setting profitable and justifiable prices for the firm's product offerings. Such actions are sometimes subject to government regulation and considerable public

scrutiny. Also, it is a powerful competitive weapon and produces responses by other firms in the industry.

- International Marketing mix:
 - **Standardization:** Foreign markets are offered same marketing mix
 - **Adaptation:** Marketing mix changes to better suit international markets
- **Mass customization:** allows a firm to mass produce goods and services while adding unique features to individual or small groups of orders.

Marketing research

- **Marketing research:** the process of collecting and evaluating information to help marketers make effective decisions.
- **Internal data:** data within one's organization such as financial records, inventory levels, and sales
- **External data:** Data from outside sources, including previously published data.
- **Secondary data:** previously published data, low cost and easy to obtain
- **Primary data:** Data collected firsthand studies and observation
- **Business intelligence:** use of various activities and technologies to gather, store, and analyze data to make better competitive decisions.
- **Data mining:** the task of using computer-based technology to evaluate data in a database and identify useful trends.
- **Data warehouses:** Used by data mining, sophisticated customer databases that allow managers to combine data from several different organizational functions

Market segmentation

- **Market segmentation:** is the process of dividing a market into several relatively homogeneous groups. Both profit-seeking and not-for-profit organizations use segmentation to help them reach desirable target markets
- Market segmentation is often based on the results of research, which attempts to identify trends among certain groups of people
- Market segmentation attempts to isolate the traits that distinguish a certain group of customers from the overall market
- Criteria for market segmentation:
 - A segment must be a measurable group
 - A segment must be accessible for communication.
 - A segment must be large enough to offer profit potential
- Four common bases for segmenting consumer markets are geographic segmentation, demographic segmentation, psychographic segmentation, and product-related segmentation.
- **Geographical segmentation:** dividing market into homogeneous groups on the basis of location
- **Demographic segmentation** (most common) distinguishes markets on the basis of various demographic or socioeconomic characteristics.
- Common demographic measures include gender, income, age, occupation, household size

- companies must avoid stereotyping if they are going to market successfully to a diverse group of consumers.
- **Psychographic segmentation:** divides consumer markets into groups with similar psychological characteristics, values, and lifestyles.
- **Product related segmentation:** Sellers divide market into groups based on consumers relation to the group or service
 - Segmentation by *benefits sought* focuses on the attributes that people seek in a good or service and the benefits they expect to receive from it.
 - Consumer markets can also be segmented according to the amounts of a product that people buy and use. Segmentation by product usage rate usually defines such categories as heavy users, medium users, and light users
 - The 80/20 principle states that roughly 80 percent of a product's revenues come from only 20 percent of its buyers
 - Brand loyalty—the degree to which consumers recognize, prefer, and insist on a particular brand

Business market segmentation:

- Business markets can be divided through geographical segmentation; demographic, or customer-based, segmentation; and **end-use segmentation**.
- Geographical segmentation methods for business markets resemble those for consumer markets
- Many B2B marketers target geographically concentrated industries, such as aircraft manufacturing, automobiles, and oil field equipment
- Demographic, or customer-based, segmentation begins with a good or service design intended to suit a specific organizational market.
- **End-use segmentation** focuses on the precise way a B2B purchaser will use a product

Consumer behavior:

- Personal influences on consumer behavior include individual needs and motives, perceptions, attitudes, learned experiences, and self-concept
- Consumer behavior process: Fig 11.6
 - Recognition of problem opportunity
 - Search
 - Evaluation of alternatives
 - Purchase decision
 - Purchase act
 - Postpurchase evaluation

Relationship marketing

- **Relationship marketing:** develops and maintains long-term, cost-effective exchange relationships with partners. These partners include individual customers, suppliers, and employees. As its ultimate goal, relationship marketing seeks to achieve customer satisfaction.
- Businesses that forge solid links with vendors and customers are often rewarded with lower costs and higher profits than they would generate on their own.

- Long-term agreements with a few high-quality suppliers frequently reduce a firm's production costs.
- **Lifetime value of a customer:** the revenues and intangible benefits (referrals and customer feedback) from the customer over the life of the relationship
- Many businesses reward loyal customers with discounts or bonuses, some buyers may even find that they save money by developing long-term relationships.
- **Frequency marketing** programs reward purchasers with cash, rebates, merchandise, or other premiums
- **Affinity programs:** a marketing effort sponsored by an organization that solicits involvement by individuals who share common interests and activities
- For instance, a person can sign up for a credit card emblazoned with the logo of a favorite charity, a sports or entertainment celebrity, or a photograph of his or her college
- **Comarketing:** two or more businesses jointly market each other's products.
- **Co-branding:** Two or more businesses link their names on a product

One-on-One Marketing

- The ability to customize products and rapidly deliver goods and services
- Small and large companies often rely on customer relationship management (CRM) software technology that helps them gather, sort, and interpret data about customers.

Chapter 12

Product strategy:

- A **product** is a bundle of physical service, and symbolic characteristics designed to satisfy customers
- Product strategy focuses benefits
- The marketing conception of a product includes decisions about package design, brand name, trademarks, warranties, product image, new-product development, and customer service.
- B2B: Business to business, B2C: business to consumer

Classifying consumer products:

- Convenience products are items the consumer seeks to purchase frequently, immediately, and with little effort.
- Shopping products are those typically purchased only after the buyer has compared competing products in competing stores
- A person intent on buying a new sofa or dining room table may visit many stores, examine perhaps dozens of pieces of furniture, and spend days making the final decision.
- Specialty products are those that a purchaser is willing to make a special effort to obtain
 - The purchaser is already familiar with the item and considers it to have no reasonable substitute.
- A shopping product for one person may be a convenience item for someone else. Each item's product classification is based on buying patterns of the majority of people who purchase it.

Classifying business goods:

- Business products are goods and services such as paycheck services and huge multifunction copying machines used in operating an organization
 - Business products are goods and services such as paycheck services and huge multifunction copying machines used in operating an organization
- While consumer products are classified by buying habits, business products are classified based on how they are used and by their basic characteristics
- Products that are long-lived and relatively expensive are called capital items
- Less costly products that are consumed within a year are referred to as expense items.
- Five basic categories of B2B products exist: installations, accessory equipment, component parts and materials, raw materials, and supplies
 - Installations are major capital items, such as new factories, heavy equipment and machinery, and custom-made equipment. Purchase approval frequently involves a number of different people
 - Accessory equipment are capital items but are usually less expensive and shorter lived than installations and involve fewer decision makers. Examples include hand tools and fax machines.
 - Component parts and materials are finished business goods that become part of a final product, such as disk drives
 - Raw materials are farm and natural products used in producing other final products
 - Supplies are expense items used in a firm's daily operation that do not become part of the final product such as paper, light bulbs, pens, etc

Product lines and Product mix:

- **Product line:** A group of related products marked by physical similarities or intended for a similar market by a single company
- **product mix:** is the assortment of product lines and individual goods and services that a firm offers to consumers and business users. Ex Coca-cola, Pepsi

Product life cycle:

- Introduction stage: the firm tries to promote demand for its new offering; inform the market about it; give free samples to entice consumers to make a trial purchase; and explain its features, uses, and benefits
- Growth stage: sales climb quickly as new customers join early users who now are repurchasing the item. Word-of-mouth referrals and continued advertising and other special promotions by the firm induce others to make trial purchases
 - The company begins to earn profits on the new product.
 - This success encourages competitors to enter the field with similar offerings, and price competition develops
- Maturity stage: industry sales at first increase, but they eventually reach a saturation level at which further expansion is difficult. Competition also intensifies, increasing the availability of the product.

- Firms concentrate on capturing competitors' customers, often dropping prices to further the appeal.
- Decline stage: Sales fall and profits decline and may become losses as further price-cutting occurs in the reduced overall market for the item
- The decline stage usually is caused by a product innovation or a shift in consumer preferences
- Businesses try to increase product life cycle by increase customers' frequency of use, finding new uses for its products, and changing package sizes, labels, and product designs

Stage in New-Product development

- Products can fail for many reasons. Some are not properly developed and tested, some are poorly packaged
- Most of today's newly developed items are aimed at satisfying specific consumer demands
- New product development process: Generating new product ideas--> screening-->, concept development and business analysis---> test marketing---> Commercialization
- Concept testing—marketing research designed to solicit initial consumer reaction to new-product ideas
- Focus groups are formal sessions in which consumers meet with marketers to discuss what they like or dislike about current products and perhaps test or sample a new offering to provide some immediate feedback.
- **Test marketing:** introduces a new product supported by a complete marketing campaign to a selected city or TV coverage area.
 - During the test marketing stage, the item is sold in a limited area while the company examines both consumer responses to the new offering and the marketing effort used to support it.
 - Some firms skip test marketing, however, because of concerns that the test could reveal their product strategies to the competition.

Product identification:

- A **brand** is a name, term, sign, symbol, design, or some combination that identifies the products of one firm and differentiates them from competitors' offerings
- A **trademark** is a brand that has been given legal protection. The protection is granted solely to the brand's owner.
- Good brands are easy to pronounce, recognize, and remember: Crest, Visa, and Dell are examples
- Generic words—words that describe a type of product—cannot be used exclusively by any organization
- A brand offered and promoted by a manufacturer is known as a manufacturer's (or national) brand. Examples are Tide, Cheerios, Windex, Fossil, and Nike
- A private (or store) brand identifies a product that is not linked to the manufacturer but instead carries a wholesaler's or retailer's label. Sears Craftsman tools and Walmart's Ol' Roy dog food are examples.
- A family brand is a single brand name used for several related products. KitchenAid, Johnson & Johnson, Hewlett-Packard, and Arm & Hammer are examples
- Individual branding involves giving each product within a line a different name

Brand Loyalty and Brand Equity:

- **Brand Loyalty:** Marketers measure brand loyalty in three stages: brand recognition, brand preference, and brand insistence:
 - Brand recognition is brand acceptance strong enough that the consumer is aware of the brand, but not strong enough to cause a preference over other brands
 - Brand preference occurs when a consumer chooses one firm's brand over a competitor's
 - Brand insistence is the ultimate degree of brand loyalty, in which the consumer will look for it at another outlet, special-order it from a dealer, order by mail, or search the Internet
- **Brand Equity:** the added value that a respected and successful name gives to a product.
- A brand manager or product manager manages a brand's marketing strategy
- A category manager, a newer type of professional, oversees an entire group of products. Unlike traditional brand or product managers, category managers have profit responsibility for their product group
- A **category advisor** functions in the B2B context. This vendor is the major supplier designated by a business customer to assume responsibility for dealing with all the other vendors for a project and presenting the entire package to the business buyer.

Packages and Labels

- Packaging affects the durability, image, and convenience of an item and is responsible for one of the biggest costs in many consumer products.
- Packaging and labels must conform to be attractive to people in different markets
- In the United States, labeling must meet federal laws requiring companies to provide enough information to allow consumers to make value comparisons among competitive products
- Another important aspect of packaging and labeling is the universal product code (UPC), the barcode read by optical scanners that print the name of the item and the price on a receipt.

Distribution strategy:

- deals with the marketing activities and institutions involved in getting the right good or service to the firm's customers
- **Distribution channels** are the paths that products—and legal ownership of them—follow from producer to consumer or business user
- **Physical distribution** is the actual movement of products from producer to consumers or business users

Distribution channels

- a direct distribution channel carries goods directly from producer to consumer or business user
- A marketing intermediary (also called a middleman) is a business firm that moves goods between producers and consumers or business users.
- The two main categories of marketing intermediaries are wholesalers and retailers.
- **Direct Distribution:** The shortest and simplest means of connecting producers and customers is direct contact between the two parties
- Consumers who buy fresh fruits and vegetables at rural roadside stands or farmers markets use direct distribution

- Direct distribution is commonly found in the marketing of relatively expensive, complex products that may require demonstrations
- accessory equipment, component parts, business services, and even raw materials are typically marketed through direct contacts between producers and business buyers
- Some products sell in small quantities for relatively low prices to thousands of widely scattered consumers. Makers of such products cannot cost effectively contact each of their customers, so they distribute products through specialized intermediaries called wholesalers and retailers.
- Intermediaries such as wholesalers and retailers often add significant value to a product as it moves through the distribution channel. They do so by creating utility, providing additional services, and reducing costs.
- A wholesaler is a distribution channel member that sells primarily to retailers, other wholesalers, or business users.
- **Wholesaling** intermediaries can be classified on the basis of ownership; some are owned by manufacturers, some are owned by retailers, and others are independently owned.
- Retailers sometimes band together to form their own wholesaling organizations. Such organizations can take the form of either a buying group or a cooperative
- **Retailers**, in contrast to wholesalers, are distribution channel members that sell goods and services to individuals for their own use rather than for resale.
- Two categories of retailers exist: store and nonstore
- Nonstore retailing includes four forms: direct-response retailing, Internet retailing, automatic merchandising, and direct selling
 - Direct-response retailing reaches prospective customers through catalogs; telemarketing; and even magazine, newspaper, and television ads.
 - Automatic merchandising provides convenience through the use of vending machines.
 - Direct selling includes direct-to-consumer sales
 - In-store sales still outpace nonstore retailing methods like direct-response retailing and Internet selling

Store retailers

- In a process called the wheel of retailing, new retailers enter the market by offering lower prices made possible through reductions in service
- A planned shopping center is a group of retail stores planned, coordinated, and marketed as a unit to shoppers in a geographical trade area
- Distribution intensity—the number of intermediaries or outlets through which a manufacturer distributes its goods
 - Intensive distribution involves placing a firm's products in nearly every available outlet.
 - Selective distribution is a market-coverage strategy in which a manufacturer selects only a limited number of retailers to distribute its product lines
 - Exclusive distribution, at the other end of the continuum from intensive distribution, limits market coverage in a specific geographical region

Logistics and distribution:

- The process of coordinating the flow of goods, services, and information among members of the supply chain is called logistics.

- Radio-frequency identification (RFID) technology relies on a computer chip implanted somewhere on a product or its packaging that emits a low-frequency radio signal identifying the item

Customer Service:

- Customer service standards measure the quality of service a firm provides for its customers.
- Warranties are firms' promises to repair a defective product, refund money paid, or replace a product if it proves unsatisfactory.

Chapter 13: Promotion and Pricing Strategies

- **Promotion:** the function of informing, persuading, and influencing a purchase decision
- **Sales Promotion:** Forms of promotion such as coupons, product samples, and rebates that support advertising and personal selling.
- **Integrated Marketing Communications (IMC):** the coordination of all promotional activities - media advertising, direct mail, personal selling, sales promotion, and public relations - to produce a unified, customer focused promotional strategy
- **Product Placement:** A form of promotion where marketers pay placement fees to have their products featured in various media, from newspapers and magazines to television and movies
- **Guerilla Marketing:** Innovative low-cost marketing efforts designed to get consumers' attention in unusual ways
- **Telemarketing:** Personal selling by telephone, which provides marketers with high return on their expenses, an immediate response, and an opportunity for a personalized two-way convo
- **Public Relations:** an organization's communications and relationships with its various public audiences such as customers, vendors, news, media, etc
 - Efficient indirect communication channel for promoting products.
- **Publicity:** The non personal stimulation of demand for a good, service, place, idea, event, person, or organization, by unpaid placement of information in print or broadcast media

The Promotional Mix

- **Promotional Mix:** The combination of personal and non-personal selling that marketers use to meet the needs of a firm's target customers and to effectively and efficiently communicate its message to them
 - **Personal Selling:** The most basic form of promotion: a direct person-to-person promotional presentation to a potential buyer
 - Example; face to face, telephone, videoconference, or interactive computer link
 - **Non-personal selling:** Forms of selling such as advertising, sales promotion, direct marketing, and public relations.
 - Example; Advertising

Push Vs Pull Strategy

- **Pushing Strategy:** Promotion of a product to wholesalers and retailers in a company’s distribution channels
 - Companies promote the product to members of the marketing channel, not to end users.
 - beneficial when a brand needs aggressive marketing to compete against an established brand with a large marketing budget behind it
 - Ex; 2 for 1 deal targeted at consumer or door crasher events
- **Pulling Strategy:** Promotion of a product by generating consumer demand for it, mainly through advertising and sales promotion appeals
 - Potential buyers will request that retailers or local distributors carry the product, thereby pulling it through the distribution channel
 - Most marketing promotional strategies require combinations of push and pull strategies
 - Ex; Trade show promotions to encourage retailer demand
 - Direct selling to customers in showrooms or face to face
 - Negotiation with retailers to stock your product
- **Cooperative Advertising:** Allowances that marketers provide to share with channel partners the cost of local advertising of their firm’s product or product line.
 - Designed to motivate wholesalers

Comparing the Elements of the Promotional Mix

ELEMENT	ADVANTAGES	DISADVANTAGES
Advertising	Reaches large consumer audience at low cost per contact Allows strong control of the message Message can be modified to suit different audiences	Difficult to measure effectiveness Limited value for closing sales
Personal selling	Message can be tailored for each customer Produces immediate buyer response Effectiveness is easily measured	High cost per contact High expense and difficulty of attracting and retaining effective salespeople
Sales promotion	Attracts attention and creates awareness Effectiveness is easily measured Produces increases in short-term sales	Difficult to differentiate from similar programs of competitors Nonpersonal appeal
Public relations	Improves trust in a product or firm Creates a positive attitude about the product or company	Difficult to measure effectiveness Often devoted to nonmarketing activities
Sponsorships	Viewed positively by consumers Enhances brand awareness	Difficult to control message

- Advertising
- Sales Promotion
- Personal Selling

There are 5 Major Promotional Objectives (Ties into “Comparing the Elements of Promotional Mix)

- **Providing Information**
 - Ex: Print ad describing features and availability of a new breakfast cereal
- **Differentiating Product**
 - Ex; Television ad comparing performance of two leading laundry detergents
- **Increasing Sales**
 - Ex; End-of-aisle grocery displays, or “end caps” to impulse purchase
- **Stabilizing Sales**
 - Ex; Even out sales patterns by promoting low weekend rates for hotels, holding contests during slow sales periods, or advertising cold fruit soups during summer months

- **Highlight Product Value**
 - Ex; Warranty programs and guarantees that make a product more attractive than its major competitors

Types of Advertising

- **Product Advertising:** Messages designed to sell a particular good or service.
- **Institutional Advertising:** Messages that promote concepts, ideas, or philosophies. It can also promote good will toward industries, companies, organizations, or government entities
 - Government advertising economic plan for example
- **Cause Advertising:** A form of institutional advertising that promotes a specific viewpoint on a public issue as a way to influence public opinion and the political process
 - Ex; Cancer Research

Types of Advertising in Media Promotions Consumer Oriented Promotions

- **Television**
 - Easiest way to reach large amounts of consumers
 - **Infomercials**
- **Newspapers**
 - Dominate local advertising, short lifespan
- **Radio**
 - Commuters in cars are captive audience
 - Internet radio offers new opportunities
- **Magazines**
 - Consumer publications and trade journals
 - Can customize message for different areas of the country (local ads, wraparounds)
- **Direct Mail** (via email, Postal box, phone, etc.)
 - Average North American receives 550 pieces annually
 - High per person cost, but can be carefully targeted and highly effective
- **Outdoor Advertising** (Billboards, posters, transport truck ads, etc.)
 - Billions spent annually in North America
- **Internet Advertising** (Widgets, gadgets, internet ads,)
 - Widgets (or gadgets) are small television screen images carrying marketing messages; contain embedded links to home site
 - Viral advertising creates a message that is novel or entertaining enough for consumers to forward it to others
- **Sponsorship:** Providing funds for a sporting or cultural event in exchange for a direct association with the event
 - Exposure to target audience
 - Association with image of the event

Consumer Oriented Promotions and when is it Advantageous?

- **Premiums, Coupons, Rebates, and Samples**

- Nearly 6 of 10 sales promotion dollars are spent on *premiums* (Items given away for free or at a reduced price when another product is purchased)
- **Games, Contests, and Sweepstakes**
 - Offer cash, merchandise, or travel as prizes to participating winners.
 - Firms sponsor these activities to introduce new goods and services and to attract new customers.
- **Specialty Advertising**
 - Free offers such as pens, t-shirts, etc to advertise

When is it advantageous?

- It is advantageous when firms focus on personal selling under four conditions
 - 1. Few, geographically concentrated customers
 - 2. Product is technically complex, involves trade- in, or requires special handling
 - 3. Product carries a relatively high price
 - 4. Product move through direct-distribution channels

Types of Advertising and the Product Life Cycle

- **Informative Advertising:** is used to build initial demand for a product in its *Introductory Phase*
- **Persuasive Advertising:** Attempts to improve the product appeal
- **Comparative Advertising:** Compares products directly with their competitors , either by name or by inference
- **Reminder-oriented advertising:** Maintains awareness of the importance and usefulness of a product in its *late maturity or decline stages*

Trade Oriented Promotions

- **Trade Promotion:** sales promotion geared to marketing intermediaries, not to final consumers
 - Marketers use trade promotion to encourage retailers to stock new products, continue carrying existing products, and promote both new and existing products efficiently to consumers
- **Point of Purchase (POP) Advertising:** Displays or demonstrations that promote products when and where consumers buy them, such as in retail stores

Steps to Personal Selling

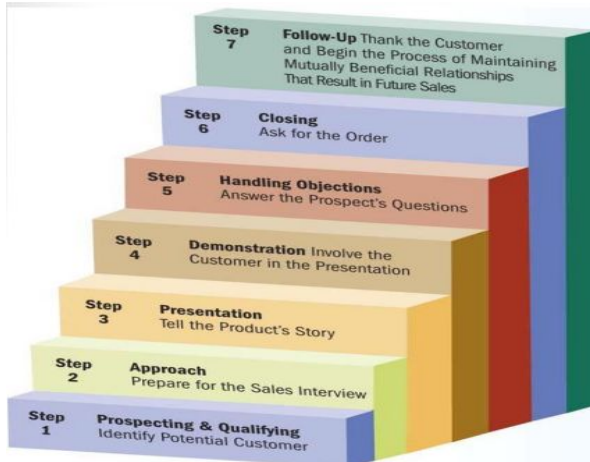
- Customers are relatively few in number and are geographically concentrated
- The product is technically complex, involves trade ins, or requires
- The product carries a relatively high price
- The product moves through direct-distribution channels

Sales Tasks/Tactics

- **Order Processing:** a form of selling used mostly at the wholesale and retail levels; involves identifying customer needs, pointing out products that meet those needs, and completing orders
- **Creative Selling:** A persuasive type of promotional presentation
 - Used to sell intangible products such as insurance, health plans, etc, but can be used to sell tangible goods

- Using workshops to improve customer support
- **Missionary Selling:** An indirect form of selling where the representative promotes good will for a company or provides a technical or operational assistance to the customer
 - Provide specialists who act as consultants to customer

The Sales Process Graph For Personal Promotions



Prospecting, Qualifying, and Approaching

A good salesperson varies the sales process based on customers' needs and responses

Price: is the exchange value of a good or service

- **Prospecting** is identifying potential customers
- **Qualifying** is identifying potential customers who have financial ability and buying authority
 - Done through direct mail responses, personal visits from sales representatives, email, electronic social media
- **Approaching** is analyzing available data about a prospective customer's product lines and other pertinent information

Pricing Objectives in the Marketing Mix

(1) Profitability (2) Volume (3) Meeting competition (4) Prestige

- **Profitability Objectives** are common goals that are included in the strategic plans of most firms
 - Strategy is to maintain price while reducing the size or amount of the product in the package. Manufacturers of candy, coffee, and cereal often use this strategy
- **Volume Objectives:** Pricing decisions that are based on market share, the percentage of a market controlled by a certain company or project
 -
- **Pricing to Meet Competition:** Meet price of competitor so that price becomes a non issue.
- **Prestige Objectives;**
 - **Prestige pricing:** setting a relatively high price to develop and maintain an image of quality and exclusiveness
 - Recognition the role of the price in communication an overall image for the firm and its products

- Examples, BMW, Fossil, Louis Vuitton

Pricing Strategies (Alternatives next)

- **Price Determination in Practice**
 - Most businesses use **Cost Based Pricing** which involves calculating total costs per unit and then adding markups to cover overhead costs and generate profits.
 - Totals all costs of Research and Development, production, transportation, and marketing expenses
- **Breakeven Analysis**
 - Used to calculate the minimum sales volume a product must generate at a certain price level to cover all costs.
 - Sum of Total Variable costs + Sum of Total Fixed Costs
 - Variable costs change with levels of production
 - Fixed costs such as insurance premiums and utility rates charged by water, etc.
- **Finding Break Even Point**
 - **Breakeven Point (BP)** is the level of sales that will generate enough revenue to cover all of the company's fixed and variable costs.
 - **BP = Total fixed Costs / Contribution to fixed costs**
 - **EXAMPLE PAGE 379 IN TEXTBOOK**

Alternative Pricing

- **Skimming Pricing:** A strategy that sets an intentionally high price relative to the prices of competing products
 - Helps marketers set a price that distinguishes a firm's high end product from those of competitorS
- **Penetration Pricing :** A strategy that sets low price as a major marketing tactic
 - Often used with new products
- **Everyday low pricing (EDLP):** A strategy of maintaining continuous low prices instead of using short-term price-cutting tactics such as cents-off coupons, rebates, and special sales
 - Discount pricing: is used to attract customers by dropping prices for a set period of time
- **Competitive Pricing:** A strategy that tries to reduce the emphasis on price competition by matching other firms' prices and by focusing their own marketing efforts on the product, distribution, and promotional elements of the marketing mix

Cost Based Pricing

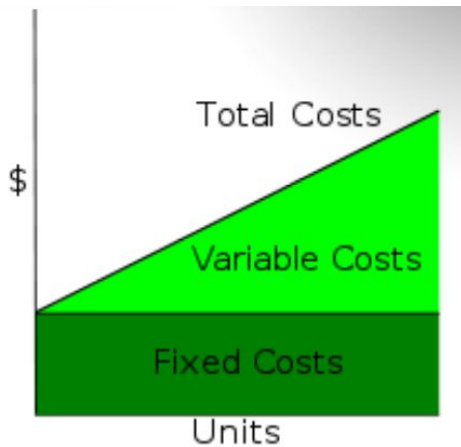
- Calculating total costs per unit and then adding markups to cover overhead costs and generate profits
 - Totals all costs associated with offering a product in the market, including research development, production, transportation, and marketing expenses
 - Markup is added to cover any unexpected or overlooked expenses and provides a profit
 - Actual markup used varies by such factors such as brand image and type.

Odd Pricing

- A pricing method that uses uneven amounts to make prices appear to be less than they really are
 - Ex; Coffee listed for 3.99 and not 4\$ (adds the illusion of a lower cost)

Types of Costs

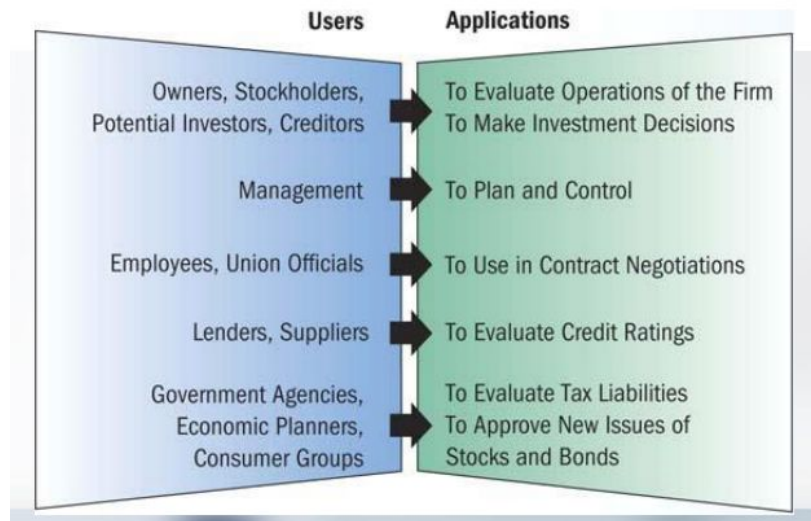
- **Fixed Costs:** Expenses that do not change as a function of the activity of a business, within the relevant period (e.g, annual fixed costs)
- **Variable Costs:** Vary depending on a company's production volume (e.g, cost per unit of product produced). Used when



Chapter 15, Understanding Accounting and Financial Statements

→ Users of Accounting Information

Accounting: The process of measuring, interpreting, and communicating financial information to support internal and external business decision-making.



- ◆ The major users of accounting information are managers at a business, government agency, or not-for-profit organizations.
- ◆ Accounting information helps the to plan and control daily and long range operations

→ Business Activities Involving Accounting

Financing: Financing activities provide necessary funds to start a business and expand it after it begins operating.

Investing: Investing activities provide valuable assets required to run a business.

Operating: Operating activities focus on selling goods and services, but they also consider expenses as important elements of sound financial management.

→ Public Accountants

- ◆ An accountant who provides accounting services to other organizations
- ◆ Most public accounting firms provide three basic clients:
 - Auditing, or examining, financial records
 - Tax preparation, planning, and related services
 - Management consulting

→ Management Accountants

- ◆ Accountants employed by a business other than a public accounting firm, is a called a management accountant.
- ◆ Management accountants collect, and record financial transactions, and prepares financial statements used by the firm's managers in decision making.
- ◆ Management accountants:
 - Collect, and record financial transactions, and prepare financial statements used by the firm's managers in decision making.
 - Provide timely, relevant, accurate, and concise information that executives can use to operate their firms more effectively, and more profitable than without this input.

→ The Foundation of the Accounting System

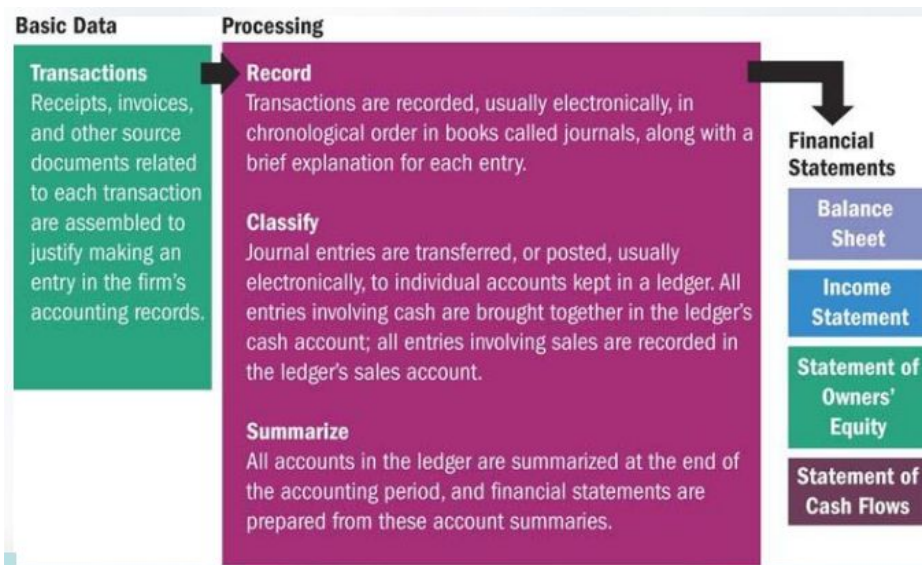
- ◆ *Generally accepted accounting principles (GAAP):* Principles that outline the conventions, rules, and procedures for deciding on the acceptable accounting practices at a particular time.
- Accounting Standards Board (AcSB):* The organization that interprets and modifies GAAP in Canada for private and not-for-profit businesses.

- ◆ Canadian public companies are required to use International Financial Reporting Standards (IFRS). These standards allow for financial statements to be more easily compared from country to country.
- ◆ Senior executives must personally certify that the financial information reported by the company is correct.

Corruption of Foreign Public Officials Act: A federal law that prohibits Canadian citizens and companies from bribing foreign officials to win or continue business (in US Sarbanes-Oxley Act).

→ The Accounting Cycle

Accounting Cycle: The set of activities involved in converting information, and individual transactions into financial statements.



◆ The Accounting Equation

- Three fundamental terms appear in the accounting equation:
 - *Asset:* An asset is anything with future benefit owned or controlled by a business.
 - *Liability:* A liability of a business is anything owed to creditors - that is, the claims of a firm's creditors.
 - *Owners' Equity:* Is the owner's' initial investment in the business plus any profits that were not paid to owners. A strong owner's' equity position is often used as evidence of a firm's financial strength, and stability.
- The accounting equation states that assets must equal liabilities plus owner's' equity.

- This equation also illustrates double-entry bookkeeping: the process used to record accounting transactions; each individual transaction is always balanced by another transaction.

→ Financial Statements

- ◆ Provide managers with the information they need to evaluate the firm's profitability, its overall financial health, and its liquidity position - the ability to meet its current obligations and needs by converting assets into cash.
- ◆ The Balance Sheet
 - *Balance Sheet*: A statement of a firm's financial position at a specific point in time (What the firm owns, versus what it owes at a specific point in time).
 - The components of a balance sheet, are the same as the accounting equation (Assets, Liabilities, Owners' Equity).
 - Assets
 - *Current Assets*: Cash or tangible liquid assets that can be easily converted into cash and are expected to be used within the next year (cash, supplies, inventory, etc).
 - *Fixed Assets*: Tangible assets that are expected to last one year or more (plant, equipment, land, etc).
 - *Intangible Assets*: Intangible assets that are expected to last one year or more (patents, copyrights, trademarks, etc).
 - Liabilities
 - *Current Liabilities*: Liabilities expected to be paid off within one year (wages, bank line of credit, bills, etc).
 - *Long-term Liabilities*: Liabilities expected to not be paid off within the next year (bank loans, mortgages, etc).
- ◆ Income Statement
 - A financial record of a company's revenues, expenses, and profits over a specific period of time.
 - Reports profit or loss.
 - Focuses on revenues and costs associated with revenues.
- ◆ Statement of Changes in Equity
 - A record of the change in equity from the end of one fiscal period to the end of the next fiscal period.
 - Begins with the amount of equity shown on the balance sheet
 - Net income is added, and cash dividends paid to owners are subtracted.
- ◆ Statement of Cash Flows
 - A record of the sources and uses of cash during a period of time.

- Companies prepare a statement of cash flows because of the wide use of accrual accounting.
 - *Accrual Accounting*: An accounting method that records revenue and expenses when they occur, not when cash actually changes hands.
- Here is an example statement of cash flows sheet:

1 Operating Activities:
The nuts and bolts of day-to-day activities of a company carrying out its regular business; Increases in accounts receivable and inventory are like uses of cash, while increases in accruals and accounts payable are like sources of cash; In financially healthy firms, net cash flow from operating activities should be positive.

2 Investing Activities:
Transactions to accumulate or use cash in ways that affect operating activities in the future; often a use of cash.

3 Financing Activities:
Ways to transfer cash to or from creditors and to or from owners; can be either positive or negative.

4 Net Cash Flow:
The sum of cash flow from operating, investing, and financing activities, a reconciliation of cash from the beginning to the end of the accounting period (one year in this example).

Diane's Java	
Statement of Cash Flows for the year ending December 31	
(\$ thousands)	2014
1 Cash Flow from Operating Activities	
Net income	\$1,927
Depreciation	350
Change in accounts receivable	(215)
Change in inventory	(350)
Change in accruals	(100)
Change in accounts payable	80
Total cash flow from operating activities	1,692
2 Cash Flow from Investing Activities	
Capital expenditures	(760)
Change in short-term investments	(310)
Total cash flow from investing activities	(1,070)
3 Cash Flow from Financing Activities	
Cash dividends	(460)
Sale/repurchase of shares	(262)
Change in notes payable	200
Change in long-term debt	100
Total cash flow from financing activities	(422)
4 Net Cash Flow	200
Cash (beginning of year)	600
Cash (end of year)	800

→ Financial Ratio Analysis

- ◆ Accountants help managers interpret the statements by comparing data on the firm's current activities, to data for previous periods, and the data on other companies in the same industry.

- ◆ Ratio Analysis is one of the most commonly used tools, it measures a firm's liquidity, profitability, reliance on debt financing, and how effectively management uses the firm's resources.

- ◆ Liquidity Ratios

- *Liquidity Ratios*: Measure a firm's ability to meet its short-term obligations, such as loans, when they are due. This information provides executives with information about the firm's ability to pay its debts as they mature, or as payments are due.
- The two most common liquidity ratios are:
 - *Current Ratio*: Compares current assets to current liabilities.

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}} = \frac{5,240}{2,030} = 2.58$$

-

Acid-Test (or Quick) Ratio: Measures the ability of a firm to meet its debt payments on short notice.

$$\text{Acid-test ratio} = \frac{\text{Current assets} - \text{Inventory}}{\text{Current liabilities}} = \frac{(5,240 - 2,200)}{2,030} = 1.50$$

- ◆ Activity Ratios

- *Activity Ratios*: Measure how effectively management uses the firm's resources.
- *Inventory Turnover Ratio*: Indicates the number of times merchandise moves through a business.

$$\text{Inventory turnover} = \frac{\text{Cost of goods sold}}{\text{Average inventory}} = \frac{10,370}{[(2,200 + 1,850)]/2} = 5.12$$

- *Receivables Turnover Ratio*: indicates the number of times receivables turnover in a year.

$$\text{Receivables turnover} = \frac{\text{sales}}{\text{Accounts Receivable}}$$

$$\text{Receivables turnover} = \frac{\$2400}{\$187} = 12.83$$

- *Total Asset Turnover Ratio*: Indicates how much in sales each dollar invested in assets generates.

$$\begin{aligned} \text{Total asset turnover} &= \frac{\text{Sales}}{\text{Average total assets}} \\ &= \frac{17,300}{[(8,790 + 7,305)/2]} = 2.15 \end{aligned}$$

◆ Profitability Ratios

- *Profitability Ratios*: Measure the organization's overall financial performance by evaluating its ability to generate revenues in excess of operating costs and other expenses.
- Over a period of time, profitability ratios may show the effectiveness of management in operating a business.
- The three most important probability ratios are:
 - gross profit margin
 - ◆ Identifies the gross profit produced by every dollar of sales.
 - net profit margin
 - ◆ Identifies the profit produced by one dollar in sales revenues.
 - return on equity
 - ◆ Identifies the profit produced by every dollar invested by owners in the firm.

$$\begin{aligned} \text{Gross profit margin} &= \frac{\text{Gross profit}}{\text{Sales}} = \frac{6,930}{17,300} = 40.0\% \\ \text{Net profit margin} &= \frac{\text{Net income}}{\text{Sales}} = \frac{1,927}{17,300} = 11.1\% \\ \text{Return on equity} &= \frac{\text{Net income}}{\text{Average equity}} = \frac{1,927}{[(5,660 + 4,455)/2]} = 38.1\% \end{aligned}$$

◆ Leverage Ratios

- *Leverage Ratios*: Measure how much a firm relies on debt financing. These ratios provide interesting information to potential investors.

$$\begin{aligned} \text{Debt ratio} &= \frac{\text{Total liabilities}}{\text{Total assets}} = \frac{3,130}{8,790} = 35.6\% \\ \text{Long-term debt to equity} &= \frac{\text{Long-term debt}}{\text{Owners' equity}} = \frac{1,100}{5,660} = 19.4\% \end{aligned}$$

- A total liabilities to total assets ratio (debt ratio) greater than 50% indicates that a firm is relying more on borrowed money, than owners' equity.

→ Budgeting

Budget: An organization's plans for how it will raise and spend money during a specific period of time. It shows the firm's expected sales revenues, operating expenses, cash receipts, and cash expenses.

- ◆ There are many types of budgets, one of the most important is the cash budget.
 - *Cash Budget:* Shows the months when the firm will need temporary loans.
 - Is organized by the categories gross sales, purchases, and net cash flow.

→ International Accounting

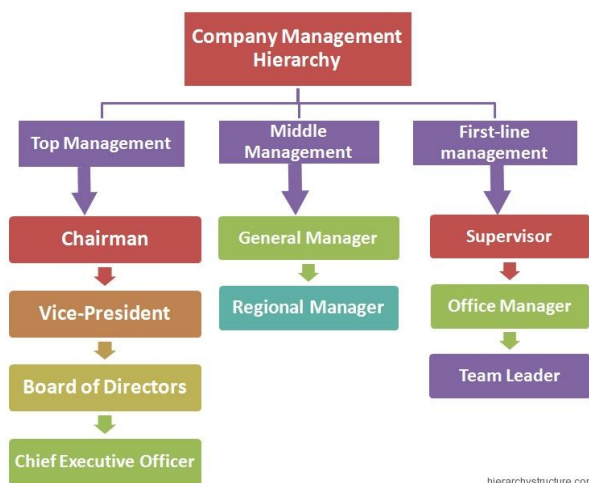
- ◆ Today, accounting procedures and practices must be adapted to work in an international business environment.
- ◆ Exchange Rates
 - The conversion ratio between different types of currencies.
- ◆ Financial statements must be adjusted to show any gains, or losses, due to exchange rates during a specific duration of time.

Chapter 7, Management Leadership and the Internal Organization

What is Management?

Management is the process of achieving organizational goals through people and other resources. The manager's job is to combine human and technical resources in the best way possible to achieve a company's goals. Objectives result from the firm's mission statement. Managers use this to set performance levels in areas such as profitability, customer service, and employee satisfaction

Draw the Management Hierarchy.



Name all types of planning

- **Strategic Planning**
 - Mostly applies to Top Level Management
 - The process or purpose on deciding on the primary objectives of an organization, and then taking action and setting aside resources to achieve those objectives
 - Examples;
 - Organizational objectives
 - Fundamental strategies, long term plans
- **Tactical Planning**
 - Middle Management
 - Involves carrying out the activities set out in the strategic plans. Tactical plans guide the current and short-term activities required to carry out the overall strategies
 - Example;
 - Quarterly and semi-annual plans, departmental policies and procedures
- **Operational Planning**
 - Supervisory Management
 - Sets out detailed standards that help to carry out tactical plans. This activity involves choosing specific work targets, and assigning employees (or teams of employees) tasks to complete.
 - Example;
 - Daily and weekly plans, rules, and procedures in an emergency/
- **Contingency Planning**
 - Primarily top management level, all levels contribute
 - Helps firms to resume operations as quickly as possible after a crisis
 - Planning cannot foresee every opportunity. Even the best plans may face major accidents, natural disasters and rapid economic downturn
 - 2 methods: Continuing the business and communicating with the public
 - Example; Ongoing plans for actions and communications in an emergency

Create a mind map to illustrate the Managerial Function.



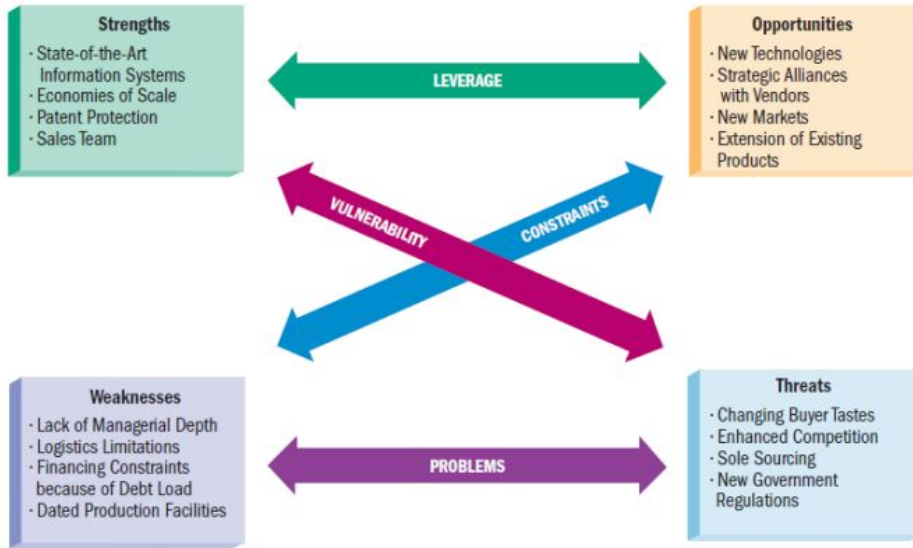
What is the Swot Analysis? Draw a table to explain the different components of it.

- **SWOT: Strengths . Weakness . Opportunities, Threats**

- By assessing all 4 factors one by one, a firm can then develop the best strategies for gaining a competitive advantage
- Used for growth of firm

Which type of organization structure provides the most flexibility to respond to changes in the marketplace and to be innovative? What is the downside of this structure.

SWOT Analysis chart:



Which type of organization structure provides the most flexibility to respond to changes in the marketplace and to be innovative? What is the downside of this structure?