

Course Information

Wednesday, 13:00 – 14:30; Friday, 11:30 – 13:00, Desmarais Building, 1160

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September 9 2011 - Lecture 2

Introduction to the Case Study (Textbook pg. 5-11)

What is a Case?

- Real life business problem
- Actual theoretical concepts to an actual situation
- Develop decision making skills

Case Format

- 11 pt. font, Times New Roman, Arial, any professional font
- 12-15 pages
- **Executive Summary** (5 marks) - 1 page maximum, single spaced
- **Assumptions** (0 marks but mandatory) - things not stated in the case study
- **Problem Statement** (15 marks)
 - Central problem(s) and satellite problems - secondary problems, 'symptoms'
 - Implications on the organization
 - Implications on the personnel
- **Alternative Solutions** (50 marks) - 3-5 solutions, pros vs. cons, viable to answer central problem, what will happen when we don't solve the problem
- **Recommended Solution** (5 marks) - has to come from alternative solution, "I think alternative ___ is better than others because ___", "...go forward with alternative ___", "a combination of alt ___ and ___ is the best possible solution because ___"
- **Implementation** (15 marks) - how, why
 - Immediate; short term; long term (5 implications each - organization, personnel)
- **Grammar** (10 marks)

Key Factors When Preparing

- Are my assumptions reasonable?
- Do I really understand the problem?
- Have I looked at all viable alternatives?
- Is my decision realistic? Does it proceed in a logical fashion?
- Have I outlined reasonable methods as to how my solution can be implemented?

Step-by-Step Summary

- Read the case a minimum of 2-3 times
- Make any reasonable assumptions
- List all of the apparent problems
- Determine the central problem
- What alternatives are available
- Make a recommendation
- Implement the recommended solution

September 14 2011 - Lecture 3

Black Cherry Enterprises - Case Study

- Fast growing brick manufacturer in USA and Canada
- Actively expanding its market potential
- Director of Operations (C.D. Pitt) is always traveling
- Communicates with his Blackberry and uses it to respond to problems
- Flow of information has increased but the messages are causing problems

Problem Statements

- Satellite Problems
 - Customers receiving unwanted merchandise
 - Sales opportunities are being lost
 - Company costs are escalating
- Central Problem
 - The dissemination and misinterpretation of communication generated by the Director of Operations

Implications

- On the organization
 - Loss of profits
 - Loss of customers
 - Increase in costs due to miscommunication
 - Reputation in the industry will be tarnished
- On the personnel
 - Low morale of employees due to frustration
 - Increase in Pitt's level of frustration
 - Delivery people will be late
 - Employees will leave Black Cherry Enterprises

Alternative Solutions

- State the status quo - maintain travel and the Blackberry communication (doing nothing)
- Change organizational structure (variety of structures can be proposed)
- Change the organizational support system (communication flow)

Recommended Solution

- Change organizational structure
 - Propose a new structure based on readings from text or additional research
 - Why is this solution better than other alternatives?
 - How does it solve the primary problem?

Implementation

- Must be a detailed action plan, ideas include:
 - Immediate (0-6 months)
 - Face-to-face meeting with top management
 - Develop new structure to meet stakeholder needs
 - Ensure new structure outlines key communication strategies
 - Short term (6 months - 1 year)
 - Communicate and implement new structure
 - Ensure all employees are aware why new structure is in place
 - Long term (1 year+)
 - Get feedback on new structure (employees, customers)
 - Make improvements where necessary
 - Reward hard working employees under new circumstances - support (action plan)

September 21 2011 - Lecture 5 / September 23 2011 - Lecture 6

Options for Business Ownership

Sole Proprietorships, Partnerships and Corporations

September 21 2011 - Lecture 5 / September 23 2011 - Lecture 6

Management's Roles and Functions

What is management?

- The P.O.L.C. of resources to achieve goals effectively and efficiently
 - Financial, human time, technological resources
 - Planning
 - Organizing
 - Leading
 - Controlling

P.O.L.C. - Manager's Functions

- Planning
 - Used to select goals and course of action
 - 5 steps:
 - Establish goals
 - Is there a gap?
 - Develop plan
 - Implement plan
 - Assess
- Organizing
 - Mobilizing resources (HR, financial, technical)
 - Creates organizational structure
 - A formal system of relationships
 - Ex. functional vs. geographic
- Leading
 - Managers articulate vision/strategy of organization - e.g. Bill Gates wanting a desktop in every household (c. 1983)
 - Must use power, persuasion, communication and motivation
 - The result:
 - Employees work in harmony
 - Employees perform at a high level
- Controlling
 - Essential to evaluate
 - Evaluates how organization is doing in achieving goals
 - Allows organization to regulate efficiency and effectiveness
 - Allows managers to measure themselves in other 3 areas (P, O, L)

Managerial Roles

- Described by Mintzberg
 - A role is a set of specific tasks a person performs because of the position they held
 - Roles directed inside (employees) as well as outside (stakeholders, etc.) the organization
 - Interpersonal
 - Delegating tasks
 - Dealing with employees
 - Representing company; figurehead
 - Building good relationship with customers
 - Informational
 - Decisional

Interpersonal Roles

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- Coordinate and interact with employees and provide direction to the organization
 - **Figurehead role:** symbolizes the organizations (e.g. representing company's values at events)
 - **Leader role:** train, counsel, mentor and encourage
 - **Liaison role:** coordinate people inside and outside the organization to help achieve goals

Informational Roles

- Tasks associated with obtaining and transmitting information
 - **Monitor:** analyzes information inside and outside the organization
 - **Disseminator:** transmits information to influence member's work and attitude
 - **Spokesperson:** uses information to promote organization (good news)

Decisional Roles

- Methods managers use to plan strategy and utilize resources to achieve goals
 - **Entrepreneur role:** deciding upon new projects to initiate and invest
 - **Disturbance handler role:** assume responsibility for handling an unexpected event
 - **Resource allocator role:** assign people/money between functions (marketing, finance accounting) and divisions
 - **Negotiator role:** helps find solutions between stakeholders

Managerial Skills

- **Conceptual skills:** ability to analyze and diagnose a situation and find the cause and effect
- **Human skills:** the ability to understand, alter, lead and control people's behaviour
- **Technical skills:** the job-specific knowledge required to perform a task
- **Time management and decision-making skills**

September 23 2011 - Lecture 6

Options for Business Ownership

Sole Proprietorships, Partnerships and Corporations

The Entrepreneur

- Recognize and seize an opportunity in the marketplace
- Many characteristics
- Strict process
 - Idea

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- Screening (adds value, competitive advantage, marketable, low exit costs)
- Development
- Develop a business
- Questions to ask yourself:
 - Does it add value to a customer base?
 - Is it going to be difficult to replicate your idea for better/cheaper?
 - Is it sustainable?
 - Low exit cost?
 - Is it marketable?

Sole Proprietorships

- Oldest form of business ownership in Canada
- When management and ownership of a business are one of the same
- Typically employ less than 50 people
- If you use your own name, you need not register your business

Advantages

- Easy to form/dissolve
- Government preferential treatment
- Sole claim on all profits
- Personal incentive/satisfaction
- Secrecy - no need to publish financial records
- Flexibility
- Pays only personal income tax = federal and provincial...more income, more tax

Disadvantages

- Unlimited liability - assume all responsibilities for all debts
- Limited resources
 - Human resources, financial resources, technological resources
- Cannot issue shares on stock exchange
- Lack of continuity (uncertainty of duration)
- Time commitment
- Management limitations

Partnerships

- When two or more people combine their financial, managerial and technical abilities to operate a business
- Types of partnerships:
 - **General:** all partners have unlimited liability (disadvantage), however, they get to provide input on the decision making process

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- **Limited:** only one partner must have unlimited liability (advantage), however, they don't get to provide any input as far as decision making goes
- **Joint venture:** established for a specific project (Sony Ericsson)
- Partnership agreement - not legally required but can be used in court

Advantages

- Different ideas amongst partners - diversification
- Decreased risk/shared risk
- Easy to form
- Decision making
- Larger availability of money
- Personal interest/satisfaction

Disadvantages

- Unlimited liability
- Distribution of profits
- Management difficulties
- Difficult to withdraw investment
 - Death
 - Simple withdraw

September 28 2011 - Lecture 7

Corporations

- A legal entity whose assets and liabilities are separate from owners
- It's an artificial being, existing only in the eyes of the law
- Articles of incorporation must be drawn
 - Name and address of corporation
 - Objectives of corporation
 - Type/number of shares to be issued
 - Number of directors

Control of Corporation

- Shareholders
 - 1 share = 1 unit of ownership; the owners of the corporation
- Board of directors
 - Responsible for the long-term direction
- Senior management

Shareholders



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- Two types
 - Common shareholders
 - Have voting rights, but don't receive preferential treatment regarding dividends (more risk, higher gains)
 - Dividend: When a corporation pays a percentage of its profit to its shareholders
 - Preferred shareholders
 - No voting rights, claim to dividends before common shareholders (less risk, guaranteed dividends)

Board of Directors

- Members from both inside and outside the company (diverse backgrounds)
- Sets long-term objectives of the corporation
- Oversees/evaluates job of senior management

Advantages vs. Disadvantages of a Corporation

- Advantages
 - Limited liability
 - Easier to obtain capital
 - Easier to transfer ownership
 - Length of life; continued existence
 - Greater efficiency of management
 - Easier to expand
- Disadvantages
 - Creation costs
 - Double taxation
 - Employee - owner separation
 - Large number of government restrictions
 - Extensive paperwork
 - Must publish annual reports

Different Types of Corporations

- Private Corporations
 - Fewer shareholders (50 or less)
 - Shareholders cannot sell shares without the approval of the Board of Directors
 - Not actively traded publicly on any stock exchange
 - Shareholders are typically family members or close friends
 - Example: McCain Foods Limited
- Public Corporations
 - This form of corporation can be owned by more than 50 shareholders
 - Can issue shares on the financial markets (e.g. NYSE, TSE)
 - Usually owned by hundreds or thousands of shareholders

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- Example: Microsoft
- Crown Corporations
 - A business that is owned and operated by the government (either Federal or Provincial)
 - Form of public ownership where the Government owns and operates a business on behalf of the general public
 - Example: Canada Post, LCBO
 - Some people believe that certain sectors of the economy are too important to be left in the hands of private firms
- Mixed Corporations
 - Jointly owned by the Government and general public (although can be privately held)
 - Politicians do not participate in day-to-day positions
 - Most operate in the exploration and natural resource sectors
 - Example: Telesat

Franchising

- Franchisee purchases right to sell product or service of franchisor
- In business for yourself, not by yourself
- Over 1,000 franchisor companies in Canada
- Over 70,000 outlets in Canada
- Directly employs over 1.5 million people in Canada
- Over \$100 billion in sales in Canada
- Example: McDonald's
- Advantages
 - Less risk, following a business model
 - Training and management assistance
 - Personal ownership
 - Nationally recognized name
 - Financial advice and assistance
- Disadvantages
 - Large start-up costs
 - Sharing your profits
 - Management regulation
 - Coattail Effect - your success is tied to the franchisor's performance

Nonprofit Organizations

- Provide service rather than earn profit
- Not owned by a government entity
- Solicit donations
- Example: UNICEF

Management Thought

Agenda

- Classical approach (1880-1920)
- Behavioural Approach (1930's)
- Contemporary Approaches (1950-1980's)
- Emerging Practices (1990's-2000's)

Classical Approach - Systematic Management

- Adam Smith - 1776 - The Wealth of Nations
- Advocate of systemization
 - Efficiency and effectiveness
 - Division of labour
 - Productivity
- Focused on defining duties and responsibilities
- Led to Scientific Management

Classical Approach - Scientific Management

- Scientific Management - study of relationships between people and tasks to increase efficiency: F.W. Taylor
- How can management increase the level of worker productivity and motivation?
- Philosophy
 - One best way to do task, (e.g. "how much load should I use?")
 - Used money as an incentive
- Piece-rate system (performance-related pay)
 - More units produced, more you get paid
- Benefits: productivity did improve, efficiency
- Problems: oversimplification, challenges with group norms, pressure on workers, no innovation

Classical Approach - Administrative Management Theory

- Study of how to create organizational structure that leads to high efficiency and effectiveness
- Henri Fayol
- Philosophy
 - Management is a universal process
 - Fit the person to the job
 - Workers should accept management's decisions without question
- Planning, Organizing, Leading, Controlling
- Fayol's Principles
 1. *Division of Labour*: allows for job specialization to increase efficiency

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2. *Authority and Responsibility*: included both formal and informal authority resulting from special expertise (e.g. taking advice from someone who has expertise in accounting with an accounting issue)
3. *Unit of Command*: employees should only have one boss
4. *Line of Authority*: a clear chain from top to bottom of the firm
5. *Centralization*: the degree to which authority rests at the very top
6. *Unity of Direction*: one plan of action to guide organization
7. *Equity*: treat all employees fairly
8. *Order*: each employee is placed where they have the most value
9. *Initiative*: encourage innovation
10. *Discipline*: obedient, respectful employees needed
11. *Remuneration of Personnel*: the payment system contributes to success
12. *Stability of Tenure*: long term employment is important
13. *General interest over individual interest*: organization over individual
14. *Esprit de corps*: share enthusiasm for organization

The Behavioural Approach

- 1930's
- Philosophy: change management emphasis from productivity to human element
- Hawthorne Plant Studies - Elton Mayo
- Study: illumination will affect productivity
- Hawthorne Plant Studies
 - No matter what was done, productivity increased...why?
 - Cohesive Work Group Developed
 - Team Spirit - the environment is important
 - Management must create a stimulating work environment
- What is a stimulating work environment?
 - What is stimulating to me is not necessarily stimulating to you

Maslow's Hierarchy of Needs

- Self Actualization - need to realize one's full potential
- Ego - need to feel good about oneself
- Social - need to belong
- Safety - need for security and safe environment
- Psychological - basic needs to survive
 - Everyone has the same needs
 - Where we place our needs varies
 - If managers know their employees, they can more effectively motivate them



Basic to developed

Theory X and Theory Y

- Doug McGregor proposed 2 different worker assumptions
- **Theory X:** Assumes the average worker is lazy, dislikes work and will do as little as possible
- **Theory Y:** Assumes workers are not lazy, want to do a good job and the job itself will determine if the worker likes to work
- Self-fulfilling prophecy
 - If we believe something is true, we will eventually come true

Contemporary Approaches

- 1950's - 1980's
- Continue to question - should management be an art or science
- Art - draw from experience and observations
- Science - use problem solving approach
- The Process Approach
 - Planning, Organizing, Leading and Controlling
- The Systems Approach
 - Open: use resources from external environment to create goods that are sent back to environment
 - Closed: self-contained, not affected by external environment
 - Synergy
 - People working together generate stronger results

Contingency Management

- Assumes there is no best way to manage
 - The environment impacts the organization and managers must be flexible to react to environment
 - E.g. Blockbuster not reacting to the environmental changes (Netflix, online video streaming) and becoming bankrupt
 - The way the organization is designed and controlled depends on the environment

Emerging Management Practices

- Organizational Culture
 - In the business's mission statement
 - The values and beliefs that exist within an organization
 - Example: Tim Horton's
 - Not just a place to get your coffee, 'family' atmosphere
 - Values, wanting to give back to the community

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- Team Building
- Empowerment
 - Giving the employees opportunities
- Total Quality Management
 - Meeting customer satisfaction
 - Requires 100%
 - “The customer is always right”

There are three things in life, once gone, never gone back

- Time
- Words
- Opportunity

October 7 2011 - Lecture 10

The Organizational Environment

- Forces that affect the way an organization operates and engages in planning and organizing
- Forces change due to:
 - Opportunities: new technologies, new markets
 - Threats: economic downturns
- Managers must seek opportunities and avoid threats
- Has internal and external forces
- Why analyze?
 - Organizations operate in an open system
 - Largely deal with external forces that are uncontrollable



The General Environment

- Sociocultural Forces
 - Demographics: descriptive elements of people in a society
 - Baby boomers (1946-1965) (e.g. average of 4 children per family, today there are 1.5 children per family, baby boomers retire → who will replace the jobs that become void?)
 - Increasing urbanization - (e.g. densely populated area will garner more customers vs rural area)
 - Education
 - Societal values
 - Attitudes and values (SUV's in the 1990's - largely popular, now we are moving to hybrid cars due to environment consciousness)
- Technological Forces
 - Change in skills and equipment for use to design, produce, and distribute goods and services
- Economic Forces
 - Economic Forces: general well being of a nation
 - Gross Domestic Product
 - Interest rate: price of borrowing money
 - Unemployment rate: % of people not working but who are looking for work
 - Students: not
 - Dollar strength: low dollar...good or bad?
 - Low dollar is good for exporters, the US wants to trade with Canada as it's cheaper for them

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- When the dollar is high consumers go across the boarder to shop as things are cheaper
- Market demand: economic and behavioural
- Political/Legal Forces
 - Outcomes of changes in laws and regulations
 - Government spending
 - Strengthened environmental laws
 - What does this do for business?
- Global Forces
 - Outcomes of changes in international relations
 - There has been an increase in economic integration
 - NAFTA
 - World Trade Organization: enforces trade policies among member nations
 - Decreasing trade barriers

October 12 2011 - Lecture 11

The Task Environment

- Porter's 5 forces model
- Set of external forces that affects an organization's ability to obtain inputs on an immediate basis
- SLDCC
 - Suppliers
 - Labour
 - Distributors
 - Customers
 - Competitors
- Suppliers
 - Provide organizations with inputs (raw materials, component parts)
 - Managers need to secure reliable input sources
 - Managers often prefer to have many, similar suppliers of each item
- Labour
 - People who are available to work
 - Supply and Demand of workers
 - Labour unions - workers who come together to achieve common goals
 - Exert pressure to increase wages, thus potentially decreasing company profits (as an example)
- Distributors
 - Organizations that help others sell goods to customers
 - Example: Walmart
 - Walmart has strong bargaining power
- Customers
 - The ones who purchase the goods

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- Often there are several types of goods
- When there are fewer and united customers, they have more power to demand
- Competitors
 - Other organizations that produce similar goods
 - Rivalry amongst competitors is usually the most serious force facing managers
 - This often leads to lower prices
 - Barriers to entry keep competitors out
 - Economies of scale: cost advantages due to large production
 - Brand loyalty: customers prefer a given product

Managing the Organizational Environment

- Managers must measure the complexity of the environment and rate of environmental change
- Environmental complexity:
 - The number and possible impact of different forces in the environment
 - The more forces, the more complex the manager's job becomes
- The Controllable Factors
 - Marketing Mix (4 P's)
 - Human Resources
 - Accounting and Finance
 - Research and Development
 - Public Image

Apple Inc.'s Environment

Internal	<p>Strengths</p> <ul style="list-style-type: none"> • Brand loyalty • User friendly products • Marketing techniques (TV, market research) • Product design • Strong revenue stream with products • Strong financial performance 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Price of products • Rivalry with Microsoft (other companies) • Death of Steve Jobs
External	<p>Opportunities</p> <ul style="list-style-type: none"> • Eco friendly products • Other competitors failing to produce (similar products) • New markets • Additional retail locations 	<p>Threats</p> <ul style="list-style-type: none"> • Competitive product creation (other companies) • Government restrictions • Economic downturns (uncertainty) • Dependence on specific suppliers

Ethics, Social Responsibility, and Diversity

Ethics and Social Responsibility

- **Ethics:** Moral belief about what is right and wrong
 - Ethics deals with an individual's decision that society evaluates as right or wrong
- **Social Responsibility:** Manager's duty to make decisions that promote well-being of stakeholders and society
 - Social responsibility is a broader concept that concerns the impact of an entire organization's activities on society
- Ethical Issues
 - Conflict of Interest
 - Fairness and Honesty
 - Communications
 - Business Relationships
- Ethics and Responsibility
 - Many organizations now incorporate ethics into the decision making process
 - Who is the organization responsible to?
 - The owners? The Public? Both?

Enron - The Background

- Energy company (electricity, natural gas, pulp and paper)
- 22,000 employees in 2000
- Revenues of over \$100 billion in 2000
- Filed for bankruptcy in December 2001
- Where did it all go wrong? Ask why?

Examples

- Enron - uses creative accounting practices to make profits; stock price rises. Senior executives sell millions of shares, but tell employees to keep their shares.
- Martha Stewart - inside trading (with ImClone)

Ethical Issues

- **Conflict of Interest** - person must choose to advance own interest or those of others
- **Fairness and Honesty** - general values of decision makers; obey law...what else?
- **Communications** - false or misleading advertising, product safety, product labelling
- **Business Relationships** - keeping company secrets, meeting obligations, and pressures forced upon others

Ethics and Responsibility

- Many organizations now incorporate ethics into the decision making process
- Who is the organization responsible to?
 - The owners? The public? Both?

Sources of Codes of Ethics

- **Code of Ethics** - formal rules based on belief of what is right. Help managers make decisions
- **Societal Ethics** - how everyone deals with each other in terms of customs, practices, values, etc.
- **Professional Ethics** - standards that managers use to decide how to behave appropriately
- **Individual Ethics** - personal standards that derive from our peers, upbringing, etc.

Approaches to Social Responsibility

- There are many ways managers respond to this duty
- **Obstructionist approach** - managers choose not to be socially responsible and are unethical
- **Defensive approach** - managers stay within the law, but make no attempt at additional social responsibility

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- **Accommodative approach** - acknowledges the need to support social responsibility
- **Proactive approach** - actively embrace need to be socially responsible

Arguments for Social Responsibility

- In the organization's long run best interest
- Improves public image
- Improves quality of life
- In shareholders' best interest
- Better able to solve problems
- Problems can become profitable

Porter's Shared Value Theory

- Companies - profit at the expense of community
- Government - see business as problems (more regulation, tax, etc.)
- Shared value does not see the relationship as being a zero sum game
- Working together allows for both to benefit creating both economic and social value
- Social value for community means economic value for business

Midterm Examination

- ADM 1300B
 - A - L in **ART 026**
 - L - Z in ART 257
- Material covered from Chapters 1-6
 - From Managers and Managing to Ethics and Social Responsibility
- Exam will be a series of multiple choice and short essay questions
- Use lists where appropriate but be detailed
 - Use pencil for scantron, your choice for other questions
- **Chapter 1 and 2** - Managers and Managing
- **Chapter 3** - Forms of Business Ownership
- Evolution of Management Thought
- **Chapter 4** - Organizational Environment
- **Chapter 5 and 6** - Ethics and Social Responsibility

Building Group Creativity

- **Brainstorming:** managers meet face-to-face to generate and debate many alternatives
- All alternatives are listed
 - Be creative and radical in stating alternatives
 - When all are listed, then the pros and cons of each are discussed and a short list is created
- **Nominal Group Technique:** Provides a more structured way to generate alternatives in writing
 - Similar to brainstorming except that each member is given time to first write down all alternatives
 - Alternatives then read aloud without discussion until all have been listed
 - Then discussed occurs and alternatives are ranked
- **Delphi Technique:** Provides for a written format without having all managers meet face-to-face
 - Problem is distributed in written form to managers who then generate alternatives
 - Responses are received and summarized by top managers
 - Results are sent back to participants for feedback, and ranking
- **The Breakeven Analysis**
 - The point at which there is no profit or loss
 - Volume of production at which all costs - both fixed and variable are met
 - For our purposes, assume B.E.P. is calculated on an annual basis

Fixed Costs (FC)

- Costs that do not vary with the level of production
- Costs you have no matter what
 - Office salaries
 - Rent
 - Insurance
 - Depreciation

Variable Costs (VC)

- Costs that vary with the level of production
- Sales commission, overtime, electricity

Break Even Calculation

#1: $BE (\$) = FC / (1 - VC / SP)$

- SP = Selling price (expressed on either a per unit or as a total sales figure)

#2: $BE (\text{units}) = FC / UC$

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- Unit Contribution = SP per unit - VC per unit then...
- BE (units) = FC/UC

Breakeven Problem

Over the course of the next year, you are given the following projected data:

Sales = \$500K

FC = \$100K

VC = 75% of sales

What is \$ BEP?

$$BE (\$) = FC / (1-VC/SP)$$

FC = \$100K

VC = \$375K

SP = \$500K

$$BEP = 100K/(1-0.75)$$

$$BEP = 100K/0.25$$

$$BEP = \$400,000$$

November 4 2011 - Lecture 16

Key Points - Decision Making

- Be a logical decision maker
- Understand certainty, risk and uncertainty

Goals and Strategies

- Objectives for performance
- The starting point of successfully managing a business
- The planned method of reaching a goal is the “strategy”

Goals vs. Objectives

- **Goals:** long-term desired results
- **Objectives:** short-term “rungs of the ladder” one must achieve in order to reach long-term goal

Settings Goals and Objectives

- **S:** specific (clearly state desired result)
- **M:** measurable (answer “how much”?)
- **A:** agreeable (must have a deep commitment from organization)
- **R:** realistic (must be challenging but not impossible)
- **T:** timely (must meet deadlines, milestones)

Planning

- Decision making process that focuses on the future of an organization, and how to achieve goals
- Identifying the objectives to be attained and the ways we realize them
- Results in company strategy

Planning Process Stages

1) Organizational vision, mission, and goals

- Vision: dreams for the future
- Mission: defines organization’s purpose, identifies organization products

Examples of visions:

“Year after year, Westin and its people will be regarded as the best and most sought after hotel in North America” - Westin Hotels

Mission statements:

“...exceed expectations of our customers, whom we define as guests, partners, and employees. We will accomplish this by committing to our shared values and by achieving the highest levels of customer satisfaction...” - Westin Hotels

2) Formulating strategy

- Analyze current situation and develop strategies needed to achieve mission
- Accomplished by SWOT analysis
 - Organizational strengths and weaknesses
 - Environmental Opportunities and threats

3) Implementing strategy

- Decide how to allocate resources between groups to ensure strategy is achieved.

Organizational Culture

- A system of shared meaning (values, behaviours, etc.) that determines how employees act
- Distinguishes one organization from another - no two organizations should be the same
- Is the 'glue' that bonds an organization

Values and Norms

- **Values:** stable long-lasting beliefs about what is important
 - Example: Honesty is the best policy
- **Norms:** unwritten rules that shape behaviour in different situations
 - Example: Organization networking events

Creating a Strong Organization Culture

- Senior managers hire only employees who think the way they do
- The management guide these employees to their way of thinking
- Top managers serve as role models
- Is a strong culture a good thing?

Values of the Founder

- Have substantial influence on values, norms, and behaviours over time
- Hire managers that share their vision

Socialization

- Newcomers learn organization's values and norms necessary to perform job
- Organization members learn from each other which values are important
- Behave in a certain way without even knowing it
- Socialization programs help employees learn the ropes

Ceremonies and Rewards

- Formal events that recognize incidents of importance
 - Let companies publicly recognize employee contributions
- Determine how individuals enter, advance or leave organization
- Office parties and shared announcements of company success

Stories and Language

- Stories provide clues about values and norms
- Language such as slogans, symbols, and jargon help employees know expectations

Material Symbols

- Organization's layout, size of office, or dress code
- Convey who is important within the organization
- Cars given to executives

What is Change?

- An alteration of an organization's environment, structure, technology or people
 - An organizational reality
 - An opportunity or threat
- Change agent: person who initiates change in an organization

External Forces of Change

- Marketplace
- Economic changes
- Technology
- Laws and Regulation
- Labour markets

Internal Forces for Change

- Corporate strategy
- The workforce
- Technology and Equipment
- Employee Attitudes

Resistance to Change

- Uncertainty and Ambiguity
- Concern over personal loss
- Belief that change is not beneficial

November 11 2011 - Lecture 18

Accounting

- Accounting is an information system for the complete processing of financial information.
- Financial
 - Serves external users, relates to activities of firm as a whole
- Managerial Accounting
 - Serves internal users, helps in planning, forward looking rather than historical
- Current assets: **used within 1 year**

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- Prepaid expense: **paid before using it (e.g. insurance, office supplies) - purchased expecting to derive future values.**
- Fixed assets: **(e.g. land, buildings, computers, cars, machinery, etc.) Written at book value: value you purchased asset for when originally purchased**