

Lecture 7 - Accounting

Accounting - recording, measurement and interpretation of financial information. NOT bookkeeping

Managerial accounting focuses on internal operations // **Financial accounting** focuses on preparing financial statements for persons inside and outside of the company

Bookkeeping - recording transactions in journals or ledgers

Users of accounting info

- Management Ex Owners, board of directors, managers
- Those with direct financial interest Ex investors
- Tax authorities
- Regulatory agencies
- Other groups Ex unions

Agreed Upon practices/principles

Revenue recognition - revenues are recorded for the the accounting period when sales are completed and collected

Matching - expenses will be matched with revenues to determine net income for an accounting period

Full disclosure - financial statements should include not just numbers, but also interpretations and expectations by management so that external users can understand this information

Assets - things owned by the company

Liabilities - debts owed by the firm to others

Owners Equity - amounts of owners (shareholders) invest in the business plus accumulated profits

Revenue accounts - income from all sources recorded

Cost of goods sold accounts - For goods not services, shows all costs of selling the products

Expense accounts - where expenses running a business are recorded

- $Assets = Liabilities + owners\ equity$
- Recognizes that money must come from somewhere and go to somewhere
- Uses debits and credits //two types of entry

<i>Debits</i>	<i>Credits</i>
Increase a debit balance or decrease a credit balance	Increase a credit balance or decrease a debit balance
Increase an Asset account ●Purchase equipment	Increase a Liability account ●Purchase equipment on credit
Decrease a Liability account ●Paid for the equipment	Decrease an Asset account ●Paid for the equipment with cash
Decrease an Equity account ●Distributed Dividends	Increase an Equity account ●Sold shares of stock or invested money in the company
Decrease a Revenue account ●Recorded sales returns	Increase a Revenue account ●Recorded sales
Increase an Expense account ●Paid the utility bill	Decrease an Expense account ●Overpaid the utility bill

Ledger is a collection of T accounts

General journal is a repository of every financial transaction undertaken by the biz

Accounting Cycle

- Examine source documents
- Record transactions in journal
- Post transactions in ledger
- Prepare financial statements

Income statement - displays revenues, expenses and profit from operations

Balance Sheet - displays assets, liabilities and owner's equity

Cost of goods sold = beginning inventory + purchases - ending inventory

Gross margin(profit) = revenue - cost of goods sold

Net income before taxes = gross margin - operating expenses

Net income = net income before taxes - income taxes

Retained earnings/capital - accumulated profits from previous years

Depreciation - Assets that expect to last longer than one accounting cycle

Working capital - difference between current assets and current liabilities

High liquidity means a company has low chances of bankruptcy

Fixed costs - stay the same Ex rent

Variable costs change Ex labour

Lecture 8 - Strategy and Strategic Management

Strategy - gives you competitive advantage as it allows you to outperform rivals, gives sustainable competitive advantage

Competitive advantage

- Cost and quality
- Barriers to entry
- Knowledge and speed
- Technology

Strategy - a comprehensive action plan that identifies long term direction for an organization, guides resource utilization to accomplish goals with sustainable competitive advantage

Strategic intent - focusing all organizational energies on a unifying and compelling goal

Levels of Strategies

- **Corporate strategies:** sets long term direction for the total enterprise
- **Business strategies:** identifies how a division or strategic business unit will compete in products or services
- **Functional strategy:** guides activities within one specific area of operations

Strategic management process

- **Strategic analysis:** process of analyzing the organization, environment, its competitive position and current strategies
- **Strategy formulation:** process of crafting strategies to guide allocation of resources
- **Strategy implementation:** putting strategies to action

Analysis of mission - the reason for an organization's existence // test would be how well it serves organizations stakeholders

Core values - values are broad beliefs about what is or is not appropriate // organizational culture reflects the dominant value system of the organization

Objectives - direct activities toward key and specific performance results

What are our strengths/weaknesses

What are our opportunities/threats

Core competencies - Special knowledge or expertise, superior technology, efficient manufacturing

Porter's model of five strategic forces affecting competition

- **Industry competition:** intensity of rivalry among firms and competitive behaviour
- **New entrants:** the threat of new competitors entering the market
- **Substitutes products or services:** threat of substitutes products or services
- **Bargaining power of suppliers:** the ability of resource suppliers to influence cost of products or services
- **Bargaining power of customers:** the ability of customers to influence the price they will pay for products or services

Grand or master strategies

- **Growth strategies:** seek an increase in size and expansion of current operations

- **Stability strategy:** maintains current operations without substantial changes
- **Renewal strategy:** tries to solve problems and overcome weakness that are hurting performance
- **Combination strategy:** pursues growth, stability or retrenchment in some areas

Growth and diversification strategies

- Seeks an increase in size and expansion of current operations

Restructuring strategies

- Tries to correct weakness by changing the mix or reducing the scale of operations // turnaround, downsizing, divestiture

Global strategies

Globalization strategy - world is one large market; standardized products and advertising as much as possible // ethnocentric view

Multidomestic strategy - customize products and advertising to local markets as much as possible // polycentric view

Transnational strategy - balance efficiencies in global operations and responsibilities to local markets // geocentric

Cooperative strategies

Strategic alliances - two or more organizations partner to pursue an area of mutual interest

Porter's generic strategies

- Business level strategic decisions are driven by market scope and source of competitive advantage which form 4 generic strategies
 - Cost leadership strategy
 - Differentiation strategy
 - Focused cost leadership strategy
 - Focused differentiation strategy



Sustainable competitive advantage relies on creativity and innovation

Creativity - generation of a novel idea or unique approach to solve problems

Innovation - process of creating new ideas and putting them into practice

Three forms of innovation

- **Product:** results in creation of new or improved goods and services
- **Process:** results in better ways of doing things
- **Business model innovation:** results in new ways of making money

Organizational change - refers to change that results in a major overhaul of the organization or its component systems // planned and unplanned

Internal pressures for organizational change

- **Aspiration:** gaps in what an individual, unit or organization wants to achieve and what it is achieving
- **Life-cycle forces:** natural and predictable pressures that build as an organization grows and that must be addressed if the organization is to continue to grow
- **Changes in top management:** the replacement of top management team members who retire or otherwise depart organization



External pressures for organizational change

- Technological advances
- Changes in government regulation
- Changes in demographics
- Changes in societal values

Approaches to managing change

Lewin - unfreeze the status quo, move to new state(change), refreeze the change

Kotter - create a compelling reason for change and establish a sense of urgency; create new vision and strategies to achieve it

Action research - change process based on the systematic collection of data and then selection of a change action based on what the analyzed data indicate

Appreciative Inquiry - identify unique qualities and strengths of an organization that can then be built on to improve performance

Human dimension // Four sets of managerial assumptions about employees

Rational economic man - people evaluate the outcomes of different courses of action and select the one which maximizes the benefit they receive // emotions have to be prevented from interfering in the works

Social man - people are motivated by social needs and achieve a sense of identity through relationships with other people // manager must meet the individual's social needs and need for acceptance

Self actualizing man - people are primarily self motivated and self controlled and do not need external incentives and controls to make them work // instead of telling people how to do the job, managers explain what is to be achieved and allow the employee to exercise his own discretion

Complex man - people are complex and variable // people can adopt new motives as a result of their experiences // people motives may vary in different organizational situations and no correct managerial strategy exists

Managing change barriers

Perceptual barriers - stereotyping//difficulty in isolating the problems // inability to see the problems from various viewpoints

Emotional barriers - fear of taking risk // incapacity to tolerate ambiguity

Cultural barriers - taboos(issues that can't be discussed and therefore cannot be faced) // problem solving is a serious business //

Environmental barriers - lack of support // not accepting and incorporating criticism

Cognitive barriers - using incorrect language // inflexible use of strategies

6 major sources of organizational resistance

1. Structural inertia
2. Limited focus of change
3. Group inertia
4. Threat to expertise
5. Threat to established power relationships
6. Threat to established resource allocations

Lewin

Unfreezing, changing, refreezing

Before change is implemented, it has to be unfreezed; create awareness how necessary a change is so that people are down to change , communicate

Change itself, people get used to it and adjust how it will benefit people

Refreeze is when change is set and is in the organizational culture, regularly check that people use it properly

Coping With Change: The Coping Cycle	
Stage	Characteristics
Stage 1 - Denial	•People find value in their present circumstances •An immediate decline in performance

Lecture 10 - Teams, Teamwork and Leadership

Group - two or more people with a common relationship

Team - small number of people with complementary skills who are committed to a common purpose or goal

Teamwork - the process of people actively working together to accomplish common goals

Groups -> teams

Synergy - creation of a whole that is greater than the sum of its parts // team uses its membership resources to the fullest and thereby achieved through collective action far more than could be achieved otherwise

Pros of teams

- More resources for problem solving
- Improved creativity and innovation
- Improved quality of decision making
- Greater commitment to tasks
- Higher motivation through collective action

Cons of teams

- Personality conflicts
- Ambiguous agendas
- Individual differences in work styles
- Poor readiness to work ie lack of motivation

Types of teams

- **Problem solving:** 5-12 employees from the same department who meet for a few hours each week to discuss ways of improving quality, efficiency and the work environment
- **Self managed:** 10-15 employees performing highly related or interdependent jobs, taking on many of the responsibilities of their former manager
- **Cross-functional:** employees from about the same hierarchical level but from different work areas who come together to accomplish a task
- **Virtual:** use computer technology to tie together physically disperse members in order to achieve a common goal

Trends

Cross functional teams

- Members come from different functional units of an organization
- Teams work on a specific problem or task with the needs of the whole organization in mind
- Teams are created to knock down the walls separating departments

Virtual teams (electronic group networks)

- Teams of people who work together and solve problems through largely computer-mediated rather than face to face interactions

Self-managing work teams (autonomous work groups)

- Teams of workers whose jobs have been redesigned to create a high degree of task interdependence and who have been given authority to make many decisions about how to do the required work

Typical self management responsibilities

- Sharing tasks
- Training members
- Planning and scheduling works
- Ensuring high quality

Self managing work teams

- Evaluate one another's performance
- Are able to perform more than one job on the team
- Have discretion in scheduling work within the team
- Have discretion in distributing tasks within the team

Effective teams

- Retain viability for the future

- Achieve and maintain high levels of task performance
- Achieve and maintain high levels of member satisfaction

Resource input factors that influence group process in the pursuit of team effectiveness

- Nature of the task
- Team size
- Organizational setting
- Membership characteristics

Five stage model m

1. **Forming** - considerable uncertainty about teams structure, purpose and leadership
2. **Storming** - intragroup conflict; resistance to the constraints imposed on individuality; who will control the team
3. **Norming** - close relationships develop; team cohesiveness
4. **Performing** - team is now fully functional and accepted
5. **Adjourning** - group disbands

Punctuated equilibrium model

Phase 1 - first meeting sets the teams direction followed by a period of inertia (forming and storming)

Phase 2 - recognition that work needs to be done followed by a burst of changes to old patterns setting a new direction ending with a final burst of activity to finish its work

Dysfunctional activities that detract from effectiveness in teams

- Blocking
- Being aggressive
- Competing
- Horsing around
- Seeking recognition

Conflict - disagreement between people based on substantive issues regarding goals and tasks or because of emotional issues arising from feelings of anger, fear, dislike...

Conflict that is well managed can help promote creativity and high performance

Functional conflict - moderately intense conflict, constructive and stimulates people toward greater work efforts and cooperation

Dysfunctional conflict - low intensity and very high intensity conflict, destructive and hurts taks performance

Causes of conflict

- Resource scarcity

- Competing objectives
- Role ambiguity
- Unresolved prior conflicts

Lecture 11 - Human resources management

Human resource management - includes all activities used to attract and retain employees and to ensure they perform at a high level in meeting organizational goals

Strategic human resource management - is the process by which managers design the components of an HRM system to be consistent with each other, other elements of the organizational architecture and the organization's goals

Planning

- Includes all activities that managers use to forecast their current and future human resources needs

Job analysis - the process of identifying the tasks/duties that make up the job and the knowledge/skills needed to perform the job

Job description - what has to be done

Job specification - what you need to do it

Components of a HRM system

- Recruitment and selection
- Training and development
- Performance appraisal and feedback
- Pay and benefits
- Labour relations

Recruitment External

- Managers look outside the firm for people who have not worked at the firm before
- Sources: advertisements, open houses, informal networks
- Pros: large applicant pool, hire people with appropriate skills and knowledge
- Cons: high costs, lowering moral of current employees

Recruitment Internal

- Managers look inside the firm at existing employees to fill vacancy
- Sources: employees looking for promotion/lateral moves
- Pros: employees familiar with organization, boost employee morale/motivation, less time consuming
- Cons: limited pool of applicants, no new ideas

After pool of applicant are identified, candidates qualifications related to the job description are determined

Background information - includes education and prior employment

Interviews - structured interview were the same questions are asked and unstructured interview where its like a normal conversation

Selection process

Testing - included testing ability, personality, and performance

References - ask other people (references)

Selection tools must be reliable and valid

Reliability - the degree to which the tool measures the same thing each time it is used (scores should be the same for people redoing the test)

Validity - does the test mause what it's supposed to measure?

Training and development

Training - teach organization members how to perform current jobs

Development - build meloyees skills to enable them to take on new duties

Performance appraisal and feedback

Appraisal - is the evaluation of an employee's job performance

Feedback - process through which managers share performance appraisal information

Steps in performance appraisal process

- Establish performance standards
- Communicate the standard
- Evaluate performance
- Review results
- Take action
- Plan for the future

Effective feedback

- Focus on problem solving and improvement not criticism
- Express confide in workers ability to improve
- Use formal and informal feedback
- Set a timetable for agreed changes
- Be specific and focus on correctable behaviour

Ethics - beliefs about what is right/wrong

Ethical behaviour - behaviour that conforms to individual beliefs and societal norms about what is good/bad

Value judgments - subjective evaluations of what is considered important based on how managers feel about the goodness of goals

Moral standards - by which individuals judge their actions of others based upon accepted behaviour in society

Utilitarian approach

- Focuses on the consequences of a decision; intention is to make a decision that results in the greatest good for the greatest number

Moral rights approach

- Focuses on examining moral standings of actions independent of their consequences (some things are just wrong or just right)

Universal approach

- Choosing a course of action that you believe can apply to all people under all situations

Justice approach

- Focuses on how equitably the costs and benefits of actions are distributed

Pros for CSR

- Good for the bottom line
- Business must satisfy society's needs
- Investors and consumers support CSR
- Improve public image
- Proactive approach is better than reactive

Cons for CSR

- Profit maximization is the primary purpose of business
- Social policy is role of government
- Business lacks training in social issues
- CSR would give too much power to business
- Increased costs