5.1 Business Activities

Think About It

What type of career are you planning to pursue in the future? No matter where you wind up working, that business (and every other business) must accomplish certain things—such as hiring people, making/providing products, and keeping track of expenses. These primary activities keep businesses in operation. Without them, no one would have a job!

What Is a Business?

A business is an organized effort to produce and/or distribute goods and services. Businesses can operate for profit, or they can be nonprofit entities. All businesses must accomplish certain things.

Business Activities

Primary business activities include financial analysis, human resources management, information management, marketing, operations, and strategic management.

Financial analysis is the process of planning, maintaining, monitoring, controlling, and reporting the use of financial resources.

Human resources management is the process of planning, staffing, leading, and organizing employees.

Information management is the process of accessing, processing, maintaining, evaluating, and disseminating business knowledge, facts, or data.

Marketing is the process of creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

Operations are the day-to-day activities required for continued business functioning. It includes production, quality control, purchasing, and inventory management.

Strategic management is the process of planning, controlling, and organizing an organization or department.

The Importance of Business Activities

All businesses must rely on the integration of the primary business activities to reach specific goals. Business changes, outsourcing, and virtual services do not diminish the need for primary business activities—they simply require the business to adjust the activities accordingly.

5.1 Activity

You will be divided into groups of seven students each.

1. **Select a business that you would like to start.**
2. **Select one of the primary business activities: accounting, finance, marketing, human resources management, information management, operations, and management.**
3. **Research your selected specialty area using the Internet, newspapers, magazines, and interviews.**

As a group develop and share a short presentation on the role and impact of these activities in its business. Your group may use the Starting Up A Business Template

5.2 The Concept of Management

Think About It

Think that understanding management isn't important because you'll never be a manager during your career? If so, think again. There are millions of people employed in management positions in the U.S. today. They can be found in every industry and hold positions ranging from shift supervisor to department head to CEO. Here's the really interesting part—many of these managers began their careers in jobs just like yours. They started in entry-level positions and, thanks to hard work and perseverance, worked their way up in the business.

Think that you don't have what it takes to be a manager? You may not realize it, but you are involved in management every day, whether it's following your supervisor's directions or organizing your own workload. By understanding what management is, you'll become more productive and successful on the job. And by becoming more productive and successful, you'll improve your chances of moving into management, if that's what you want to do.

What Is Management?

Management is the process of coordinating resources to accomplish an organization's goals, and managers are the people who make things happen. To be effective, they must have technical skills, interpersonal skills, and conceptual skills.

Management Functions

Managers are responsible for the functions of planning, organizing, staffing, directing, and controlling. Planning involves deciding what work will be done and how it will be accomplished. Organizing involves setting up the way the business's work will be done. Staffing is an important management function because staffing helps the business find employees who know how to do the necessary work. Directing involves providing guidance to workers and work projects. Controlling involves monitoring the work effort.

Levels of Management

Management is divided into three levels:

Top level or executive: Responsible for the operation of the entire organization. They are the owners, chief executive officers, presidents, chief financial officers, vice presidents, and general managers.

Mid level or middle: This level of management is responsible for implementing the goals set by top management. Middle managers are the department heads, production managers, sales managers, and district managers.

First line or supervisory: First-line managers take the vision one step further and make it happen. They are the ones who are concerned with actually carrying out the actions and plans that the middle managers identified. They are the office manager, floor supervisor, shift supervisor, and team leader.

Management is responsible for managing a business's resources, including human resources, financial resources, material resources, and information.

5.2.1 Activity

Keep a record for one day of the types of management activities encountered at school; categorize the activities according to the management function represented; state the effect of the activities on the school, its staff, and students (positive, negative, or no effect);

ANSWER:

5.2.2 Activity

Use the business your group decided on in Unit 5.1. Create a diagram illustrating and explaining the levels of management in that particular business.

5.2 Case Study

One of Lakshmi's tasks as manager is to create a business plan for her team based on goals set by the company's head executives. Lakshmi has been swamped with work and has fallen behind on her planning process. Despite this setback, the business still has the same overall goals and deadlines. If Lakshmi had completed her business plan on time, her team would have been able to reach the proposed goals. Now that she is late, however, her team will have to work long hours and will still struggle to meet the goals in time. Should Lakshmi admit that she lost track of time and adjust the deadlines accordingly? Or should she keep the deadlines and expect her team to come through so the business can stay on track? *(Ethical Principles Involved: Integrity, Accountability, Fairness)*

5.3 Human Resources Management

Think About It

What do you think of when you hear the phrase "human resources"? The department of a company you hope you'll get a call from when you want to land an interview? For many people, human resources or "HR" means a gateway for getting hired. While HR responsibilities do include staffing, the HR function goes much deeper than just that. Human resources management involves a wide variety of activities—HR employees make sure you get paid, stay safe on the job, and have the tools you need to succeed. Read on to learn more about the important role of human resources in any business, big or small.

What Are Human Resources?

Human resources are the people who work to produce goods and services. Human resources management is the process of planning, staffing, leading, and organizing employees. Main HR management activities include:

- Staffing: Finding workers for the business
- Compensation and benefits: Determining pay and advantages employees receive in addition to their monetary compensation, such as health insurance, retirement accounts, paid vacation and sick time, etc.
- Training and development: Ensuring that employees are knowledgeable and productive
- Compliance: Fulfilling the requirements of the law
- Employee relations: Making sure employee relationships remain positive and productive

The Importance of Human Resources

Human resources are important to business effectiveness because they control all the other company resources. HR management exists to make sure that every employee in the company is available, knowledgeable, productive, and satisfied.

The role of human resources management is constantly changing and evolving as employee and business needs change. Human resources managers play vital roles in strategic management. Strategic plans are made for the company's long-range future. And, no company's future looks bright without the right human resources in place. Organizations must work now to ensure they'll have the human resources they'll need tomorrow. Strategic planning is incomplete without taking HR into account. Human resources management can also help a business gain a long-term competitive advantage over the rest of the industry.

5.3 Activity

Interview your parent or guardian to find out their opinion of the human-resources department where they work or where they have worked in the past; ask for examples to support their opinions; and record their responses. - Answer:

Meet with two or three of your classmates to discuss your findings.

Analyze the information for similarities and differences; dra
w conclusions about the human-resources department; What are your final conclusions about Human Resource Departments: The Good, The Bad, The Ugly - Answer:

5.3 Case Study

Ethics Case for Students: You work in human resources at a small company. Your manager has given you control over this year's benefits selection process. Your company is not required by law to provide benefits such as health insurance, paid time off, or retirement plans. Your manager reminds you that all of these benefits are expensive and hints that it would greatly benefit the company's bottom line if you decide not to offer them. He explains that if the company can save costs in this area, it might be able to hire new workers or increase salaries for existing workers. However, you know that many of your coworkers enjoy having a generous amount of paid time off and rely on the health insurance provided by the company. Is it ethical to cut benefits to help the company save money overall? Or should you insist to your manager that employees deserve benefits? ***(Ethical Principles Involved: Integrity, Trust, Fairness, Respect, Viability)***

5.4 Marketing

Think About It

Have you ever searched the Internet for a special brand of sunglasses or a custom T-shirt company? If so, you have been impacted by marketing. Marketing is all around you. Everywhere you go in life and online, you encounter advertisements, items for sale, and people promoting ideas.

What Is Marketing?

Many people associate marketing with advertising and selling. **Marketing**, however, refers to all the activities that help link producers with the customers who want to buy their products. Before a product can be advertised or sold, marketers must conduct research to identify customers, discover their needs, and develop products that customers want. Marketers also analyze the financial potential of new products before introducing them to the marketplace. After marketers identify

a viable product, they determine how to price it, promote it, and place it. This wide range of responsibilities is sometimes referred to as the **marketing mix**, because the marketing elements of **product**, **price**, **promotion**, and **place** come together to form a strong marketing strategy.

The Marketing Concept

In addition to performing marketing activities and developing marketing strategies, successful businesses also adopt the marketing concept. The **marketing concept** is a philosophy of conducting business that is based on the belief that all business activities should aim to satisfy customer wants and needs while achieving company goals. Businesses that embrace the marketing concept consider the customer's point of view first—before making any marketing decisions.

There are three elements that make up the marketing concept: **customer orientation**, **company commitment**, and **company goals**. Marketers consider customer orientation by producing and promoting the products that consumers want. A company commitment is evident when an organization serves the interests of customers by improving products, offering competitive prices, and providing outstanding service. In addition to fulfilling customer needs, marketers following the marketing concept also strive to achieve company goals.

In recent years, the marketing concept has been further developed into the **societal marketing concept** which seeks to create and promote products that benefit society as a whole. Companies that are environmentally friendly or focused on solving societal problems are often viewed favorably by consumers and increase their success.

Marketing's Economic Impact

Marketing plays a large role in the economy. It helps businesses be profitable, and it helps us obtain the goods and services that we need and want. Marketing is one of the most important aspects of any business because it directly impacts revenue and profitability. In addition, marketing is the primary way that companies interact with customers, creating vital relationships that lead to the development of better products and satisfied customers.

Marketing activities are also involved in the development and growth of international trade. By importing the products that they need and exporting products for sale, countries around the world can obtain needed resources and goods, create jobs, and improve the quality of life for their citizens.

Market competition is another economic benefit that arises from marketing activities. When businesses compete to provide new and improved products at lower prices, it creates jobs and a higher standard of living. Competition in the marketplace also produces a large variety of goods and services that allow you to choose the products that will benefit you the most. Without market competition, you would have few products to choose from.

And without marketing itself, there wouldn't be any products to buy, sell, or trade. Without marketing, you would have to make your own clothing and grow your own food. You wouldn't have books, videos, or music to entertain yourself. Marketing has a significant impact on the world, the economy, and you.

5.4 Activity

Identify ways in which local businesses apply the marketing concept domestically and abroad and determine how this affects the businesses' customers.

Write an article / make a screencast / record a podcast to depict your findings.

Share the link here:

5.4 Activity

Research the four P's of marketing: product, place, price and promotion. Complete the Markehttps://docs.google.com/document/d/1TFTQPDWoNCvaxd1EKDXoz2PmPUtRSjdLP2rf3Z1VSvY/edit?usp=sharingting Mix Organizer

5.4 Case Study

Ricardo works in marketing for a soft drink company. His new outdoor advertising plan involves placing billboards geared toward children near schools and playgrounds. Ricardo's goal is to increase consumption of the soft drink by children ages 5-11. He knows that the drink is not necessarily healthy for young children, but he knows that they can increase sales if they target this market segment. Is Ricardo's marketing strategy ethical? Why or why not? *(Ethical Principles Involved: Integrity, Accountability, Transparency, Rule of Law)*

5.5 Customer Relations

Think About It

Have you ever had a bad experience with a business? Maybe your new bike had mechanical issues, your french fries were served cold, or a store clerk was unhelpful and rude. You probably told all your friends and family members about your horrible experience. One unhappy customer can have a big impact on a business. That's why it's important for businesses to take all customer relations seriously.

The Importance of Customer Relations

Customer relations is a term that refers to all the activities a business engages in to interact with its customers. Businesses are impacted by the quality of their customer relationships in many ways. Customers have high expectations for quality service. When companies fail to provide it, customers are quick to do business elsewhere and share negative information with others. Positive customer relations also encourage **customer loyalty** which leads to repeat business. Satisfied customers are quick to recommend a business to their family and friends through **word-of-mouth promotion** creating additional business and a positive company image. When companies focus on providing quality service, fewer errors are made which increases productivity.

In addition to providing good **customer service**, companies seek to build positive customer relations by demonstrating that customers are important to them. They are **proactive**, taking steps to prevent problems from occurring and working to exceed customers' expectations. They work to create positive experiences in every interaction with customers whether it occurs in person, online, or through the mail. They make customer relations a top priority throughout the entire organization. Employees are trained to use effective customer relations principles and practices in every situation.

Company Elements That Impact Customer Relations

Nearly every element of a company has the potential to improve its customer relations. All of a company's processes, activities, and technologies affect the quality of a business's customer relations. By regularly streamlining processes and updating technology, companies are able to provide convenient experiences for their customers.

Good communication is essential for building positive customer relationships. Developing communication processes and tools in ways that allow customers to easily communicate creates positive interactions. When companies actively listen to customers, they gain a valuable understanding of what customers expect, value, and need. The valuable information that customers share help companies improve their products and services.

The creation of a positive work environment impacts customer relations. A positive work environment includes an attractive, up-to-date setting that makes customers comfortable. It also includes a corporate culture that promotes teamwork, respect, and professionalism. When employees treat customers respectfully and work together in positive ways, it makes customers feel welcome, appreciated, and important.

The most important factor to the success of a business's customer relations is its employees. Hiring friendly employees with good problem-solving and decision-making skills helps a company provide good customer interactions. The importance of good customer relations skills should be stressed during an employee's hiring process, training, and job evaluations. How a company treats its employees also impacts its customer relations. When employees are treated well, they feel important and appreciated which motivates them to treat customers well also.

A Customer-Centric Approach

It's important for companies to adopt a customer-centric approach that always puts customers first. All interactions with customers are conducted with professionalism. Professional employees exhibit helpful attitudes that demonstrate courtesy, friendliness, and respect. They promptly resolve customer concerns to each customer's satisfaction. In addition to solving problems, professional employees are apologetic and show gratitude toward customers for their business. It's also important for employees to act with integrity by keeping any promises made to customers. Companies that build positive customer relationships through positive interactions and putting customers first, enjoy more business, success, and profits.

5.5 Activity

Analyze a school-based enterprise or local business to identify actions taken by employees to establish and/or maintain customer relationships. What techniques/strategies do you think that management could use to reward employees for establishing/ maintaining positive customer relations? You can also do some research on how successful companies achieve this.

5.5 Case Study

Jack is a customer service representative for a large telecommunications company. His primary responsibility is to help customers work through problems with their cable or internet. He enjoys helping other people and always tries his best to stay positive, even when customers treat him poorly. Today, however, Jack received a call from a particularly irritated customer. The customer was angry that his internet connection was acting up, so Jack led him through the standard troubleshooting procedures. The customer wasn't satisfied with Jack's help, and even called Jack several derogatory names. Furious, Jack hung up on the customer – he had had enough! Later that day, Jack felt bad that he hadn't handled the situation more professionally. But the customer was so rude, even when Jack tried his best to help him. What do you think? Should Jack have continued to help the customer even though he was being treated poorly? *(Ethical Principles Involved:*

Fairness, Respect, Viability)

5.6 Financial Information

Think About It

Have you ever tried to budget or save for a large purchase? If so, you understand the importance of financial information. Without knowing how much money you have saved or will earn in the future, there is no way to know how much you can realistically spend on a large purchase. Everyone needs financial information in order to budget, save, and spend. Just like you, businesses also rely on financial information.

The Importance of Financial Information

Financial information is very important to the successful operation of a business. **Financial information** is any record or data related to an individual's or business's financial activities. Businesses generate a lot of financial data such as receipts, invoices, and loan documents. In order for this information to be useful, it must be organized in a way that makes sense. This is where the accounting function comes in. **Accounting** is the process of gathering, recording, organizing, and reporting financial data. Accountants prepare **financial statements** such as **balance sheets** and **income statements** that are very beneficial to many internal and external users seeking more information about the company.

In order for financial information to be useful, it must be understandable. Since financial information is used by a wide range of people, the information should be developed with language and formats that are easily understood. Useful financial information must be relevant to the business task being performed. A manager deciding whether to hire new employees, for example, will need a different set of financial data than an investor trying to determine the company's profit potential.

It's also important for financial information to be reliable. Reliable data are accurate, complete, free of bias, and created in consistent ways. Consistency is achieved by using common accounting standards such as **GAAP (Generally Accepted Accounting Principles)**. By adhering to a prescribed set of accounting standards, a company can also ensure its data are comparable. Comparable data make it possible for users to effectively compare current financial information to past financial information as well as to similar businesses and competitors.

Financial Information Helps a Business Run Smoothly

Financial information helps inform a company's **managerial decision-making**. Having the knowledge necessary to keep a business running smoothly is the most important application of financial information. A company's managers rely on financial information to make business decisions that impact day-to-day business operations. Some examples of business decisions frequently made include reducing expenses, increasing sales, boosting profitability, managing debt, and making purchases. Without accurate records, a company cannot evaluate whether it has income available to make purchases, what its current expenses are, or whether it is on track to earn profits.

Managers also rely on financial information to strategize and plan for the future. The business activities of budgeting, evaluating business operations and strategies, as well as monitoring the competition require accurate financial information. In addition to aiding in decision-making, financial information is also used to predict a business's future performance. By looking at what has happened in the past and what's happening now, it's possible for companies to determine what will happen in the future. Common **trends** that financial information can help predict include sales, income, and expenses.

Successful companies work to maintain the integrity of their financial information through accurate record keeping and the consistent use of accounting standards. Financial information helps a business operate smoothly, make decisions, and prepare for the future.

5.6.1 Activity

Interview a business partner or research why s/he/they need financial information, how s/he/they use that information, and what types of information s/he/they use. Write out or Record your findings and put the link here:

5.6.2 Activity

Use the link to discover key concepts of balance sheets, income statements and cash flow sheets. Write three things you learned about each financial document below:

[Financial Statements Video]

Balance Sheet

1.
2.
3.

Income Statement

1.
2.
3.

Cash Flow Sheet

1.
2.

3.

5.6 Case Study

Ethics Case for Students: Alexis works as a managerial accountant for a large retail company. One of her most important responsibilities is interpreting her company's financial information and recommending appropriate actions to upper management. Alexis's company is considering making renovations to its main office building, which is outdated and in need of repairs. Her manager asks Alexis to determine whether the company has enough money in the budget to afford major renovations this year.

Alexis really wants the office building to be updated – she's sick of the ant problem, the lack of insulation, and the broken kitchen appliances – but the budget doesn't quite justify the expense. Alexis figures, however, that the money will be made up once the busy holiday season brings in additional revenues. She's considering "fudging the numbers" so that the renovations will be a go – after all, improving the office building would increase employee morale and decrease turnover, saving the company money in the long run. What do you think? What should Alexis recommend that her company do? *(Ethical Principles Involved: Integrity, Transparency, Rule of Law, Viability)*

5.7 Accounting

Think About It

Have you ever had a goal to save for a big purchase or to budget your money? If so, you probably found it helpful to keep track of all the money that you saved or spent. When you keep careful records, you know exactly how much money you can spend or save at any given time. You are keeping track of (accounting for) your money. Just as you need to account for your money to accomplish your goals, so do businesses.

What's Accounting?

Accounting is the process of gathering, recording, organizing, and reporting financial data. Accounting records show a business's financial health—whether it is financially stable, improving, or declining. **Internal users** of a company's financial information include its owners and managers who use **managerial accounting** information to help them make sound business decisions. **External users** include investors and creditors who use a business's financial statements to evaluate its profitability. The government uses a business's financial information to determine if it is properly calculating and paying taxes.

Accounting Tools

In order for a business's accounting records to be useful, a business must make sure that everyone handling its financial records follows the same methods or procedures. A business sets up an **accounting system**—a consistently applied process for handling its financial information. To be effective, the system should be easy to use, expandable, process data quickly, and be affordable to operate. It should also protect the business by preventing financial loss and identifying risks.

Businesses typically use a process called the **accounting cycle** to maintain their financial records effectively. The first four steps of the accounting cycle are all aspects of **bookkeeping** which must be performed on a daily basis to maintain a company's **journals** and **ledgers**. **Accountants** perform the remaining steps which involve summarizing the data into financial statements and closing the books.

The Accounting Cycle

Analyzing financial transactions. Bookkeepers begin the accounting process by collecting source documents—checks, receipts, invoices, purchase orders, etc. for the business's financial transactions. Each financial transaction is analyzed to determine the amount and the accounts affected.

Journalizing transactions. Transactions are recorded in the order that they occur within the appropriate journal. Businesses typically use either the **cash accounting method** or the **accrual** method to record income and expenditures.

- The **cash accounting method** records transactions at the time the money is exchanged. When customers make payments, the transactions are recorded as income, and when the business pays for items purchased, those transactions are recorded as expenses. The cash accounting method tracks the actual amount of cash that the business has on hand.
- The **accrual method** journalizes income and expenditures at the time they are initiated such as a customer's credit purchase, even if no money changes hands at that time. This method is often used by large businesses and ones that offer credit. The accrual method allows a business to track sales and expenses instead of the amount of cash received or paid out.

Posting to ledgers. The information that has been recorded in the journal must be sorted and posted to the correct ledger, which contains records for a specific department or area of the business.

Balancing the books. After posting journal entries to the business's ledger(s), a trial balance is prepared. A trial balance is a worksheet listing all of a business's different accounts and their respective debit/credit balances. It is used to check the accuracy of a business's journal and ledger entries.

Preparing financial statements. Accountants summarize a business's financial information and format it in reports that can easily be understood. They use accounting standards to ensure the financial information they create is consistent. Consistency makes it easier for internal and external users to accurately interpret a business's financial statements.

- **Balance sheet.** The balance sheet captures the business's financial condition at a particular point in time. It presents the components of the basic accounting equation: Assets – Liabilities = Owner's Equity. The balance sheet gets its name from the fact that both sides of the equation must balance each other.
- **Income statement.** The income statement, sometimes called the profit-and-loss statement, shows how much money the business has made or lost during a specific period of time, usually one year.
- **Cash flow statement.** A cash flow statement is a financial summary estimating how much cash is expected to flow into the business in the given time period. This information is used to plan ahead by generating more income and/or reducing expenses.

Closing the books. The final step of the accounting cycle involves closing any temporary accounts and transferring the temporary account balances to permanent accounts such as owner's equity. After closing the books, the accounting-cycle process starts over again.

5.7 Activity

Examine the accounting activities performed for a school-based enterprise or somewhere they or their parent or guardian has worked, determine why each of the activities is performed, share your finding written/video/audio response, your choice: Link:

5.7 Case Study

Several years ago Susannah, an accountant, started a small clothing boutique with her best friend Jennifer. The boutique recently suffered a major loss after an entire shipment of inventory was ruined by a water line break that flooded the store. Jennifer tells Susannah that she is worried about the boutique's financial health – and that she is considering shutting it down. Susannah is devastated – she's confident that she can find a way to work the numbers so that the store can stay open.

After spending hours with the budget, Susannah is frustrated and tired. She realizes that Jennifer is right – the store's finances have been going downhill for quite some time. She knows that the boutique can't stay open for much longer without going bankrupt. But Susannah has invested so much time and effort into the store that she can't bear the thought of it closing. She's debating simply telling Jennifer that everything is fine and dealing with the store's debts later. What do you think? Should Susannah tell Jennifer the truth?

(Ethical Principles Involved: Integrity, Trust, Transparency, Respect, Viability)

5.8 The Role of Finance in Business

Think About It

Have you ever dreamed of running your own business? You probably have a product and a potential location in mind for your business. But have you considered how you will obtain money to fund your venture, or how you will handle your finances?

What Is Finance?

Finance refers to the way a company funds itself and manages its money. Without funds to operate and wise money management, a business cannot operate successfully. In business, finance is the function that involves all money and money management matters. While finance is closely related to the accounting function, finance has a different primary focus and purpose. The accounting function is focused on recordkeeping activities to provide accurate financial information. The finance function is focused on money management decisions for the purpose of boosting a company's growth and reducing its risks. The functions of accounting and finance are interrelated since finance managers depend on the accuracy of accounting information in order to make good financial decisions. Likewise, accountants depend on the decisions made by finance managers so they can handle accounting activities in ways that achieve company goals.

The Importance of Finance

Every part of a company is tied to finance in some way. Money is needed to buy raw materials to convert them into products, to pay for advertising, and to maintain and update computer systems just to name a few. Finance serves many important purposes within a business such as setting and accomplishing future business goals. Finance managers help plan and control a company's spending by monitoring company spending throughout all its different departments. They also ensure that sufficient financing is available, not just for projects, but for paying other liabilities such as debts and taxes. Additionally, finance managers are also responsible for making sure that customers pay their bills and for investing company money wisely.

Finance Activities

Financial managers are responsible for the **administration of assets**—determining what types of assets the company should own, as well as the proper mix of those assets. Another primary finance activity is financing. **Financing** is the process of funding a business venture through the acquisition of funds. Finance managers must choose funding that is most beneficial to a company by considering the disadvantages and advantages offered by each type.

Capital

Finance managers do more than manage money, they manage a company's capital. **Working capital management** refers to decisions made for the short term to balance a company's assets and liabilities. These decisions are primarily focused on the management of accounts payable and receivable, inventory, and cash. A key component of managing working capital is the **cash conversion cycle**, which refers to the number of days that pass after a company has purchased raw materials, created products, sold them, and received payment. Keeping the cash conversion cycle as short as possible helps a company create a positive **cash flow** that makes it easier to conduct business. Another key component of managing working capital is referred to as return on capital. **Return on capital** measures how well a business generates cash flow in relation to the capital (both debt and equity) it has already invested in itself, and it is usually expressed as a percentage. By making sure that return on capital is positive, finance managers are able to help a company grow in value.

Capital investment decisions are made for the long term and determine a company's major projects, how to finance them, and whether or not to pay dividends to the company's shareholders. These decisions are referred to as the **capital budgeting process** and the first step is evaluating a project's potential ability to produce profit. Then, finance managers determine how to fund the project by identifying the best use of existing equity (cash and assets) and whether or not to incur debt by obtaining business loans. When finance managers fund a project, they are trying to create an "optimal mix" of financing (debt and equity) to create a **capital structure** for the company to operate within. The final step of the capital budgeting process is determining how a company will handle its profits. A company has to decide whether or not to pay dividends to its shareholders and, if so, when and how much. It also must decide whether to pay them in the form of cash or in the form of stock. When a company does not pay dividends, it must decide whether to finance new projects or to reinvest in existing one

5.8.1 Activity

Research on how finance activities are performed at big and small businesses and develop a rationale for those differences and similarities

5.8.2 Activity

Create a written or video blog/podcast giving new business owners tips for managing their finances.

5.9 Operations

Think About It

What little things do you do every day to keep yourself on track? Your list may include activities like completing homework, exercising, shopping, or doing laundry. These tasks may seem like simple everyday tasks, but they are important. If you don't complete them, you will become less productive. Just as you need to take care of your day-to-day activities, businesses also must take care of routine tasks that keep things running.

The day-to-day activities for continued business functioning are known as operations. Operations allow a business to take inputs such as employees, raw materials, and equipment to produce the outputs of goods and services. The operations activities of manufacturers are often more tangible than service providers since they produce a tangible or physical product. However, even businesses providing intangible products like hairstyling, music concerts, or Internet service still have a production process and many operational activities used to conduct business each day. The two main concerns of operations managers are efficiency (keeping costs low) and effectiveness (keeping customers satisfied).

Operations Activities

Production planning creates the foundation for how a business will operate. A business's operating systems must be planned before production can begin. An **operating system** is made up of people, places, materials, equipment, and information. Operating systems must be regularly evaluated to ensure they're working effectively.

Site selection and layout is determined by a company's operations manager. A physical site may or may not be needed depending on the type of business. When a site is desired, managers consider the costs, what type of labor is available near the location, and how receptive the community will be toward the business. Once a site is chosen, the layout of the facility is designed in a way that benefits the business and its goals. A manufacturer, for example, will require a large space for producing goods, while a service-oriented business typically requires more room for customers.

Purchasing is the process of buying goods and services for a business. Purchasers seek to obtain materials, products, and supplies when they are needed, in the right amounts, and at the best price. A business's purchasing needs vary depending on the type and size of the business. A small boutique, for example, has different needs than a large online retailer.

Quality control ensures the degree of excellence of a good or service. General standards of quality include performance, durability, serviceability, and conformance. When a business produces quality products, it is able to keep and gain customers and can also outperform competitors. Lower costs and higher productivity also result from quality control since there is less wasted material, less time spent fixing problems, fewer returns, and fewer lost sales from unhappy customers.

Inventory control is used to manage a business's raw materials, partially finished, and finished goods inventory. Businesses must make sure they don't run out of materials or buy too much, because both of these situations can cost a lot of money. The inventory control needs of businesses vary widely. Producers and retailers have much more physical inventory to manage than service providers.

Logistics refers to managing the flow of goods and services from production to consumption. This includes all the people, information, and processes involved in storing and transporting goods. Operations managers decide where and how to store goods as well as how and when to transport them to customers.

Routing is the process of selecting the path and sequence of operations to be performed. Routing determines the flow of work and sequences production steps to achieve maximum effectiveness and efficiency.

Scheduling is an operations activity that establishes the timetable to be followed in production. It determines when materials will arrive at a certain destination and how long they will stay there. To make timing decisions, operations managers must have a thorough knowledge of each step in the production process and how long it takes. When routing and scheduling work together, the entire production process flows smoothly.

Safety and security of employees, customers, and visitors is also a responsibility of operations managers. Businesses establish internal rules/procedures and comply with government standards for employee, public, and environmental safety. Operations managers may also be responsible for the company's security needs (alarm systems, security guards, etc.). Some businesses like hospitals and airlines are much more concerned with safety and security issues.

Maintenance and repairs are regularly performed by operations to maintain a business's facility and equipment. Additionally, routine custodial work is handled by the operations function. Both production and service-oriented businesses using machinery, tools, and vehicles devote more time to maintenance and repairs than other types of businesses.

Expense control is another function of operations. Since operations managers control so many business activities, they have many opportunities to control a company's expenses. When operational managers improve efficiency, reduce waste, control inventory, and make wise purchases they are able to make a positive impact on a company's net income.

Impact of Technology

Technology affects nearly every aspect of operations. Materials and supplies are ordered online, inventory is managed with software, and logistics are monitored with radio-frequency identification (RFID). Computer-aided design, 3D printing, and robotics have provided ways to quickly build prototypes and products. Quality and efficiency are improved by computer-aided manufacturing (CAM) that evaluates computer-generated information about the production process and automated equipment being used.

Importance of Operations

Because operations impact every other business function, operations managers must work closely with managers and employees in every other part of the company. Marketers can't promote a quality product if operations managers haven't maintained quality, production, and inventory levels. And, since operations managers control many of a firm's assets, they help companies achieve their business and financial goals. Operations managers play an important and integral role within any organization.

5.9.1 Activity

Develop a definition of the term "operations," determine what business activities are associated with it, and compare operations in a big business with that of a small business.

5.9.2 Activity

Develop a job posting for a company looking to hire an Operations Manager

5.10 Technology's Impact on Business

Think About It

You're annoyed when your car won't start. You sprint to the bus stop to catch the school bus. When you realize you left your cell phone in your car, you are even more annoyed! This means you won't be able to review your class notes for your science test today. It also means you won't be able to check your calendar for club meetings or communicate with your friends about plans to meet after school. You are so dependent on your car and the technology in your phone that a day without them is more than annoying—it is downright difficult! Just as you depend on technology to accomplish your goals, so do businesses.

Business Application of Technology

A good definition of technology is "the practical application of science to society and industry." Most people recognize new devices and inventions, such as mobile phones and robots, as technology. However, technology also includes improvements to materials and new processes that save time or improve quality. When businesses use technology, they are able to improve and gain competitive advantages. Some companies not only use technology to improve, but work hard to develop innovative technologies which can lead to the creation of entirely new industries.

Important Technologies

- **The Internet** provides a way to quickly conduct local and international business, and also improves internal communications and research abilities.

- **Voice over Internet Protocol (VoIP**) services provide video conferencing capabilities that make it easy to run virtual meetings with people around the world.
- **Mobile phones and devices** allow a business's employees to easily contact coworkers and clients, respond to email messages, and manage their schedules.
- **Global positioning systems** (GPS) help a company manage its travel and shipping activities.
- **Computer technology** which includes computer hardware and software help a business's operations run more smoothly and efficiently. In addition, expert systems that mimic the knowledge of a human expert help businesses complete highly skilled work.
- **Databases** provide a business an easy way to store, manage, and protect its data. Data, such as intellectual property, customer information, and business records, are valuable resources that help a company operate, and conduct research and marketing activities.
- **Computer networks** provide an easy way to keep employees and information connected both at the office and when working remotely.
- **Electronic transfer of funds** allows a business to manage and automate its payments and banking activities, which saves time and reduces errors.
- **Computer automation** such as computer-aided design (CAD) and computer-aided manufacturing (CAM) help companies design, create, test, and produce products more efficiently.
- **Improved materials and processes** help businesses create quality products in the most time-saving and cost-effective ways.
- **Virtual reality** can be used to train employees. Virtual training is especially helpful for highly skilled and technical jobs such as flying an airplane or conducting medical surgery.

Technology's Impact on Business

- **Technology affects industry** in many ways. Sometimes technology creates an entirely new industry. Examples include the aviation, computer, and robotics industries which did not exist before the appropriate technology was created. Technology can also stimulate industries related to the innovation. The creation of automobiles, for example, created growth in the related industries of glass, rubber, steel, etc. used to produce cars. Technology also significantly alters or eliminates existing industries and jobs. Manufacturing jobs, in particular, have been significantly impacted by automation and robotics. Sometimes technology simply aids or alters the way employees conduct their work.
- **The nature of marketing has changed.** New and improved methods of communicating and information gathering have led to online marketing, shopping, and customer service interactions. All these online interactions provide businesses a great deal of information they can use to refine and target their marketing campaigns. Technology also makes it easier for a business to sell products or set up operations in new or overseas markets.

- **Jobs have changed.** Employees must regularly update their skills to compete for positions that require technical knowledge which continually changes. The nature of work has also changed due to increased opportunities for telecommuting and collaborating.
- **Competition has increased.** New materials, tools, and operating systems allow businesses to achieve higher productivity and reduce costs. This is why it's important for businesses to keep pace with technology if they want to remain competitive. Some industries such as computer and auto manufacturers must lead the way by developing innovative technologies to remain competitive.
- **Information age impacts business.** Technology makes it easy to gather information which helps a company identify trends, determine appropriate business strategies, and make decisions. Information gathering technology also makes it easier for a business to learn about its customers and quickly interact with them. These information-related activities help a company greatly improve its marketing and customer service efforts.

5.10.1 Activity

Analyze the work that they or adults they know do at work, identify and list the ways that technology has impacted the work, and create a visual to depict that impact. - Make A copy of the 5.10 Jam Board

5.10.2 Activity

Digital Disruption Slides- students research how banks are changing

Can be done either full version with supplemental project or just introduction

5.10 Case Study

Bryant is a marketing manager at a small outdoor-supply company. As part of his job, he maintains a database of customer contact information including home addresses, phone numbers, and email addresses. One day at work, the database malfunctions. While troubleshooting the problem, Bryant accidentally activates a promotional email that sends every subscribing customer a 40% off coupon. Bryant knows that his company will lose money if every customer is able to buy merchandise for such a large discount – but he feels bad revoking the coupons. It was his mistake, after all. What do you think Bryant should do? Should he issue an apology and deactivate the coupons, or should he do nothing? *(Ethical Principles Involved: Integrity, Accountability, Fairness, Viability)*

5.11 The Nature of Information Management

Think About It

Have you ever had a big decision to make? Perhaps right now you're trying to choose a used car to purchase or a college to attend. You probably want to make an informed decision—one that is based on accurate information. Without good information, you cannot determine which choice to make. Even small decisions require you to have a certain amount of information first. Businesses face the same challenges when they have decisions to make. Before they can choose the best alternative, they must be informed. Businesses use information for a variety of other business activities as well. For this reason, information management is a vital part of any company's success.

What Is Information Management?

Information management is the process of accessing, processing, maintaining, evaluating, and sharing knowledge for the purpose of assisting business decision-making. A business's overall information management program collects internal and external data, stores them, processes them into information, and presents them in a useful format. Some general types of information that any business must manage include customer information, personnel files, accounting records, tax returns, correspondence, and contracts. Information can come in many different forms, including physical forms (anything on paper) and electronic forms (emails, videos, spreadsheets, social media posts, etc.).

The Importance of Information Management

- When a company is able to make informed decisions, business risk is reduced.
- Effectively organized information reduces information overload and increases productivity, saving time and money.
- Accurate and relevant information helps a business serve its customers more effectively and stay ahead of its competitors.
- The ability to create organizational consistency regarding business matters increases credibility and builds a good reputation.
- Documenting business activities helps a company comply with laws and avoid legal problems.

- A business's identity and brand is preserved by protecting valuable intellectual property, such as copyrights, patents, and trademarks.
- Maintaining backup systems and storing vital information off-site allows a business to access information and continue operating during an emergency.

Information Management Guidelines

- *Make sure information is effective.* Information must be accurate, up to date, complete, and retrievable—easy to locate when needed. It should be accessible to the employees who need it, and have security measures to prevent access by others.
- *Establish and consistently follow policies.* Managers must put policies and practices in place and make sure that employees are following them correctly. When employees keep accurate information, it helps employees keep track of all business activities.
- *Prioritize important information management needs.* A business should decide what its most important information needs are, so it can focus on the most important ones first. For example, a business may need to decide whether it's more important to control inventory or manage customer records.
- *Have a coordinated plan in place to manage information.* Departments should be able to communicate with each other easily and share information as needed.
- *Assign responsibility for information management.* Certain employees may have information management as part of their job descriptions. However, everyone in the organization should be given responsibility for doing her/his part.

Challenges of Information Management

- Employees' roles of information management are often not understood, which prevents them from maintaining important information.
- Information overload makes it hard to distinguish between what information is important and what is not.
- Companies have unique needs that require many decisions about what information is important, where and how long it should be stored, and who should have access to it.
- Frequent changes in business needs and technologies impact a business's information management system.
- The storage of electronic documents presents many risks—loss of data, viruses, hacks, and system failures.
- If information is managed improperly, it can lead to audits and lawsuits.
- Companies must protect proprietary knowledge, such as trade secrets and contracts.
- Companies are legally responsible for protecting customers' personal information and preventing unwanted spam and junk mail.
- In the event of a disaster, information must be made accessible to employees so the business can continue to operate.

Trends of Information Management

- *Compliance laws and regulations have increased.* Information management programs with built-in reporting procedures help companies document compliance with government regulations and laws.
- *Competition has increased.* Increased competition requires businesses to provide accurate and relevant information quickly to improve customer satisfaction and loyalty.
- *More companies are outsourcing and hiring remote employees.* When companies outsource tasks and depend on remote employees, there's an increased need for wireless networks, cloud storage, and cyber security to keep information accessible and secure.

5.11.1 Activity

Investigate on you own and get some information from these few videos to answer the questions below

- 7 Best Practices for PIM
- What is Information management
- Is your Personal Information Management Good - Example of how an entrepreneur organizes his information and the tools he uses.

a. Why has information management increased in importance over the years?

b. What challenges have they encountered with information management?

c. What types of risks are associated with information management?

d. What advice would you give a person who is just beginning a career in information management?

5.11.2 Activity

Now that you know what information management is, select a large company like Amazon, Google, or Walmart and determine what types of information they are collecting. Create a diagram with the information collected and WHY they are collecting it.