

**Lecture Notes:**

- **Introduction:**
- A business turns factors of production into products that people demand.
- To succeed, every business must perform a number of functions:
  1. Determine customer needs. (Marketing)
  2. Create things people demand. (Operations)
  3. Collect information. (Accounting)
  4. Find and allocate capital. (Finance)
  5. Hire and keep good people. (HRM)
- For the business to succeed, each of these functions must be:
  - Planned
  - Organised
  - Led
  - Controlled
- **Profit** occurs when revenue exceeds expense/cost.
- **Loss** occurs when expense/cost exceeds revenue.
- **Leaders vs Managers:**
- Every business is formed for a purpose, but sometimes it is hard to see what the purpose is or how to accomplish that purpose. Hence, businesses need leadership.
- **Leaders** will determine the organisation's purpose and direction. Furthermore, they will guide and inspire others to go along.
- **Managers** are people who plan, organise, lead, and control resources in order to realise a goal.  
I.e. Leaders come up with a vision and the managers do their best to reach that vision.
- However, sometimes, managers and leaders will fight for more control and power.
- **Managing:**
- Managing is not the arbitrary exercise of power.
- Managing involves getting things done.
- In 1916 Henri Fayol listed 5 activities that managers need to be engaged in:
  1. Planning
  2. Organising
  3. Commanding
  4. Coordinating
  5. Controlling
- In 1967 Newman, Summer and Warren combined commanding and coordinating into leading. Now, there are 4 activities that managers need to be engaged in:
  1. Planning
  2. Organising
  3. Leading
  4. Controlling
- **Planning** is determining what needs to be done, and the best way to achieve it.  
Planning is also answering these questions:
  1. **What** are we going to do?
  2. **When** are we going to do it?
  3. **Who** is/are going to do it?
  4. **How** are we going to do it?
  5. **Where** are we going to do it?
- **Organising** is assembling and preparing the resources needed to complete the task.
- **Leading** is guiding and motivating others to meet the organisation's objectives.  
We can lead by giving instructions or lead by example (teaching and demonstrating).

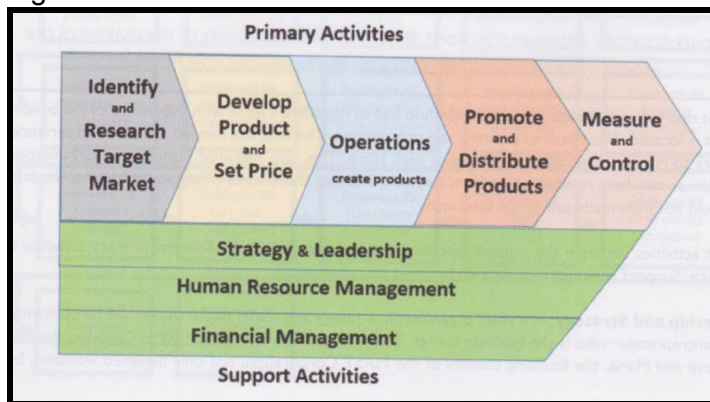
- **Leadership** is influencing people so that they will strive willingly towards the achievement of group goals.
- There are 3 types of leadership styles:
  1. **Autocratic:**
    - More like managers.
    - Tells other people what to do.
    - Doesn't take suggestions/ideas from other people.
    - The upside is that it will get things done.
    - The downside is that the employees won't feel at home and will eventually start feeling resentful.
  2. **Laissez-faire:**
    - The leader tells the employees what to do, but let's the employees decide how to do it.
  3. **Democratic:**
    - Talks with his/her employees and followers for ideas.
    - The upside is that everyone feels at home and can contribute.
    - The downside is that it can take too long to reach a consensus.
- **Controlling** is a 2 step process:
  1. The first step is to set standards.
  2. The second step is to measure performance and if necessary, to improve or correct performance.
- We manage people to get people to perform to achieve an organisation's goals.
- Managing is a universal process. It occurs everywhere, not just in businesses.
  - Parents manage families.
  - Generals manage armies.
  - Coaches manage athletes.
  - We manage ourselves.
- Business managers manage the process of transforming factors of production (raw materials, labour, capital) into products that people demand.
- A business is a system that turns factors into products that people demand.

#### **Textbook Notes:**

- **Working to Accomplish a Task:**
- A business is an organized effort, formed for a purpose. Responsibility for defining the purpose and setting the direction lies with the business' leaders.
- **Mission** is the term commonly used to describe the reason why a business exists and the goals that it is trying to accomplish.
- **The Process of Managing:**
- **Managing** is the process of planning, organizing, leading and controlling resources in order to accomplish a task.
- **Managers** are the individuals responsible for planning, organizing, leading and controlling resources in order to accomplish a task.
- **Planning:**
- **Planning** is determining what needs to be done to accomplish a task and the best way to accomplish it.
- **Organizing:**
- **Organizing** is assembling and preparing the resources necessary to complete a task.
- **Leading:**
- A manager's responsibility is to show others the way and to inspire them to want to contribute to the cause.
- **Leading** is the art of guiding or inspiring others to follow.

- Managers can lead in 2 ways:
  1. Giving you the instructions on how to do something.
  2. The manager shows you how to do something. This is **leading by example**.
- **Controlling:**
- **Controlling** begins with setting a goal or an intended result of an activity, called the **standard**.
- In business, a standard might be expressed as a quantity or value of inputs.  
E.g. "We want to sell 24, 000 boxes of our product this month."  
Standards can also be expressed as an output or a desired result.  
E.g. "By selling 24, 000 boxes, we want to generate \$960, 000 in revenue."
- The second stage of the control process is to measure the actual performance of the activity. The performance is then compared to the standard. Then, if necessary, managers can take action to improve or correct performance, to bring it in line with the standard. If the standard is already being met, people can be rewarded and further encouraged.
- People perform control activities frequently and in all walks of life.
- The purpose of the control function is to get people and other resources to perform in a manner that will achieve the organization's goals.
- **Management as a Control Process:**
- Management occurs in all fields of endeavour and in all walks of life.
- Management occurs in the family as parents have to manage their kids' lives.
- Management occurs in the military as generals have to plan, organize, lead and control campaigns.
- While leadership and management are synonymous, leadership is more often applied to managers who have a longer term orientation. When we speak of leaders, we normally mean people whose concern is to plan, organize and control resources for several years into the future. When we speak of managers, we normally associate the term with people who are planning, organizing, leading and controlling resources over a shorter period of time, like the next week or next month.
- **What do Business Managers Manage:**
- One way to understand the internal workings of a business is to recognize that a business is a system. A **system** is a series of connected parts or connected activities. These parts are organized for a common purpose and work together.
- In the case of a business, the system involves planning, organizing, leading and controlling labour, capital and natural resources to transform them into finished goods and services that people need and want.
- The idea of a business as a system was articulated by Michael Porter. Porter described the system of activities within a business as a **value chain**.
- Furthermore, in his conception of the value chain, Porter distinguishes 2 types of activities: **primary activities** and **support activities**.
- **Primary activities** are the activities that are directly involved with making the good or service that the business provides to its customers. They involve engaging with the business' customers, determining their needs, making the product, packaging and delivering it into the customer's hands and taking payment.
- **Support activities** are the activities that don't directly involve customers or the making of the product, but are necessary for the organization to function.
- Support activities underpin the smooth functioning of the business. They allow primary activities to take place. Support activities include business functions such as:
  - Leadership and strategy
  - Human resources management
  - Financial management

- E.g.



- A **business function** is a process or activity that is routinely carried out by a business.
- Some business functions are:
  - **Marketing:** The activities involved with interacting with customers and potential customers.
  - **Operations:** The activities involved with transforming factors of production into the goods or services that customers want.
  - **Information Management:** The development of systems for collecting data that can be organized in such a way that it produces information of use to the managers of a business.
  - **Accounting:** The system for collecting, analyzing and communicating financial information.
  - **Strategic Management:** The activities undertaken by an organization's senior leadership to determine the organization's long term goals and objectives.
  - **Financial Management:** Planning, organizing, leading and controlling the use of capital.
  - **Human Resources Management:** All of the activities involved with planning, organizing, leading and controlling an organization's people.

#### Textbook Definitions (Chapter 1):

- **Business function:** A process or activity that is routinely carried out by a business.
- **Controlling:** Setting a standard, measuring performance against the standard, and if necessary, taking action to bring the performance into line.
- **Leading:** The art of guiding or inspiring others to follow.
- **Managers:** Individuals responsible for planning, organizing, leading and controlling resources in order to accomplish a task.
- **Managing:** The process of planning, organizing, leading and controlling resources in order to accomplish a task.
- **Mission:** The reason why a business exists and the goals that it is trying to accomplish.
- **Organizing:** Assembling and preparing the resources necessary to complete a task.
- **Planning:** Determining what needs to be done to accomplish a task and the best way to accomplish it.
- **Primary activities:** Activities that are directly involved with making the good or service that the business provides to its customers.
- **Standard:** The goal or the intended result for the performance of an activity.
- **System:** A series of connected parts or connected activities. These parts are organized for a common purpose and work together.
- **Value System:** The system of activities which a business must manage in order to transform factors of production into finished goods and services.