Management for Engineers

Syllabus (Module 5 – Functional Areas of Management)

- Introduction to functional areas ofmanagement,Operations management, Human resources management, Marketing management, Financialmanagement,Entrepreneurship, Business plans, Corporate social responsibility, Patents and Intellectual property rights.

Functional Areas of Management

Functional Areas of Management

- Everyorganisation have different functionalarea of management require for planning of activities, organisationof resources, establishment of communication system, leading and motivation of people, and control of operations for the realisation of its goals or objectives.
- Functional areas of management mean the sum total of all those activities which are performed in an organisation to achieve the objectives of the organisation.

Operations Management

The business functionresponsible forplanning,coordinating, and controlling the resources needed to produce products and services for a company

Operations Management is:

- A managementfunction
- An organization’s core function
- In *every* organization whether Service or Manufacturing, profit or Not for profit.

Operations Management

- Operations Management is the business function that is responsible for managingandcoordinating the resources needed to produce a company's productsand services.
- The role of Operations Management is to transform organizational inputs into company's products or services outputs
- Operations Management is responsible for a wide range of decisions, ranging from strategic to tactical.
- Organizations can be divided into manufacturing and service organizations, which differ in the tangibility of the product or service

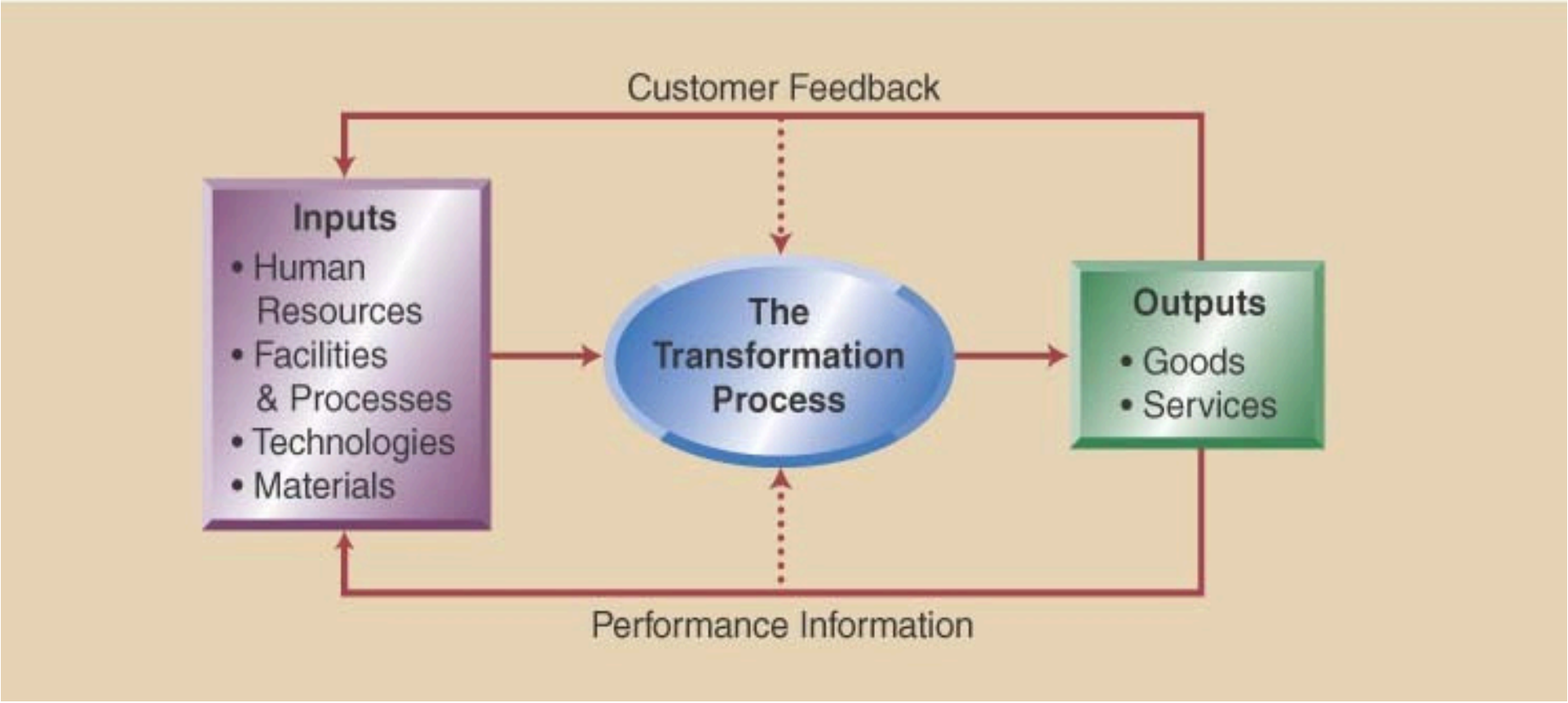
Operations Management

- Many historical milestones have shapedOM. Some of these are the Industrial Revolution, scientific management, the human relations movement, management science, and the computer age
- OM is highly important function in today's dynamic business environment. Among the trends with significant impact are just-in-time, TQM, reengineering, flexibility, time-based competition, SCM, global marketplace, and environmental issues
- OM works closely with all other business functions

Role of Operations Management

- OperationsManagementTransformsinputsto outputs
  - Inputsare resourcessuchas
    - People, Material, and Money
  - Outputs are goods and services

Operations Management's Transformation Process

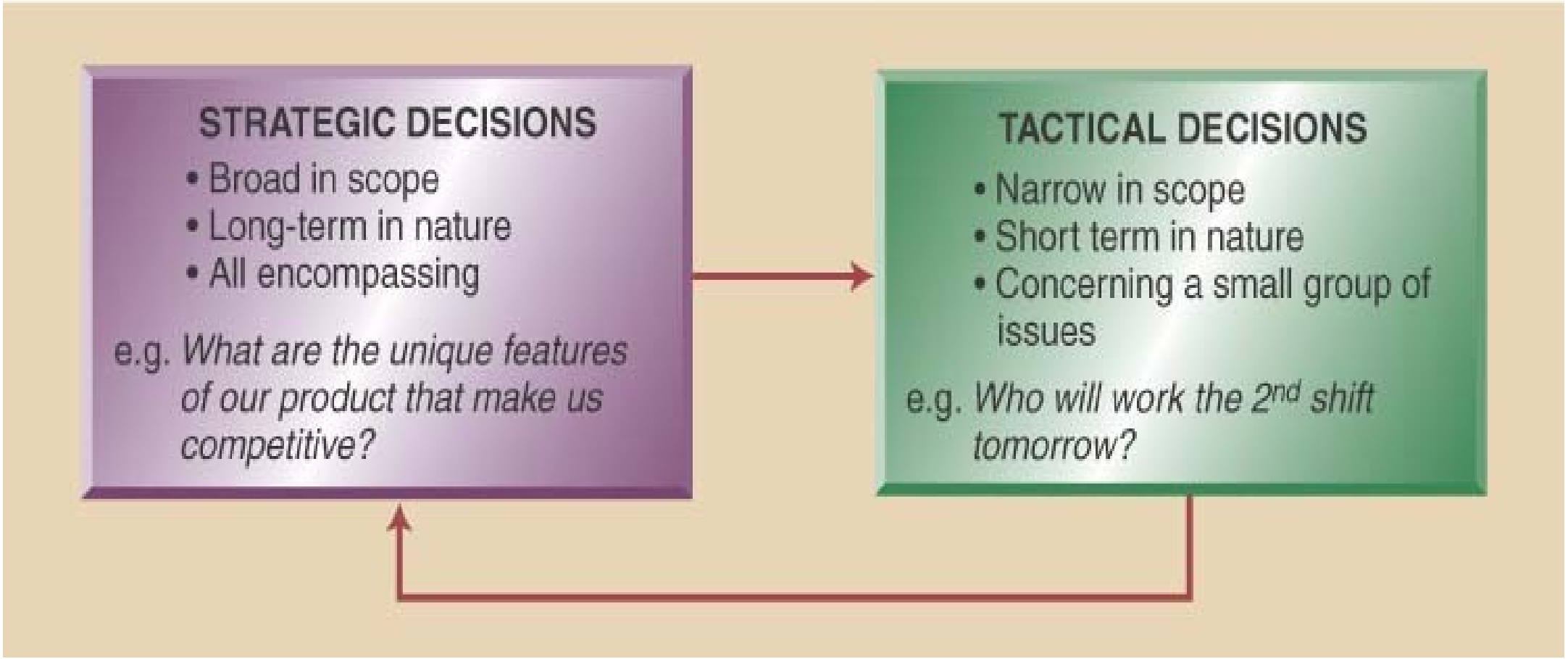


© Wiley 2010

Operations Management's Transformation Role

- To add value
  - Increase product value at each stage
  - Value added is the net increase between output product value and input material value
- Provide an efficient transformation
  - Efficiency –meansperformingactivities well for least possible cost

Operations Management's Decisions



© Wiley 2010

Historical Development of Operations Management

•Industrial revolution	Late 1700s
•Scientific management	Early 1900s
•Human relations movement	1930s-60s
•Management science	1940s-60s
•Computer age	1960s
•Environmental Issues	1970s
•Just in Time (JIT) & Total Quality Management (TQM)	1980s

Historical Development of Operations Management

• Reengineering	1990s
•Global competition	1980s
• Flexibility	1990s
•Time-Based Competition	1990s 1990s
•Supply chain Management	2000s
•Electronic Commerce	2000s
•Outsourcing & flattening of world	

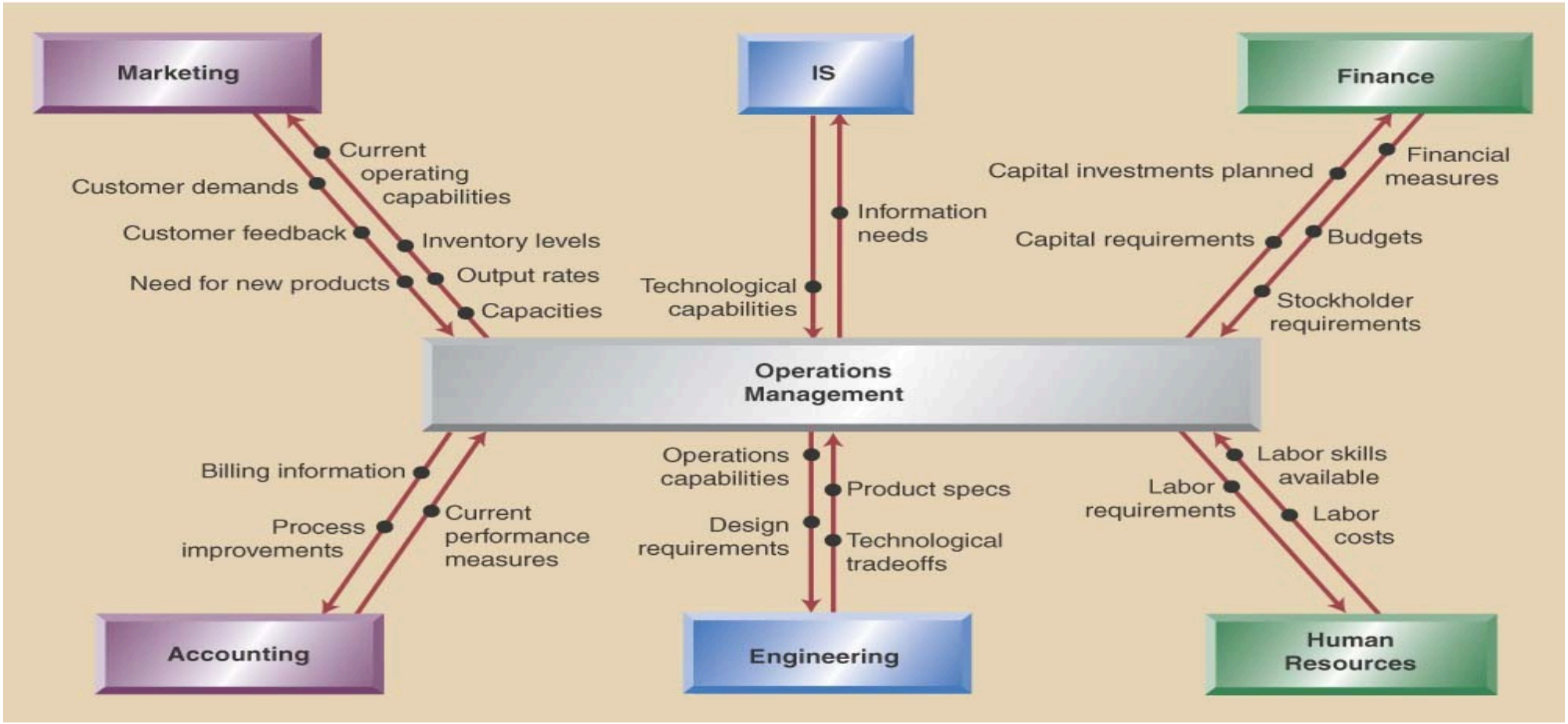
Today’s Operations Management Environment

- Customers demandbetter quality, greaterspeed, and lower costs
- Companies implementing lean system concepts – a total systems approach to efficient operations
- Recognized need to better manage information using ERP and CRM systems
- Increased cross-functional decision making

Operations Managment in Practice

- OM has the mostdiverse organizationalfunction
- Manages the transformationprocess
- OM has many faces and names such as;
  - V.P. operations,Directorofsupplychains,Manufacturing manager
  - Plant manger,Qualityspecialists,etc.
- All business functions need information from OM in order to perform their tasks

Business Information Flow



© Wiley 2010

Operations Management Across the Organization

- Mostbusinesses are supported bythefunctionsof operations, marketing,and finance
- The major functional areas must interact to achieve the organization goals

Operations Management Across the Organization

- Marketing is not fully able to meet customerneedsif theydo not understand what operations can produce
- Financecannot judge the need for capitalinvestments ifthey do not understand operations concepts and needs
- Information systems enables the information flow throughout the organization
- Human resources must understand job requirements and worker skills
- Accounting needs to consider inventory management, capacity information, and labor standards

Human Resource Management

- The processof planning, organizing, directing (motivating), and controlling theprocurement, development, compensation, integration, maintenance, and separation of organizational human resources to the end that organizational, individual, and societal needs are satisfied.

Human Resource Management

Human Resource Management includes allactivitiesused to attract &retain employees and toensure theyperform at a high level in meeting organizational goals.

These activities are made up of

1. Recruitment & selection.
2. Training and development.
3. Performance appraisal and feedback.
4. Pay and benefits.
5. Labor relations.

Human Resource Planning

- HRPlanning includes allactivitiesmanagers do to forecast currentand futureHR needs.
  - Mustbe done prior to recruitmentand selection
  - Demand forecasts made by managers estimate the number & qualifications the firm will need.
  - Supply forecasts estimate the availability and qualifications of current workers and those in the labor market.

HRM Components

- Component shouldbe consistent with the others, organization structure, andstrategy.
  - ***Recruitment:*** developa poolof qualifiedapplicants.
    - Selection: determine relative qualifications &potential for a job.
  - ***Training & Development:*** ongoing process to develop worker's abilities and skills.
  - ***Performance appraisal & feedback:*** provides information about how to train, motivate, and reward workers.
    - Managers can evaluate and then give feedback to enhance worker performance.

HRM Components

- ***Pay and Benefits:*** highperformingemployees should be rewarded with raises, bonuses.
  - Increased pay provides additional incentive.
  - Benefits, such as health insurance, reward membership in firm.
- ***Labor relations:*** managers need an effective relationship with labor unions that represent workers.
  - Unions help establish pay, and working conditions.

If management moves to a decentralized structure, HRM should be adjusted as well.

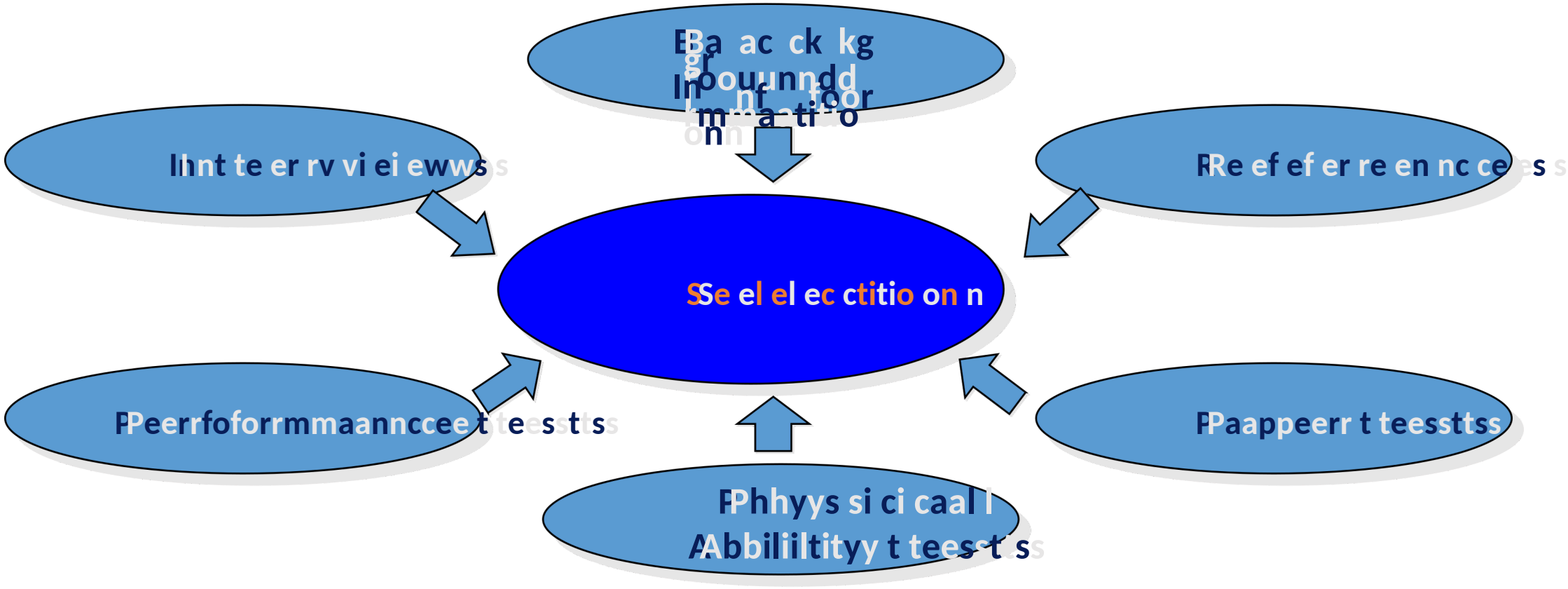
Recruitment

- ***External recruiting***: managerslookoutsidethefirm for people who have not worked at the firm before.
  - Managers advertise innewspapers, hold open houses, recruit atuniversities,and on the Internet.
    - External recruitmentis difficult since many newjobs have specific skill needs.
    - Amulti-prong approach to external recruitingworks best.
- ***Internal Recruiting***: positions filled within the firm.
  - Internalrecruiting has several benefits:
    - Workers know the firm's culture, may not have new ideas.
    - Managers likely already know the candidates.
    - Internal advancement can motivate employees.

Outsourcing

- ***Outsourcing***: managerscan decidetocontract with outside workers rather than hiring them.
  - Outsourcing ismoreflexible forthe firm.
  - Outsourcing often provides human capital at a lower cost.
  - ***Outsource problems***: managers lose control over output.
    - Outsource contractors are not committed to the firm.
  - Unions typically are against outsourcing that has potential to eliminate member's jobs.

Selection Tools



Selection Process

After a pool of applicantsareidentified,qualifications related to the job requirements aredetermined:

- ***Background Information:*** includes education,prior employment,college major, etc.
- ***Interview:*** almost all firms use one of two types:
  - Structured interview: managers ask each person the same job-related questions.
  - Unstructured interview: held like a normal conversation.
  - Usually structured interviews preferred; bias is possible.
- ***Physical Ability Test:*** measure strength & endurance.
  - Good for physically demanding jobs.

Selection Process

- ***Paper & PencilTests:***Eitheranabilityandpersonality test.
  - Ability test: assess if applicant has right skillsforthejob.
  - Personality test: seek traitsrelevantto jobperformance.
  - Besure test is a good predictor of job performance.
- ***Performance Tests:*** measure job performance.
  - Typing speed test is oneexample.
  - Assessment Center: candidates assessed onjob-relatedactivities over a period of a few days.
- ***References:*** outside people provide candid information about candidate.
  - Can be hard to get accurateinformation.

Training & Development

- ***Training*:** teach organizational membershow toperform current jobs.
  - Help worker's acquire skills to perform effectively.
- ***Development*:** build worker's skills to enable them to take on new duties.

- Training used more often at lowerlevels of firm, development is common with managers.
- A Needs Assessment should be taken first to determine who needs which program and what topics should be stressed.

Types of Development

- ***Varied WorkExperiences:*** Topmanagers mustbuild expertise in many areas.
  - Workers identified as possible top managers given many different tasks.
- ***Formal Education:*** tuition reimbursement is common for managers taking classes for MBA or similar.
  - Long-distance learning can also be used to reduce travel.

Whatever trainingand developmenteffortsused,results must be transferred to the workplace.

Job

- Job Analysis-the act of examiningpositions within an organization
- Job Description-narrative explaining the scope of a position
- Job Characteristics-tasks involved in a position
- Job Requirements-personal characteristics necessary to fill a position

Performance Appraisal

- Process ofevaluatingemployeeperformance
  - jobrelated strengths
  - development needs
  - progress toward goals
  - determine ways to improve performance
  - Payanpromotion decisions
- More systematic is better, for the most part

Performance Appraisal

- Self Appraisal
- Peer Appraisal
- 360 Degree appraisal
- Central Tendency Error-everyone ranked as average
- Leniency-individuals are ranked higher than they deserve

Pay and Benefits

- ***Pay level:*** how thefirm'spayincentivescompare to other firms in the industry.
  - **Managers candecidetooffer loworhighrelative wages.**
  - **Pay Structure: clusters jobs into categories based on importance, skills, and other issues.**
- ***Benefits:*** Some are required (social security, workers comp).
  - **Others (health insurance,day care, andothers) are providedatthe employers option.**
  - **Cafeteria-style plan: employee can choose the best mix of benefits for them. Can be hard to manage.**

Marketing Management

- Marketing is the delivery of customer satisfaction at a profit.
- Toattract new customer by promising superior value, and to keep current customers by delivering satisfaction.
- Marketing, more than any other business function, deals with customers.
- Creating customer value and satisfaction are at the very heart of modern marketing thinking and practice.
- Some people believe that only large business organizations operating in highly developed economies use marketing, but sound marketing is critical to the success of every organization – whether large or small, for profit or non – profit, domestic or global.

Marketing Defined

- Marketing is oneof three keycore functionsthat are central to all organizations.
- Marketers act asthe customers voicewithinthe firm and marketers are responsible for many moredecisions than just advertising orsales:
  - Analyse industries to identify emergingtrends.
  - Determine which national and international markets to enter or exit.
  - Conduct research to understand consumer behavior.
  - Design integrated marketing mixes – products, prices, channels of distribution, and promotion programs.

Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others.

Marketing terminologies

Importantterms :

- Needs, wants, and demands
- Products and services
- Value, satisfaction and quality
- Exchange, transactions, and relationships
- Markets

Needs, Wants, and Demands

Needs:

- The mostbasic conceptunderlying marketingisthatofhumanneeds.
- Human needs are statesof felt deprivation.
- Human have many complex needs:
  - Physical needs for food, clothing, warmth, and safety
  - Social needs or belonging and affection
  - Individual needs for knowledge and self – expression

Wants:

- Want are the form taken by human needs as they are shaped by culture and individual personality.
- People have almost unlimited wants but limited resources.
- They want to choose products that provide the most value and satisfaction for their money.

Demands:

- When backed by buying power, wants become demands.
- Consumers view products as bundles of benefits and choose products that give them the best bundle for their money.

Products and Services

Product:

- Anything that canbe offered to a market to satisfya needor want.
- The concept of product is not limited to physical objects – anything capable of satisfying a need can be called a product.

Services:

- In addition to tangible goods, products also include services, which are activities or benefits offered for sale that are essentially intangible and do not result in the ownership of anything.

Values, Satisfaction, and Quality

Values:

- Customer value is thedifferencebetweenthevaluesthecustomer gainsfromowning and usingaproductand the costs of obtaining theproducts.
- Customers often donotjudge productvalueandcostsaccuratelyor objectively.They act onperceived value.

Satisfaction:

- Customer satisfaction depends on a product's perceived performance in delivering value relative to a buyer's expectation.
- If the product's performance falls short of the customer's expectations, the buyer is dissatisfied.

Quality:

- Customer satisfaction is closely linked to quality.
- Quality has a direct impact on product performance.
- Quality can be defined as "freedom from defects".
- TQM programs designed to constantly improve the quality of products, services, and marketing processes.

Exchange, Transactions, and Relationships

Exchange :

- Theact of obtaining a desired objectfrom someoneby offering something in return

Transaction :

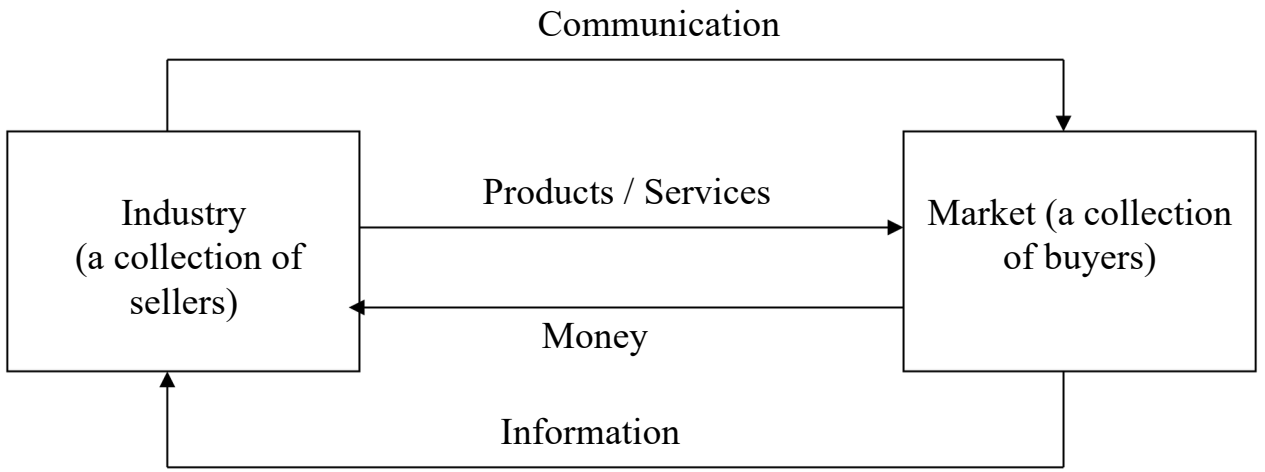
- A trade between two parties that involves at least two things of value, agreed – upon conditions a time of agreement, and a place of agreement.

Relationship marketing :

- The process of creating, maintaining, and enhancing strong, value – laden relationships with customers and other stakeholders

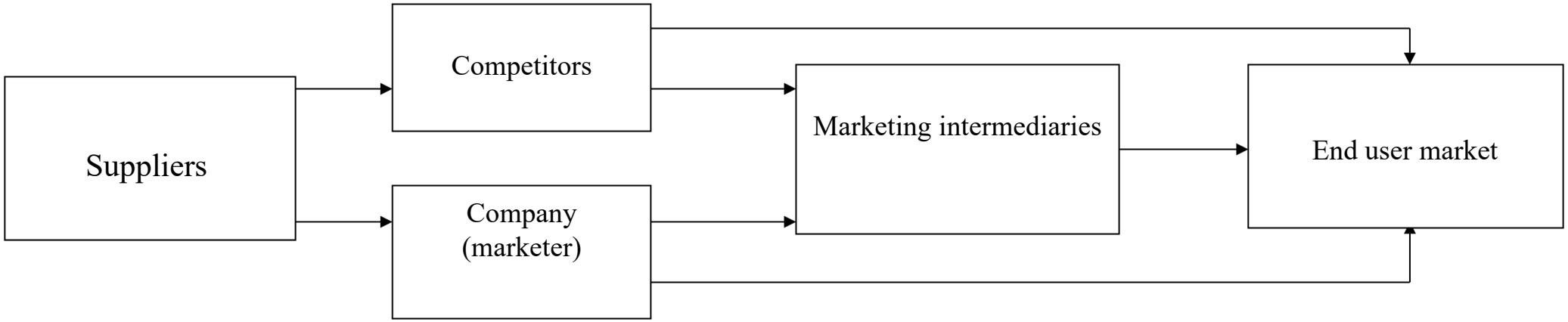
Markets

The set of all actual andpotentialbuyersofaproduct or service



A simple marketing system

Main actors and forces in a modern marketing system



Marketing Management

Theanalysis, planning, implementation, andcontrolofprograms designedto create,build,and maintain beneficialexchangeswith target buyers for the purpose of achieving organizational objectives.

Marketing Management Involves:

- **Demand Management**: The organization has a desired level of demand for its products. At any point in time, There may be no demand, adequate demand, irregular demand, or too much demand, and marketing management must find ways to deal with these different demand states.
- **Building Profitable Customer Relationships** : Beyond designing strategies to attract new customers and create transactions with them, companies now are striving to retain current customers and build lasting customer relationships.

MARKETING MANAGEMENT PHILOSOPHIES

- The role that marketing playswithin a company variesaccording to the overall strategy and philosophy of each firm.
- There are five alternative concepts under which organizations conduct their marketing activities:
  - Production concept
  - Product concept
  - Selling concept
  - Marketing concept
  - Societal marketing concepts

Production Concept

The philosophy that consumers will favour products that are available and highly affordable and that management should therefore focus on improving production and distribution efficiency.

Product Concept

Thephilosophy that consumers will favour products that offer the most quality, performance, and innovative features.

Selling Concept

The ideathat consumers will not buy enough of

the organization’s products unless the organization undertakes a large – scale selling and promotion effort.

Marketing Concept

The marketing management philosophy that holds

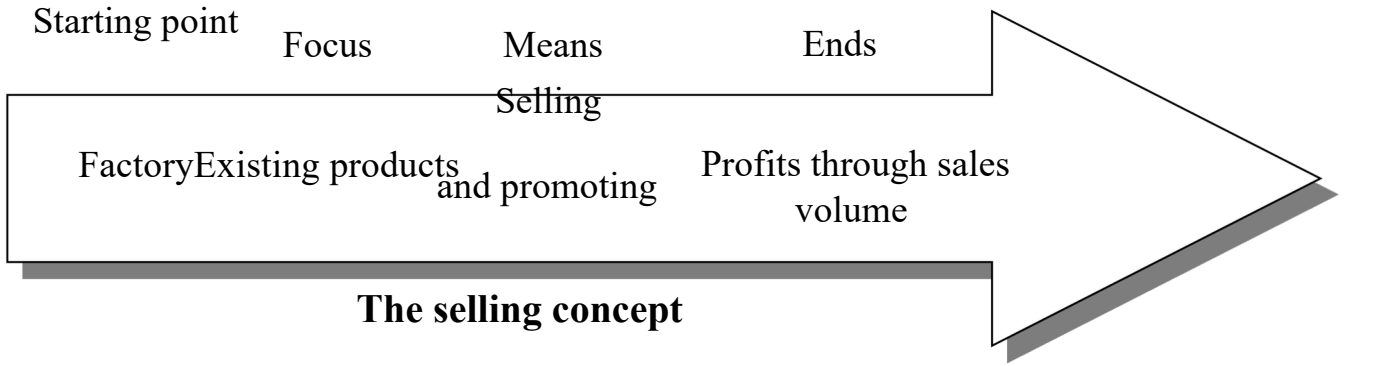
that achieving organizational goals depends on determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors do.

Societal Marketing Concept

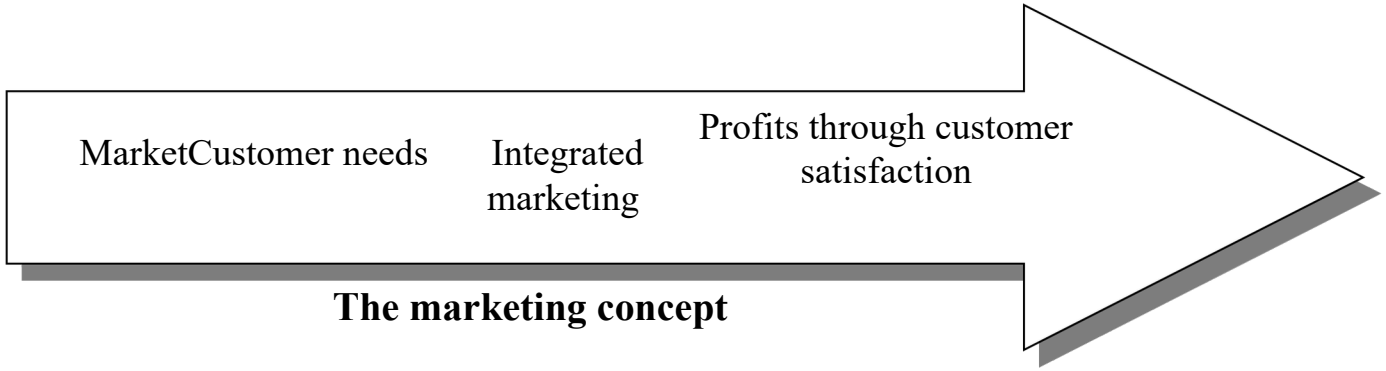
The ideathat the organization should determine the needs, wants,

and interests of target markets and deliver the desiredsatisfactions more effectively and efficiently than competitors in a way that maintains or improves the consumer’s and society’s well – being.

The selling and Marketing Concepts Contrasted

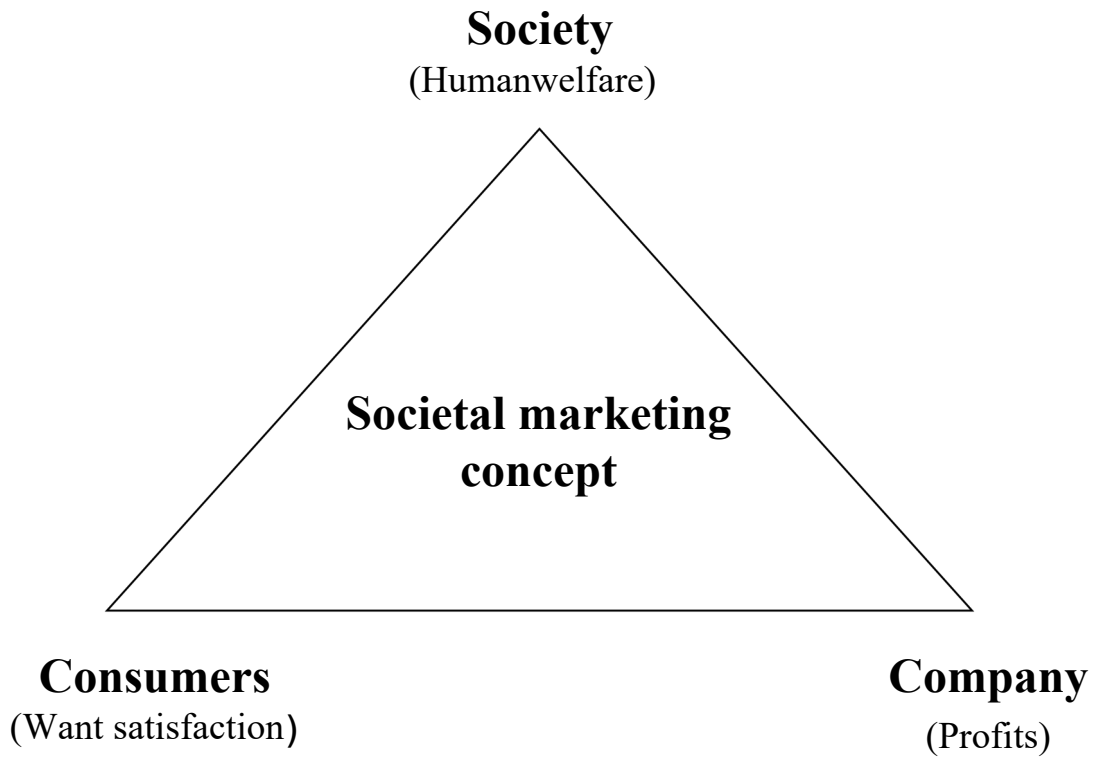


The selling concept



The marketing concept

Three Considerations Underlying The Societal Marketing



MARKETING CHALLENGES INTO THE NEW CENTURY

- GROWTH OF NON-PROFIT MARKETING
- THE INFORMANTION TECHNOLOGY BOOM
- RAPID GLOBALIZATION
- THE CHANGING WORLD ECONOMY
- THE CALL FOR MORE ETHICS AND SOCIAL RESPONSIBILITY

THE NEW MARKETING LANDSCAPE

- The past decade taught business firmseverywhere a humbling lesson. Domestic companies learned that they can no longer ignore global markets and competitors.
- Successful firms in mature industries learned that they cannot overlook emerging markets, technologies, and management approaches.
- Companies of every sort learned that they cannot remain inwardly focused, ignoring the needs of customers and their environment.

Basic Areas Of Finance

- Corporate finance
- Investments
- Financial institutions
- International finance

Investments

- Work withfinancial assets such as stocks and bonds
- Value offinancialassets, risk versus return, and asset allocation
- Job opportunities
  - Stockbrokerorfinancialadvisor
  - Portfolio manager
  - Security analyst

Financial Institutions

- Companiesthatspecializeinfinancial matters
  - Banks – commercialandinvestment,creditunions, savings and loans
  - Insurance companies
  - Brokerage firms

International Finance

- This is an area of specializationwithin each of the areas discussed so far
- It may allow you to work in other countries or at least travel on a regular basis
- Need to be familiar with exchange rates and political risk
- Need to understand the customs of other countries; speaking a foreign language fluently is also helpful

Importance of Finance

- Marketing
  - Budgets,marketing research, marketingfinancial products
- Accounting
  - Dualaccountingand finance function, preparation of financial statements
- Management
  - Strategicthinking, job performance, profitability
- Personal finance
  - Budgeting,retirement planning, college planning, day-to-day cash flow issues

Financial Manager

- Financial managerstry to answer some, or all, of these questions
- The top financial manager within a firm is usually the Chief Financial Officer (CFO)
  - Treasurer – oversees cashmanagement, credit management,capital expenditures,and financial planning
  - Controller – oversees taxes, cost accounting, financial accounting, and data processing

Financial Management Decisions

- Capital budgeting
  - What long-terminvestmentsorprojectsshouldthe business takeon?
- Capital structure
  - How should wepay for ourassets?
    - Should we usedebt or equity?
- Working capital management
  - How do we manage the day-to-day finances of the firm?

Goal Of Financial Management

- What should be the goal of a corporation?
  - Maximize profit?
  - Minimize costs?
  - Maximize market share?
  - Maximize thecurrentvalueofthecompany’sstock?
- Does this mean we should do anything and everything to maximize owner wealth?

Entrepreneurship

Entrepreneurs

- An entrepreneur isaperson who creates value through innovation
- Innovation is the entrepreneur’s response to change in the environment
- Without change, there is no entrepreneurship

Entrepreneurship

- Wayof thinking
- Spotting opportunity
- Taking initiative
- Implementation driven
- Resource utilization
- Acceptance of risk/failure

Entrepreneur

One who brings resources, labor, material and other assets into combinations that make their value greater than before.

An entrepreneur is also one who introduces changes,

innovations and a new order.

Entrepreneurship

- Entrepreneurship is the dynamic process of creating incremental wealth. The wealth is created by individuals who assume the major risks in terms of equity, time and /or career commitment providing value for a product or service. The product or service may or may not be new or unique but value must somehow be infused by the entrepreneur.
- The process of designing, launching and running a **new business**, which typically begins as a small business, such as a startup company, offering a product, process or service for sale or hire

Entrepreneurship - characteristics

• Focus •Drive • Energy •Self confidence •Don’t start by wanting to get rich but to do something

Entrepreneurs

- Seldom invent and marketunique products but build ventures around incremental innovations and modifications
- Enter industries in their growth phase, not infancy
- Find fulfillment in their work
- Start more than one company

Entrepreneurs

- Resource utilization - entrepreneursknowhow to do more with less
- Selling ability
- Recognize business opportunities:
  - Markets in flux
  - Industries with low capital requirements
  - Customers will pay for customization
  - Unit sale can support direct sales effort

Entrepreneurs

- Entrepreneurs pick a relatively low level of risk and then come up with suggestions as to how to increase returns at the given level of risk
- Bankers pick a return that they aspire to and then come up with ideas to reduce the risk involved at that level

Traditional Vs Entrepreneurial

Traditional

- Statuteand ruledirected
- Hierarchical
- Specialized responsibilities
- Centralized control
- Accountable for rules
- Focus on what's best for organization
- Emphasis on programs
- Quality defined by professional standards

Entrepreneurial

- Mission directed
- Team oriented
- Integrated responsibilities
- Decentralization and empowerment
- Accountable for outcomes
- Focus on what's best for customer
- Emphasis on performance
- Quality defined by meeting customer expectations

Traditional Vs Entrepreneurial

Traditional

- Cost focused
- Dependent on external funding
- Try to be all things to all people
- Monopoly

Entrepreneurial

- Value focused
- Multiple choices
- Self-supporting
- Niche (comfortable position in life or employment) focused

Benefits of Entrepreneurship

The opportunity to:

- Create your own destiny.
- Make a difference.
- Reach your full potential.
- Reap impressive profits.
- Contribute to society and to be recognized for your efforts.
- Do what you enjoy and to have fun at it.

Drawbacks of Entrepreneurship

- Uncertainty of income

  The entrepreneur is the last one to be paid, as employees must be paid first
- Risk of losing your entire investment
- Long hours and hard work
- Lower quality of life until the business gets established
- High levels of stress
- Complete responsibility
- Discouragement

Business Plans

Business Plan

- A Business Plan is a written document that defines the goals of your business and describes how you will attain those goals.
- A business plan is a written document prepared by the entrepreneur that describes all the relevant internal and external elements and strategies for starting a new venture.
- It is a integration of functional plans such as marketing, finance, manufacturing, sales and human resources.
- A Business Plan is worth your considerable investment of time, effort, and energy.
- A Business Plan sets objectives, defines budgets, engages partners, and anticipates problems before they occur.

Needs for a Business Plan

1. To attract investors.
2. To see if your business ideas will work.
3. To outline each area of the business.
4. To set up milestones.
5. To learn about the market.
6. To secure additional funding or loans.
7. To determine your financial needs.
8. To attract top-level people.
9. To monitor your business.
10. To devise contingency plans.

Business Plan

- Business plans differ widely in their length, appearance, content, and the emphasis placed on different aspects of the business.
- Depending on your business and your intended use, you may need a very different type of Business Plan:
  - **Mini-plan:** Less emphasis on critical details. Used to test your assumptions, concept, and measure the interest of potential investors.
  - **Working Plan:** Almost total emphasis on details. Used continuously to review business operations and progress.
  - **Presentation Plan:** Emphasis on marketability of the business concept. Used to give information about the business to bankers, venture capitalists, and other external resources.

Business Plan

Every Business Plan should include some essential components:

- **Overview of the Business**: Describesthe business, includingitsproducts and services.
- **The Marketing Plan**: Describes the target market for your product and explains how you will reach that market.
- **The Financial Management Plan**: Details the costs associated with operating your business and explains how you will pay for those costs, including the amount of financing you may need.
- **The Operations and Management Plan**: Describes how you will manage the core processes of your business, including use of human resources.

Common Parts of a Business Plan

- Business plans must help investors understand and gain confidence on how you will meet your customers' needs.
- Seven common parts of a good Business Plan are:
  1. Executive Summary
  2. Business Concept
  3. Market Analysis
  4. Management Team
  5. Marketing Plan
  6. Financial Plan
  7. Operations and Management Plan

Executive Summary

- The Executive Summary of a Business Plan is a 3-5 page introduction to your Business Plan.
- The Executive Summary is critical, because **many individuals (including venture capitalists) only read the summary.**
- The Executive Summary section includes:
  - A first paragraph that introduces your business.
    - Your business name andlocation.
    - A briefexplanation of customer needsand your products or services.
    - The waysthat the productor service meets or exceedsthe customerneeds.
    - An introductionof the team that will execute the Business Plan.
  - Subsequent paragraphs that provide key details about your business, including projected sales and profits, unit sales, profitability, and keys to success.
  - Visuals that help the reader see important information, including highlight charts, market share projections, and customer demand charts.

Business Concept

- The business concept shows evidence that a product or service is viable and capable of fulfilling an organization's particular needs.
- The Business Concept section:
  - Articulates the vision of the company, how youplan to meet theunique needsofyour customer, and how you plan to make money doing that.
  - Discusses feasibility studies that you have conducted for your products.
  - Discusses diagnostics sessions you had with prospective customers for your services.
  - Captures and highlights the value proposition in your product or service offerings.

Market Analysis

- A Market Analysis defines the target market so that you can position your business to get its share of sales.
- A Market Analysis section:
  - Defines your market.
  - Segments your customers.
  - Projects your market share.
  - Positions your products and services.
  - Discusses pricing and promotions.
  - Identifies communication, sales, and distribution channels.

Management Team

The Management Team section outlines:

- **Organizational Structure:** Highlights the hierarchy and outlines responsibilities and decision-making powers.
- **Management Team:** Highlights the track record of the company's managers. You may also offer details about key employees including qualifications, experiences, or outstanding skills, which could add a competitive edge to the image of the business.
- **Working Structure:** Highlights how your management team will operate within your defined organizational structure.
- **Expertise:** Highlights the business expertise of your management and senior team. You may also include special knowledge of budget control, personnel management, public relations, and strategic planning.
- **Skills Gap:** Highlights plans to improve your company's overall skills or expertise. In this section, you should discuss opportunities and plans to acquire new information and knowledge that will add value.
- **Personnel Plan:** Highlights current and future staffing requirements and related costs.

Marketing Plan

- The Marketing Plan section details what you propose to accomplish, and is critical in obtaining funding to pursue new initiatives.
- The Marketing Plan section:

Explains (fromaninternal perspective) the impacts andresultsofpast
- marketing decisions.

Explains the external market in which the business is competing.
- Sets goals to direct future marketing efforts.
- Sets clear, realistic, and measurable targets.
- Includes deadlines for meeting those targets.
- Provides a budget for all marketing activities.
- Specifies accountability and measures for all activities.
-

Financial Plan

- The Financial Plan translates your company's goals into specific financial targets.
- The Financial Plan section:
  - **Clearly defines what a successful outcomeentails.**Theplan isn't merelyaprediction; it implies a commitment to making thetargeted results happen and establishesmilestones for gauging progress.
  - **Provides you with a vital feedback-and-control tool.** Variances from projections provide early warnings of problems. When variances occur, the plan can provide a framework for determining the financial impact and the effects of various corrective actions.
  - **Anticipate problems.** If rapid growth creates a cash shortage due to investment in receivables and inventory, the forecast should show this. If next year's projections depend on certain milestones this year, the assumptions should spell this out.

Financial Plan

- The Financial Plan is the most essential part of your Business Plan. It shows investors the timeframes you have scheduled to make profits.
- Some elements of the Financial Plan include:
  - Important Assumptions
  - Key Financial Indicators
  - Break-even Analysis
  - Projected Profit and Loss
  - Projected Cash Flow
  - Projected Balance Sheet
  - Business Ratios Long-
  - term Plan

Operations and Management

- The Operations and Management section outlines how your company will operate.
- The Operations and Management section includes:
  - **Organizationalstructure of the company.** Provides a basisforprojected operating expenses and financial statements. Because these statements are heavily scrutinized by investors, the organizational structure has to be well-defined and realistic within the parameters of the business.
  - **Expense and capital requirements to support the organizational structure.** Provides a basis to identify personnel expenses, overhead expenses, and costs of products/services sold. These expenses/costs can then be matched with capital requirements.

Why Some Business Plans Fail

- Goals set by theentrepreneurare unreasonable.
- Goals are not measurable
- The entrepreneur has not made a total commitment to the business or to the family.
- The entrepreneur has no experience in the planned business.
- The entrepreneur has no sense of potential threats or weaknesses to the business.
- No customer need was established for the proposed product or service.

Corporate Social Responsibility

MEANING AND SCOPE OF SOCIAL RESPONSIBILITY

- The socialresponsibility of business is to increase profit within the requirements of the law.
- If a business person acts “responsibly” by cutting the price of the firm’s produce to prevent inflation, by making expenditures to reduce pollution, or by hiring the hard-core unemployed, that person is spending the shareholders’ money for a general interest.

MEANING AND SCOPE OF SOCIAL RESPONSIBILITY

- According to ArchieCarroll,managers ofbusiness organisation havefourresponsibilities:
- economic,
- legal,
- ethical, and
- discretionary.

MEANING AND SCOPE OF SOCIAL RESPONSIBILITY

- ***Economic*** responsibilitiesare toproducegoods and services of valuetosocietyso that thefirmcan repay its creditors and stockholders.

- ***Legal*** responsibilities are defined by government in laws that are expected to be obeyed

MEANING AND SCOPE OF SOCIAL RESPONSIBILITY

- ***Ethical*** responsibilities are to follow the generallyheld beliefs about how one should act in society.
- ***Discretionary*** responsibilities are the purely voluntary obligations a corporation assumes, i.e. philanthropic contributions. The difference between ethical and discretionary responsibilities is that few people expect an organizations to fulfill ethical ones.

Definition of Corporate Social Responsibility

“CSR is about how companies manage the business

processes to produce an overall positive impact on society.”

Definition of Corporate Social Responsibility

“Achieving commercial success in ways that honour ethical values and respect people, communities, and the natural environment”

Definition of Corporate Social Responsibility

- Forstater et al. (2002) define CSR as:

" A company's actions that contributes to ***sustainable*** development through the company's core business activities, social investment and public policy debate."

DEFINITION OF CSR

- Corporate socialresponsibility may be defined as:

“ A business strategy which involves a business identifying its ***stakeholder groups***, and going beyond its legal obligations to incorporate their needs and values into the day-to-day decisions and activities of the organisation”.

THE PRICNCIPLES OF CSR

- Effectsof organizations'activities on society

As a result of these effects, three principles form the justification for CSR engagements by firms:

1. Sustainability
2. Accountability
3. Transparency

PRINCIPLES OF CSR

Sustainability

- Sustainability implies that society must at all times use no more of its resources than can be generated. It is concerned with how the actions of the present have recurring effects upon the opportunities of the future.

PRINCIPLES OF CSR

Accountability

- Here an organisation must recognise that its actions generally affect the external environment and therefore assume responsibility for the effects of its actions.

PRINCIPLES OF CSR

Transparency

•Transparency, in principle, means that all acts are obvious or communicated to all concerned. As a principle of CSR, transparency indicates that organisations make clear all reports of their actions and that those reports, whether in facts or figures, give accurate and detailed information of the relevant information.

Disapprovals against CSR

Friedman (1962) argues that the only social responsibility of business is to makeprofit within the law.Some arguments against CSR are based on the following issues:

- The business of business is business.
- Useless PR exercise
- The idea of theft
- Lack of Regulation of CSR
- Imposes unequal cost to organizations

Benefits of CSR

Arguments in favour offirm CSR engagements are based on:

- Interdependenceof firm and society
- Stakeholder interest may transcend financial benefits
- Benefits of CSR
  - Helps attractqualifiedstaff
  - Minimizes governmentintervention
  - Improves Corporate Image – Goodwill
  - Leads to improved financial performance

Benefits of CSR

- Strengthenedbrand positioning.
- Increased ability to attract, motivate, and retain employees.
- Increased sales and market share.
- Increased appeal to investors and financial analysts.

Importance of CSR

KeydriversofCSR engagementsinrecentyears have been identified as:

- Sustainable development
- Globalization
- Governance (UN, OECD, Signing of Compacts)
- Corporate sector impact
- Communications (Technological Advancement)
- Ethical consumerism
- Finance (pressure from investors)
- Strategic Business Tool
- Social awareness and education
- Crises management

FORMS OF CSR ISSUES

- **Areasof SocialResponsibilityConcerns:**

  Concern for Consumers

  Are products safe and well designed?

  Are products priced fairly?

  Are advertisements clear and not deceptive?

  Are credit terms clear?

  Is adequate product information available?

  Are customers treated fairly by salespeople?

FORMS OF CSR

- ***Concernfor Employees***
- Are employees paid fair wages?
- Are employees provided safe work environment?
- Are workers hired, promoted, and treated fairly without regard to sex, race, colour, or creed?
- Are employees given special training and educational opportunities?
- Are handicapped people given employment opportunities?
- Does the business help rehabilitate employees with physical, mental, or emotional problems?

FORMS OF CSR

- ***Concern for Environment***
- Istheenvironment adequately protected from unclean air and water, excessive noise, and other types of pollution?
- Are products and packages biodegradable or recyclable?
- Are any by-products that pose a safety hazard to society (such as nuclear waste or commercial solvents) carefully handled and properly treated or disposed of?

FORMS OF CSR

- ***Concern for Society in General***
- Doesthe firm supports minority and community enterprises by purchasing from them or subcontracting to them?
- Are donations made to help develop and support education, art, health, and community development programmes?
- Is the social impact of plant locations or relocations considered by managers who make those decisions?

CSR examples

- IBMUK - Reinventing Education Partnership programme Interactions and sharing of knowledge through a web-based technology - the “Learning Village” software. Culture of openness and sharing of good practice

- Times of India’s Lead India campaign, campaign for contribution towards educating the poor

Lack of CSR in companies examples

- Coke’s salewas banned as the result of tests,including those bythe Indian government,which found high concentrations of pesticides.

  Communities in India , around Coca-Cola's bottling operations are
- facing severe shortages of water as a result of the cola major sucking huge amounts of water from the common groundwater source.

CSR – A New Paradigm

Tothinkcomprehensively andsystematically about

- The role of business in development
- The manner in which the business is conducted
- Corporate Governance
- Poverty alleviation
- Corporate contribution to peace and war against terror
- Business, government and civil society partnership- common ground and collective action

Patents and Intellectual Property Rights

Intellectual Property Rights Strategy

- Strategy
  - Identify intellectual property assets.
  - Develop plan of protection through four main forms of intellectual property: copyright, patent, trademark and trade secret.
  - Exploit intellectual property through program of licensing and distribution that best preserves your IP position.
  - Develop program of enforcement of intellectual property rights.
  - Monitor changes in the law and participate in such changes.
  - Watch for IP claims by key competitors, particularly in the patent area.

Patent

- A legal protection which gives an inventortherightto exclude others from performing certain activity in the country of issuance
- Patent is a right to exclude others from making, using, offering for sale, selling or importing the patented invention
- Sanctioned monopoly for a set number of years in exchange for disclosure to the public
- Does not give the inventor the right to make, use or sell the patented invention
- Source of recognition for the inventor(s)
- Incentive to develop a commercial product
  - License to an existing company
  - Start up a new company
- Protection against imitators

Patent can be obtained for

- Process or Method
- Machine or Apparatus
- Article of Manufacture
- Composition of Matter
  - Chemical Compounds
  - Physical Mixtures
- Improvements of Any of the Above

Requirements for Patentability

USEFUL

–Must have some utility;achieve some objective; not againstpublic policy

NOVEL

–Must be new, i.e., different from prior art

NON-OBVIOUSNESS

–Subject matter as a whole would not have been obvious at the time to person of ordinary skill in the art

Publication Vs. Patent

Publication

- Authorship somewhat negotiable
- Must have done the work
- Effort paramount
- Future ideas can interfere with subsequent patentability
- Only directly comparable results can lead to loss in priority

Patent

- Inventorship a matterof law
- “Constructive reduction to practice” encouraged
- Conception paramount
- Disclosure of ideas for as many future uses as possible strengthens the patent
- Results from analogous systems can result in prior art and obviousness rejections

Parts of Patent

- Abstract
- Background ofthe Invention
- Summary of the Invention
- Figures with brief descriptions
- Detailed description or “specification”
  - Fully discloses whattheinventionis
  - How it ismade?
  - How it canbe used?
- Claim(s): sets the legal boundaries of protection
  - Independent
  - Dependent

Different Types of Patents

UtilityPatent

- Most commontype granted
- Works toproducea useful result
  - Process (ex. makinganew chemical or a newbusiness method)
  - Machine (ex. camera)
  - Article of Manufacture (ex. carpet)
  - Composition of matter (ex. adhesive)

Plant Patent

- Distinct & newvarietyof asexually propagatedplant
- Not by tuber propagation, found in an uncultivated state, or by seeds
- Can also be protected by a utility patent if it meets those requirements
- Ex. hybrid rose plant with a novel color

Design Patent

- Ornamental appearance ofan article of manufacture
- Design and the applied object are inseparable
- Can also be protected by a utility patent if it meets those requirements
- Ex. surface ornamentation of flatware