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## ABSTRACT

This instructor guide for a unit on business management in the PACE (Program for Acquiring Competence in Entrepreneurship) curriculum includes the full text of the student module and lesson plans, instructional suggestions, and other teacher resources. The competencies that are incorporated into this module are at Level 3 of learning--starting and managing one's own business. Included in the instructor's guide are the following: unit objectives, guidelines for using PACE, lists of teaching suggestions for each unit objective/subobjective, model assessment responses, and overview of the three levels of the PACE program. The following materials are contained in the student's guide: activities to be completed in preparation for the unit, unit objectives, student reading materials, individual and group learning activities, case study, discussion questions, assessment questions, and references. Among the topics discussed in the unit are the following: leadership philosophy, management responsibilities, the decision-making process, management tasks, communication practices, and code of ethics.

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# INSTRUCTOR GUIDE

## Unit 13

## Business Management

### Level 3

### HOW TO USE PACE

- Use the objectives as a pretest. If a student is able to meet the objectives, ask him or her to read and respond to the assessment questions in the back of the module.
- Duplicate the glossary from the *Resource Guide* to use as a handout.
- Use the teaching outlines provided in the *Instructor Guide* for assistance in focusing your teaching delivery. The left side of each outline page lists objectives with the corresponding headings (margin questions) from the unit. Space is provided for you to add your own suggestions. Try to increase student involvement in as many ways as possible to foster an interactive learning process.
- When your students are ready to do the *Activities*, assist them in selecting those that you feel would be the most beneficial to their growth in entrepreneurship.
- Assess your students on the unit content when they indicate they are ready. You may choose written or verbal assessments according to the situation. Model responses are provided for each module of each unit. While these are suggested responses, others may be equally valid.

### Objectives:

- Develop your leadership philosophy.
- Identify management responsibilities of the entrepreneur.
- Implement the decision-making process for your business goals and objectives.
- Design management tasks for your business.
- Establish communication practices for your business.
- Develop a code of ethics for your business.

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## Objectives

## Teaching Suggestions

### 1. DEVELOP YOUR LEADERSHIP PHILOSOPHY

What kind of work does a manager do?

Briefly introduce the SWOT analysis. Use the SWOT analysis handout included at the end of this instructor guide. Teach students how to fill in each quadrant with appropriate information on government regulations, competition, customers, suppliers, research and development programs of the firm, and other factors mentioned in the text. Show how both internal factors in the company (sales force, research and development programs, management, etc.) and factors external to the firm (market demand, government regulations, competition, suppliers, etc.) affect the company's competitiveness.

What is the mission of your business?

Have students suggest different missions for their (potential) businesses. Ask several businesses to send company brochures to give students an idea of how entrepreneurs formulate missions for their business.

What are business goals?

Openly show that profitability is the ultimate (if not exclusive) goal in business.

What leadership philosophy will you develop as you manage your business?

Explain to students in simple terms what a leadership philosophy is. Have them link the business missions they proposed previously with an appropriate leadership philosophy.

### 2. IDENTIFY MANAGEMENT RESPONSIBILITIES OF THE ENTREPRENEUR

What is involved in controlling?

Have students define controlling in their own words.

What control devices are available?

List budgets, schedules, and feedback on an overhead or chalkboard. Have students explain how these tools help the entrepreneur control business activities.

**3. IMPLEMENT THE DECISION-MAKING PROCESS FOR YOUR BUSINESS GOALS AND OBJECTIVES**

Why is it important to make good business decisions?

Use a simple management case on decision-making and have students discuss the importance of decision-making process as it relates to the case.

What are the steps involved in making business decisions?

Use an overhead or chalkboard to list the steps involved in making business decisions. Leave enough space for each to add information as more detailed discussion follows.

Why do you need to identify the problem?

Reconsider the case presented previously to pinpoint each one of the steps involved in the decision-making process.

What about alternatives?

Have students present problems they had to solve in real business situations or situations they know about from other businesses. Have them suggest alternatives to solve the problems. The teacher could also use articles from various magazines and newspapers to create simple cases.

Do you need to know your objectives?

Highlight the importance of correctly defining objectives in the decision-making process. Have students suggest examples of objectives in business decision-making (e.g., open a new store, increase sales by 5 percent during the next quarter, etc.)

Is new information important?

Invite a local entrepreneur to share his/her experience as it relates to business decision making. The speaker should stress the importance of new information in the process (e.g., information on competition's moves, new technological developments, suppliers, market demand, etc.)

Why is this information necessary to the process?

Continue above suggestion.

Are positive and negative consequences important?

Engage students in a discussion on the relationship between positive and negative consequences in decision-making and feedback.

What about formulating a plan of action?

Have students debate the importance of plan formulation and devising alternatives to the plan.

## Objectives

## Teaching Suggestions

### 4. DESIGN MANAGEMENT TASKS FOR YOUR BUSINESS

What's involved in the planning function?

Have students give examples of what activities are devised in each one of the types of plans listed in the text (master, crisis, day-to-day, and special event planning).

What is the master plan?

Define master plans and give a brief example (e.g., introduction of a new product, sales promotion, strategic planning for next year, etc.)

What are short-term plans?

Help students define short-term planning and review the examples they gave previously.

What are other types of planning?

Have students suggest special event plans in different business activities (finance, marketing, transportation and logistics, etc.).

How important is it to gather information for planning your business?

Conclude the discussion on the importance of information in decision-making.

What is involved in organizing?

Briefly define organizing. Engage students in a brief discussion on differences in organization of small versus large companies.

How many forms can your organization take?

Define stages one and two of supervision. Tell students about the tendency in today's organizations to eliminate stage two (i.e., companies seek to organize themselves horizontally versus vertically, as in the past). This in effect reduces the number of middle level management positions. Explain the positive and negative consequences of shrinking middle management. You may also want to discuss "quality" as it relates to organizations.

How can your business be organized effectively?

Use a chalkboard or overhead to list activities critical to effective business organization.

Are there steps you can follow in organizing?

Use the situation presented in the text or another situation to illustrate steps which can be followed in organization.

How can you organize your business?

Use the line and staff organization chart and job description shown in the text to make students understand the underlying concepts. Have students design their own (potential) organizations' line and staff organization charts and job descriptions.

## Objectives

## Teaching Suggestions

How does directing fit in?

Relate the directing function to the topic of communication in business.

### 5. ESTABLISH COMMUNICATION PRACTICES FOR YOUR BUSINESS

What communication techniques and practices will you employ in your business?

Have students help to draw a chart to show communication flow among entrepreneurs, customers, competitors, suppliers, consultants, government regulators, bankers, etc. Engage students in a discussion on communication barriers and how they can be overcome. Barriers to effective communication is a popular and interesting topic. Encourage students to do outside reading and report to the class.

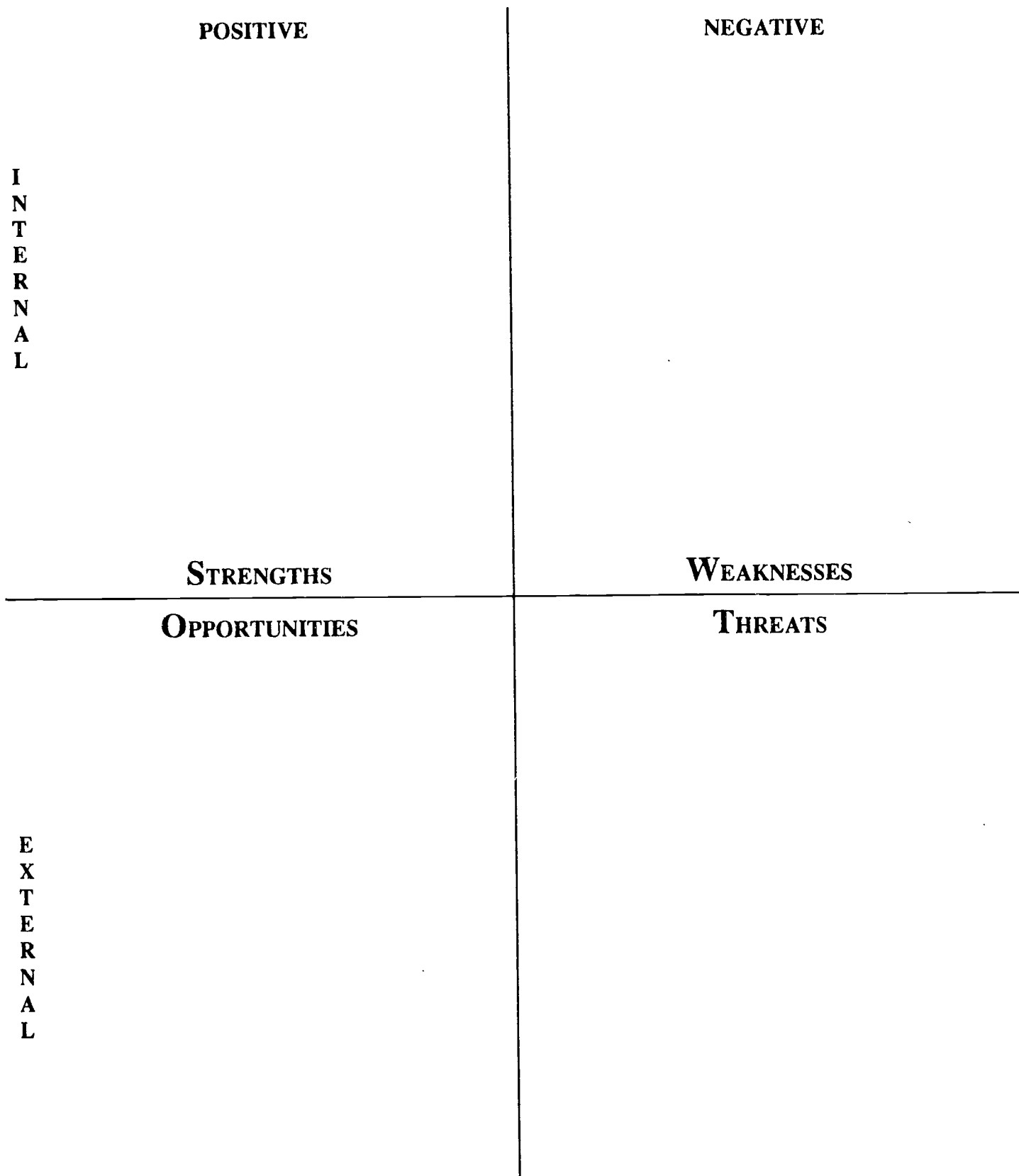
### 6. DEVELOP A CODE OF ETHICS FOR YOUR BUSINESS

What standards should be included in your code of ethics?

Invite a local business attorney to speak about differences between legal and ethical issues and how they relate to each other in regards to small business.

## MODEL ASSESSMENT RESPONSES

1. A business' mission statement reflects the philosophy of the company regarding its customers, employees, products/service, and business community. The mission statement stresses the relationship of the firm's philosophy with profitability goals.
2. The answer should vary from student to student. It should include specific themes such as leadership styles used at different stages of business growth, employee motivation, ways to overcome stress, feedback from employees, customers, distributors and suppliers, and other issues the students believe to be important.
3. The decision-making process is based on the following steps: (1) identifying the problem, (2) illustrating alternatives, balancing objectives and values implicated in the choice, (3) gathering new information to further evaluate alternatives, (4) assimilating and using all the information made available through the research process, (5) re-examining the consequences of all known alternatives, (6) formulating a plan of action, and (7) implementing the plan.
4. The long-term plan (or the master plan) is vital to the business. The master plan helps the company grow in the direction chosen by the entrepreneur. To be feasible, the plan must consider the human and financial resources and limitations of the business.
5. Organizing a business effectively involves setting up a structure that defines, groups, and assigns responsibilities to each employee. It also links jobs to each other. The organizing function ensures that people, machinery, equipment and materials are in the right place at the right time.



**SWOT ANALYSIS**



# PACE

## THIRD EDITION

## Program for Acquiring Competence in Entrepreneurship

Incorporates the needed competencies for creating and operating a small business at three levels of learning, with experiences and outcomes becoming progressively more advanced.

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For information on PACE or to order, contact the Publications Department at the  
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**Business  
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Your Potential  
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Entrepreneur

Nature of  
Small Business

Business  
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Global Markets

The  
Business Plan

Help for  
the  
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Types of  
Ownership

Marketing  
Analysis

Location

Pricing  
Strategy

Financing  
the Business

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Issues

Human  
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Promotion

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Operations

**PACE**  
**THIRD EDITION**

**Program for Acquiring  
Competence in  
Entrepreneurship**



CENTER ON EDUCATION  
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THE OHIO STATE UNIVERSITY

# BUSINESS MANAGEMENT

## BEFORE YOU BEGIN . . .

1. Consult the *Resource Guide* for instructions if this is your first PACE unit.
2. Read What are the Objectives for this Unit on the following page. If you think you can meet these objectives now, consult your instructor.

3. These objectives were met in Level 1 and Level 2:

### Level 1

- Explain the role of management in small business.
- Explain how managers spend their time.
- Name the attributes and skills of a leader.
- Explain the steps in decision making.
- Define "business ethics".
- Discuss the purpose of communication in business.
- Identify the rewards of management.

### Level 2

- Describe the role of management in your potential business.
- Describe the pros and cons of various leadership styles.
- Examine the decision-making process as it applies to small business.
- Identify the steps in the planning process.
- Describe organizational tools for a small business.
- Identify control procedures for a small business.
- Describe methods of evaluation.
- Identify ethical issues.
- Explain the importance of communication in a business.

4. Look for these business terms as you read this unit. If you need help with the meanings, ask your instructor for a copy of the PACE Glossary contained in the *Resource Guide*.

Ethics  
Leadership philosophy  
Long-term goals

Mission  
Short-term goals

## BUSINESS MANAGEMENT

### WHAT ARE THE OBJECTIVES FOR THIS UNIT?

Upon completion of this unit you will be able to—

- develop your leadership philosophy,
- identify management responsibilities of the entrepreneur,
- implement the decision-making process for your business goals and objectives,
- design management tasks for your business,
- establish communication practices for your business, and
- develop a code of ethics for your business.

### WHAT IS THIS UNIT ABOUT?

Good management is the key to success for any business. Such success will depend on your ability to develop or improve your own management skills.

The purpose of this unit is to give you a detailed overview of the management process. You will learn about the responsibilities of the manager of a business. You will also learn how to apply decision-making skills to planning, organizing, and controlling functions within your business.

You will develop long- and short-term goals for your business; organize facilities, workers, and materials; and develop control and evaluation procedures to find out if your business has reached its goals and objectives.

You will also begin to develop your personal leadership philosophy; design communication standards and approaches; and develop a code of ethics to guide your business actions.



## WHAT KIND OF WORK DOES A MANAGER DO?

A manager's job is built around the processes of *planning, organizing, directing, controlling and evaluating*. At the heart of a manager's activities, however, is decision making—a basic skill that all entrepreneurs must possess.

One method used in helping a manager evaluate the profitability of a business is Strengths, Weaknesses, Opportunities, Threats Analysis (SWOT). SWOT analysis helps entrepreneurs judge their planning, organizing, directing, and controlling performances by assessing the business's competitive position in the market. This can be done by evaluating the strengths and weaknesses of the business, as well as opportunities and threats in the marketplace.

Examples of a business's weaknesses are poor management or weak sales force, and problems related to human resources, suppliers, and customer relationships. However if troubles are detected in a timely manner and appropriate actions are taken, the business's weaknesses may turn into strengths over time. Examples of a business's strengths are continuous growth from operations, an effective sales force, reliable supplier relationships, a strong research and development program, or a strong customer base.

Companies face threats in the marketplace from domestic or foreign competitors or from various government regulations. A new competitor entering their market with a upscaled, high-quality improved product or perhaps new government regulations—both can be threats businesses face continuously. Often times, threats can be turned into growth opportunities if the entrepreneur understands the intricacies of the market. For example, if a bakery next to your business

offers a special sales promotion, you might take advantage of this event which could bring new customers into *your store*. Thus, you might want to offer a better, more advantageous promotion and gain more sales with less advertising expense.

## **WHAT IS THE MISSION OF YOUR BUSINESS?**

The first, and most important decision you will have to make in establishing a successful business is to answer the question, "What business am I in?" The answer to this question will set the *mission* for your business. An example of a mission statement for a specific business is:

"To provide overnight package delivery to commercial customers anywhere in the United States."

Expect to spend a considerable amount of time struggling with refining the mission statement for your company. Do not rule out alternatives or neglect the information gathering steps while developing your mission statement.

Critical questions that face all businesses revolve around three key areas:

- Providing for your customer's needs
- Developing the highest quality processes and outputs
- The aggressive pursuit and elimination of waste

Management functions are usually so inter-related that it is difficult to separate them. For example, while planning a project, you are also considering how to organize, direct, control, and evaluate it. However, each function will be examined individually in this unit. Mastering these processes is a vitally important part of becoming a successful manager.

## **WHAT ARE BUSINESS GOALS?**

The goal of all businesses is to run efficiently and return a profit to the owners. Goals must include successful decision making in order to remain viable in today's market place. Entrepreneurs should use the decision-making process as an aid while performing management functions to attain their goals.

## **WHAT LEADERSHIP PHILOSOPHY WILL YOU DEVELOP AS YOU MANAGE YOUR BUSINESS?**

Motivating employees is another important component of the *directing* management function. People generally need to feel they are an important part of the organization. Each employee wants to know, "What's in it for me?"

Basically, most of us are interested in our own welfare first. Loyalty comes about when employees see themselves as important persons within the firm and believe the

company needs their contributions. You should recognize each employee as a total person. Company morale will be higher when this is done. Another result will be more effective and efficient employees. (See PACE Unit 14 on Human Resources for a more detailed discussion of this management function.)

Leadership styles refer to the alternative ways in which managers carry out their decision-making responsibilities in relation to their employees. Each manager's style can differ from day to day as different problems are encountered and different business goals are approached. However, it is worth your effort to develop an overall philosophy which matches your personality and your business situation.

You can view your *leadership philosophy* as varying from one extreme that stresses your efforts to totally control all aspects of your work environment and employees to another which involves completely involving worker participation for every decision.

Letting employees work without supervision or feedback in a "hands-off" manner, is not a middle ground between the above positions, but a recipe for disaster. As businesses grow, business owners often find that the style that suited the early stages of their enterprise no longer matches the needs of their organization.

During the earliest stages of the business formation and growth the owner has to play the role of the creator of the organization who must gain control over all aspects of his/her environment. As the company grows

and matures, it is crucial that the entrepreneur adopt a leadership style that allows him/her to more effectively delegate work.

The transition from control-oriented entrepreneur into effective manager is a challenge that often poses a critical problem for the firm. Many successful entrepreneurs fail to make this transition and are forced out by their boards of directors or lead their companies into problems. The entrepreneur must continue to study his/her style of management and respond to the changing needs of the size and complexity of the environment in which he/she operates.

As a manager, you need to seek feedback regarding the leadership style *others* perceive that you are using. You should compare other peoples' perceptions with your own and continually act to reduce any differences.

## WHAT IS INVOLVED IN CONTROLLING?

*Controlling* is actually guiding a business to achieve its goals. Controlling devices, therefore, are designed to tell managers when the business is deviating from its chosen objectives. The manager is the person who takes action to get the business "back on course."

The control process involves three basic activities: (1) establishing standards (the planning process), (2) comparing performance against these standards, and (3) taking corrective action if needed.



## **WHAT CONTROL DEVICES ARE AVAILABLE?**

As the owner of a business you can employ several control measures. First, you will need to compare your present results to the standards that were in the planning process. You can make comparisons between planned budgets and actual budgets, as well as between planned schedules and actual schedules. Such comparisons will allow you to determine if your planning has been successful.

But, whatever control system you institute, it must provide timely feedback. Problems must be identified before it's too late. A good control system can provide this information.

As the owner of a business, your success will depend on how well you apply decision-making skills to planning, organizing, directing, and controlling your business activities. Good management is the key to business success, and remember—your success will depend on developing and improving your own management skills.

## **WHY IS IT IMPORTANT TO MAKE GOOD BUSINESS DECISIONS?**

Business owners and managers alike must make many decisions each day which will ultimately prove either successful or unsuccessful to the business. The overriding

assumption is that each decision-making strategy needs to be pertinent for each new decision. The optimum strategy is to choose a course of action which will have the highest payoff for the business.

## **WHAT ARE THE STEPS INVOLVED IN MAKING BUSINESS DECISIONS?**

Most experienced managers would not attempt to solve problems with limited amounts of information. Besides gathering as much information as possible, they would also follow a logical decision-making process to select the best solution. Use of this process ensures that a number of possible solutions are identified and that only the best ones are considered for final selection. A logical decision-making process is based on the following steps:

- Identifying the problem
- Canvassing alternative solutions
- Surveying the range of objectives to be fulfilled and the values implicated by the choice
- Searching for any new information relevant to further evaluation of the alternatives
- Assimilating and taking account of all information, even if it does not support an initially preferred course of action



- Re-examining the positive and negative consequences of all known alternatives, including those originally regarded as unacceptable, before making a final choice
- Implementing the chosen plan of action with special attention to contingency plans that might be required if various known risks were to materialize
- Evaluating the results of the decision and modifying the choice if necessary

An entrepreneur should use this decision-making process while performing all management functions.

### **WHY DO YOU NEED TO IDENTIFY THE PROBLEM?**

The first step, identifying the problem, is the foundation for success in decision making. If the problem is not correctly identified, the solution will be worthless.

For example, you are in a situation where errors are occurring on a production line. You assume that the problem is a poorly trained workforce. Actually, the problem is in the equipment on the line. If you develop a training program as the solution, it will be worthless because it is not addressing the correct problem.

### **WHAT ABOUT ALTERNATIVES?**

It is important to remember that some time must be spent in looking at alternative actions which could be taken. If a decision is made hastily without looking at other possible solutions, the decisions could have severe consequences the business owner failed to realize. Make a list of all possible solutions, even those which may not seem workable at this point, because the more choices you have to examine the better decision you can make.

### **DO YOU NEED TO KNOW YOUR OBJECTIVES?**

The decision maker needs to evaluate the objectives which are to be accomplished by this choice along with all alternatives. It might also be helpful to ask others for their input. Perhaps someone else can be more objective in viewing your objectives and help you sort out what your real objectives should be. Remember, you are not the only one ever to be in this decision-making situation.

### **IS NEW INFORMATION IMPORTANT?**

The next step is to examine new information. As an entrepreneur you may find your problem unique at first, but after examining

new information about the problem, there may be solutions you did not know about. It is this searching strategy which will uncover that new information for you to test. Compile everything you have learned even if it is not what you initially thought your decision would be.

### **WHY IS THIS INFORMATION NECESSARY TO THE PROCESS?**

When you assimilate or receive new information many times it will be discounted if it does not fit into a prior plan of action. Take time to think what results you really want to achieve and then evaluate what you have learned. It is easier to do this now than after making the wrong decision.

### **ARE POSITIVE AND NEGATIVE CONSEQUENCES IMPORTANT?**

Again, look at the consequences of the alternatives. Remember each alternative has a positive consequence if it works but a negative consequence if it fails. Rely on feedback from others who have gone through similar problems. If you have not found others with similar problems, look for local groups of business leaders or high school/college business departments for assistance.

### **WHAT ABOUT FORMULATING A PLAN OF ACTION?**

After all information has been reviewed, the entrepreneur must decide on the best course of action to pursue and then implement that decision. A manager needs to realize, however, that he or she is not required to keep this plan of action if he or she sees it is not producing the desired results. All he or she must do is review the other alternatives, add this new information, and select another alternative to implement. It is the goal of the manager to select the best plan of action the first time, but it is foolish to live with a plan of action which clearly does not address the problems of the company.

### **WHAT'S INVOLVED IN THE PLANNING FUNCTION?**

*Planning* can take place at many different levels: the master plan or long-term plan, the short-term plan, special events planning, and crisis planning. The manager is responsible for planning at all levels.

### **WHAT IS THE MASTER PLAN?**

The most important plan for any business is the master or long-term plan. This plan, which you and other responsible employees prepare, sets the firm's goals or objectives. To be effective at master planning, you

should develop certain abilities. You must be:

- able to see the situation as a whole
- capable of dividing the whole into workable parts
- objective and analytical
- able to work with the unknown
- able to avoid getting mired in details

When developing your master plan, objectives and timetables must be established for each operational area of the business. For example:

- I. Product Development
  - a. Market Survey
  - b. Test of Market
  - c. Product generation
- II. Market Development
  - a. Sales/Promotion
  - b. Distribution
  - c. Pricing/Credit Policies
- III. Finance
  - a. Profit
  - b. Budget
  - c. Financial Analysis
  - d. Accounting
- IV. Human Resources
  - a. Recruiting
  - b. Training
  - c. Retention
  - d. Compensation

## V. Operations

- a. Process Design/Facilities
- b. Capacity Planning/Scheduling
- c. Inventory Acquisition/Control
- d. Quality Management
- e. Technology Strategy

Specific employees should be assigned responsibilities for each objective.

A formalized master plan has many advantages for a business. Most importantly, the plan helps the company grow in the direction you intend it to grow. The plan outlines the general action to be taken to reach your objectives. Of course, as you develop these objectives, you must take stock of your company's situation, its strengths and weaknesses, and the changes needed to get the firm where you want it to be. While doing this, you can also get a good idea of future needs such as new employees, new facilities, and new machinery. Master plans help put the pieces of the business puzzle together.

## WHAT ARE SHORT-TERM PLANS?

After the master or long-term plan is prepared, short-term plans may be made. Short-term plans set forth those objectives that must be accomplished in order to achieve the master plan. Short-term plans are based on the master plan. Usually these objectives are accomplished in days, weeks, or months; the long-term plan may require several months or a year or more.

Short-term planning is essential to the success of the small business. Through short-term planning, managers can deal with prob-

lems that could not be anticipated when the master plan was set. They can try new alternatives and get immediate feedback to see how plans are working. Short-term planning forms the backbone for day-to-day operations.

You may find it helpful to establish a master planning calendar and post it in a location accessible to each of your employees. This calendar can contain "coded" references from your master plan objectives, as well as selected shorter term plans. Each employee can then be responsible for annotating each objective as it is reached or modified. This tool, if used in a positive spirit, can lead to "team" orientation by helping each employee see their contribution to the overall business goals.

## WHAT ARE OTHER TYPES OF PLANNING?

*Special event planning* is quite similar to other methods of planning, except that it is apart from the everyday business routine. The key to special event planning is integrating it with other work that must be done. Do not let the special event become so important that it disturbs other necessary business activities.

Good planning techniques should eliminate daily or weekly crises. But even with good planning you'll have to do some crisis planning to handle a crisis situation. When a crisis decision has to be made, the following guidelines might help:

- Get into a relaxed state of mind
- Focus on the logical outcomes of different solutions
- Don't put off making the decision
- Act decisively once you reach a decision
- Don't be afraid of failure

Both crisis planning and special event planning supplement your business's long-term and short-term plans.

## HOW IMPORTANT IS IT TO GATHER INFORMATION FOR PLANNING YOUR BUSINESS?

Often you will need special information before you can finalize a plan. Research can supply you with the needed data. Research information about the market or other areas can be gathered in a number of ways.

You can hire someone to collect the data or do it yourself. The main concern is that the data be accurate and reliable. Sometimes you can get needed data from community sources such as credit agencies and banks, county clerk's offices, U.S. Census reports, published market analyses, trade associations, and general economic base studies.

Any existing business should make every effort to utilize information gathered from customers that result from their day-to-day interactions with the business. For example,

if you wanted to know where the majority of prospective customers were located, data could be collected by analyzing all previous orders to determine your customers' addresses or by surveying each customer to determine their area of residence.

## WHAT IS INVOLVED IN ORGANIZING?

*Organizing* is exactly what it says—organizing the business so it operates effectively and efficiently. It involves setting up a structure that gives order to the tasks a business must conduct to achieve its objectives.

The organizing function is required to define, group, and assign responsibility to others. This divides the work load among employees. Organizing the work of a small business is a necessity if personnel, equipment, and supplies are to be in the right place at the right time. To organize work well, you must group tasks to be done into individual jobs. You must also define how one job relates to another.

## HOW MANY FORMS CAN YOUR ORGANIZATION TAKE?

The size of your business will probably dictate the type of organizational form you choose. Most small businesses begin at the *direct supervision stage*. At this stage, the business owner directly supervises all the work done by all employees. But, as a company grows, it will probably become impos-

sible for a business owner to supervise all employees directly. The owner will have to delegate the responsibility of supervision to other capable employees who become managers. Stage two is the *supervised supervisors' stage*. In this stage, an owner manages a number of supervisors who, in turn, direct the work of other employees.

## HOW CAN YOUR BUSINESS BE ORGANIZED EFFECTIVELY?

How would you go about organizing the work in a flower shop? The organizing function of management, like planning functions, has some rather well-defined steps. When organizing, you must—

- determine the activities necessary to carry out the plans,
- define the activities and classify the operations,
- group the activities into job descriptions to gain the best utilization of resources,
- develop authority and direction channels or each job description,
- bring the jobs together to a common focal point—that of achieving a certain related set of objectives.

When developing an organizational structure for your business, remember that each business varies. The work of some types of businesses may fluctuate almost daily. Even

though activities are different for each type of business, some basic degree of organization must exist.

For example, a flower shop would probably have to conduct all the following activities:

- Buying flowers
- Caring for the flowers
- Operating and maintaining equipment in the store
- Cutting flowers
- Making displays or arrangements
- Making sales
- Delivering work
- Handling store maintenance
- Handling flowers by wire
- Keeping records
- Advertising
- Hiring and training employees
- Handling telephone sales
- Pricing merchandise
- Monitoring inventory

- Following up with customers to assure service delivery
- Analyzing the finances of the business
- Disciplining employees

## ARE THERE STEPS YOU CAN FOLLOW IN ORGANIZING?

When organizing, you would define each activity, group similar activities, and assign responsibility and authority. In addition to organizing the work, there are many activities required to help businesses reach their goals. Obviously, it would be impossible for one person to do all the tasks required to operate their business. Therefore, responsibility and authority must be delegated so that all the work gets done. In a small flower shop, for example, a given employee would carry out tasks grouped as follows:

Employee X -

Caring for flowers; operating and maintaining store equipment, store maintenance, delivery of work.

Employee Y -

Cutting flowers; making displays; making sales.

These task groupings are part of what is called *job description* (see Figure 1 on the next page).

### POSITION DESCRIPTION

**Position Title:**     Sales Person I

**Supervisor:**        Store Manager

**Department Name:** Ann's Flowers and Gift Shop

**Overall Responsibilities and Specific Duties:** Opens store. Prepares flowers for sale. Operates and maintains store equipment. Performs various tasks related to general store maintenance. Receives deliveries and stores flowers and gifts in the store room. Performs flower care maintenance operations. Takes orders.

Relieves supervisor and staff of routine store maintenance duties (e.g. mops floors, cleans counters, sinks, and store windows, removes trash two times a day, replenishes water containers in the store refrigerator, cleans shelves and flower display stands, coordinates flower and gift item delivery (communicates with the delivery person over the phone and picks up deliveries from the back door).

Takes orders over the phone and in the store. Enters orders on the order forms and coordinates work load to get order ready in time. Arranges flowers, pots, baskets and gift items from the store room. Assist sales person II in filling orders.

**Specifications:** As per Level I specifications.

Figure 1. Sample Job Description

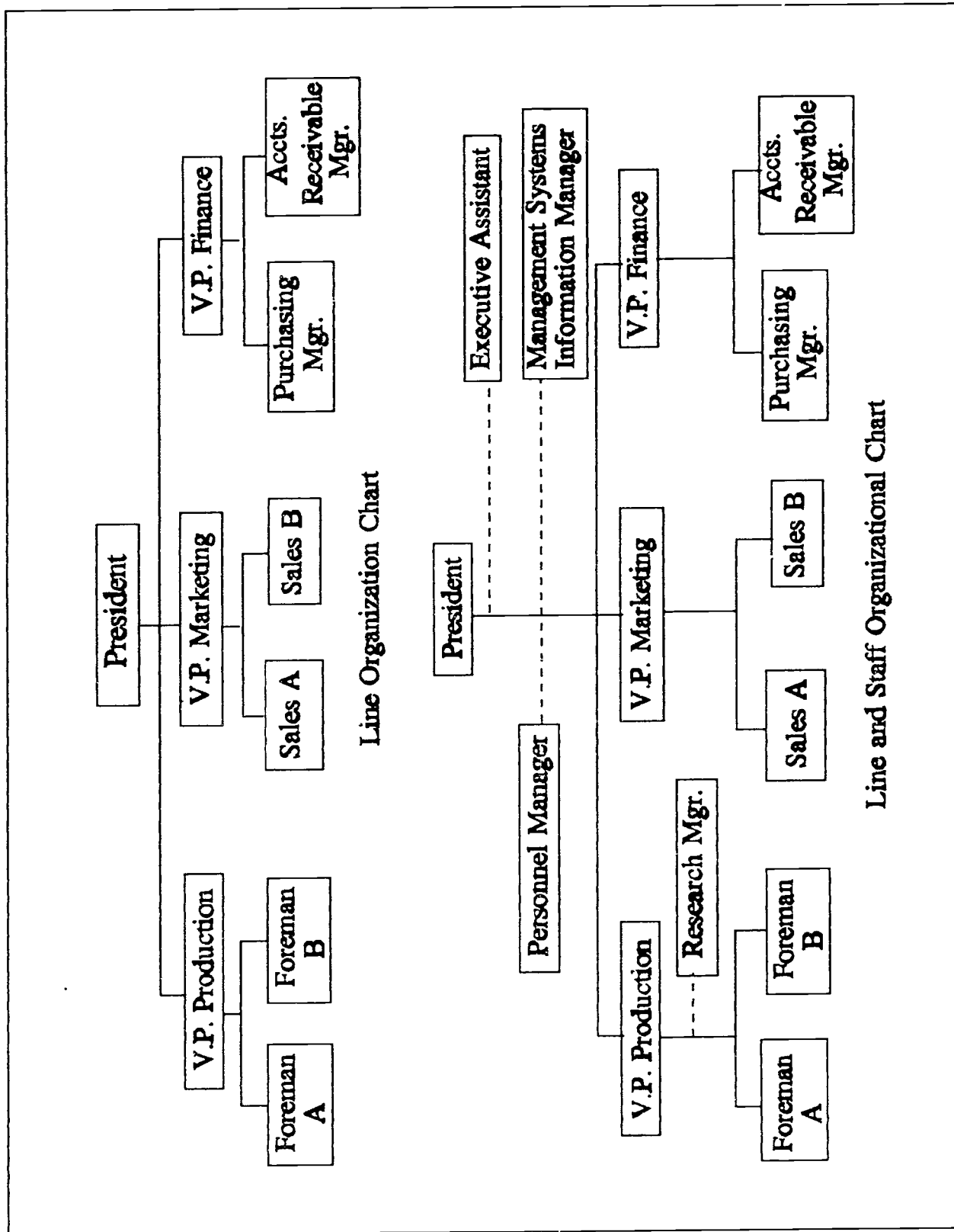
## HOW CAN YOU ORGANIZE YOUR BUSINESS?

Most businesses use two principal types of internal organization structures. These are (1) line organization and (2) line and staff organization.

A *line organization* means that all authority and responsibility may be traced in a direct line from the owner down to the person at the lowest level in the company.

A *line and staff organization* is used by businesses handling large amounts of complex work, resulting in line personnel not being skilled in all the specialties of those they supervise. To solve this problem, specialists (advisors) are added to give advice and assistance. However, the role of staff personnel is only to give assistance. They do not have authority over line personnel. On an organizational chart, staff personnel are usually indicated by broken or dotted lines (see the sample organization chart on page 15).







## HOW DOES DIRECTING FIT IN?

Directing is supervising the efforts of your employees. To be successful in directing, you must communicate well. Expectations and specific work procedures must be explained to employees if you expect them to meet your business goals.

The following questions will help you evaluate your typical communication strategy:

- Do you decide what the message is before you begin to deliver it?
- Do you decide what medium would communicate the message most effectively to your employees?
- Do you take into account the values and backgrounds of your employees and phrase the message so they will understand it?
- Are you aware of the mental and physical state of employees when you communicate?
- Do you think through the timing, site, sequence of thought, and style of the message?
- Do you ask questions to make sure employees understand the communication?
- Do you follow up on whatever action you indicated in the communication?

If you do all these things when you communicate important messages, you are an effective communicator. If not, the above guidelines will assist you next time you need to give a message to your employees.

## WHAT COMMUNICATION TECHNIQUES AND PRACTICES WILL YOU EMPLOY IN YOUR BUSINESS?

Another vital aspect of management is communicating with other groups and individuals important to the business success.

In business these communications occur between the following critical individuals and groups via any of these media: in person, writing, radio, TV, large meetings, telephone, FAX, or computer electronic mail (E-Mail):

Manager	.....	Employees
Employee	.....	Customer
Manager	.....	Supplier
Manager	.....	Banker/Investor
Employee	.....	Employee
Manager	....	Government Regulators
Manager	.....	Outside professionals

Barriers to effective communication occur when any of the above steps are blocked or distorted. For example, it is impossible to implement a leadership style stressing *worker involvement* unless you can understand the meaning of your workers' statements to you. You need to develop the highest possible skills in written, oral and nonverbal communication to become a successful manager.

Specific communication barriers to avoid as you develop your communication plan include:

- Inappropriate physical surroundings (noise, lack of privacy)
- Differences in perception of the environment
- Different word meanings (is your definition of "immediately" the same as your employees?)
- Filtering out unfavorable messages (applies to communications that flow both "up" and "down" the organizational ladder).
- Conducting meetings or conferences
- Listening techniques
- Effective telephone use
- Nonverbal communication
- Gestures
- Facial expressions
- Tone variation
- Effective communication distance

It is important to gain as much practice as possible within each of the following specific communication skill areas:

- Written communication
- Business letters
- Advertising/brochure writing
- Memos
- Report writing
- Oral communications
- Oral presentations
- Interviewing techniques

## **WHAT STANDARDS SHOULD BE INCLUDED IN YOUR CODE OF ETHICS?**

In addition to your responsibility to make a profit, you as a business owner, have a broader responsibility to a number of groups within your community. Ethical business practices include assuring that the highest legal and moral standards are observed in your relationships with business associates and members of the community at large. It is no longer sufficient to just meet general socio-economic needs of the community. Today, entrepreneurs are expected to contribute to solving ethical problems that confront the community, such as pollution, safety, discrimination, and poverty.

Your written code of ethics should include your general principals endorsing fair business practices (check with your industry

association for basic standards). It is also very important to include specific examples of these general standards as they relate to your particular business. For example, a policy stating that persons with purchasing authority should not accept gifts of material value from suppliers should be backed up by examples of what is meant by *material value*.

You might think that there is nothing wrong with promotional handouts, such as pens, agendas, and calendars. However, a survey conducted by the National Association of Purchasing Management shows that the annual value of vendor's gifts of material value accepted by purchasers ranged from \$3,000 to \$5,000. These figures show that, even though companies try to develop a strong code of ethics, many employees are still ignoring ethical issues. It is crucial that you involve all of your employees in the development of this code and lead by your example in following each standard to the letter.

There are three basic codes of human conduct that have been developed. First, *company codes* use a general approach to highlight important aspects of employees' ethical behavior. Secondly, *company operating policies* describe in detail ethical conditions under which employees are expected to comply. Examples of ethical operating policies include customer complaints, hiring procedures, gifts received from purchasers and suppliers, and employees' behavior in day-to-day business relationships. And finally, *five codes of ethics* are developed by professional associates in various industries (e.g., lawyers, suppliers, consultants, etc.). These codes of ethics emphasize the community's direct involvement in ethical issues that businesses face today.

Often times, you as an entrepreneur, might be enticed to inflate accounting numbers to make your profits look better. Even though this does not necessarily mean that the entrepreneur "is cheating," he/she is misleading people involved in the business. If all businesses inflated their accounting numbers, nobody would be able to correctly assess the real status of a firm. Moreover, the entrepreneur sets bad examples for his/her employees.

The difficulty of tracing unethical issues stems from the fact that it is almost impossible to declare a certain behavior right or wrong if illegal matters are not involved. Ethics questions do *not* have a unique faultless answer. The same ethical issue could be debated by 100 people in 100 different ways. Therefore, people, must use reason and common sense in establishing standards of business ethical behavior.

Entrepreneurs should regard ethical problems more than a social responsibility. The future of their business is highly dependant on the health of the company's environment. The entrepreneur who respects and applies ethical standards appropriately sets a good example for his/her employee and other people she/he does business with. It is critical to understand that there is only one small step between unethical and illegal. It depends completely on the entrepreneur to determine what is ethical and encourage and enforce the codes or policies.

## ACTIVITIES

The following activities are designed to help you apply what you have learned in this unit.

### INDIVIDUAL ACTIVITIES

#### A.

Obtain a copy of a management plan form from your instructor. Then, for your business or a business of your choice, develop the following components of a management plan:

1. Establish long-term and short-term goals and objectives for this business for a one-year period. Be specific. Develop a mission statement.
2. Locate or design any planning forms this business will need (for example, budgets or schedules). Establish any standards that will be needed to determine if goals and objectives have been attained.
3. Determine the number and types of employees the business will need. Briefly describe the duties and responsibilities of each job. Focus on specifying the behavioral aspects of each job description as they relate to production, customer communications, and ethical behavior. Draw an organization chart that will represent the internal organization of this business.

4. Establish control procedures for this business. In other words, how will you determine if your business's goals and objectives have been reached?
5. Establish a code of ethics appropriate for the types of issues that will likely arise in its operations.
6. Establish a set of communication standards for your business that covers all written communication. The purpose of these specific standards is to give employees the information they need in carrying out the communication tasks contained within their job descriptions.

#### B.

Present a speech to your class, prepared for the purpose of telling your shareholders the "state of the business." Provide information about what has happened in the last year and what plans there are for the future.

#### C.

There is a conflict between two employees over the work schedule. How do you handle this? Using the decision-making process, outline your course of action.

## GROUP ACTIVITIES

### A.

Work in teams of four to six. You are the owner of a restaurant. You must plan all activities from scheduling employees to production. Make a checklist in the order everything would occur. Compare your list with other team members and agree on one group list. Check the team list with a restaurant owner in the area.

### B.

Your team owns a restaurant that is not doing well in the market place. Bills are past due and employee paychecks were not issued on the last pay day. There is a great deal of food left over but it is past the date recommended for use; some of it has spoiled. You can clean up most of it to where most customers will not notice. Will the restaurant serve this spoiled food to save money? How do you arrive at your decision?

### C.

The team is divided into one interviewer and several interviewees. Develop a standard interview checklist for evaluation. All interviewees will remain to evaluate each other's performance. All interviewees will be interviewing for one opening in the company. The manager will make a decision and the interviewees will also make a decision.

Compare checklists as to why each person was chosen for the job.

### D.

Have three other people study the management plan you have designed for your business. Ask them to make suggestions. Are there areas you haven't adequately covered? Are your goals and objectives realistic? Can you determine when they have been reached? Make any changes you feel are needed in your plan.

## CASE STUDY

Southern Foods Corporation employs 402 people. Under the leadership of its founders and co-presidents, brothers Brandon and Kaleb Hill, Southern expanded rapidly and offers the best quality product in its market. A good part of this success is due to the personnel choices made by Kaleb Hill. The only serious deficiency in the personnel area of Southern is the total lack of female managers.

Southern is beginning to experience a number of pressures. Consolidated Foods, Southern Foods' main competitor, has implemented an extensive cost-cutting program, giving them a pricing advantage over Southern. In addition, Southern Foods has been slow to acknowledge shifts in consumer preferences toward low-salt and low-calorie foods. Robert Wilkerson, the current CEO, shot down a proposal to enter the now booming market for lightweight dehydrated foods—a market now dominated by Consolidated Foods, the first company to develop these products.

Wilkerson is a staunch adherent to the Hill family's conservative management philosophy. He believes that competition, money, and the

work ethic are major forces that drive people to produce. Employees are simply expected to perform consistently at peak levels of productivity and quality—that's what they're paid for. And, if they have any complaints—let them go and work elsewhere. Employees who contribute to producing the best bottom line results (profits) are the ones most likely to get the raises and promotions. The other factors considered when employees are reviewed by managers count very little in such decisions. Convinced that competition is the key to improving sales and productivity, Wilkerson reorganized the company into two autonomous divisions. He makes it clear that the divisions with the biggest increases in profits and market shares will be the ones to reap the rewards when budgets, promotions, and salary increases are considered.

Brandon and Kaleb Hill begin the annual meeting with the news that they are retiring due to economic pressures. They want Robert Wilkerson's daughter, Tammy, to succeed them as President of the company. The request is approved and Tammy Wilkerson addresses the meeting. She is the first female in a management position.

## DISCUSSION QUESTIONS

1. What style of leadership will Tammy Wilkerson need to run Southern Foods Corporation?
2. Never holding a management position with the company, how will other managers view her?
3. What are the main objectives the company must face at this time?
4. As a manager what hard decisions must be made in order for the company to survive?
5. Does the company have a responsibility to the workers?
6. How would you like to work in this business, as a line employee and as a manager?
7. What can be done about the lack of women in management positions? What do you think are the reasons Tammy Wilkerson was selected to be President?

**ASSESSMENT**

Read the following questions to check your knowledge of the topics presented in this unit. When you feel prepared, ask your instructor to assess your competency on them.

1. What is the purpose of a mission statement for your company?
2. Describe your leadership philosophy as you see it in relation to your business.
3. Outline the decision-making steps and explain their importance to your business.
4. Why is long-term planning important for an organization?
5. What are the benefits of effectively organizing your business?

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## PACE

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Units on the above entrepreneurship topics are available at the following levels:

- \* Level 1 helps you understand the creation and operation of a business
- \* Level 2 prepares you to plan for a business in your future
- \* Level 3 guides you in starting and managing your own business