

**INTRODUCTION TO
BUSINESS
KEY-POINTS AND
PRACTICE QUESTIONS
BY
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BOOK # 1 OF 2**

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Nature of business

By Taha Popatia

Nature of business

- * A business is an organisation that strives for profit by providing goods (tangible items) and services (intangible offerings) desired by its customers (includes individuals and other businesses)
- * Profit = Sales revenue – costs
- * Revenue is the money a company receives
- * Costs are expenses

Nature of business

- * Not for profit organisations:
 - * Exists for some goal other than to make profit
 - * Goals include:
 - * Feeding the poor
 - * Preserving the environment

Nature of business

- * Businesses require someone for:
 - * Management skills to plan, organise and control activities of the business
 - * Finding and developing right employees
 - * Marketing
 - * Financial management
 - * Dealing with legal matters

Nature of business

- * Stakeholders associated with a business include (detailed discussion is covered later):
 - * Customers
 - * Employees
 - * Government and regulators
 - * Community

Nature of business

- * A business should have:
 - * Vision – futuristic (difference explained later)
 - * Mission – current (difference explained later)
 - * Goals – general overall aims (difference explained later)
 - * Objectives – specific overall aims (difference explained later)
 - * Strategies and strategic aims – long term
 - * Tactical plans and aims – implementation targets and budgets
 - * Operational plans and aims – action plans

Nature of business

* Difference between mission and vision:

Mission	Vision
Current	Future
Where you are?	Where you are going to be?
What needs to be done to turn vision into a reality	Describes desired long-term results
Amazon's mission statement: serve consumers through online and physical stores and focus on selection, price and convenience	Amazon's vision statement: To be Earth's most customer-centric company, where customers can find and discover anything they might want to buy online, and endeavors to offer its customers the lowest possible prices

Nature of business

- * Difference between goals and objectives:

Goals	Objectives
Broad intentions	Derived from goals
Narrative	Expressed in a form that can be measured
Idea based and general	Clear and specific

- * A SMART objective is one that is – Specific, Measurable, Achievable, Relevant and Time-bound

Nature of business

- * Factors of production:
 - * Four traditional factors of production:
 - * Natural resource – land, farmland, water
 - * Human resource – people contributing physical and mental abilities
 - * Capital – tools, machinery, equipment and building
 - * Entrepreneurship – People who combine above factors of production with the intention of making profit or accomplishing not-for-profit goal
 - * Fifth factor as per modern studies:
 - * Knowledge

Nature of business

- * Stakeholders can be categorised as:
 - * Internal stakeholders:
 - * Shareholders / Owners
 - * Employees
 - * Executive directors and senior managers
 - * External stakeholders:
 - * Lenders
 - * Suppliers
 - * Government
 - * Customers
 - * Non-executive directors
 - * Public

Nature of business

* Power-interest matrix:

	Interest		
	low	High	
Power	High	Keep satisfied with active consultation. Capable of moving to high interest high power segment Example includes large institutional investor	Manage closely with regular engagement. Example includes major customer
	low	Monitor only and communicate. Example includes general public with no direct interest	Keep informed. Their views can influence more powerful stakeholders. Example includes Charities

Ownership of business

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Ownership of business

- * Organisation:

- * It is a tool to arrange individual or combined resources for a particular purpose in an efficient and effective manner
- * A business organisation is an entity formed for the purpose of carrying on required activities to achieve its goals and objectives

Ownership of business

- * Types of business organizations:
 - * Three main types of business ownership:
 - * Sole proprietorship
 - * Partnership
 - * Corporation or the limited liability company

Ownership of business

- * Types of business organizations:
 - * Features that distinguish an organisation from another:
 - * Purpose – Profit or non-profit
 - * Ownership – Companies are owned by shareholders, public sector organisations are owned by the government and co-operatives are owned by the members
 - * Funding – Stock market company obtain funds from share issue, charities rely on government grants and private donations and public sector organisations obtain their funds from government, which in turn raises funds through taxes
 - * Accountability – Directors are accountable to shareholders

Ownership of business

- * Types of business organizations:
 - * Broad classification:
 - * Business organisations – engages in commercial activities, with the purpose of making profit
 - * Not-for-profit organisations

Ownership of business

- * Types of business organizations:
 - * Three main types of business organisations:
 - * Sole proprietorships
 - * Sole proprietor is an individual who owns and operates entire business with complete independence in decision making
 - * They must exhibit leadership skills, be well organised and communicate well with employees
 - * Advantages include:
 - * Ease and low cost of formation
 - * Secrecy
 - * Distribution and use of profits
 - * Greater flexibility and direct control
 - * Lower taxation
 - * Ease of dissolution

Ownership of business

- * Types of business organizations:
 - * Three main types of business organisations:
 - * Sole proprietorships
 - * Disadvantages include:
 - * Unlimited liability
 - * Difficulty in raising funds
 - * Limited skills

Ownership of business

- * Types of business organizations:
 - * Three main types of business organisations:
 - * Partnerships
 - * Two or more people own a business
 - * In most cases maximum number is 20 with certain exception example accounting firms
 - * A written partnership agreement is recommended to avoid future conflicts
 - * Agreement typically includes amongst other things name of partnership, purpose, duties of each partner, contribution of each partner and profit sharing ratio

Ownership of business

- * Types of business organizations:
 - * Three main types of business organisations:
 - * Partnerships
 - * Two basic types of partnerships:
 - * General partnership:
 - * It involves a complete sharing in the management of business
 - * Each partner has unlimited liability for the debts of the business
 - * Limited partnership:
 - * It has at least one general partner with unlimited liability
 - * It has at least one limited partner whose liability is limited to his or her investment
 - * Limited partners are not involved in the management of the business

Ownership of business

- * Types of business organizations:
 - * Three main types of business organisations:
 - * Partnerships
 - * Advantages include:
 - * Ease of formation
 - * Higher availability to raise funds
 - * Combined knowledge and skills
 - * Less regulatory control

Ownership of business

- * Types of business organizations:
 - * Three main types of business organisations:
 - * Partnerships
 - * Disadvantages include:
 - * Unlimited liability
 - * Sharing of profits
 - * Difference of opinion

Ownership of business

- * Types of business organizations:
 - * Three main types of business organisations:
 - * Limited companies or corporations:
 - * It has separate legal identity from that of its owners
 - * As a legal entity, a corporation has many of the rights, duties and powers of a person, such as the right to receive, own and transfer property
 - * Small companies with ownership restricted to a small group of investors are called private limited companies
 - * Large corporations with ownership extended to public at large are called public limited companies

Ownership of business

- * Types of business organizations:
 - * Three main types of business organisations:
 - * Limited companies or corporations:
 - * Private limited company can become public limited company by means of initial public offer and going public
 - * Key components of organisational structure of a company:
 - * Stockholders / shareholders – owners, investors, receive dividend, attend meetings, exercise voting rights and elect directors
 - * Board of directors – govern and handle management of the company and hire the executives/officers (President, CEO, CFO, Vice president, these can be board members or shareholders aswell)
 - * Executives – responsible for achieving corporate goals and policies

Ownership of business

- * Types of business organizations:
 - * Three main types of business organisations:
 - * Limited companies or corporations:
 - * Advantages include:
 - * Combination of resources and economies of scale
 - * Limited liability
 - * Ease of transferring ownership
 - * Unlimited life
 - * Ability to attract finance

Ownership of business

- * Types of business organizations:
 - * Three main types of business organisations:
 - * Limited companies or corporations:
 - * Disadvantages include:
 - * Double taxation of profits
 - * Cost and complexity of formation
 - * Increased government restrictions

Ownership of business

- * Types of business organizations:
 - * Not-for-profit organisations:
 - * These organisations do not seek to make a profit
 - * They can be divided into the following types:
 - * Public sector organisations – Government organisations that are funded by the government to achieve social indicators of the country
 - * Non-government organisations – Party or wholly funded from non-government sources. Examples are charities, clubs and societies
 - * Clubs and societies – Exist because their members are drawn together by a common interest
 - * cooperatives: - A cooperative is an association of persons that is owned and controlled by the people to meet their common economic, social, and/or cultural needs and aspirations through a jointly-owned and democratically controlled business

Ownership of business

- * Law governing business organisations:
 - * Laws and regulations have an impact on how business operate
 - * Companies law:
 - * Companies in Pakistan must meet requirements of Companies Act, 2017
 - * In addition there are other corporate laws and regulations that are applicable on companies
 - * Non-compliance will be subject to penalties
 - * Partnership law:
 - * Partnerships in Pakistan must meet requirements of Partnership Act, 1932

Organisation of business

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Organisation of business

- * Organisation structures:
 - * It is the formal arrangement within an organisation
 - * It defines how activities and tasks are formally divided and how processes and information would flow
 - * Purpose:
 - * Divides work between departments
 - * Coordinate diverse tasks
 - * Establish relationships among individuals, groups and departments
 - * Establish formal lines of authority

Organisation of business

- * Organisation structures:
 - * It must be reviewed and revised as per need due to dynamic changes in business environment
 - * It differs between entities, one type of structure may not be suitable for all entities
 - * It depends upon various factors such as size of the entity, nature of its operations and what it is trying to achieve
 - * One single entity may also have a mixture of structures operating in different parts of the entity

Organisation of business

- * Organisation structures:
 - * Following are the basic structures that might exist within any entity or part of an entity:
 - * An entrepreneurial structure
 - * A functional structure
 - * A divisional structure
 - * A matrix organisation

Organisation of business

- * Organisation structures:
 - * An entrepreneurial structure:
 - * It is managed by its entrepreneurial owner
 - * Entrepreneur takes all the main decisions
 - * Operations are fairly simple with comparatively small range of products or services for sale
 - * It is ideal when entity is in early stage of its life

Organisation of business

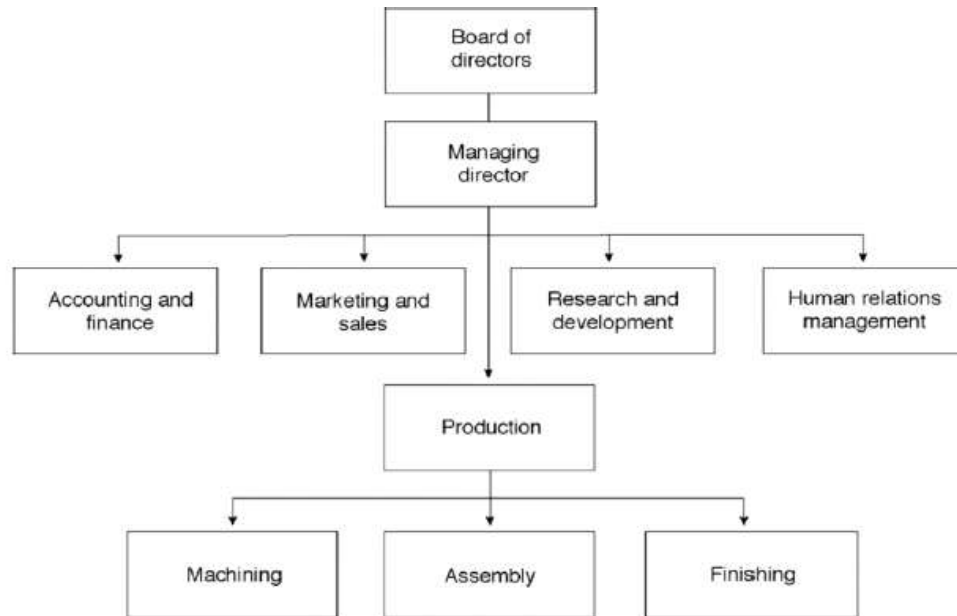
- * Organisation structures:
 - * A functional structure:
 - * Groups together people with comparable skills and perform similar tasks
 - * Ideal for small to medium sized companies
 - * Each unit is headed by an individual
 - * Typical functions include – human resources, operations, marketing and finance
 - * It may promote interdepartmental conflicts

Organisation of business

- * Organisation structures:

- * A functional structure:

- * Example:

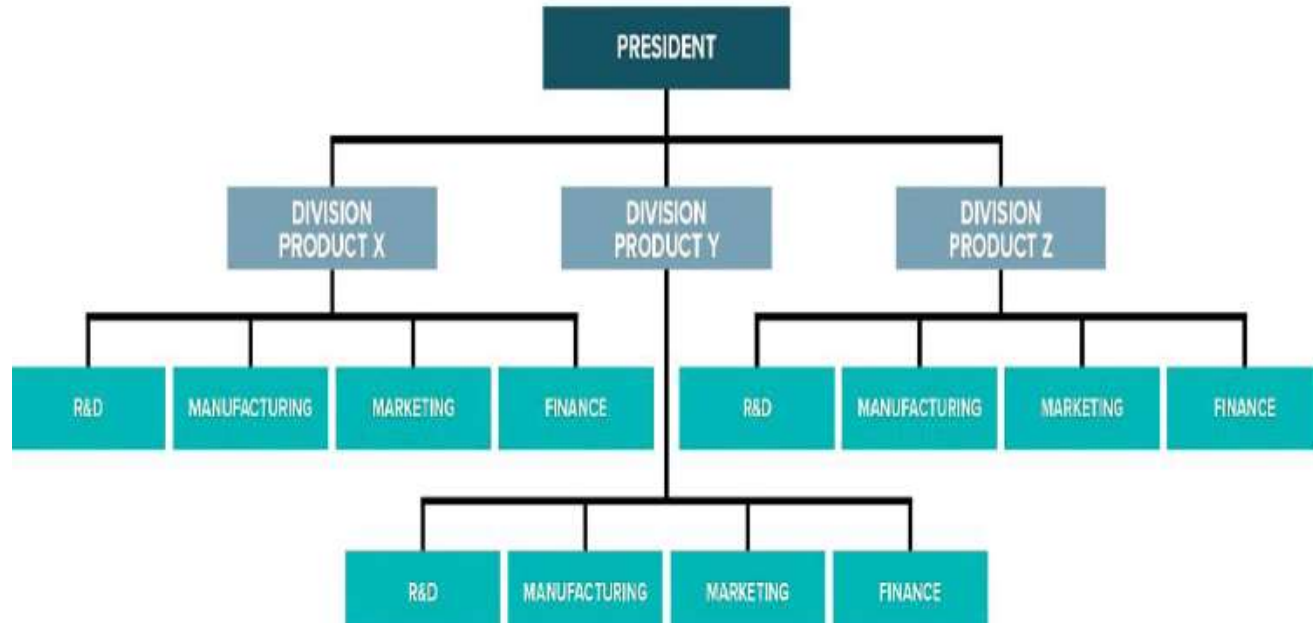


Organisation of business

- * Organisation structures:
 - * A divisional structure:
 - * Ideal for large companies
 - * Each division works separately, similar to a stand alone company with limited centralised functions
 - * Divisions can be formed according to products, customers, process, geographical
 - * Advantages include the ability to be responsive to changes quickly
 - * Disadvantages include duplication of functions resulting in high operating costs

Organisation of business

- * Organisation structures:
 - * A divisional structure:
 - * Example:



Organisation of business

- * Organisation structures:

- * A matrix organisation:

- * Any organisation that employs a multiple command system
 - * Employees have dual reporting relationships
 - * It combines functional and product departmentalization
 - * Each employee has two direct supervisors: the line manager from her or his specific functional area and the project manager

Organisation of business

- * Virtual organisations:
 - * No physical existence
 - * Operates by means of:
 - * IT systems and communication networks
 - * Specialised business partners for outsourcing key operations
 - * Key to success is effective management of all the different external relationships, and co-ordination of their activities

Organisation of business

- * Key elements of organisational structure:
 - * Elements:
 - * Departmentalization
 - * Chain of command
 - * clarifies who reports to whom
 - * Span of control
 - * Refers to the number of subordinates a superior can effectively manage. It depends on managers capabilities, nature of manager's workload, geographical dispersion of subordinates
 - * Tall-narrow span of control: Each manager has a smaller number of subordinates reporting directly to him. There are many layers of management from the top down to supervisor level
 - * Wide-flat span of control: Each manager has a large number of subordinates reporting directly to him. There are few layers of management from the top down to supervise level

Organisation of business

- * Key elements of organisational structure:
 - * Elements:
 - * Centralisation and decentralisation:
 - * If decision making is concentrated at a single point the organisation is centralised. Here authority of important decisions is retained with senior management
 - * If decision making is spread-out, the structure is decentralised. Here authority of important decisions is delegated to lower levels in the organisation structure

Organisation of business

- * Key elements of organisational structure:
 - * Elements:
 - * Centralisation and decentralisation:
 - * Advantages of centralisation include:
 - * Decisions are taken with corporate objectives into consideration
 - * Better coordination with all departments or strategic business units
 - * Advantages of decentralisation include:
 - * Local conditions are taken into account
 - * Motivates the managers
 - * Decisions taken quickly at local levels

Sources of business finance

By Taha Popatia

Sources of business finance

- * Financial management:
 - * Financial management is all about managing company's funds by analysing data and cash flows and making optimum use of resources
 - * Company's financial statements such as balance sheet, income statement and cash flow statements are a key source of information for financial management
 - * A balance sheet shows sources of finances (liabilities and shareholder's equity) and the uses of finances (assets)

Sources of business finance

- * Role of a financial manager:
 - * A financial manager needs broad understanding of their company's business and industry, as well as leadership ability and creativity
 - * The prime goal of a financial manager is to maximise shareholder's wealth

Sources of business finance

- * Role of a financial manager:
 - * Key activities of the financial manager to achieve their primary goal are:
 - * Financial planning: Preparing the financial plan for project's revenues, expenditures and financing needs over a given period
 - * Investment (spending funds): Investing the organisation's funds in projects and securities that provide high returns in relation to their risks
 - * Financing (raising funds): Obtaining timely funding for the organisation's operations and investments and seeking the best balance between debt and equity

Sources of business finance

- * Sources of finance:
 - * Classification into debt and equity:
 - * Debt capital:
 - * Borrowing money
 - * Bank loans or public debt issue (corporate bonds)
 - * Interest must be paid to the lender
 - * Interest is tax deductible

Sources of business finance

- * Sources of finance:

- * Equity capital:

- * Raising funds by selling ownership in the form of shares to interested investors
 - * No requirement to pay interest payment
 - * Dividend is paid from profits
 - * Shareholders having voting rights
 - * Another way of equity finance is through retained earnings

Sources of business finance

- * Sources of finance:
 - * Classification into short-term financing and long-term financing:
 - * Short-term financing:
 - * Refers to financial needs for a small period of time
 - * Also known as working capital
 - * Shown as current liability on balance sheet
 - * Examples: Trade credit, bank loans, committed lines of credit, operating leases, factoring/discounting receivables

Sources of business finance

- * Sources of finance:

- * Classification into short-term financing and long-term financing:

- * Short-term financing:

- * Trade credit:

- * Amount due to suppliers

- * Generally no cost

- * Delayed payments may lead to lose of discounts and friction future relations with the supplier

Sources of business finance

- * Sources of finance:
 - * Classification into short-term financing and long-term financing:
 - * Short-term financing:
 - * Bank loan:
 - * Short term bank loan
 - * Unlike overdraft facility, it is for a specific time and there is a repayment schedule
 - * Interest cost needs to be paid and process of obtaining loan consumes time
 - * Company does not give up with rights for control and ownership

Sources of business finance

- * Sources of finance:
 - * Classification into short-term financing and long-term financing:
 - * Short-term financing:
 - * Committed lines of credit:
 - * It is a legal agreement between the financial institution and a borrower setting out the conditions of a credit line
 - * The agreement requires the financial institution to lend money provided the borrower does not break the conditions
 - * It is especially useful when an organisation expects that it will need funding in the future, but does not know exactly when it will need funds or how much it will need
 - * Interest is only paid on amounts borrowed
 - * Rate of interest is generally higher than bank loan

Sources of business finance

- * Sources of finance:
 - * Classification into short-term financing and long-term financing:
 - * Short-term financing:
 - * Operating leases:
 - * Agreement whereby one party that is the owner of the asset grants other party the right to use the asset in return for a periodic payment

Sources of business finance

- * Sources of finance:
 - * Classification into short-term financing and long-term financing:
 - * Short-term financing:
 - * Factoring / discounting of receivables:
 - * A firm sells its accounts receivables outright to a factor, which is a financial institution (often a commercial bank or commercial finance company) that buys accounts receivable at a discount

Sources of business finance

- * Sources of finance:
 - * Classification into short-term financing and long-term financing:
 - * Short-term financing:
 - * Advantages of short-term financing:
 - * Less interest amount
 - * Less documentation
 - * Disadvantages of short-term financing:
 - * Smaller size of facility
 - * High rate of interest
 - * Debt trap

Sources of business finance

- * Sources of finance:
 - * Classification into short-term financing and long-term financing:
 - * Long-term financing:
 - * Refers to financial needs for a period of more than one year
 - * Used to finance capital projects and carry out operations on an expansionary scale
 - * Types of long term financing options include debt financing and equity financing

Sources of business finance

- * Sources of finance:
 - * Classification into short-term financing and long-term financing:
 - * Long-term financing:
 - * Examples of debt financing:
 - * Term loans – Bank loans
 - * Bonds – Involves two parties borrower and lender. Borrower can be government, local body or corporation. Interest paid at coupon rate. Usually issued against a collateral and are therefore highly secure
 - * Finance lease – Leasing company buys the asset for the user and rents it to them for an agreed period

Sources of business finance

- * Sources of finance:
 - * Classification into short-term financing and long-term financing:
 - * Long-term financing:
 - * Advantages of long-term debt financing:
 - * Matches duration of asset base with duration of liabilities
 - * Long-term relation with the same investor
 - * Relatively lower interest cost
 - * Disadvantages of long-term debt financing:
 - * Caveats (conditions)
 - * Additional monitoring and control
 - * Additional legal documentation and collateral

Sources of business finance

- * Sources of finance:
 - * Classification into short-term financing and long-term financing:
 - * Long-term financing:
 - * Equity financing:
 - * Retained earnings – no issue cost, no shareholder approval required as it is readily available finance and no dilution of control and ownership
 - * Issuing shares for cash – Initial public offer, private placement of shares and rights issue. It is a time consuming process
 - * Preferred stock – higher priority claim to the assets of a corporation , no voting rights, and dividend paid out of profit after tax

Sources of business finance

- * Sources of finance:

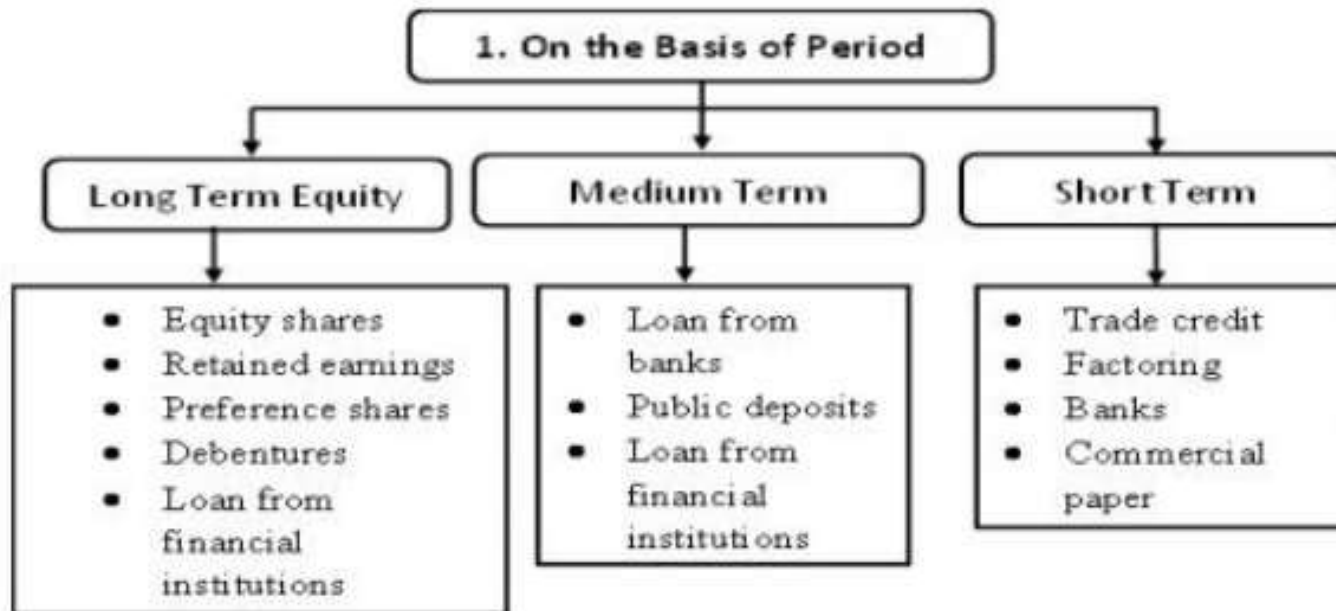
- * Debt versus equity financing:

- * Pecking order theory preference:

- * 1. Retained earnings (signals that company is performing strong), 2. debt (signals that management is confident that the company can meet its obligations) and 3. issue of new equity (Signals that the company is overvalued and it seeks money prior to its share price falling)
 - * Ultimate decision should always be based on optimal capital structure and value maximisation for shareholders

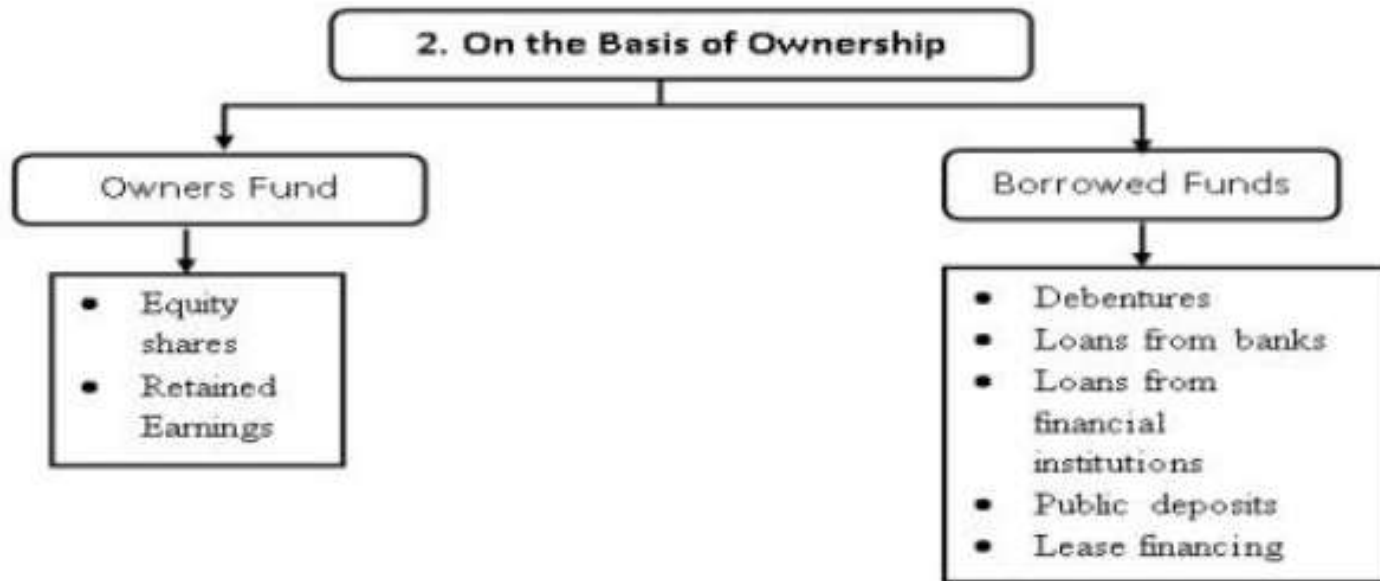
Sources of business finance

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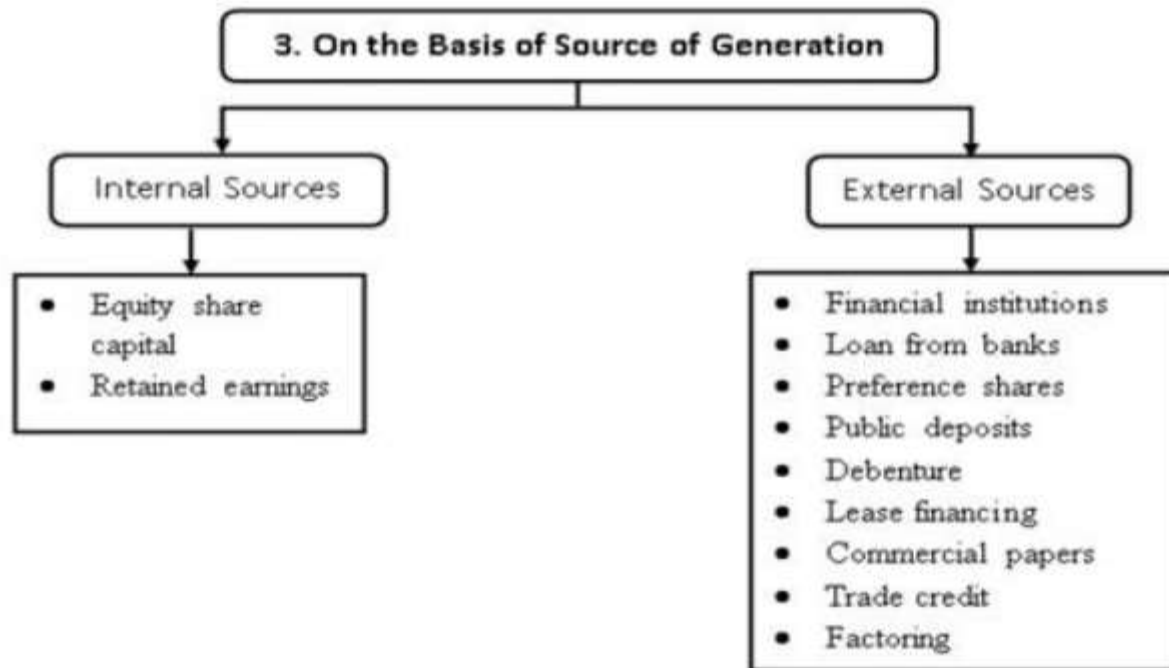
Sources of business finance

* Sources of finance:



Sources of business finance

* Sources of finance:



Information system

By Taha Popatia

Information system

- * Information technology can help a company to:
 - * Improve its efficiency
 - * Reduce expenses
 - * Increase revenue
 - * Make better decisions
 - * Monitor performance
 - * Plan better

Information system

- * A computer system comprises four key components:
 - * Input:
 - * Input devices facilitate introduction of data. Examples include keyboard, mouse and bar code reader
 - * Output:
 - * Output devices facilitate the extraction of processed data. Examples include printer, visual display unit or speaker
 - * Central processing unit:
 - * Takes input, processes it into output
 - * Storage

Information system

* Input devices:

Input method	Benefits	Limitations
Keyboards	Common, simple and cheap	Labour-intensive and slow. Prone to error.
Touch-sensitive screens and touch pads	Saves space. Integrated graphical user interfaces are very user-friendly and intuitive.	Can be difficult to grasp the techniques for accurate data entry. Labour intensive and slow. Expensive.
Magnetic ink character recognition (MICR)	Speed and accuracy	MICR documents are expensive to produce.
Optical mark reading (OMR)	Speed and accuracy	OMR documents can be expensive to produce. Also a risk of 'spoilt' documents (marks made outside the allotted boxes).

Information system

* Input devices:

Scanners and optical character recognition (OCR)	Excellent for inputting graphics and text quickly	Can be slow to scan multiple images. File sizes might be large for very high quality scans. OCR can be somewhat inaccurate if input image is low quality.
Mice and trackball devices	Easy to use and very common. Cheap and simple.	Slow and can be prone to error.
Voice data entry (VDE)	Convenient and simple.	Can be inaccurate and affected by external interference (noise)
Barcodes and EPOS	Very common. Accurate. Quick.	Damaged barcodes are impossible to read. Incompatibility issues if different types of barcodes are received by the organization.
Digital cameras	Versatile, quick, accurate. Widevariety of high quality image editing software now available.	Higher quality means larger file size which can become expensive and difficult to manage.

Information system

* Output devices:

Output device	Description
Monitor (display)	A monitor is a bit like a television screen – it provides visual output from the computer for text and graphics. Note though that monitors only offer temporary output as the image is lost when power removed.
Printers	A printer is a device that prints output to a page (on paper). Printing can be in colour or 'black and white' depending on the printer type. A number of different types of printers exist
Speakers and headsets	Speakers are attached to computers for the output of sound. The sound output is produced by a sound card. Headsets are a combination of speakers and microphones and are commonly used by gamers.
Storage devices	Output may be made to some kind of storage device such as a DVD or CD-ROM, flash memory (USB flash disk or key), blu-ray drive or external hard disk drive.
Projector	A projector can be thought of as a variation of monitor in that it translates the digital output into a visual display projected onto a screen. Think of some of the lectures you attended and how common it is for a computer to be connected to a projector to output the presentation slides.

Information system

* Storage devices:

Storage type	Description
Primary storage (internal memory)	<p>Internal temporary store directly accessible by the CPU that allows it to process data. Volatile by nature as it is erased when power is turned off.</p> <p>Much smaller than secondary or tertiary storage but much quicker to access (as it has no mechanical parts).</p> <p>Examples include RAM and ROM (see 1.2 above) plus the CPU's cache memory (temporary store of instructions repeatedly required to run programs – typically up to 2MB (megabytes) in size).</p>

Information system

* Storage devices:

Storage type	Description
Secondary storage (external memory)	<p>Secondary storage is used for data not currently being processed but which may need to be accessed at a later stage, for example the operating system, documents, music files and emails. Non-volatile as data remains intact even when powered off.</p> <p>Examples include:</p> <ul style="list-style-type: none">• Flash memory (USB flash drives or keys)• Floppy disks• CD• DVD• Blu-ray drive• Magnetic tape• Cloud drive
Tertiary storage	<p>Tertiary storage typically involves a robotic mechanism that mounts (inserts) and dismounts removable mass storage media into a storage device.</p> <p>Often used for archiving rarely accessed information as it is much slower than secondary storage.</p>

Information system

* Storage devices:

Offline storage

Offline storage describes any type of data storage that is not under the control of a processing unit. The medium is typically recorded on a secondary or tertiary storage device which is physically removed or disconnected. Off-line storage therefore needs human intervention to re-connect for subsequent access.

For example keeping a copy of all your important files offline in a separate building.

Information system

- * Information technology:
 - * Application of computers and telecommunications to store, retrieve, transmit and manipulate data
 - * Includes information distribution technology such as television, telephone and radio
- * Information system:
 - * Network of software and hardware that people and organisations use to collect, filter, process, create and distribute data and information
 - * The term is broader than information technology as it incorporates the way in which people interact with the technology in support of business processes, as well as the information and communication technology (hardware and software) itself

Information system

- * Elements of a system:
 - * Goals, inputs, processes, outputs, environment and boundary
- * Open end system:
 - * Do interact with the environment. All businesses are examples of open end system
- * Close end system:
 - * Disconnected from environment. Used for scientific experiments

Information system

- * System adaption:
 - * Open systems will adapt to their environment with varying degrees of extremity. Examples include:
 - * Deterministic systems:
 - * Use predetermined rules and therefore have predicted operations such as machines and computer programs
 - * Probabilistic systems:
 - * Probability is assigned to future events such as businesses as for example they use sales forecasts
 - * Self-organising or cybernetic systems:
 - * Continuously changing and rely heavily on interaction from people such as trade union negotiations

Information system

- * Control systems:
 - * Two main types are:
 - * Closed loop control systems:
 - * Inbuilt control and irresponsive to changes in the environment
 - * Example credit control system
 - * Open loop control systems:
 - * Do not have inbuilt control and responsive to environment

Information system

- * Key elements of information system:
 - * Data – raw and unorganised
 - * Database – Electronic filing system to collect and organise data and information
 - * Database management system – A software to enter, store, organise, select and retrieve data in a database
 - * Networks
 - * Integration
 - * Security and privacy

Information system

- * Two types of networks:
 - * Local Area Network (LAN):
 - * Computer network covering small geographic area such as a home or an office
 - * Typically owned, controlled and managed by one person or a single organisation
 - * One LAN can be connected with another LAN over any distance via telephone lines or radio waves
 - * Wider Area Network (WAN):
 - * Covering a broad area
 - * Internet is essentially a worldwide WAN

Information system

- * Intranet:

- * Like LANs, intranets are private corporate networks.
- * A Local Area Network is local. An intranet doesn't have to be local, it can be the private network of a company with 3 offices which are all linked up with a wide area network

- * Virtual private network (VPN):

- * It is an encrypted connection over the internet from a device to a network. The encrypted connection helps ensure that sensitive data is safely transmitted

Information system

- * Integrated system:

- * An integrated IT system describes the scenario where all modules of the system are linked and function together as a system in a coordinated fashion so for example a new sales order would be simultaneously reflected in the accounts receivable, sales and inventory modules

- * Security and privacy:

- * There are various security problems that a company faces and appropriate steps need to be taken to address the concerns. Problems faced include unauthorised access, computer viruses, spamming and deliberate damage to equipment

Information system

- * Types of information systems:
 - * Transaction processing system:
 - * Receives raw data
 - * Automate routine and tedious back-office processes using either batch processing, online processing or real-time processing
 - * Management support system:
 - * Performs analyses that help managers make better decisions
 - * Uses TPS data to prepare scheduled and special reports

Information system

- * Types of information systems:
 - * Decision support system:
 - * Assists in analysis and decision making
 - * Helps in predictive models that aid problem-solving
 - * Executive information system:
 - * Used for strategic decisions
 - * Uses competitor information and economic trends
 - * Simple user interface with a high level executive summary styled dash-board

Information system

- * Types of information systems:
 - * Expert system:
 - * Contains a database of accumulated experience and scenarios as well as a set of rules for applying the knowledge to each particular situation described by the program examples include legal diagnostics and medical diagnostics

Information system

- * Some other specialised systems in use are as follows:
 - * Financial reporting system:
 - * Used for accounting and reporting needs
 - * Order processing and inventory control system:
 - * Assists in processing orders and maintaining inventory stock at appropriate level and appropriate condition
 - * Personnel system:
 - * Assist in recruitment, selection, staff development and appraisal

Information system

- * Some other specialised systems in use are as follows:
 - * Enterprise resource planning system:
 - * It is a cross-functional system driven by an integrated suite of software modules supporting the basic internal processes of a business

Information system

* Uses of information system:

Use	Description
Planning	Help establish appropriate resources, time scales and forecast alternative outcomes
Controlling	Ensure processes are implemented as planned
Recording transactions	Information systems are used to record transactions throughout a business e.g. sales, purchases, errors, returns, customer complaints and quality control inspections, deposits and cash movements
Performance measurement	Compare actual versus planned (budgeted) activity to identify variances from planned activity and take corrective action as necessary
Decision making	Information systems are used to help managers make all kinds of decisions such as volume (e.g. purchases and production), price, whether to make a component internally or buy it from a supplier, whether to switch suppliers, when to replace assets and how to organize affairs to minimise a tax charge.

Business ethics

By Taha Popatia

Business ethics

- * What is ethics?
 - * Ethics is defined as the discipline dealing with what is good and bad and with moral duty moral duty and obligation
- * What is business ethics?
 - * Business ethics are set of moral principles which guide organisations what is right, wrong, and appropriate in the workplace

Business ethics

- * Understanding ethical issues:
 - * A ethical issue is an identifiable problem, situation, or opportunity that requires a person to choose from among several actions that may be evaluated as right or wrong, ethical or unethical

Business ethics

- * Situations involving business ethics:
 - * Taking things that don't belong to you
 - * Saying things you know are not true
 - * Giving or allowing false impressions
 - * Buying influence or engaging in a conflict of interest
 - * Hiding or divulging information
 - * Taking unfair advantage
 - * Committing improper personal behaviour
 - * Abusing power and mistreating individuals
 - * Permitting organisational abuse
 - * Violating rules
 - * Condoning unethical actions
 - * Misuse of organisation time

Business ethics

- * Testing techniques in ethical decision making:
 - * The mirror test:
 - * 1. Is it legal?
 - * 2. Is it ethically correct?
 - * What will other people think?
 - * Consequence test:
 - * The consequences of unethical decisions can be severe, so it is wise to consider them in advance. Think not only of the potential monetary costs associated with certain causes of action but also the reputational costs, relationship costs and psychological costs

Business ethics

- * Corporate Social Responsibility:
 - * Business actions must be desirable to the society
 - * CSR pertains to people and organisations behaving and conducting business ethically and with sensitivity towards social, cultural, economic, and environmental issues

Business ethics

- * Principles of corporate social responsibility:
 - * An organisation should:
 - * Operate in an ethical way
 - * Treat employees fairly and with respect
 - * Demonstrate respect for basic human rights
 - * Play a responsible role in its community
 - * Try to sustain environment for future generations

Business ethics

- * Examples of social responsibility activities:
 - * Environmental efforts
 - * Philanthropy
 - * Ethical labour practices
 - * Volunteering

Business ethics

- * Consequences of unethical behaviour:
 - * Payment of fines to authority
 - * Compensation to individuals
 - * In some cases directors might be liable to imprisonment
 - * Reputation risk

Business ethics

- * Corporate code of ethics:
 - * It is a formal written statement and should be easily available to all employees.
 - * The document gives guidance about what is ethical and what is not
 - * If ethical codes are to be effective:
 - * Strongly endorsed from the top
 - * Training must be given
 - * Code must be kept up-to-date
 - * Available to all

Business ethics

- * Code of ethics for Chartered Accountants:
 - * ICAP has adopted IFAC's (International Federation of Accountants) code of ethics
 - * The code requires that chartered accountants comply with five fundamental principles of professional ethics:
 - * Integrity – straightforward and honest
 - * Objectivity – avoid bias, conflict of interest or undue influence
 - * Professional competence and due care – Attain and maintain professional knowledge
 - * Confidentiality – respect confidentiality of information
 - * Professional behaviour – Comply with laws and avoid any conduct that discredits profession

Marketing concepts

By Taha Popatia

Marketing concepts

- * Marketing
 - * It is the activity of promoting a product or service
 - * It encourages market participants to buy their product
 - * It focuses on many activities – planning, pricing, promoting and distributing products

Marketing concepts

- * Difference between sales and marketing:
 - * Sales:
 - * Sales incorporates actually selling the company's products or service to its customers, against a consideration
 - * Marketing:
 - * Marketing is the process of communicating the value of a product or service to customers so that the product or services sells

Marketing concepts

- * Marketing focuses on following activities that must be performed to accomplish objectives and generate exchanges:
 - * Buying: A marketer must understand buyer's needs and desires
 - * Selling: Marketers usually view selling as a persuasive activity that is accomplished through promotion
 - * Branding: Branding helps in differentiating the product
 - * Transporting: Marketers focus on transportation costs
 - * Storing: Goods can be stored for a long time to create time utility
 - * Grading: Dividing products into subgroups
 - * Financing: Arranging funds for expensive products
 - * Marketing research: Information gathering helps detect trends
 - * Risk taking: There is always an element of risk in new products that they may fail

Marketing concepts

- * What is a product?
 - * Any good, service or a combination of both that provides satisfaction or benefit
- * Two types of products:
 - * Consumer products: Products that are bought by end users. Includes: 1. Convenience products – widely available and purchased frequently, 2. Shopping products – Not purchased very frequently. Before purchasing consumer typically compare quality and price with competing products and 3. Specialty product – Consumers consider to be special and therefore make a special effort to purchase.

Marketing concepts

- * Two types of products:
 - * Industrial products: Products used as input for manufacturing other products. Includes: 1. Raw material 2. Manufactured parts – These are bought and assembled into the final products 3. Capital items – long-term assets 3. Supplies – Indirect items that contribute to the production

Marketing concepts

- * Difference between service and digital product:
 - * Service:
 - * 1. Intangible 2. cannot be stored 3. consumed at point of sale
 - * Digital products:
 - * Any product created in a digital format. A person can download and use that

Marketing concepts

- * Difference between service and digital product:
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Marketing concepts

Difference between industrial and consumer products

Basis	Industrial products	Consumer products
Meaning	These products are used for further production of other goods.	These products are used for final consumption by the direct consumers.
Number of buyer	The buyers of industrial goods are limited.	The buyers of consumer goods are many in number
Buying decision	Decisions of buyers are influenced by technical specification and goodwill.	Decisions of buyers are influenced by advertising and various sales promotional schemes.
Nature of demand	These products have derived demand.	These products have direct demand.

Marketing concepts

- * Developing a marketing strategy:
 - * The two major components of marketing strategy are:
 - * Selecting a target market:
 - * Target market is specific group of consumers on whose needs and wants a company focuses its marketing efforts
 - * Creating a marketing mix:
 - * Marketers use a number of different tools to develop the products or services that meet the needs and wants of their customers. These tools / components are known as five Ps

Marketing concepts

- * Five Ps

- * **Product:** A product is something that is offered in exchange and for which marketing actions are taken. A firm must continually improve existing products and develop new products
- * **Price:** It is the value a consumer is willing to pay.
- * **Place:** Refers to the process of distribution or making products available to customers. Example: online or physical
- * **Promotion:** Methods for informing and influencing customers to buy the product. Example: traditional marketing, public relation and social media. It is often mistaken for marketing because it is the most visible part of marketing
- * **People:** This includes the process of utilising organisations employees to support the marketing strategies

Marketing concepts

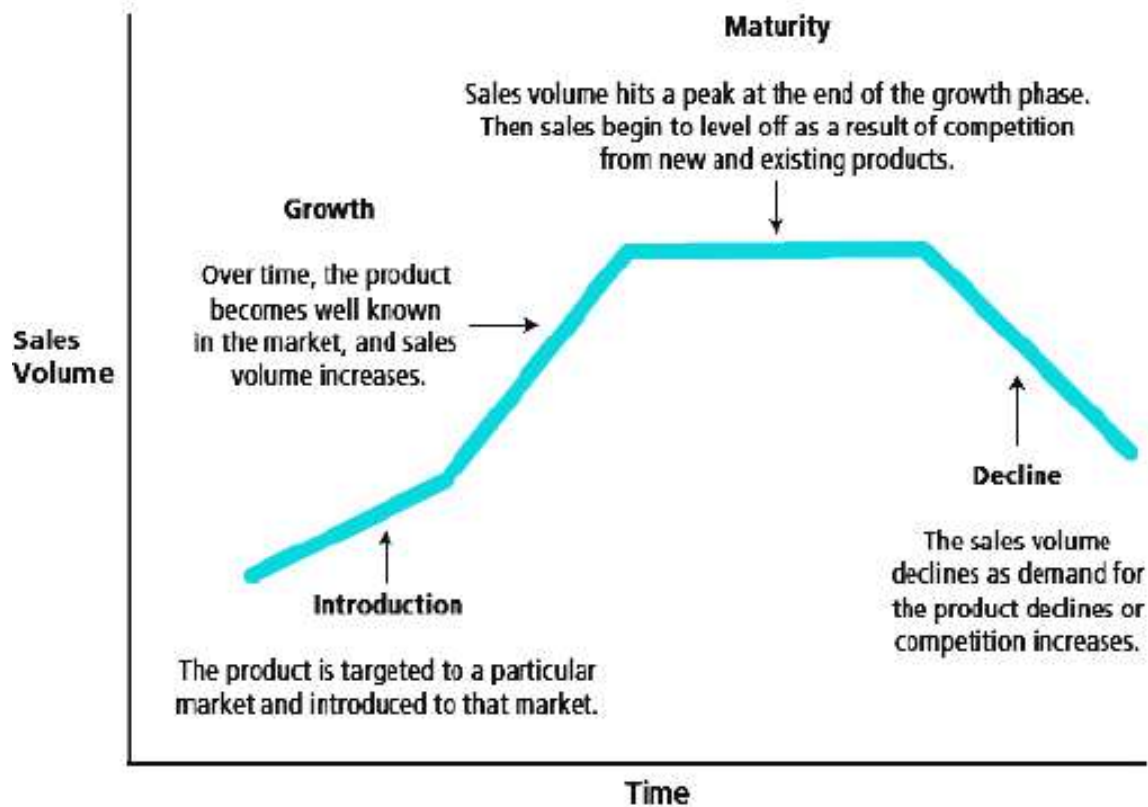
Marketing mix- 4P's



Marketing concepts

- * Product life cycle:
 - * Marketing decisions made about a particular product may be influenced by the prevailing phase of the product life cycle.
 - * The typical product lifecycle has four phases:
 - * Introduction: Product introduced to consumers, high advertising and production cost and losses
 - * Growth: People get aware of the product and sales start to increase
 - * Maturity: People get tired of the product and innovation is needed to avoid decline in sales
 - * Decline: Sales start to decline and product may enter into a loss making phase

Marketing concepts



Marketing concepts

- * Branding

- * It is a method of identifying products and differentiating them from competing products.
- * A trademark is a brand's form of identification that is legally protected from use by other businesses
- * Importance of branding: branding gets recognition, branding increases business value, branding generates new customers, improves employees pride and satisfaction, creates trust within the marketplace and branding supports advertising

Marketing concepts

- * Key elements of branding:
 - * Brand positioning: It is all about placing an image of the product in the minds of customers
 - * Brand attributes: They are bundle of features and characteristics which highlights personality aspects of brand
 - * Brand elements: Components which creates the identity of brands such as name, slogan, colour and sound
 - * Brand ownership: A brand owner may seek to protect proprietary rights in relation to a brand by registering the trademark
 - * Brand personality: Includes the characteristics of the brand that represent the business culture, its purpose and overall mission
 - * Unique selling propositions (USP): Factors which distinguish brand from its competitors
 - * Brand image: Customer's perception about a specific brand

Marketing concepts

	Marketing	Sales
Definition	Marketing is the systematic planning, implementation and control of business activities to bring together buyers and sellers.	A sale is a transaction between two parties where the buyer receives goods (tangible or intangible), services and/or assets in exchange for money.
Approach	Broader range of activities to sell product/service, client relationship etc.; determine future needs and has a strategy in place to meet those needs for the long term relationship.	Make customer demand match the products the company currently offers.
Focus	Overall picture to promote, distribute, price products/services; fulfill customer's wants and needs through products and/or services the company can offer.	Fulfill sales volume <u>objectives</u>
Process	Analysis of market, distribution channels, competitive products and services; Pricing strategies; Sales tracking and market share analysis; Budget	Usually one to one
Scope	Market research; Advertising; Sales; Public relations; Customer service and satisfaction .	Once a product has been created for a customer need, persuade the customer to purchase the product to fulfill her needs

Marketing concepts

	Marketing	Sales
Horizon	Longer term	Short term
Strategy	Pull	Push
Priority	Marketing shows how to reach to the Customers and build long lasting relationship	Selling is the ultimate result of marketing.
Identity	Marketing targets the construction of a brand identity so that it becomes easily associated with need fulfillment.	Sales is the strategy of meeting needs in an opportunistic, individual method, driven by human interaction. There's no premise of brand identity, longevity or continuity. It's simply the ability to meet a need at the right time.

Marketing concepts

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Human resource strategies

By Taha Popatia

Human resource strategies

- * Overview

- * Human resource is one of the essential factors of production for any entity
- * It refers to the contribution of people working in an entity.
- * Human resource can be:
 - * Employees
 - * Individuals providing consultancy or experts
- * It can also be provided by sub-contractors or other organisations

Human resource strategies

- * Human resource strategy:
 - * The objective of human resource strategy is to ensure that an entity has sufficient quantity and appropriate quality of human resource available at its disposal
- * Human resource planning:
 - * It consists of forecast of the human resource that will be required by an entity
 - * Plan must cover areas such as requirements with regards to skills, training and development to improve skills, redundancy plans
 - * Plan must consider factors such as government policy, changing patterns of employment (example work from home culture), trends in sub-contracting and IT

Human resource strategies

- * Job Analysis:

- * It involves the observation and study of relevant information about a job such as what tasks need to be performed and what skills will be needed
- * It helps produce a detailed specification of the job (job description) and produce a specification of the qualities needed from the individual who will do the job (job specification)

Human resource strategies

- * Job description:
 - * It is a formal, written explanation of a specific job
 - * Includes: job title, tasks to be performed, reporting lines, duties, responsibilities and skills required, position within the company's organisational hierarchy and range of annual remuneration
- * Job specification:
 - * It describes the qualifications and skills necessary for a specific job, in terms of education, experience and personal characteristics

Human resource strategies

- * Recruitment and selection process:
 - * Recruitment:
 - * 1. Agree the vacancy to be filled
 - * 2. Identify the skills needed for the job
 - * 3. Obtain applicants for the job vacancy
 - * Selection:
 - * 4. Select candidates for interview
 - * 5. Offer the job to the selected candidate

Human resource strategies

- * Recruitment
 - * It starts when a job vacancy is identified
 - * It is the process of obtaining a supply of suitable possible candidate to fill the vacancy
 - * Vacancy arises when:
 - * Some existing employees leave the company
 - * Employees who have acquired enough skills move to better positions
 - * New requirement arises

Human resource strategies

- * Recruitment

- * Internal recruitment:

- * Fill open positions with persons already working in the company
 - * Cost of hiring is low
 - * Good for employee morale
 - * Hiring within creates another job vacancy

Human resource strategies

- * Recruitment(quantity):
 - * External recruitment:
 - * Fill open positions with applicants from outside the firm
 - * Done to avoid internal competition
 - * Needed when new skills are needed
 - * Medium for external recruitment:
 - * Agencies
 - * Media advertising
 - * Job fairs

Human resource strategies

- * Selection (quality):
 - * It is the process of collecting information about applicants and using the information to decide which ones to hire and choosing the best individual from the available candidates
 - * Includes: application, interviewing, testing and reference checking

Human resource strategies

- * Selection (quality):
 - * Selection steps:
 - * 1. Initial screening: application form, submission of resume, short interview and remuneration expectation
 - * 2. Employment tests: IQ, technical and personality tests
 - * Cognitive ability – ability to learn, adapt and solve problems
 - * Motivation potential – attitude, behaviour performance and productivity
 - * Knowledge and skills – math, verbal and software proficiency

Human resource strategies

- * Selection (quality):
 - * Selection steps:
 - * 3. Selection interview
 - * 4. Background and reference check: legal history, reason for leaving previous job
 - * 5. Physical exams and medical exams: Medical checkup and medical tests
 - * 6. Decision to hire
 - * 7. Offer of employment: Process ends with an offer and acceptance of the offer

Human resource strategies

- * Training and development:
 - * Objectives: performance improvements, reduction in errors, job knowledge to be gained
 - * Training is a process in which individuals are taught something specific
 - * Development is a process of learning through experience and doing work that augments an employee's skillset and prepares him/her for growth

Human resource strategies

- * Training and development:
 - * Benefits for the employer:
 - * Creates more talented and skilled workforce
 - * Leads to higher productivity, less wastage, better performance, an ability to compete more effectively
 - * Benefits for the employee:
 - * Improves morale
 - * Career development
 - * Improve the individual's prospects for promotion and higher pay

Human resource strategies

- * Training and development:
 - * Tools of training:
 - * Formal training (in a training room environment): It can be in-house or external
 - * Computer-based training (CBT): where trainees work at their own pace from a computer training package
 - * Training in the work place
 - * Induction: In-house training may be provided by the organisation's own trainers and experts

Human resource strategies

- * Training and development:
 - * On the job training:
 - * Learning while on job in actual working site in real life situation and not simulated environment
 - * Methods include: Job rotation, coaching, mentoring or training through participation in cross-functional team assignments
 - * Off the job training:
 - * Conducted in a location specifically designated for training

Human resource strategies

- * Training and development:
 - * Tools of development:
 - * It improves the skills, knowledge and abilities of an individual through real work experience
 - * Job rotation: Moving an individual from one job to another at fairly regular intervals
 - * Secondment: Means to work somewhere else for a period of time. For example an accountant might be seconded to work with the sales department

Human resource strategies

- * Training and development:
 - * Tools of development:
 - * Deputising: An individual may be given the opportunity to deputise for his or her boss when the boss is absent
 - * Delegation: An individual at times might be delegated with an authority to make their own decisions
 - * Appraisals: formal appraisals are a part of development process. Jobs design can take place after appraisal. Two types of job design are:
 - * Job enrichment – Holder is given more authority for a higher level decision making
 - * Job enlargement – Holder is given more tasks without any additional authorities

Human resource strategies

- * Employees retention:
 - * It is a process to encourage employees to remain with the organisation
 - * Employee turnover: Occurs when employees quit or are fired and must be replaced by new employees. It may result in costs such as recruitment process costs and lost productivity. To reduce turnover, employees must be given facilities and incur prevention costs such as provision of medical facilities, gym facilities, lunch and pick and drop

Human resource strategies

- * Employees retention:
 - * Employees leave due to various reasons such as financial reasons, lack of flexible working hours, family and personal reasons, relationship with supervisor and co-workers
 - * Employee retention strategies include:
 - * Well defined career path
 - * Compensation
 - * Work relationships
 - * Organisational environment
 - * Recognition and feedback
 - * Transparent and fair reviews

Business operations of a manufacturing organisation

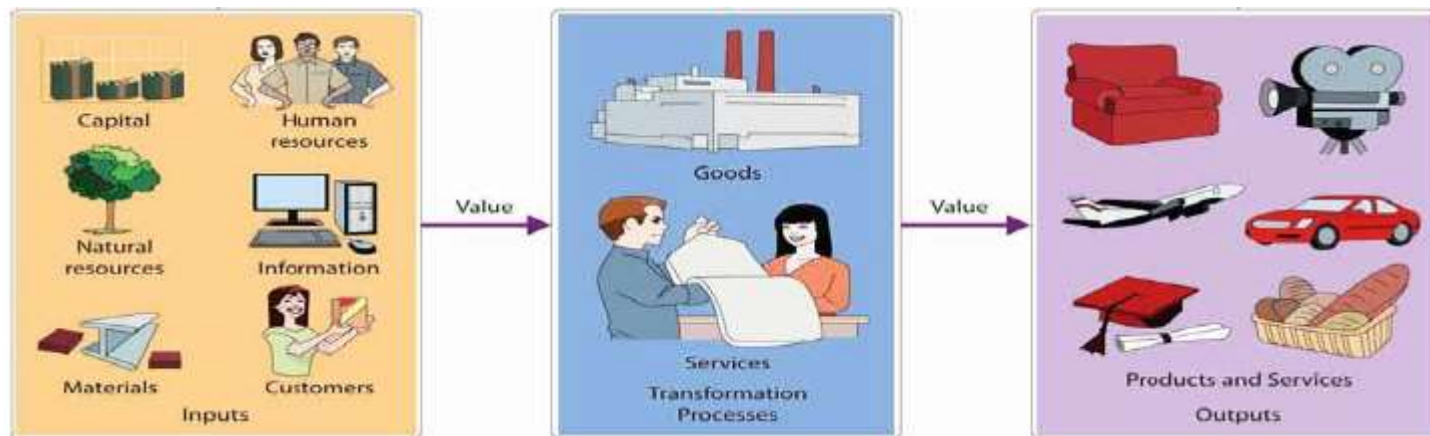
By Taha Popatia

Business operations of a manufacturing organisation

- * Transformation process in a manufacturing business:

Operations manager

Person that manages the process that transforms the inputs into outputs



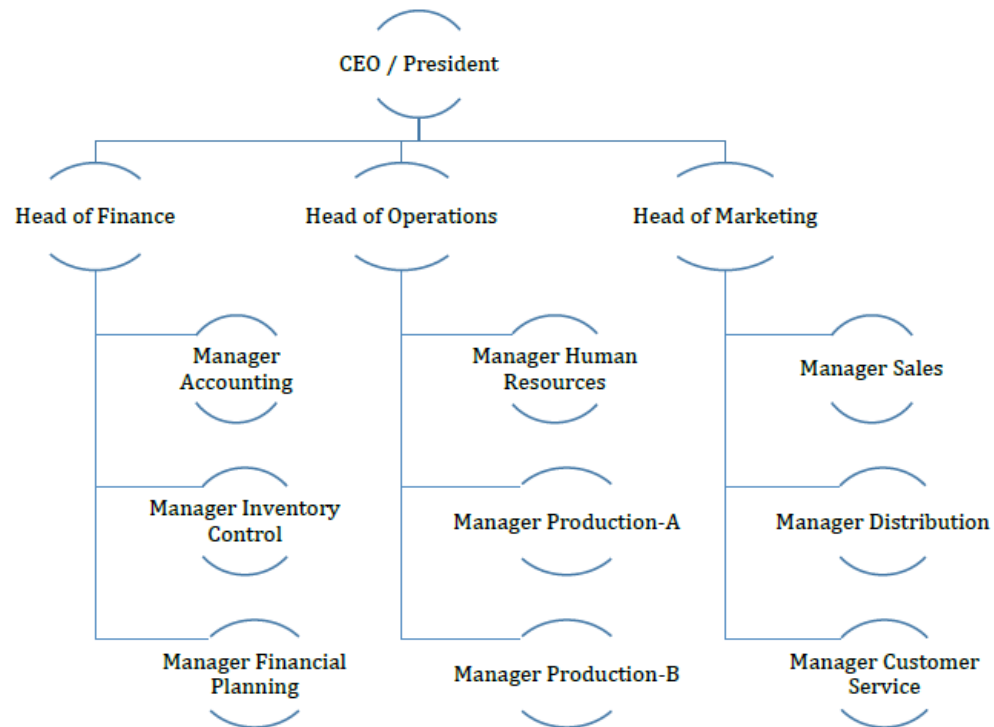
Business operations of a manufacturing organisation

- * Responsibilities of operational manager:
 - * Procurement and purchasing
 - * Production planning – type of production process, site selection, facility layout and resource planning
 - * Production control – Key scheduling tools are Gantt charts, critical path method (cpm) and program evaluation and review technique (pert)
 - * Quality control – techniques include total quality management (tqm) and six sigma
 - * Continuous development
 - * Production planning. Following are key decision points for production planning:
 - * Planning phases – long term, medium term and short term
 - * Types of production process – mass production, mass-customisation and customisation
 - * Timing – continuous process or intermittent process
 - * Location
 - * Layout – product or assembly line, fixed position and cellular manufacturing
 - * Resource planning and supply chain management
 - * Information system – material requirement planning, manufacturing resource planning and enterprise resource planning

Business operations of a manufacturing organisation

- * Organisational chart:
 - * It shows the chain of command of the company and the proper flow of responsibility

Following is a standard organizational chart for a typical manufacturing business:



Business operations of a manufacturing organisation

- * Types of human resource in a manufacturing set-up:
 - * Executive management:
 - * An executive manager may be a person with the title of chief executive officer, chief operating officer or president
 - * Ultimate responsibility of choosing a manufacturing strategy
 - * Manufacturing or production manager:
 - * Leader of the production workers
 - * Production line supervisors:
 - * Liaison between the production workers and the production manager
 - * Production workers:
 - * Involved in production of units and reports to production line supervisors

Business operations of a manufacturing organisation

- * The organisational structure
 - * An organizational structure describes the relationships of resources within a company. It begins with people but also includes materials, money, and information.
- * The structuring or organizing process is generally accomplished by three primary decisions:
 - * Division of labor: determining job duties and responsibilities
 - * Departmentalization: grouping jobs together
 - * Delegation: assigning authority and responsibilities

Business operations of a manufacturing organisation

- * Division of Labour
 - * Division of Labour means that the main process of production is split up into many simple parts and each part is taken by different workers who are specialized in the production of that specific part.
 - * Key advantages of division of labour in a manufacturing concern are:
 - * Increased efficiency
 - * Improvement in quality
 - * Utilisation of specialised skills and talents of workers
 - * Economies of scale
 - * Faster training of workers

Business operations of a manufacturing organisation

- * Division of Labour
 - * Although used widely in manufacturing organisations, division of labour may have some disadvantages as well:
 - * Boredom
 - * Lack of creativity
 - * Redundancy due to new technology
 - * Lack of responsibility and interdependence

Business operations of a manufacturing organisation

- * Departmentalization
 - * Functional – manufacturing, engineering, legal etc
 - * Products – dividing resources based on products
 - * Processes – divides departments based on the work being done
 - * Customers – dividing by type of customers
 - * Regions – dividing organisation by geographic location

Business operations of a manufacturing organisation

Comparison between product-based and process-based manufacturing organizational structures:

Key Responsibilities	Product-based Organization	Process-based Organization
Responsibility of cost or profit assigned	Product groups level	Centralized at corporate level
Centralized corporate staff - relatively	Small	Large
Corporate function responsibilities	<ul style="list-style-type: none"> • Review request for funds • Communicate corporate policies • Assist in functional needs of: <ul style="list-style-type: none"> ○ HR management and development ○ Procurement • Performance evaluation of plant controllers as a profit center 	<ul style="list-style-type: none"> • Assistance to marketing • HR policies • Recruitment of plant controllers • Procurement and logistic • Inventory management • Assistance in production scheduling • Plant performance evaluation as a cost center
Manufacturing & operational responsibilities	<ul style="list-style-type: none"> • Assistance to marketing • Procurement and logistics • Production scheduling and control • Management level recruitment for plant 	<ul style="list-style-type: none"> • Operational efficiency • Operational level recruitment for plant • Training and development for operational staff

Business operations of a manufacturing organisation

- * Key departments of a manufacturing company:
 - * Production
 - * Research and development
 - * Purchasing
 - * Marketing and sales
 - * Human resource management
 - * Accounting and finance

Business operations of a manufacturing organisation

- * Manufacturing operations management:
 - * It refers to the ongoing process of monitoring and improving production processes
 - * Benefits:
 - * Competitive advantage
 - * Increasing profitability
 - * Increased efficiency and product quality
 - * Ensures compliance with government regulations
 - * Increased customer satisfaction
 - * Helps in waste reduction
 - * Increased teamwork