**5.00 Understand Economics**

**NC CTE 5.03: Understand the nature of business to show its contributions to society.**

**Explain the role of business in society**

* **­­­­­­­­­­­­­­­­­­­­­­­­­­­­­­\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** - The duty of business to contribute to the well-being of society
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** - The people who make or provide goods and services.
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** - A type of producer that provides goods in their natural state.
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** - A type of producer that changes the shapes or forms of materials so that they will be useful to customers
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** - A type of producer that constructs roads, bridges, buildings, or houses.
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** - Businesses that buy and sell goods to others; retailers and wholesalers.
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** - A business that buys consumer goods or services and sells them to the ultimate consumer
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**  - Intermediaries who help to move goods between producers and retailers by buying goods from producers and selling them to retailers.
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** - A type of business that performs intangible activities that satisfy the wants of consumers or industrial users.

**Categories of social responsibility:**

* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Responsibilities -** Companies need to make sure that the company itself if profitable.
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Responsibility -** Requirements placed on company by law.
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Responsibility -** Corporation leadership core mission aligns to their actions.
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Responsibilities -** Going above and beyond ethical responsibility making an effort to benefit society.

**Describe types of business activities**

* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**  - An organized effort to produce and/or distribute goods and services.
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**  - The process of keeping and interpreting financial records. The process of gathering, recording, organizing, and reporting financial data.
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** - All the activities a business engages in to interact with its customers.
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** - The process of obtaining funds and using them to achieve the goals of the business.
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** - The process of planning, staffing, leading, and organizing the employees of the business.
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** - The process of accessing, processing, maintaining, evaluating, and disseminating knowledge, facts, or data for the purpose of assisting business decision making.
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** - The process of coordinating resources in order to accomplish an organization's goals
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** - The process of creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**  - The day-to-day activities for continued business functioning.
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**  - The economic process or activity of producing goods and services.

**What is a business?**

An entity with goals that can be financial or tied to a particular mission

• A business that operates for **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** makes money to fulfill financial goals.

• A **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**  business makes money to fulfill a specific mission or undertaking. The money it makes goes to support that mission.

• Both for-profit and nonprofit businesses are organized efforts to produce and/or distribute goods, services, or ideas.

**What does a business need to accomplish?**

• Obtain necessary **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

• **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** /provide goods and services

• **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** sell those goods and services

• **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** retrieve information effectively

• **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**  for the future

**To get everything done, businesses involve themselves in:**

• Financial analysis

• Human resources management

• Information management

• Marketing

• Operations management

• Strategic management

**These primary business activities are the main things businesses do to stay in business.**

* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** is the process of planning, maintaining, monitoring, controlling, and reporting the use of financial resources. It includes **finance** and **accounting.**
  + Businesses need money to make money, and **finance** activities help them obtain that money.
    - They need money for land, equipment, supplies, employees, and overhead expenses.
    - They need money for whatever it takes to run the business.
    - They get this money from venture capital, debt, and equity.
  + **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** is the money “angel” investors put into start-up businesses. The purpose is to get those start-up businesses off the ground. Investors look for long-term growth in return for their risky investment.
  + Using **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**  to finance a project involves issuing bonds or taking out loans that require principal and interest repayment over time.
  + **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**  (what the business owns or controls minus debt) is used when businesses sell shares of stock, company real estate, or other business assets to benefit a particular undertaking.
* Whatever finance method a business chooses, obtaining funds provides an important way to accomplish business goals.
* Financial analysis is also about keeping accurate and useful financial records—and analyzing and interpreting the recorded information. These activities form the basis of**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.**
  + By accounting for all expenses, and comparing expenses to income, businesses can make judgments and predictions about their own financial status.
  + They can work toward:
    - Being able to pay their bills
    - Being able to make a healthy profit
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** is the process of planning, staffing, leading, and organizing employees.
  + Every business needs people to accomplish the tasks intended to meet business objectives.
  + Without employees, businesses would have difficulty operating.
  + Although specific robotic machines can “replace” employees in certain manufacturing situations.
  + Most businesses do not have machines that can perform job tasks as well as humans can.
  + Most businesses must hire people to do the job.
  + All employees of a business fall under the label of human resources.
  + Besides “regular” employees, businesses usually require supervisors, managers, and executives.
  + Human resources management covers everything the business needs in this regard.
  + Human resources management involves:
    - **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**  for organizational changes
    - **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**  appropriate employees
    - **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** the “right” people to do the job
    - **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** new employees to their jobs
    - **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**  employees in policies and procedures
    - **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**  employee performance
    - **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** employee compensation
* Human resources management takes care of the responsibilities associated with having employees and makes the business a fair and inviting place to work
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** is the process of coordinating the resources pertaining to business knowledge, facts, or data.
  + Each business should ensure that **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** information is available when and how it is needed.
  + This will avoid the uncomfortable (and unprofitable) situation in which vital business information has been discarded or is unable to be retrieved.
  + Businesses should have a system for:
    - Identifying necessary information—includes knowing which facts the business will need to use in the future
    - Determining how that information should be presented, viewed, or accessed
      * Information can be viewed in formats such as reports, graphs, or spreadsheets.
      * Format depends on how it is going to be used.
  + Providing appropriate access to the information
    - To access information, an employee could just walk to a file cabinet and pull out a client file.
    - Or, the employee can do something complex, such as run an advanced query on a company database.
    - Situations in which having the right information at the right time can be critical to the success of a business include:
      * When an airline needs to know who is flying on a particular airplane
      * When a law enforcement officer needs to know if a specific person is a risk to the community
      * When a board of directors needs to know the profits from last quarter
      * When a sales representative needs to know if a product requested by a customer is available
  + All of these things can be handled with technology, but how technology is used to manage information has changed—and will change—over time.
  + Information management is not as much about pinning down the perfect technology for the task as it is about making sure that a reliable system is in place, so the business can make the best use of its information.
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**  is the process of creating, communicating, and delivering value to customers and managing customer relationships in ways that benefit the organization and its stakeholders.
  + At first glance, marketing is simple: A good or service that is ready for sale is marketed to potential customers so they can buy it. But, long before a product is ready for sale, marketing is involved in the process of preparation.
    - Marketing is present when the product idea is **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**.
    - Marketing is present during the product’s **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** and **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**.
    - Marketing is actually involved in everything related to fulfilling a **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**  product needs.
  + Marketing is put into action with activities such as:
    - Locating**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** customers by determining who will benefit from the product
    - **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**  the product appropriately by finding out what customers are willing to pay
    - **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**  the product to potential customers by communicating product benefits
    - Getting the product into customers’ hands by completing **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**  transactions
  + To accomplish these four things, an office-supply store would:
    - Identify local offices and businesspeople who should know about the store and what it has to offer
    - Conduct research, surveying the profit opportunity in its area
    - Investigate what its competitors are doing—and how customers are responding to their prices
    - Price its products slightly higher or lower, depending on its findings
    - Make a point of advertising the benefits of popular products it sells
    - Let potential customers know why products at this store are better than products at other stores
    - Make the purchase process easy and seamless—by providing layaway, credit, or whatever customers might need to purchase the product immediately.
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** is the process of planning, controlling, and monitoring the day-to-day activities required for continued business functioning.
  + This includes such activities as:
    - Production
    - Quality concerns
    - Safety and security
    - Purchasing
    - Inventory management
    - Project planning
    - Expense control
    - Property and equipment maintenance
  + Every business needs to produce or provide its product, whether that product is a good or a service.
  + One aspect of operations is**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**
    - To produce a good, a business obtains supplies for manufacturing, “makes” the good, and then distributes the good to a warehouse or other holding facility.
    - To provide a service, a business obtains the means for providing the service, and then provides the service to its customers.
  + **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** s also includes establishing the best processes for production and quality control
    - Need to vary processes to reduce unnecessary procedures and wasted materials.
    - Need to provide easy-to-follow instructions to increase the likelihood that employees will perform as needed
    - Need to improve processes regularly to keep them up to date
    - This leads businesses to engage in continuous process improvement by:
      * Regularly evaluating how well the process works
      * Finding its error points
      * Correcting the errors as efficiently as possible
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** is the process of planning, controlling, and organizing an organization or department.
  + Businesses need to know where they are in the “**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**.”
  + Just having the money, hiring the workers, making/providing the product, and marketing/selling the product are not enough.
  + They need to know:
    - Are they headed in the right direction?
    - Are they likely to experience long-term success?
  + These questions can be answered by analyzing the strategic position of the company—and managing that position effectively.
    - Need to establish the organization’s capabilities
    - Need to determine how they can succeed in the long term and what will put them in reach of their goals
    - Need to *do* what they’re capable of doing to reach the goals they’ve set for themselves
  + Strategic management involves long-term planning and organizing for future success.
    - Long-term planning involves creating the mission and vision of the business, determining its goals, and selecting strategies to support those goals.
    - Long-term planning shows how the business intends to accomplish this.
    - Organizing for future success includes determining what will be required to reach the long-term goals of the business.
    - “Organizing” spells out how the business should be *set up* to meet its objectives.
    - If the business plan changes, then strategies and tactics will also likely change.

**Explain the nature of business ethics**

* Distinguish between ethics and regulations.
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** The basic principles that govern your behavior
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ -** An established set of rules
* Discuss the need for business ethics.
* Know what is right or wrong in the workplace and doing what's right.
* Attention to business ethics is critical during times of fundamental change.
* Attention to ethics in the workplace sensitizes leaders and staff to how they should act.
* Attention to ethics in the workplaces helps ensure that when leaders and managers are struggling in times of crises and confusion, they retain a strong moral compass.

**Describe factors that affect the business environment**

**There are additional issues to consider when conducting an environmental scan.**

* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** - Defined as the moral or ethical problems that can arise in a business setting; and any special duties or obligations that apply to people who are engaged in business.
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** - Defined as the general tendency or direction in a market or industry.
* **Relationship between government and business**
  + In the U.S. economy, the government’s role is to protect consumers, businesses, and society.
  + This role has evolved over time.

**Identify and explain factors that impact businesses**.

* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_:** Government requirements and laws, taxes, licensing
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_:** Off-shoring
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ factors:** Diverse workplace, ethnic diversity of customers, language barriers, different ways of doing business
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** During prosperous times—low unemployment rates, increased investments by individuals, increased spending
* **During \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ conditions:** High unemployment rates, decreased spending, decreased saving
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ factors:** New equipment, new software/hardware

**Describe factors that affect the business environment**

* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ factors affecting the business environment**: such as, managerial incentives, organizational culture, and organizational identity.
  + Resources: Profitability, sales, product quality brand associations, existing overall brand, relative cost of this new product, employee capability, product portfolio analysis
  + Capabilities to identify internal strategic strengths, weaknesses, problems, constraints and uncertainties
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ factors affecting business environments.**
  + Customer analysis: Segments, motivations, unmet needs
  + Competitive analysis: Identify completely, put in strategic groups, evaluate performance, image, their objectives, strategies, culture, cost structure, strengths, weakness
  + Market analysis: Overall size, projected growth, profitability, entry barriers, cost structure, distribution system, trends, key success factors
  + Environmental analysis: Technological, governmental, economic, cultural, demographic, scenarios, information-need
* **Discuss reasons that the business environment can be affected by external factors.**
  + The interactions of business with the non-commercial environment are under increasing scrutiny.
  + Environmental factors and organizations, looks at the relationships between business and social and ecological environments, often referred to under the umbrella term of Corporate Social Responsibility.
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ factors that affect the business environment.**
  + Management practices that respect the rights of all employees, including the right to free association and collective bargaining.
  + Minimizing our impact on the environment.
  + Providing a safe and healthy work place.
  + Promoting the health and well-being of all employees.
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ factors that affect the business environment.**
  + Current or emerging trends in lifestyle, fashions, and other components of culture
  + demographic trends will affect the market size of the industry such growth rate, income, population shifts
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ factors that affect the business environment.**
  + Changes in regulations, impacts be on the industry, tax or other incentives are being developed that might affect strategy development, political or government stability
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ factors that affect the business environment.**
  + Economic trends that might have an impact on business activity: Interest rates, inflation, unemployment levels, energy availability, disposable income

**Discuss the global environment in which businesses operate**

* The impact of globalization on businesses: Record changes in communications, transportation, and computer technology have given the process new motivation and made the world more interdependent than ever.
* Factors driving the existence of a global business environment: Money, technology and raw materials move ever more swiftly across national borders. Along with products and finances, ideas and cultures circulate more freely. As a result, laws, economies, and social movements are forming at the international level.
* Forces that maintain differences between countries/regions: politics, cultural, laws
* Reasons that businesses go abroad: Globalization creates new markets and wealth
* Ways in which businesses can enter a foreign market.
  + **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_:** This is the least risky way to enter foreign markets, as it avoids the substantial costs of establishing manufacturing operations in the new market. A disadvantage of exporting is that high transportation costs can make exporting uneconomical.
  + **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**: Turnkey projects can be described as exporting process technology to other countries. In a typical project, the contractor agrees to do the training of operating personnel, above other similar start up activities, so that at the end of the contract period, the foreign client is handed the "key" to a plant that is ready for full operation.
  + **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** This is an agreement whereby a licensor grants the rights to intellectual property (patents, inventions, copyrights etc.) to another company (licensee) for a certain period. The licensor would benefit from royalty fees without having to bear the development costs and risks associated with operating in a foreign market.
  + **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_:** The Franchiser sells intellectual property to the franchisee, but also contractually forces the franchisee to abide by strict rules as to how it does business. As with licensing, the franchisor typically receives a royalty payment. The franchisee assumes the costs and risks of opening in a foreign market.
  + **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_:** A joint venture is formed when two independent companies establishes a firm that is jointly owned, one of which is a local company. The two companies would typically contribute a team of managers to share operating control. A joint venture enables a firm to benefit from a local partner's knowledge of the host country's competitive conditions, culture, language, political systems and business systems and also to share costs.
  + **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ owned subsidiaries:** In a wholly owned subsidiary, the firm owns all the stock. The firm can either set up a new operation in that country, or it can acquire an established firm in the host nation.

**Explain how organizations adapt to today’s markets**

* Forces that are driving market changes
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**  - The rapid and unimpeded flow of capital, labor, and ideas across national borders
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** - Manner in which individuals act that determines what they buy and sell
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** – what consumer are willing and able to buy
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ changes** - industry attractiveness, how trends will affect industry competition, which industries a company should compete in and how companies can position themselves for success.

**Discuss management processes that aid adaptation to market conditions**

* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ management** - A style of management that involves anticipating and planning in advance for change, rather than simply reacting to outside events when they occur
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ aggression** - A negotiating style in which one or both parties view the negotiation as a game-like challenge or a rivalry; one or both parties consider only their interests to achieve a desired outcome.
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ management** - A style of management that is more participative and facilitative than traditional, controlling management
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ learning** - A concept that refers to a firm’s ability to accept and respond to change appropriately, becoming as effective and efficient as it can be
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ orientation** - A strong focus on meeting customer needs and wants
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** - Resources above and beyond what are needed to operate an organization

**Explain the organizational design of businesses**

**Explain principles of organizational design.**

* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ design** - The process of structuring a business’s people, information, and technology to enable the business to achieve its goals and be successful
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of organizational design -** It is used to match the *form* of the organization as closely as possible to the purpose(s) the organization seeks to achieve.

**Explain key concepts in the design of an organization**.

* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ *-*** The range of employees who to report to a managerial position
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ *-*** The formally-granted influence of a position to make decisions, pursue goals and get resources to pursue the goals; authority in a managerial role may exist only to the extent that subordinates agree to grant this authority or follow the orders from that position
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ *-*** The duty to carry out an assignment or conduct a certain activity
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  *-*** Process of assigning a task to a subordinate along with the commensurate responsibility and authority to carry out the task
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ *-*** The lines of authority in an organization, who reports to whom
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ *-*** Responsibility for the outcome of the process
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ *-*** The type of authority where managers have formal authority over their subordinates' activities (the subordinates are depicted under the manager on a solid line in the organization chart); departments directly involved in producing services or products are sometimes called line departments
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ *-*** The type of authority where managers influence line managers through staff's specialized advice; departments that support or advise line departments are called staff departments and include, e.g., human resources, legal, finance, etc.

**Identify types of organizational design.**

* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ structures** - the organization is small, geographically centralized, and provides few goods and services.
  + Advantages: Reduces duplication of activities, Encourages technical expertise
  + Disadvantages: Creates narrow perspectives, Difficult to coordinate
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ structures -** the organization is relatively large, geographically dispersed, and/or produces wide range of goods/services.
  + Advantages: Improves decision making, Fixes accountability for performance, Increases coordination of functions
  + Disadvantages: Hard to allocate corporate staff support, Loses some economies of scale, Fosters rivalry among divisions
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ relations -** Use offset coordination problems in functional and divisional structures.
  + Advantages/Disadvantages: Dotted-line supervision, Liaison roles, Temporary task forces, Permanent teams, Integrating managers
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ structures -** the organization needs constant coordination of its functional activities
  + Advantages: Reinforces & broadens technical excellence, Facilitates efficient use of resources, Balances conflicting objectives of the organization
  + Disadvantages: Increases power conflicts, Increases confusion & stress for 2-boss employees, Impedes decision making