

Lesson B1–1

Understanding the Organization of an Agribusiness

Unit B. Starting and Operating the Agribusiness

Problem Area I. Planning and Organizing the Agribusiness

Lesson I. Understanding the Organization of an Agribusiness

New Mexico Content Standard:

Pathway Strand: Agribusiness Systems

Standard: I: Employ leadership skills to accomplish goals and objectives in an AFNR business environment.

Benchmark: I-C: Apply management skills to accomplish general business activities from production to public relations.

Performance Standard: 1. Identify management types. 2. Identify organizational structures.

Student Learning Objectives. Instruction in this lesson should result in students achieving the following objectives:

1. Define organizing, organization, and organizational structure.
2. Identify the basic principles of good business organization.
3. Identify the three functions of management in a business.
4. Describe a business organizational chart.

List of Resources. The following resources may be useful in teaching this lesson:

Recommended Resources. One of the following resources should be selected to accompany the lesson:

Gibson, Jerry D., et al. *Agribusiness: Management, Marketing, Human Resource Development, Communication, and Technology*. Danville, Illinois: Interstate Publishers, Inc., 2001. (Textbook, Chapters 7 and 8).

Higgins, James M. *The Management Challenge*. 2nd Edition. New York, New York: Macmillan College Publishing Company, 1994 (Textbook, Chapter 9).

Other Resources. The following resources will be useful to students and teachers:

Hamilton, William H., Donald F. Connelly, and D. Howard Doster. *Agribusiness: An Entrepreneurial Approach*. Albany, New York: Delmar Publishers, 1992.

List of Equipment, Tools, Supplies, and Facilities

Writing surface
Overhead projector
Transparencies from attached masters
Copies of student lab sheet
A variety of VAS/ITCS units

Terms. The following terms are presented in this lesson (shown in bold italics):

Compensation
Conglomerate organization
Finance
Horizontal integration
Marketing
Organization
Organizational chart
Organizational structure
Organizing
Resources
Vertical integration

Interest Approach. Use an interest approach that will prepare the students for the lesson. Teachers often develop approaches for their unique class and student situations. A possible approach is included here.

Remove a variety of VAS/ITCS units from your filing cabinets. Place one stack, in numerical order on a table or desk in the front of the classroom. Place another stack, this one out of order, next to the first stack.

Bring two students to the front of the room. Ask each of them which stack they'd like to re-file. Why? Explain that just as it is easier to file information that's been organized, it's easier to run an organized business. Ask students to consider what would happen if a business were as unorganized as that stack of units. How much work would they get done? Would they be efficient? Continue questioning in this manner until students begin to understand the importance of organization. (It may also be applicable to point out the importance of an organized locker, book bag, or desk).

Summary of Content and Teaching Strategies

Objective 1: Define organizing, organization, and organizational structure.

Anticipated Problem: What do the terms organizing, organization, and organizational structure mean?

- I. Organizing is one of the main components of management. Without organization, a business will have difficulty carrying out its mission and plans. **Organizing** is the process of combining people and resources to accomplish a business's plans.
 - A. An **organization** is a group of people working together to accomplish specific goals. They may work in a formal structure, such as a scheduled meeting. Or informally, such as before or after work. Both of which are meant to accomplish the same goals.
 - B. **Organizational structure** includes all of the aspects included in the organization process. There are five main concerns associated with organizational structure. These include the division of labor, delegation of authority, departmentalization, span of control, and coordination.

Use TM: B1–1A *Organizing, Organization, and Organizational Structure* to review the terms defined in objective one. Readings from the recommended resources may help students better understand the importance of organization. Chapter 7 in the Gibson *Agribusiness* text contains excellent information on this topic.

Objective 2: Identify the basic principles of good business organization.

Anticipated Problem: What are the basic principles of a good business organization?

- II. The organization of a business will have a major affect, either positive or negative in nature. Good organization will lead to improved customer and employee relations. There are five principles in organizing a business.
 - A. The method of organization is simple and the levels of authority are easy to understand. This will result in improved communication of responsibilities.
 - B. Resources such as facilities, labor, equipment, and capital, must be available for the business. **Resources** are items ready for use at any time. Adequate resources are necessary to run a successful business.

- C. The business operation must be efficient. The manager is responsible for motivating their employees to work efficiently and use the business's resources wisely.
- D. Employee compensation should be equitable and provide incentives for productivity. **Compensation** is wages or remuneration for work done. Satisfied employees will provide better service than unhappy employees.
- E. Plans are made to increase business. Managers must be continually aware of new business opportunities.

Use TM: B1–1B *Five Principles of Organizing a Business* to review this objective. Readings from the recommended resources may also help students better understand this objective.

Objective 3: Identify the three functions of management in a business.

Anticipated Problem: What are the three functions of management in a business?

- III. There are three functions of management within any agribusiness. They are: finance, operations, and marketing.
 - A. **Finance** is the management of all fiscal transactions within a business. Fiscal operations include inventory and credit policies that affect the business's capital requirements.
 - B. Operations refer to the products or services a business offers. The function of the manager is to improve operations by making production more efficient.
 - C. The third function of management is marketing. **Marketing** includes the distribution, pricing, and advertising of goods and services. A successful business manager is aware of what the consumer wants.

Use TM: B1–1C *Three Functions of Management* to review this objective. Refer to the recommended resources for additional readings on this objective. The *Management Functions* section in Chapter 7 of the Gibson *Agribusiness* text provides a good overview. Lab Sheet LS: B1–1A *Functions of Management* can be used to reinforce this objective.

Objective 4: Describe a business organizational chart.

Anticipated Problem: What is a business organizational chart?

- IV. An **organizational chart** is a conceptual presentation of the areas of responsibility and channels of communication within a business. However, for many of the tasks to be accomplished a variety of people must work together. There are many ways for a business to be organized or expanded, these include federated or centralized organizations, vertically or horizontally integrated organizations, or a conglomerate organization.
 - A. Federated and centralized organizations both consist of a company headquarters with several local organizations. Policies and specialized operations are handled by the parent company, while operating policies are handled by the local organization.

1. In federated organizations, the parent company has limited, but well-defined powers over the local organization.
 2. In centralized organizations, the parent company has a greater influence over all of the business's policies.
- B. Vertical integration is a method of business expansion. It may be necessary to provide more effective service or a greater variety of products. Effective management includes making decisions promptly and responsibly. **Vertical integration** is the performance of two or more steps in the marketing function by one business.
- C. **Horizontal integration** may include many businesses, each of which performs similar marketing functions over a wide area.
- D. A **conglomerate organization** is one that includes a number of unrelated activities as a means of entering a number of markets.

Refer to TM: B1-1D, TM: B1-1E, and TM: B1-1F for a review of this objective. Readings from the additional resource texts may also be useful in reviewing this objective.

Review/Summary. Summarize the lesson by reviewing the students learning objectives. The anticipated problems can be used as student review questions. Chapter reviews from the books listed on the resource list may also be useful.

Application. The following student activity can be used to apply the student learning objectives: LS: B1-1A Functions of Management.

Evaluation. Evaluation should be based on student comprehension of the learning objectives. This can be determined using the attached sample written test.

Answers to Sample Test:

Part One: Matching

1. b
2. d
3. f
4. e
5. c
6. a

Part Two: Completion

1. federated organization
2. Vertical integration
3. conglomerate organization
4. centralized organization

5. Horizontal integration

Part Three: Short Answer

Finance, operations, and marketing.

Test

Lesson B1–1: Understanding the Organization of an Agribusiness

Part One: Matching

Instructions. Match the term with the correct response. Write the letter of the term by the definition.

- | | | |
|-----------------|-------------------------|---------------|
| a. organization | c. organizational chart | e. organizing |
| b. marketing | d. finance | f. resources |

- _____ 1. Includes the distribution, pricing, and advertising of goods and services.
- _____ 2. The management of all fiscal transactions within a business.
- _____ 3. Items such as facilities and labor that are ready to use.
- _____ 4. Process of combining people and resources to accomplish a business plan.
- _____ 5. A conceptual presentation of the areas of responsibility and channels of communication within a business.
- _____ 6. A group of people working together to accomplish specific goals.

Part Two: Completion

Instructions. Provide the word or words to complete the following statements.

1. In a _____, a parent company has limited, but well-defined powers over its local company.
2. _____ is the performance of two or more steps in the marketing function by one business.
3. A _____ is one that includes a number of unrelated activities as a means of entering a number of markets.
4. In a _____, the parent company has a greater influence over all of the business's policies.
5. _____ may include many businesses, each of which performs similar marketing functions over a wide area.

Part Three: Short Answer

Instructions. Provide information to answer the following question.

List the three functions of management in a business.

ORGANIZING, ORGANIZATION, AND ORGANIZATIONAL STRUCTURE.

- ➔ **Organizing: process of combining people and resources to accomplish a business's plan.**
- ➔ **Organization: a group of people working together to accomplish specific goals.**
- ➔ **Organizational structure: includes all aspects of the organization process.**

FIVE PRINCIPLES OF ORGANIZING A BUSINESS

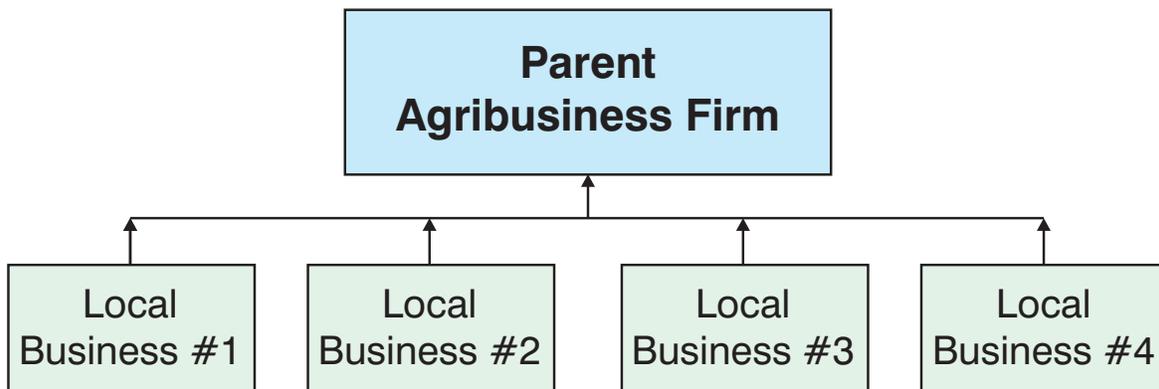
- ★ **The method of organization must be simple and levels of authority easy to understand.**
- ★ **Resources must be available for use.**
- ★ **The business operation must be efficient.**
- ★ **Employee compensation should be equitable and provide incentives for productivity.**
- ★ **Plans are made to increase business.**

TM: BI-IC

THREE FUNCTIONS OF MANAGEMENT

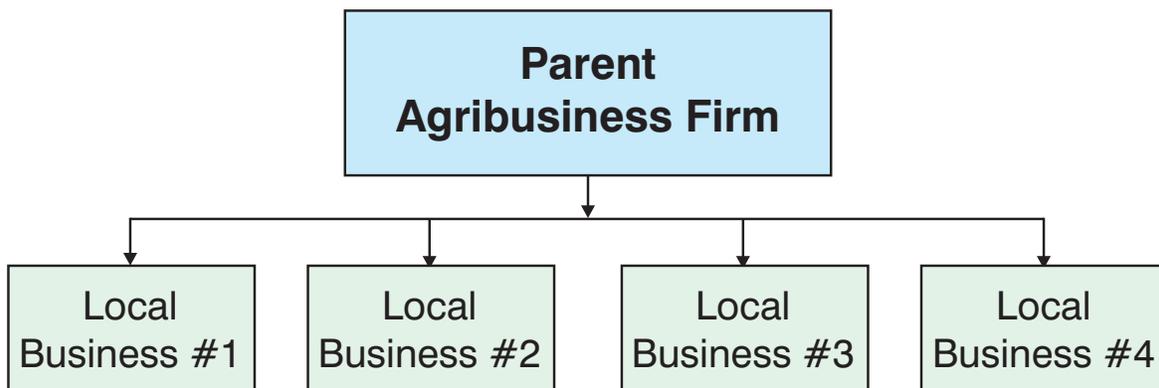
- ✓ Finance
- ✓ Operations
- ✓ Marketing

Relationship Between Local Businesses and the Parent Company with a Federated Organization



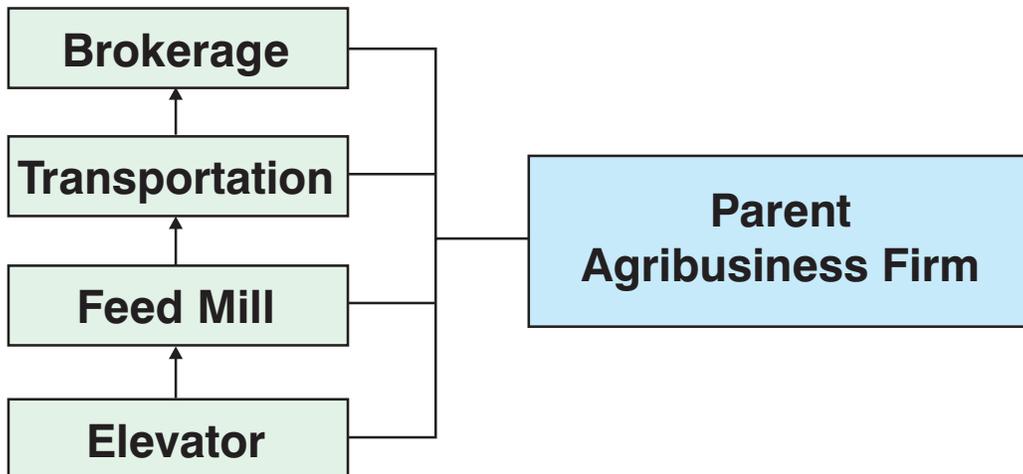
Local affiliated businesses have much autonomy in determining policies and operating procedures.

Relationship Between Local Businesses and the Parent Company with a Centralized Organization



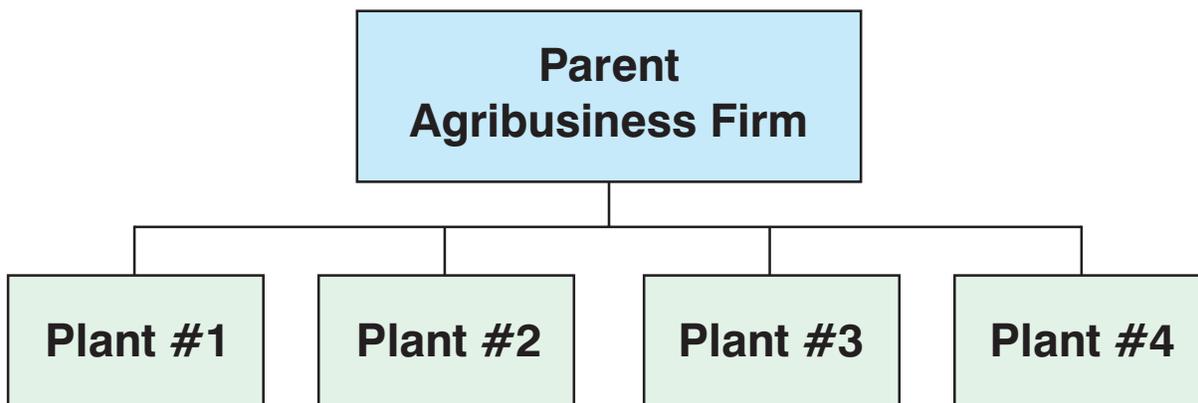
Affiliated businesses have little local autonomy in determining policies and operating procedures.

Schematic Arrangement of a Vertically Integrated Business



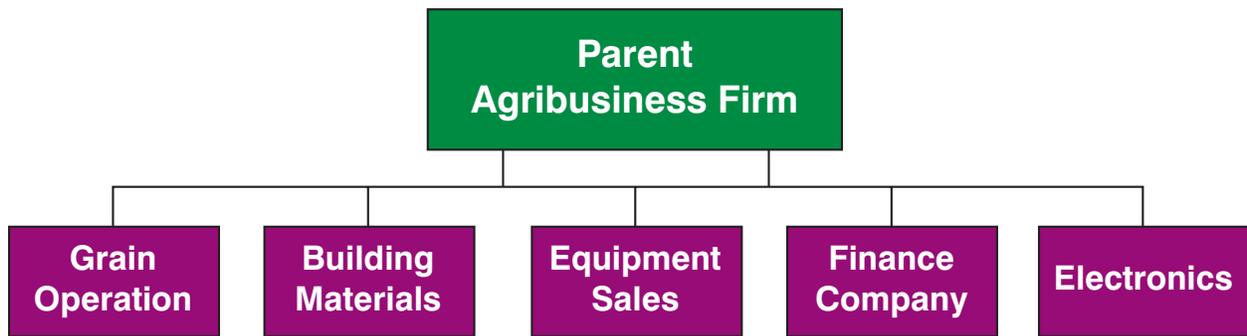
A grain elevator with a feed mill to process part of the grain also provides transportation of grain and feed to and from the elevator, as well as a brokerage operation for merchandising the grain and feed.

Schematic Arrangement of a Horizontally Integrated Business



Four processing plants, each buying, processing, and distributing a product under the direction of the parent business.

Schematic Arrangement of a Conglomerate Business



Lab Sheet

Functions of Management

Part One:

Instructions: Read the following statement and identify whether they are a function of finance, operations, or marketing. Write an F on the line if it is an example of a finance function, an O if it is an example of an operations function, or an M if it is an example of a marketing function.

- _____ 1. Advertising prom corsages in local high school newspapers by The Flower House.
- _____ 2. Scheduling of cuttings and sprayings at the local greenhouse.
- _____ 3. A local seed dealer travels to local farms to sell products and answer questions.
- _____ 4. Payroll checks are written by the accountant at the local veterinary clinic.
- _____ 5. An agricultural loan officer provides credit services for a local rancher.

Part Two:

Instructions: Identify two activities for each of the three types management functions.

Finance

- 1.
- 2.

Operations

- 1.
- 2.

Marketing

- 1.
- 2.

Lab Sheet Key

Functions of Management

Part One:

Instructions: Read the following statement and identify whether they are a function of finance, operations, or marketing. Write an F on the line if it is an example of a finance function, an O if it is an example of an operations function, or an M if it is an example of a marketing function.

1. M
2. O
3. M
4. F
5. F

Part Two:

Instructions: Identify two activities for each of the three types management functions.

Finance

1. Refer to recommended text for further ideas.
- 2.

Operations

1. Refer to recommended text for further ideas.
- 2.

Marketing

1. Refer to recommended text for further ideas.
- 2.