

Lesson D2–1

Understanding Principles of Business Management

Unit D. Basic Agribusiness Principles and Skills

Problem Area 2. Understanding Business Management and Structures

Lesson I. Understanding Principles of Business Management

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. 3. Identify time management techniques. 4. Make business agreements. 5. Follow local, state, and federal regulations and appreciate the consequences of not following them. 6. Recruit, train and evaluate human resources. 7. Make business presentation.

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

1. Describe the three general organizational business structures.
2. Explain business management and its major areas.
3. Explain business mission and goals.

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:

Hamilton, William H., et al. *Agribusiness: An Entrepreneurial Approach*. Albany, New York: Delmar Publishers, Inc., 1992. (Textbook, Chapter 1)

Newman, Michael E. and Walter J. Wills. *Agribusiness Management and Entrepreneurship*. Danville, Illinois: Interstate Publishers, Inc., 1994. (Textbook, Chapter 1)

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

Decisions & Dollars. Alexandria, Virginia: The Council for Agricultural Education, 1993. (Curriculum Binder)

Gibson, Jerry D., et al. *Agribusiness: Management, Marketing, Human Resources Development, Communication, and Technology*. Danville, Illinois: Interstate Publishers, Inc., 2000. (Textbook, Chapters 1, 6, and 8)

Miller, Donald S., et al. *Fundamentals of Management: A Framework for Excellence*. St. Paul, Minnesota: West Publishing Company, 1996. (Textbook, Chapter 1)

List of Equipment, Tools, Supplies, and Facilities

- Writing surface
- Overhead projector
- Transparencies from attached masters
- Copies of student lab sheet

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

- Business management
- Capitalism
- Controlling
- Corporation
- Directing
- Limited Liability
- Mission
- Organizing
- Partnership
- Planning
- Sole proprietorship
- Staffing
- Stockholders

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.

Provide students with the name of businesses in your community. Try to come up with examples of a sole proprietorship, partnership, and corporation. Ask students to consider who the boss of each business is. What common duties do each of the bosses share? What are the differences in their responsibilities? Use the discussion to lead into the first objective.

Summary of Content and Teaching Strategies

Objective 1: Describe the three general organizational business structures.

Anticipated Problem: What are the three basic ways of organizing a business?

- I. The United States operates under capitalist system. **Capitalism** refers to an economic system in which all or most of the production and distribution facilities are privately owned and operated for a profit. In a capitalist system, there are three generally recognized structures for business.
 - A. A **sole proprietorship** is a business owned by one person who makes the decisions. Although the business is owned by one person, it can have multiple employers. All of the liabilities of the business are the responsibility of the proprietor.
 - B. A **partnership** is a business that is owned by two or more people. Partnerships usually involve written agreements that specify what percent of the business each person owns, their individual responsibilities, and how decisions will be made. All of the liabilities of the business are the responsibility of the partners.
 - C. A **corporation** is a business that is treated as a single entity but is owned by a group of people. The owners of a corporation are referred to as **stockholders**. Corporations provide limited liability. **Limited liability** means that the stockholders are not personally responsible for the debts of the corporation.

Note: Sole proprietorships, partnerships, and corporations are covered in detail in Lesson D2–2—Using Sole Proprietorship, Lesson D2–3—Using Partnerships, and Lesson D2–4—Using Corporations and Cooperatives.

Display TM: D2–1A to illustrate the three general business structures in a capitalist system. The recommended resources also have useful information. Have the class read Chapter 1 in either textbook. Use class discussion to determine if any items need further emphasis.

Objective 2: Explain business management and its major areas.

Anticipated Problem: What is business management? What are the five major areas of business management?

- II. **Business management** is the responsibility of a person to make decisions, organize resources to implement decisions, monitor the implementation of decisions, and evaluate the effects of decisions on the overall success of the operation. Business management has five major areas of activity.
- A. **Planning** is determining what is to be done, where, how, and when it is to be done. It is done on a day-to-day, year-to-year, and long-term basis. Planning involves the following functions:
1. Determining the present status of the business.
 2. Surveying the environment.
 3. Setting objectives.
 4. Forecasting future situations.
 5. Stating necessary actions and resources.
 6. Evaluating proposed actions.
 7. Revising plans in response to changing conditions.
 8. Communicating effectively.
- B. **Organizing** is the grouping together activities, people, and other resources to carry out the plan. Without proper organization it is difficult to carry out the plan. Organizing involves the following responsibilities:
1. Identifying and defining required work.
 2. Breaking work into duties.
 3. Grouping duties into positions.
 4. Defining the requirements of positions in a business.
 5. Grouping positions into manageable units or departments.
 6. Assigning work to be performed, accountability, and authority.
 7. Revising and adjusting the organization's duties in response to the changing conditions.
 8. Communicating duties and activities throughout the business.
- C. **Directing** (leading) is providing instruction and guidance to employees. It is primarily involved with the relationship between managers and employees. Directing includes the following responsibilities:
1. Communicating and explaining objectives to employees.
 2. Assigning standards for performance.
 3. Coaching employees to meet performance standards.
 4. Rewarding employees based on performance.
 5. Praising and criticizing in a fair manner.

6. Providing motivation by communicating changes.
 7. Revising methods based on necessary changes.
 8. Communicating throughout the process.
- D. **Staffing** is the activities involved with the recruitment, selection, and training of personnel. It is primarily concerned with the flow of work through the business. Staffing involves the following responsibilities:
1. Determining human resource needs.
 2. Recruiting potential employees.
 3. Selecting employees from those recruited.
 4. Training and developing employees
 5. Revising the number of employees based on changing conditions of the business.
- E. **Controlling** is all of the activities that are necessary to insure that the policies of the business are being carried out. It focuses on whether actions taken are meeting expectations. Controlling involves the following responsibilities:
1. Establishing standards.
 2. Monitoring results and comparing them to standards.
 3. Correcting deviations from standards.
 4. Revising and adjusting methods based on changes the business experiences.
 5. Communicating necessary changes throughout the organization.

Use TM: D2–1B to illustrate the five major areas of business management. Invite a business person from the community to discuss the amount of time he or she devotes to each management area. The recommended resources will also be useful. Have the class read Chapter 1 in either of the suggested textbooks. Use class discussion to determine any areas that require further emphasis.

Objective 3: Explain business mission statement and goals.

Anticipated Problem: What is a mission? Why should a business establish goals?

- III. A **mission** is concise statement of the goals and objectives of a business. It is usually no more than 25 words and states the reason the business exists.
- A. The mission statement should include goals and objectives that have the following qualities:
1. Flexibility—goals must be flexible so that they may be changed in response to economic, political, and social situations.
 2. Quantifiable—goals must be measurable so that the managers can determine if they are being met. Without a way of measuring a goal, there is no reliable way to determine if it is being met.
- B. Businesses should establish goals for the following reasons:
1. Goals help the business in establishing policies that will determine the direction it takes.

2. Goals provide management with guidelines to operate the business.
3. Goals aid managers in decreasing waste and duplication of effort. Most businesses that experience greater inefficiency do not have an established set of goals.

Use TM: D2–1C to illustrate a business mission statement. Follow it up with LS: D2–1A and have students draft a mission statement for the company described in the activity. Text materials will also help students in understanding this objective. Have the class read the Business Mission and Goals section in either of the suggested textbooks. Follow this up with class discussion. Use questions from students to determine if any topics need further emphasis.

Review/Summary. Focus the review and summary of the lesson around the student learning objectives. The summary sections at the ends of the chapters in the suggested textbooks may also be helpful. Call on students to explain the content associated with the objectives.

Application. Application can involve the following student Lab Sheet:

LS: D2–1A—Developing A Mission Statement

Evaluation. Evaluation should focus on student achievement of the lesson's learning objectives. Various techniques, such as student performance on the lab activity and the questions at the end of the chapters in the recommended textbooks may be used. A sample written test is also attached.

Answers to Sample Test:

Part One: Matching

1 = d, 2 = b, 3 = c, 4 = e, 5 = a

Part Two: Completion

1 = corporation
2 = organizing
3 = sole proprietorship
4 = business management

Part Three: Short Answer

1. Use TM: D2–1A to score.
2. Use TM: D2–1B to score.

Test

Lesson D2–1: Understanding Principles of Business Organization**Part One: Matching**

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

- | | |
|----------------------|----------------|
| a. mission | d. partnership |
| b. limited liability | e. staffing |
| c. capitalism | |

- _____ 1. A business that is owned by two or more individuals.
_____ 2. Stockholders are not personally responsible for corporation's debts.
_____ 3. An economic system in which all or most of the production and distribution facilities are privately owned and operated for a profit.
_____ 4. The area of management that involves recruitment, selection, and training of personnel.
_____ 5. A concise statement of the goals and objectives of a business.

Part Two: Completion

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

1. A _____ is a business owned by a group of people, but treated as a single entity.
2. The area of management that deals with the grouping together of resources is _____.
3. A _____ is a business owned by one person.
4. The responsibility of a person to make decisions, implement plans, and evaluate results is _____.

Part Three: Short Answer

Instructions. Use complete sentences to answer the following questions.

1. What are the three general business structures? What are the differences between each.

2. What are the five major areas of business management? What activities are involved in each area?

Three Basic Business Structures

I. Sole Proprietorship

- One Owner who makes all decisions
- Can have multiple employees
- Owner responsible for all liabilities

2. Partnership

- Owned by two or more people
- Written agreements usually specify percent of ownership, responsibilities, and decision making process
- Owners responsible for all liabilities

3. Corporation

- Owned by stockholders
- Business is treated as a single entity
- Stockholders not personally responsible for liabilities of the business

Major Areas of Business Management

- 1. Planning**—determining what is to be done, where, how, and when it is to be done.
- 2. Organizing**—grouping together of activities and resources to carry out the plan.
- 3. Directing (leading)**—providing guidance and instruction to employees.
- 4. Staffing**—activities that involve recruiting, selecting, and training of personnel.
- 5. Controlling**—all of the activities that are necessary to insure that the policies of the business are being carried out.

Business Mission Statement

Mission—a concise statement (25 words or less) of the goals and objectives of a business.

Acceptable Aquaculture Business Mission Statement

“To produce high quality tilapia fillets at a profit for retail food stores within a 60-mile radius of our production facility.”

Unacceptable Aquaculture Business Mission Statement

- 1. “To make a profit growing fish.”**
- 2. “To sell fish to area food stores.”**
- 3. “To sell everything we grow.”**

Lab Sheet

Developing Mission Statements

Purpose:

To provide experience in developing mission statements for a business.

Instructions:

Using the description below, draft a mission statement for the business described. Write concise statements that communicate the aspects of the business that are important to you and to customers.

Business #1

You own an environmental testing business that specializes in testing well water. You have three employees who enable you to test wells in a 100-mile radius and provide customers with test results within 48 hours. Part of your services also include a written plan for correcting wells with unsafe water.

Use the space below to draft a mission statement for your environmental testing business.