

*Instructor Guide*

# Introduction to Business Principles

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# Table of Contents

<b>Unit Description .....</b>	<b>1</b>
Overview .....	1
Objectives .....	1
Materials .....	2
Agenda .....	4
<b>Introduction .....</b>	<b>5</b>
Professional Standards .....	5
Objectives .....	5
<b>Operating a Business .....</b>	<b>7</b>
Activity 1: Introduction to Side by Side .....	7
Activity 2: Purposes of a Business .....	8
Activity 3: Essentials of Starting and Managing a Business .....	9
Activity 4: Marketing .....	12
Activity 5: Quality and Employee Performance .....	15
Activity 6: Competition .....	19
Activity 7: Economics and Ethics .....	22
Activity 8: Performance Based Incentives .....	25
Activity 9: The Voice of the Customer .....	26
Activity 10: Summing Up .....	28
<b>Appendix .....</b>	<b>30</b>
Activity 1: Introduction to Side by Side .....	31
Activity 2: Purposes of a Business .....	32
Summary of Activity 2 .....	33
Activity 3: Essentials of Starting and Managing a Business .....	34
Summary of Activity 3 .....	35
Activity 4: Marketing .....	36
Summary of Activity 4 .....	37
Activity 5: Quality and Employee Performance .....	38
Summary of Activity 5 .....	40
Activity 6: Competition .....	42
Summary of Activity 6 .....	43
Activity 7: Economics and Ethics .....	44
Summary of Activity 7 .....	45
Activity 8: Performance Based Incentives .....	46
Summary of Activity 8 .....	47
Activity 9: The Voice of the Customer .....	48
Summary of Activity 9 .....	49



# Unit Description

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## Overview

This module is presented in the form of an activity in which participants will establish and run a business for profit. The simulated situations will require participants to make decisions which affect the owners, employees and customers.

During the activity, participants will be faced with many issues that businesses everywhere encounter. Although various problems will be presented, there are no right or wrong solutions. This exercise will help participants understand that there is usually a sound reason behind most business decisions.

The purpose of this unit is to make participants aware of the basic principles of operating a business. This awareness will help participants understand the actions and motivations of their employers.

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## Objectives

The information, activities and practices provided in this unit will enable participants to recognize and discuss the following basic business principles:

1. the importance of having a sound business plan
2. the importance of producing a quality product
3. the importance of customer satisfaction and customer feedback
4. the importance of economics and ethics in business decisions



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## **Materials**

1. Participant Guides
2. PowerPoint Slides
3. Handouts
4. Flip chart with pad of paper
5. Felt tip markers
6. Masking tape

## **PowerPoint Slides**

1. Introduction to Business Principles
2. Course Goal
3. Objectives
4. Building
5. Two Years Later
6. Summing Up

## **Handouts**

1. Activity 1: Introduction to Side by Side
2. Activity 2: Purposes of a Business
3. Summary of Activity 2
4. Activity 3: Essentials of Starting and Managing a Business
5. Summary of Activity 3
6. Activity 4: Marketing



7. Summary of Activity 4
8. Activity 5: Quality and Employee Performance
9. Summary of Activity 5
10. Activity 6: Competition
11. Summary of Activity 6
12. Activity 7: Economics and Ethics
13. Summary of Activity 7
14. Activity 8: Performance Based Incentives
15. Summary of Activity 8
16. Activity 9: The Voice of the Customer
17. Summary of Activity 9



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## Agenda

Introduction .....	20 minutes
Activity 1: Introduction to Side by Side .....	25 minutes
Activity 2: Purposes of a Business .....	25 minutes
Activity 3: Essentials of Starting and Managing a Business .....	25 minutes
Activity 4: Marketing .....	25 minutes
Activity 5: Quality and Employee Performance .....	25 minutes
Activity 6: Competition .....	25 minutes
Activity 7: Economics and Ethics .....	25 minutes
Activity 8: Performance Based Incentives .....	25 minutes
Activity 9: The Voice of the Customer .....	25 minutes
Activity 10: Summing Up .....	25 minutes
Business Principles Assessment .....	30 minutes
<b>Total .....</b>	<b>5 hours</b>



# Introduction

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## Professional Standards



**DISPLAY** the slide titled “Introduction to Business Principles.”



**DIRECT** participants to the section titled “Introduction” in their Participant Guide.

**EXPLAIN** that business principles are basic professional standards of operation used by companies.



**DISPLAY** the slide titled “Course Goal.”

**EXPLAIN** that the purpose of this unit is to make participants aware of the basic principles of operating a business. This awareness will help participants understand the actions and motivations of their employers.

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## Objectives



**DISPLAY** the slide titled “Objectives.”

**STATE** that the information, activities and practices provided in this unit will enable you to recognize and discuss the following basic business principles:

1. the importance of having a sound business plan
2. the importance of producing a quality product
3. the importance of customer satisfaction and customer feedback
4. the importance of economics and ethics in business decisions



**EXPLAIN** that this module is presented in the form of an activity in which participants will establish and run a business for profit. The simulated situations will require participants to make decisions which affect the owners, employees and customers.

During the activity, participants will be faced with many issues that businesses everywhere encounter. Although various problems will be presented, there are no right or wrong solutions. This exercise will help participants understand that there is usually a sound reason behind most business decisions.

**ADVISE** participants that their Participant Guide will be formed by the handouts issued during the activity. Activity sheets containing descriptions and instructions will be distributed one at a time. After each task is completed, a summary of the activity will also be distributed. At the end of the activity, participants will have a Participant Guide consisting of Activity Sheets and Summaries.



# Operating a Business

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## Activity 1: Introduction to Side by Side



**DIVIDE** the class into small groups of 4 or 5 and position each group in a corner of the room, where they can discuss without being overheard by the others.

**EXPLAIN** the activity. Each small group constitutes a small company, engaged in establishing a small factory that manufactures siding.



**DISTRIBUTE** the handout titled “Activity 1: Introduction to Side by Side.”

**INSTRUCT** the class to read the situation described in the handout.

**ENSURE** the essential facts are understood, such as:

- the need for quality siding
- a capital investment of \$10,000 plus the money each participant will invest
- varied experience in the group
- all of you are dedicated full time to this business

**EXPLAIN** that each Activity will be handed out one at a time. When one Activity is completed, a Summary will be handed out to insert in the Participant Guide.



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## Activity 2: Purposes of a Business



**DISTRIBUTE** the handout titled “Activity 2: Purposes of a Business.”

**INSTRUCT** participants to read the description of Activity 2. Advise them to discuss and agree on their list.

**ALLOW** enough time for the teams to complete their task and then ask two or three teams to report their list to the entire group. Advise participants to note the similarities and differences on their lists. Teams may add items to their list as they hear from the other teams.

**ENSURE** some of the reasons listed below are included in each team’s list:

- to make a profit
- to make at least a living wage for ourselves
- to fill a need or demand for quality siding
- to stay in business a long time
- to establish a good reputation
- to use our talents and training while earning a living



**DISTRIBUTE** the handout titled “Summary of Activity 2.”

**MAKE SURE** the teams do not list “activities,” such as get a license, or buy materials. If some teams have listed these types of activities, advise them to center on the goals of the business.

**SUMMARIZE** this activity by explaining that the purpose of this task is to help team members see the necessity for an organization to have goals, purpose and vision.



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## Activity 3: Essentials of Starting and Managing a Business



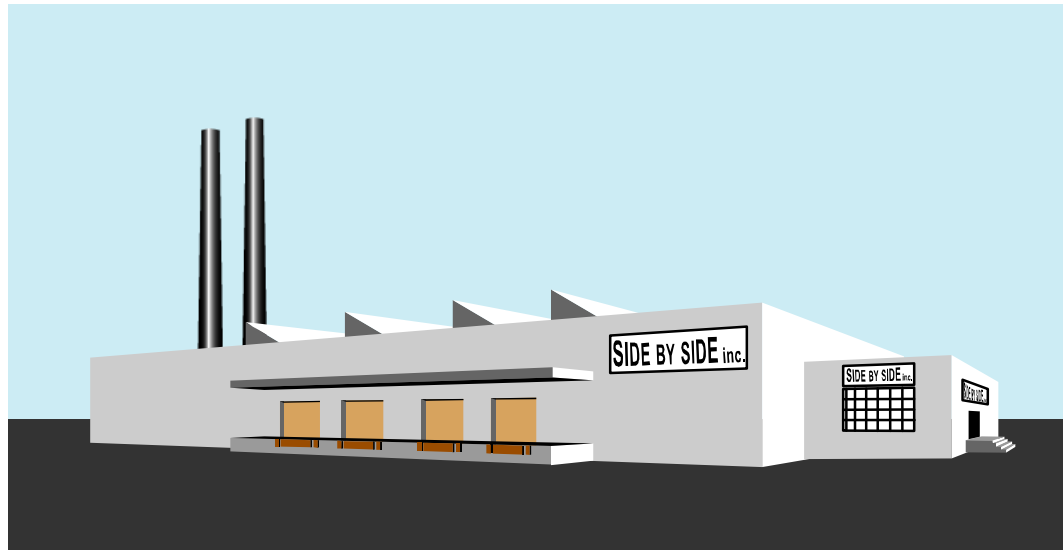
**DISTRIBUTE** the handout titled “Activity 3: Essentials of Starting and Managing a Business.”

**INSTRUCT** participants to read the description of Activity 3.

Advise them to discuss ideas and agree on a list of needs to start and operate their business.



**DISPLAY** the slide titled “Building.”



*Building*

**NOTE:** An example of a “need” is a budget.

**ALLOW** enough time for the teams to complete their task and then ask two or three teams to report their list to the entire group.



**ENSURE** some of the “needs” listed below are included in each team’s list:

- licensing or certification
- tooling, machinery and equipment
- a marketing plan (how to get customers)
- operating policies (hours of operation, price lists)
- an operating budget
- a staffing plan - who on the Board will do what



**DISTRIBUTE** the handout titled “Summary of Activity 3.”

**NOTE:** If the teams do not mention some of the managerial items, explain the necessity for the following:

### ***A Marketing Plan***

**EXPLAIN** that a marketing plan is necessary to let the community know about the product you are manufacturing. An amount of money and how it will be spent to obtain customers must be agreed upon in order for the start up to be successful.

### ***Operating Policies***

**EXPLAIN** that every organization needs a set of policies by which it is run. This is necessary for managers, employees, and the customers. Customers must know how they will obtain the product and how they are expected to pay for the product.

### ***Operating Budget***

**EXPLAIN** that decisions must be made as to how money will be spent.



### *A Staffing Plan*

**EXPLAIN** that a plan is necessary to determine who is responsible for what. Job responsibilities and functions must be defined in order for the start up to be successful.

**ADVISE** participants that it is not necessary for teams to actually develop these plans, but they should understand the need for them.

**NOTE:** Some groups may come up with the need for a long range plan for growth. This would be a very good item to include, so welcome it if it is suggested. However, in this task we are concentrating on those items we will need to open the facility and get it running initially. Other decisions about the continuance and growth of the organization will receive attention later in the activity.

**SUMMARIZE** this activity by stating that it is not enough to start a business with an idea and some money.

**STATE:** “One must have a business plan. In fact, if you go to a bank for a loan, the bank will require you to submit a business plan to prove that you know how to finance the business, how to get customers, how to keep customers, how to staff the business and how to set operating policies.”



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## Activity 4: Marketing



**DISTRIBUTE** the handout titled “Activity 4: Marketing.”

**INSTRUCT** participants to read the description of Activity 4. Advise them to discuss ideas and agree on both lists.

**NOTE:** An example of attracting new customers is to advertise. An example of how to keep a customer you already have is to offer discount to builders for repeat business.

**ALLOW** enough time for the teams to complete their task and then ask two or three teams to report their list to the entire group.

**ENSURE** the teams include some of the following ways of attracting customers:

- advertise in local papers and radio
- ask present customers to spread the word
- distribute color brochures door to door
- telemarketing
- give a “finder’s fee” to any customer who brings in a new customer
- get a newspaper to do a story about your product
- join groups and associations
- invite sales representatives for a demonstration and tour of the plant



**ENSURE** that the teams include some of the following ways of keeping customers:

- a discount for paying in advance
- a discount for builders and large contracts
- maintain reasonable rates
- maintain a product free of defects
- high quality employees (trained, experienced and dependable)
- provide product on time to meet the customer's deadlines



**DISTRIBUTE** the handout titled “Summary of Activity 4.”

**SUMMARIZE** this portion of the activity by stating that you will need to let the community know about the products you will provide in your business. You will need to show customers that your product is superior to that of your competition.

**NOTE:** It is important that the participants demonstrate that they have carefully thought of what the customer is looking for and how the business can respond.

**POINT OUT** that it is not enough to just satisfy the customer. In today's highly competitive economy, you must sweep them off their feet and keep them coming back. If you don't, the competitor will.



**SAY:** “No business in the world is immune to competition. Coca Cola is the most well known product in the world, and they still spend a lot of energy in maintaining their edge. Campbell’s soup is the leading provider of canned goods in the world. In fact, it has been found that the most common grocery item in the country is a can of Campbell’s soups. Even so, ‘private brands’ (Kroger’s soups, etc.) are beginning to gain a larger percentage of the market as customers search for products that are cheaper and perhaps just as good. No company is without the threat of competition. Business must work hard to ensure that the competitive edge is maintained.”

**SUGGEST** that they rethink how they can go beyond the customer’s minimum expectations and provide the best quality product at a reasonable cost. Point out that customers do not always buy the cheapest product. They will sometimes pay more if they know they are getting more in terms of quality, safety, personal attention, peace of mind, etc.

Upon additional consideration, groups may contribute ideas such as: surveying customers to see what they want (called “voice of the customer”), surveying the very top siding producers to see what they offer (called “benchmarking.”)

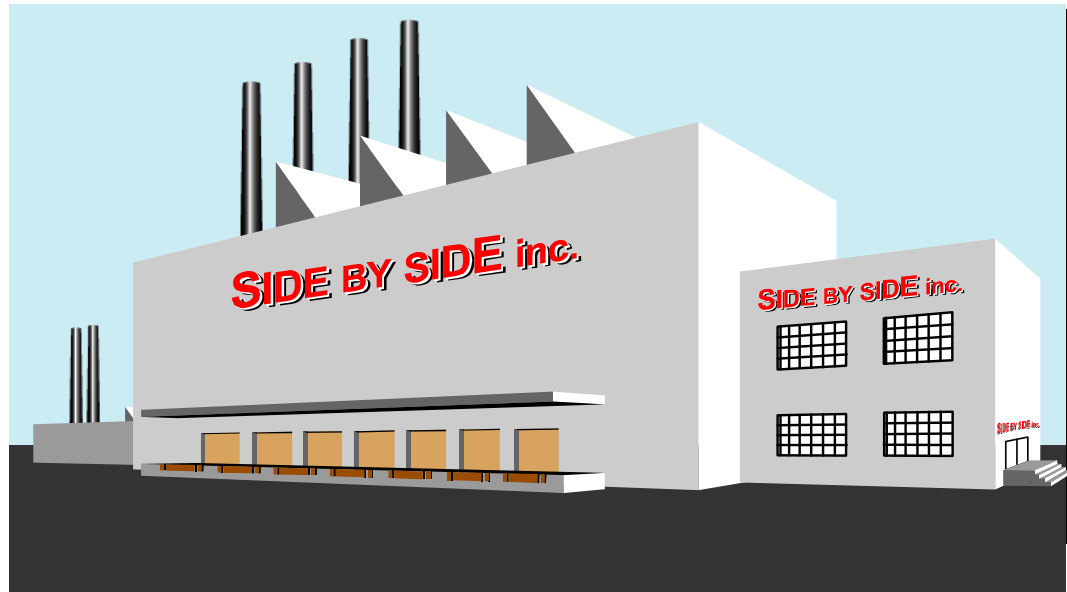
**SUMMARIZE** by saying that customers rarely beat a path to your door, even if you do have a superior product and are experienced and well meaning. Customers are hard to get and harder to retain. There is a lot of competition out there; good, strong, able competition and they will do a lot of things to get your customers away from you.

A company must be skilled at how to advertise and market its product. Most importantly, it must know how to build customer loyalty and retain present customer business. Once a customer leaves because of dissatisfaction, it is much harder to get them back (recovery) than to get a new customer.

## Activity 5: Quality and Employee Performance



**DISPLAY** the slide titled “Two Years Later.”



*Two Years Later*

**EXPLAIN** that it is now two years later and Side by Side has succeeded beyond anyone’s wildest dreams. The plant has more than doubled in size. Machinery and equipment has been added; customer orders have doubled and four more employees have been added to the production line.

Albert, Dan, Gayle, and Dorothy.

**SAY:** “Unfortunately there are problems with all four.”



**DISTRIBUTE** the handout titled “Activity 5: Quality and Employee Performance.”

**INSTRUCT** participants to read the description of the problems with Albert.

**ADVISE** the groups to discuss how the board should handle Albert.

**INSTRUCT** them to make a list of solutions.

**ALLOW** enough time for the teams to complete their task and then ask one or two teams to report their list to the entire group.



**ENSURE** that the teams include some of the following solutions to the problem with Albert:

- He should be advised that his behavior causes production problems for the customers and ultimately for the Board.
- He should be advised that he is a necessary and worthwhile member of a team. His contribution to the team effort is a necessary ingredient to the success of the Side by Side.
- He should be advised that an improved plan is necessary and he should be told of the consequences if his attendance record does not improve.

**INSTRUCT** the participants to read the description of the problems with Dan.

**ADVISE** the teams to discuss how the Board should handle Dan.

**INSTRUCT** them to make a list of solutions.

**ALLOW** enough time for the teams to complete their task and then ask one or two teams to report their list to the entire group.

**ENSURE** the teams include the following solutions:

- Dan should be told that his experience and enthusiasm for meeting quotas and deadlines are valued by the Board. However, he should be told that they have received complaints about the way he speaks to his fellow workers.
- He should be advised yelling and screaming are totally unacceptable behaviors.
- He should be advised of the negative effect his loudness and rudeness has on the team concept.
- He should be asked to make an effort to control the tone of his voice when speaking to his fellow workers.



**INSTRUCT** the participants to read the description of the problems with Gayle.

**ADVISE** the teams to discuss how the Board should handle Gayle.

**ALLOW** enough time for the teams to complete their task and then ask one or two teams to report their list to the entire group.

**ENSURE** that the teams include some of the following solutions to the problems with Gayle:

- The Board could decide to keep the tools locked up and a Board member responsible for distributing and collecting needed tools. However, this solution could be very time consuming and nonproductive.
- If the Board has proof that Gayle has taken tools, she should be advised that this is unacceptable behavior. She should be warned of the consequences of continued stealing (termination).
- The Board does not want to accuse an employee of stealing unless they are really sure. Without proof, the Board could implement a policy of selling tools to employees at the wholesale cost as a benefit to employees.

**INSTRUCT** participants to read the description of the problems with Dorothy.

**ADVISE** the teams to discuss what action should be taken with Dorothy.

**INSTRUCT** them to make a list of solutions.

**ALLOW** enough time for the teams to complete their task and then ask one or two teams to report their list to the entire group.



**ENSURE** that the teams include some of the following solutions to the problem with Dorothy.

- The Board should remind her that “breaks” are scheduled for all employees. When she takes too long on her break, she affects everyone’s schedule.
- The Board should advise her that taking longer breaks is not fair to the other employees.
- The Board should advise her that she will be closely watched and the Board expects improvement in the future.



**DISTRIBUTE** the handout titled “Summary of Activity 5.”

**SUMMARIZE** by saying that every negative act has some effect on business. Eventually customers will find out that quality is low and they will go elsewhere. It is much harder to get a dissatisfied customer back than to get a new one. Unhappy customers provide you with damaging negative advertisement.

**SAY:** “The performance of your employees and the quality of their work greatly affects the success of your business.”

**SAY:** “One disgruntled customer will tell seventeen others.”



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## Activity 6: Competition



**DISTRIBUTE** the handout titled “Activity 6: Competition.”

**INSTRUCT** the participants to read the description of Activity 6.

**ADVISE** the teams to discuss the options and select one. Once they select an option, they must list the reasons for their selection and the methods they will use to accomplish their goals.

**ALLOW** enough time for the teams to complete their task and then ask a team which has selected Option 1, to report their list to the entire group.

**ENSURE** some of the following reasons and methods are included:

### Reasons

- Decided that Side by Side cannot compete with Maple Leaf Siding.
- Afraid Side by Side will go bankrupt and original investors will lose everything.

### Methods

- Sell to a larger company that can compete with Maple Leaf Siding.
- Sell to new investors who are willing to take the challenge.
- Sell the building and equipment (liquidate assets).

**ASK** a team which has chosen Option 2 to report their lists to the entire group.



**ENSURE** some of the following reasons and methods are included:

### **Reasons**

- Think there is a good chance of beating the competition because of standing and reputation.
- Feel that the business is worth the fight.
- Feel committed to the employees and investors.

### **Methods**

- Implement cost cutting measures, such as finding new ways to minimize the production of scrap material, maximize the use of raw material, etc.
- Downsize by cutting personnel (layoffs).
- Start an across the board pay cut including the Board.

**ASK** a team which has chosen Option 3 to report their lists to the entire group.



**ENSURE** some of the following reasons and methods are included:

### **Reasons**

- Feel committed to the employees and investors.
- Feel confident that the products provided by Side by Side are superior.
- Board wants to be proactive rather than reactive.

### **Methods**

- Offer discounts to valued customers
- Offer new products that Maple Leaf Siding will not be offering.
- Upgrade the quality of supplies and equipment.
- Increase advertisement .



**DISTRIBUTE** the handout titled “Summary of Activity 6.”

**SUMMARIZE** this activity by saying that it requires creativity to effectively deal with competition. Businesses must make decisions and act on those decisions. Although many options are available, a business must focus on a plan and follow through.



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## Activity 7: Economics and Ethics



**DISTRIBUTE** the handout titled “Activity 7: Economics and Ethics.”

**INSTRUCT** participants to read the description of Activity 7. Advise them to discuss the options and select one. Once they select an option, they must list benefits and consequences of their decision.

**ALLOW** enough time for the teams to complete their task.

**ASK** a team which has selected Option 1 to report their lists of benefits and consequences to the entire group.

**ENSURE** some of the following ideas are included:

### Benefits

- Offers better opportunity to stay in business and be competitive.
- Savings could be used to increase business by passing the savings on to the customers in the form of lower rates.
- Savings could be used to make improvements, such as painting inside and out, upgrading tools, supplies and equipment.

### Consequences

- Shows a lack of loyalty to employees.
- May give the impression of being heartless.
- May give the community a negative view of your business.



**ASK** a team which has selected Option 2 to report their lists of benefits and consequences to the entire group.

**ENSURE** some of the following ideas are included:

### **Benefits**

- Offers opportunity to stay in business and be competitive.
- Savings could be used to increase business by passing the savings on to the customers in the form of lower prices.
- Savings could be used to make improvements, such as painting inside and out, upgrading tools, supplies and equipment.
- Demonstrates loyalty to employees.
- May give the community a positive view of your business.

### **Consequences**

- May lower the morale of employees.

**ASK** a team which has selected Option 3 to report their lists of benefits and consequences to the entire group.

**ENSURE** some of the following ideas are included:

### **Benefits**

- Demonstrates loyalty to employees.
- May affect the community's view of your business in a positive way.
- May result in keeping morale of employees high.



## Consequences

- May result in financial losses for the owners.
- May result in total bankruptcy.



**DISTRIBUTE** the handout titled “Summary of Activity 7.”

**SUMMARIZE** this activity by stating that there are really no right or wrong answers. During economically hard times, businesses must make tough decisions which affect owners, employees, customers and the community. Economics and ethics are sometimes in conflict.



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## Activity 8: Performance Based Incentives



**DISTRIBUTE** the handout titled “Activity 8: Performance Based Incentives.”

**INSTRUCT** participants to read the description of Activity 8. Advise them to discuss ideas and agree on a list of ways to identify outstanding performance.

**NOTE:** The importance of this activity is not in coming up with a “correct” list of items. Rather, participants should demonstrate the ability to separate outstanding performance from average performance and below average performance.

**ALLOW** enough time for the teams to complete their tasks and then ask two or three teams to report their list to the entire group.

**ENSURE** the teams include some of the following items:

- Has received training in operating various machinery and can be cross utilized.
- Demonstrates ability to handle production problems.
- Demonstrates creativity in solving problems with co-workers.
- Skillfully performs tasks.
- Maintains a clean and neat work environment.
- Has perfect attendance.
- Is never tardy.
- Maintains a neat appearance.



**DISTRIBUTE** the handout titled “Summary of Activity 8.”

**SUMMARIZE** this activity by saying that businesses should have a method for assessing the performance of their employees that is as fair and impartial as possible. The standards of performance must be well defined so that employees who exceed the standards are easily identified. Those employees who perform below the standards are also easily identified.



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## Activity 9: The Voice of the Customer



**DISTRIBUTE** the handout titled “Activity 9: The Voice of the Customer.”

**INSTRUCT** participants to read the description of Activity 9. Advise the teams to discuss each problem and agree on a list of possible solutions.

**ALLOW** enough time for the teams to complete their tasks and then ask one or two teams to report their findings to the entire group.

**ENSURE** the teams include some of the following solutions for each problem:

### Problem 1

This should be identified as a serious problem. The person on the phone is a “frontline” customer service employee who creates the image of Side by Side. That person represents the company to prospective customers and should project confidence and knowledge. This is a very important communications and public relations position. Solutions may include:

- Discussing the importance of this position with the employee.
- Providing this employee with guidelines on how to answer certain questions.

### Problem 2

Although not as serious a problem, this must be given consideration. Side by Side must be responsive to customer needs to ensure success. Suggested solution:

- Extend the delivery hours even if this will cost the company money.



### Problem 3

This is not a serious problem. Solutions may include:

- Providing a loading lane for customer pick up only.
- Requiring all customer pick ups to load the material themselves.



**DISTRIBUTE** the handout titled “Summary of Activity 9.”

**SUMMARIZE** this activity by saying that in a service operation, service is the product and everyone connected with it is an important part of the work process. To be successful, a service business must be responsive to customer complaints even if the solution increases expenses. If just one customer leaves, that means hundreds of dollars per year gone.



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## Activity 10: Summing Up



**DISPLAY** slide titled “Summing Up.”

**ASK:** “What have you learned from these activities?”



**LIST** responses on a flip chart.

*Anticipated Responses:*

*The necessity for a company to set goals, purpose and vision.*

*The necessity for a company to have a marketing plan, operating policies, an operating budget, a staffing plan and a financial plan.*

*Difficulties with employee behaviors can affect a company in a negative way.*

*Competition presents companies with critical decisions which can impact the owners, employees and the community.*

*Economics and ethics are sometimes in conflict.*

*Companies should have a way to evaluate the performance of their employees.*

*All companies which provide a product also provide customer service, so all companies should be very aware of the customers' needs .*

*Customer complaints must be taken seriously by companies.*

**ANSWER** any outstanding questions the participants may have.



**DISTRIBUTE** the Assessment.

**THANK** all participants for attending the course and wish them all success.



# Appendix

## Activity 1: Introduction to Side by Side

All of you have a background in the building industry and you have become aware of the demand for quality siding. Your research has convinced you that manufacturing siding would be profitable. Your past experiences has afforded you the opportunity to build a good reputation with all the builders in your county and those counties around you.

Each of you has agreed to invest \$2000.00 and you have been successful in getting 10 others to invest \$1000.00 each. The investors hope, as you do, to make a better profit than putting it in the bank since interest rates are so low.

So, you have enough capital to get started and buy supplies, renovate the building you will rent, pay employees, etc. You know that you will need more later, but you can start with the money you now have.

There is varied experience among you. One of you has been a building contractor, one has a background in obtaining construction loans, one has been a production supervisor in a door and window factory and one has experience working on a production line.

You are the Board of Directors for Side by Side. Because you really believe in what you are doing, you will also be the people who will manage the company and work there. You have all left your jobs so that you can devote all your time to this new venture.

## **Activity 2: Purposes of a Business**

Make a list of the reasons you have for starting this business. You should all agree to the reasons you list because they will guide you as you manage your business in the coming years.

Why are you starting your business? Discuss and list at least 4 reasons.

## Summary of Activity 2

This task illustrates the necessity for a company to have goals, purpose and a vision. Some reasons to start this business may include:

- to make a profit
- to make at least a living wage
- to fill a need or demand for quality siding
- to stay in business a long time
- to establish a good reputation
- to use our talents and training while earning a living

## Activity 3: Essentials of Starting and Managing a Business

As the board of directors who have just agreed on your purposes, you must now take stock of what you have and what you need. Here is what you have:

- enough money to get started
- a one story building large enough to install the necessary equipment needed to begin production of vinyl siding with a storage area and loading dock
- five members on the Board of Directors who will work at the factory

What will you need to start and operate your business? Discuss the possibilities and list the items below.

## Summary of Activity 3

It is not enough to start a business with an idea and some money. One must have a business plan. In fact, if you go to a bank for a loan, the bank will require you to submit a business plan to prove that you know how to finance the business, how to get customers, how to keep customers, how to staff the business and how to set operating policies.

- licensing or certification
- tooling, machinery and equipment
- a marketing plan (how to get customers)
- operating policies (hours of operation, price lists)
- an operating budget
- a staffing plan - who on the Board will do what

### *A Marketing Plan*

A marketing plan is necessary to let the community know about the product you are manufacturing. An amount of money and how it will be spent to obtain customers must be agreed upon in order for the start up to be successful.

### *Operating Policies*

Every organization needs a set of policies by which it is run. This is necessary for managers, employees, and the customers. Customers must know how they will obtain the product and how they are expected to pay for the product.

### *Operating Budget*

Decisions must be made as to how money will be spent. You must plan on where the money will come from if there isn't enough money coming in to pay for all the expenses, such as rent, utilities, payroll, materials, etc.

### *A Staffing Plan*

A plan is necessary to determine who is responsible for what. Job responsibilities and functions must be defined in order for the start up to be successful.

## Activity 4: Marketing

You will need to let the community know that you are in business and you will need to show potential customers how your product is better than that produced by others.

It is difficult to keep customers. List also what you will do to keep customers satisfied in order to stay with you.

1. List the things you will do to attract new customers.
2. List how you will keep the customers you already have.

## Summary of Activity 4

Customers rarely beat a path to your door, even if you do have a superior product and are experienced and well meaning. Customers are hard to get and harder to retain. There is a lot of competition out there – good, strong, able competition – and they will do a lot of things to get your customers away from you.

A company must be skilled at how to advertise and market its product. Most importantly, it must know how to build customer loyalty and retain present customer business.

A satisfied customer is the best form of advertising.

You are selling a product. You must advertise that product in order to attract customers to your business. Some ways of attracting customers include:

- advertise in local papers and radio
- ask present customers to spread the word
- distribute color brochures door to door
- telemarketing
- give a “finder’s fee” to any customer who brings in a new customer
- get a newspaper to do a story about your product
- join groups and associations
- invite sales representatives for a demonstration and tour of the plant

Now that you have attracted customers, you must have a plan to ensure you keep them. You could offer incentives to keep them such as:

- a discount for paying in advance
- a discount for builders and large contracts
- maintain reasonable rates
- maintain a product free of defects
- high quality employees (trained, experienced and dependable)
- provide product on time to meet the customer’s deadlines

Most importantly, you must accommodate the changing needs of your customers. You must be aware of what type of product they need and want and provide it.

## **Activity 5: Quality and Employee Performance**

It is now two years later and Side by Side has succeeded beyond anyone's wildest wishes. The plant has more than doubled in size. Machinery and equipment has been added; customer orders have doubled and four more employees have been added to the production line.

**Albert, Dan, Gayle, and Dorothy.**

Unfortunately, there have been problems with all four.

The purpose for your examination of these issues is to help you look at employee behavior, or misbehavior, from the standpoint of the employer and to understand how employee behavior affects success.

### **Albert**

Albert has had attendance problems and is not reliable. When he is out, several things happen. Other workers have to do his job and his absences cause a delay in production. A temporary worker - if one can be found - does not know the machinery and equipment and slows production. Orders promised to a customer on a certain date are late which harms the company's reputation for reliability.

How should the Board handle Albert? Discuss the problem and agree on a list of solutions.

### **Dan**

Several employees have called members of the Board to complain about Dan's way of dealing with quotas and deadlines. He has been heard screaming and yelling at fellow workers, disrupting the team concept of working together towards a common goal. Dan has many years of experience in production and is one of your most experienced people, although he is new to your plant.

How should the board handle Dan? Discuss the problem and agree on a list of solutions.

**Gayle**

The plant provides tools for workers and keeps them in an unlocked storage area available to all the employees. Tools are being taken and Gayle is suspected of taking screwdrivers, wrenches and pliers.

What should the Board do with Gayle? Discuss the problem and agree on a list of solutions.

**Dorothy**

Dorothy is an excellent worker, but when another employee relieves her for a break, she generally takes a much longer break than the allowed scheduled break time. She is taking longer and longer breaks, reading her Bible and other spiritual material in the lounge. Other employees have been complaining.

What would be the best action with Dorothy? Discuss the problem and agree on a list of solutions.

## Summary of Activity 5

The performance of employees and the quality of their work greatly affects the success of a business.

Every negative act has some effect on business. Eventually customers will find out that quality is low and they will go elsewhere. It is much harder to get a dissatisfied customer back than to get a new one. Unhappy customers provide you with damaging negative advertisement.

### **Albert**

Some solutions to the problem with Albert are:

He should be advised that his behavior causes production problems for the customers and ultimately for the Board.

He should be advised that he is a necessary and worthwhile member of a team. His contribution to the team effort is a necessary ingredient to the success of Side by Side.

He should be advised that an improved plan is necessary and he should be told of the consequences if his attendance record does not improve.

### **Dan**

Some solutions to the problem with Dan are:

Dan should be told that his experience and enthusiasm for meeting quotas and deadlines are valued by the Board. However, he should be told that they have received complaints about the way he speaks to his fellow workers.

He should be advised yelling and screaming are totally unacceptable behaviors.

He should be advised of the negative effect his loudness and rudeness has on the team concept.

He should be asked to make an effort to control the tone of his voice when speaking to his fellow workers.

## **Gayle**

Some solutions to the problem with Gayle are:

The Board could decide to keep the tools locked up and a Board member responsible for distributing and collecting needed tools. However, this solution could be very time consuming and nonproductive.

If the Board has proof that Gayle has taken tools, she should be advised that this is unacceptable behavior. She should be warned of the consequences of continued stealing (termination).

The Board does not want to accuse an employee of stealing unless they are really sure. Without proof, the Board could implement a policy of selling tools to employees at the wholesale cost as a benefit to employees.

## **Dorothy**

Some of the solutions to the problem with Dorothy are:

The Board should remind her that “breaks” are scheduled for all employees. When she takes too long on her break, she affects everyone’s schedule.

The Board should advise her that taking longer breaks is not fair to the other employees.

The Board should advise her that she will be closely watched and the Board expects improvement in the future.

## Activity 6: Competition

You are very proud of the success that your business is experiencing. The plant has a good reputation for quality and reliability, the initial investment has paid off and all the investors are making a profit.

Last week, on the way to work, one of you saw a sign in an empty lot in the community that said: “Future Home of Maple Leaf Siding.”

Maple Leaf Siding is an international company headquartered in Canada and located throughout the world. They have the financial backing of their government. They are well known and very successful.

You have heard that Maple Leaf Siding has a very clever plan of competition. They move into a community, build a new plant with the latest equipment and set their prices very low. They even plan to lose money during their first two years. Their goal is to run the competition out of business with their low prices. After the competitors have failed, Maple Leaf Siding raises their prices, and then starts to make its profit in the long run.

A meeting of the Board of Directors has been called to discuss the following options.

### **Option 1**

Sell the business and recover your initial investment (\$2,000.00 each).

### **Option 2**

Stay and meet the competition by cutting costs.

### **Option 3**

Face the competition by increasing your investment (each member must add another \$2000.00) and be willing to lose money during the next two years of head to head competition with Maple Leaf Siding, hoping that they will give up and move elsewhere.

Select one option and list the reasons for your choice. Also list the methods you will use to accomplish the chosen option.

## Summary of Activity 6

It requires creativity to effectively deal with competition. Businesses must make decisions and act on those decisions. Although many options are available, a business must focus on a plan and follow through.

### Option 1

**Reasons** Decided that Side by Side cannot compete with Maple Leaf Siding.

Afraid Side by Side will go bankrupt and original investors will lose everything.

**Methods** Sell to a larger company that can compete with Maple Leaf Siding.

Sell to new investors who are willing to take the challenge.

Sell the building and equipment (liquidate assets).

### Option 2

**Reasons** Think there is a good chance of beating the competition because of standing and reputation.

Feel that the business is worth the fight.

Feel committed to the employees and investors.

**Methods** Implement cost cutting measures, such as, finding new ways to minimize the production of scrap material, maximize the use of raw material, etc.

Downsize by cutting personnel (layoffs).

Start an across the board pay cut including the Board.

### Option 3

**Reasons** Feel committed to the employees and investors.

Feel confident that the products provided by Side by Side are superior.

Board wants to be proactive rather than reactive.

**Methods** Offer discounts to valued customers.

Offer new products that Maple Leaf Siding will not be offering.

Upgrade the quality of supplies and equipment.

Increase advertisement.

## **Activity 7: Economics and Ethics**

It is now a year later. You have opted to stay and fight the competition but the going is very tough. You have lost some of your customers to Maple Leaf Siding but you are staying afloat. Another small competitor in the state has not been able to survive and closed down last week.

This morning, several of you have received phone calls from former employees of the closed plant asking you to hire them, since they are experienced in the business. They are willing to work for less than you are now paying your employees. Here is an opportunity for you to cut more costs and be even more competitive with Maple Leaf Siding.

Discuss the following options. Select an option and list benefits and consequences of your decision.

### **Option 1**

Hire the workers from the closed plant at lower salaries and let your employees go.

### **Option 2**

Keep present employees and implement a 5% pay cut affecting every employee including the Board of Directors.

### **Option 3**

Keep present employees at present salaries.

Select an option and list benefits and consequences of your decision.

## Summary of Activity 7

There are really no right or wrong answers. During economically hard times, businesses must make tough decisions which affect owners, employees, customers and the community. Economics and ethics are sometimes in conflict.

### Option 1

Hire the workers from the closed plant at lower salaries and let your employees go.

- Benefits**
- Offers better opportunity to stay in business and be competitive.
  - Savings could be used to increase business by passing the savings on to the customers in the form of lower rates.
  - Savings could be used to make improvements, such as, painting inside and out, upgrade tools, supplies and equipment.
- Consequences**
- Shows a lack of loyalty to employees.
  - May give the impression of being heartless.
  - May give the community a negative view of your business.

### Option 2

Keep present employees and implement a 5% pay cut affecting every employee including the Board of Directors.

- Benefits**
- Offers opportunity to stay in business and be competitive.
  - Savings could be used to increase business by passing the savings on to the customers in the form of lower prices.
  - Savings could be used to make improvements, such as painting inside and out, upgrading tools, supplies and equipment.
  - Demonstrates loyalty to employees.
  - May give the community a positive view of your business.
- Consequences**
- May lower the morale of employees.

### Option 3

Keep present employees at present salaries.

- Benefits**
- Demonstrates loyalty to employees.
  - May affect the community's view of your business in a positive way.
  - May result in keeping morale of employees high.
- Consequences**
- May result in financial losses for the owners.
  - May result in total bankruptcy.

## **Activity 8: Performance Based Incentives**

Side by Side looks as if it might survive the competition war. It has taken some hard knocks. Some customers have taken their business to the other company. You have lost some profit. Maple Leaf Siding has taken some of the better workers in the community and they provide better working conditions and slightly higher pay. However, you are rocking along and doing pretty well.

You now have 20 employees and they are saying that they want a raise in pay. You know that you will have to give a raise of some sort but you want to do it on the basis of merit. You want to give a higher raise to those who do the best job. So far, you have no system for rating their performance, so you have to develop some way to determine who are the best workers and, therefore, who gets the largest raises.

Discuss ideas and agree on a list of ways to identify outstanding performance.

## Summary of Activity 8

Businesses need a method for assessing the performance of their employees that is as fair and impartial as possible. The standards of performance must be well defined so that employees who exceed the standards are easily identified. Those employees who perform below the standards are also easily identified. The following are some ways to identify an employee's outstanding performance:

- Has received training in operating various machinery and can be cross utilized.
- Demonstrates ability to handle production problems.
- Demonstrates creativity in solving problems with co-workers.
- Skillfully performs tasks.
- Maintains a clean and neat work environment.
- Has perfect attendance.
- Is never tardy.
- Maintains a neat appearance.

## **Activity 9: The Voice of the Customer**

It is 6 months later, and angry customers have come to the Board with a list of complaints about the company. They say that if these items are not corrected, they will take their business to Maple Leaf Siding.

### **Problem 1**

When they call the plant to inquire about the status of an order, the person who answers the telephone is indifferent, doesn't understand the question, and has no answers. This gives them a feeling of uncertainty about the way the company is run.

### **Problem 2**

The delivery trucks stop running at 3:00 P.M.. The customers complain that is too early. They want deliveries until 5:00 P.M. so that the siding is there for early installation in the morning.

### **Problem 3**

The customers who save by picking up their orders directly from the plant complain that there are long waits at the loading dock for their orders.

Discuss each problem and agree on a list of possible solutions.

### **Problem 1 Solutions**

### **Problem 2 Solutions**

### **Problem 3 Solutions**

## Summary of Activity 9

The voice of the customer must be listened to carefully because it tells us ahead of time what customers want, don't want and what actions or failures on our part will cause them to leave.

In all businesses, service is also a product. Everyone connected with a product has a responsibility to provide the best service possible. To be successful, a business must be responsive to customer complaints even if the solution increases expenses. If just one customer leaves, that could mean hundreds of lost dollars. Here are some possible solutions to each identified problem.

### **Problem 1**

This should be identified as a serious problem. The person on the phone is a "frontline" customer service employee who creates the image of Side by Side. That person represents the company to prospective customers and should project confidence and knowledge. This is a very important communications and public relations position. Solutions may include:

- Discussing the importance of this position with the employee.

- Providing this employee with guidelines on how to answer certain questions.

### **Problem 2**

Although not as serious a problem, this must be given consideration. Side by Side must be responsive to customer needs to ensure success.

Suggested solution:

- Extend the delivery hours even if this will cost the company money.

### **Problem 3**

This is not a serious problem. Solutions may include:

- Providing a loading lane for customer pick up only.