

THE UNIVERSITY OF MANITOBA

MANAGEMENT INFORMATION SYSTEMS

AND THE

ENTREPRENEUR

A Thesis

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By

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DEFINITION AND PURPOSE OF THE THESIS

Management Information System is a common and magnetic term often bantered about when discussing management's techniques, and when presenting panaceas to rectify weak control and administration. This author does not wish to suggest that this expression has been maligned but rather has been misunderstood because of the different meanings and interpretations associated with this phrase. As a consequence, in order that the reader not confuse his perceived interpretation with the meaning applied here, a statement of the definition and purpose of the thesis is now given.

The author believes that there is a dearth of relevant knowledge structured towards the entrepreneur in the field of managerial skills and business concepts. The purpose of this thesis is to determine if there is a common body of managerial practises associated with all sizes of companies and in different industries. The objective is to provide the entrepreneur with a working model or a Management Information System which enumerates the roles for the manager - that is a practical approach to running an operation which must include the evaluation and planning, the implementation and execution, and the control measures essential for good management.

Management Information System is treated here as a relatively unsophisticated communication system that delivers to the entrepreneur

the understanding of small business components and the determination of information required to assist decision making on a rationale and informative basis. The determination of past events must include control over the company's resources in order to recognize immediately and to rectify problems that do occur. The determination of past events must relate to stated objectives in order to assess the company's performance. The determination of past events must be not an end in itself, but rather a foundation for formulating present and future policies and goals. The development of a Management Information System must incorporate an eclectic approach - to synthesize all aspects of the business operations where the owner can evaluate and relate each area of decision-making to the framework of the whole system.

This author believes that small business requires a different information system than a large corporation. The corporation by virtue of its size has greater financial resources to utilize and to control, has more vertical and lateral relationships in its communication system, and is more influenced by external forces such as parent company decisions and government legislation towards big business. The author further believes that most, if not all, the progress and research in the inter-related disciplines relevant to the world of commerce are programmed and directed for the benefit of large organizations. At best, only a small filtering effect would disseminate to the entrepreneur.

The development of literature dealing with the analytical study of

business concepts and ideas oriented to small business is necessary as a means of educating the entrepreneur to current managerial skills. In developing a practical information system, no loyalty should be attached to the historical or traditional methods; research into relevant information must be conducted and all superfluous information must be recognized and removed. Radical thinking and ideas are important and should be pursued, but only if supported by research and rational judgements.

LITERATURE REVIEW

Notwithstanding the shortcomings recorded in this critique of available literature for the proposed thesis topic, each of the texts perused and listed offer much information and knowledge in the field of business administration. The dissemination of this literature, however, is directed either to the beginner in business or to the academicians and personnel of large organizations. The entrepreneur, therefore, finds himself in a position where literature available to him is either too simple or too sophisticated. The entrepreneur, because of a time constraint, is not inclined to take courses to upgrade his academic knowledge in order to comprehend advanced and modern management techniques. This literature review has demonstrated the need to have literature written for this forgotten segment of the business community where the intellect of the entrepreneur does not succumb to heavy expenditures of time and academic pre-requisites now associated with current reading material.

The many texts and publications contained very useful knowledge towards achieving a better understanding of business dynamics. While most literature, in its own right, and for its own purposes or objectives, was informative and educational, the end result provided a less than complete picture for the entrepreneur. In summary, the failings of the available literature were for the following reasons.

Some material was aimed towards the novice of business.

Explanations were given defining only basic accounting terms; models were recorded illustrating only the historical design and use of elementary record keeping systems; concepts were described but only in superficial terms of financial control, marketing, etc. While the knowledge disseminated through these journals is not only useful, but essential towards understanding the rudiments of business and its activities, the reader must look elsewhere, must seek other texts or journals, must attend other classes of learning to achieve a higher level of business acumen. This level of knowledge lacks the sophistication required for rational decision making and development of new ideas and innovation in a competitive and dynamic business environment. The publications by the Industrial Development Bank noted in a subsequent part of this literature review illustrates this weakness.

Another disadvantage for the entrepreneur when examining available literature is the narrow approach given to each subject. Each text, each journal, or each article often deals with only one aspect of management's concern, ignoring the inter-disciplinary effect that encompasses the whole of the business environment. This manner of dissecting the different operational mechanisms inherent in business practice, without relating to the whole, can misdirect and confuse the reader. The total concept can only be ascertained and understood when the reader not only recognizes the different business components and

their related importance, but also is able to invest the time that is required to seek out and study the multitude of readings. Each author often describes, in a detailed and esoteric manner, only one of the many areas of specialization utilized in business practice. What is often lacking in the subject material however, is the identification, the relationship, and the co-ordination of all the disciplines inherent in managerial functions.

In contrast to the literature directed towards the novice, the majority of the readings is highly sophisticated and often technical in nature. Much of the erudite dissertations relating to the topic of Management Information System disqualifies readers not possessing a high academic pre-requisite in that area of concentration. The authors of these publications often pre-suppose the reader to be a student or scholar of the course material, and not a person who wishes only to accumulate and convert the available knowledge into practical measures. This criticism should in no way detract from the excellent ideas and concepts contributed by many of these authors. Rather one should recognize that the vocabulary used to describe the new techniques and skills associated with modern business is alien to many businessmen; what is needed for this segment of the populace is a translation into the layman's language, a restatement of ideas and concepts wherever possible into simple and direct terms for small business situations. Sherman C. Blumenthal¹ and Kast &

¹Sherman C. Blumenthal, Management Information Systems; A Framework for Planning and Development (New Jersey: Prentice-Hall, 1969).

Rosenzweig² refer to the necessity of possessing a "high academic pre-requisite."

Identifying the market for the majority of this literature would not only include the academic populace, but also the executives and specialists in large corporate enterprises. New developments in technology and conceptual foundations have been written for this segment of the population and large corporations appear to have attempted the absorption of this constant input through its resources and attitudes. Consequently, what has transpired is a void of ideas and innovations structured for the small entrepreneur, a void of literature reflecting the unique strengths and weaknesses inherent in small business. At best the entrepreneur receives a token benefit from the research and teachings directed towards the large corporations - a minimal filtering process or second hand information from its big corporate competitors.

"Minding Your Own Business" is the name given to a series of articles published by the Industrial Development Bank.³ This style and content of information represents the unsophisticated approach to management alluded to earlier as directed towards the novice in business. To illustrate, one of the articles discusses the formulation of a credit policy

²Tremont E. Kast & James E. Rosenzweig, Organization and Management (New York: McGraw-Hill Book Inc., 1970).

³Industrial Development Bank; Minding Your Own Business; Montreal: Industrial Development Bank, 1971-1972).

for the store's operations. The author pre-supposes that the owner or manager has no knowledge or experience in providing credit to his customers. The author's premise is that the reader is naive and perhaps gullible as to the strengths and weaknesses of this system. The owner or manager is introduced to new terms and concepts that are deliberately described by simple illustrations, in order to promote better understanding. The captions in this one booklet best reflect the level of sophistication that is being sought. These include the main topic "Giving Credit to Your Customers" and the appropriate subtitles "The Advantages", "The Disadvantages", "You Make The Rules", "Who Can You Trust", "Putting It To The Test", "Getting Your Money Back", and "Tailor Your Own Credit System". The other articles which relate to bank loan application, forecasting for an existing business, and managing the current assets, maintain the same consistency of style and purpose as that shown in the first article. Again, let it be said, that for the market it is attempting to reach, this information is presented effectively and is invaluable. However, for the experienced entrepreneur, who has been frustrated and ignored with the dynamic new ideas and technology designed for big business, this level of literature is repetitive and shallow.

Many business texts and journals revolve around only one segment of the business sphere. Management in corporate affairs, like most other professions, has yielded to the age of specialization. While an overview of the complete business complexities and disciplines may be given by

authors of these publications, the subject of information mainly rests with the one area of specialization. The course material in the Master of Business Administration program amply illustrates this point. For example, in the text authored by John A. Howard⁴, the reader is inundated with the psychology and human motivation relating to consumer purchasing. No effort, and rightly so, directs this activity to the total system.

Recognition is given by A. G. Donald⁵ who states that much current writing on management subjects concentrates on only one aspect. The purpose of his book is ". . . to show how these different disciplines overlap, and how an integrated approach will assist the management in understanding how the undertaking functions, and hence in achieving more effective control." The author succeeds partially in his objectives to develop a framework for establishing custodial and budgetary control over the company's assets and activities. Much attention and detail is given to advanced mathematical techniques and technology of computer operations and electronic data processing. What is omitted is the other subsystems of the operational circuit. The company's inputs, its processes and its outputs represent essential units of the circuit. These areas of managerial concern are not described adequately in the text.

⁴John A. Howard, Marketing Management; (Illinois: Richard D. Irwin Inc., 1957).

⁵A. G. Donald, Management, Information and Systems; (Pergamon Press, 1967).

Thomas R. Prince⁶ further illustrates where a published paper is confined to the use and benefits of electronic data systems. No attempt is shown to relate this technology to the other working components of the organizational system. This text is also an example of literature directed towards the student of the subject, where the content of the material is sophisticated and technical in nature. The reader must possess some academic training in order to comprehend and apply the subject material. Again this pre-requisite disqualifies many owners or managers, particularly of small companies, from acquiring this knowledge.

The synthesis approach to management information systems is also recognized by Sherman C. Blumenthall. At least the author comments on this need to integrate the individual units or components that make up the viable economic entity called an organization. The reader may have difficulty recognizing all the units of the complete system and the inter-relationship with each other. The content of this exercise is oriented towards the computer technology and in the author's own words, "the reader is expected to bring some prior understanding of computer systems, business functions, management sciences, systems analysis, organization theory, and management control to the study of this work." The book establishes a theoretical foundation and moves forward to develop sophisticated techniques in the pursuit of total management information

⁶Thomas R. Prince, Information Systems For Management Planning and Control; (Illinois: Richard D. Irwin, Inc., 1966).

systems. This literary document exemplifies the real problem confronting the reader of many such journals - the problem of understanding the technical, the sophisticated, or the abstract approach to management problems and solutions. This problem is more acute when the reader of the text is an owner or manager of a small concern who does not possess the appropriate academic training or experience to comprehend this material.

Kast & Rosenzweig provide an excellent example of a description of multi-forces or subsystems operating within a master system. The flap of the text succinctly describes the outline and objectives set forth in this reading. Through the use of systems concepts, the text integrates traditional principles of management and the developments of organization theory. The authors portray the evolution of management so that the student understands how a systems approach can provide a framework for unifying traditional thought, management science, and behavioral theory. This integration proceeds in terms of subsystems: (1) the goals and values of the organization; (2) the role of technology; (3) the relation of technology to organizational structure and management practice; (4) the importance of psycho-social systems; and (5) the decision making process. The application of this knowledge is directed towards large corporations and, indeed, the comprehension of this reading material must be preceded by a basic understanding of the disciplines incorporated in these discussions.

METHODOLOGY

In an effort to test a Management Information System that has a practical significance for the entrepreneur a Structured Questionnaire has been developed as a basis for interviewing those associated with all sizes of commercial enterprise. The interviewer allowed for a digression from the pre-arranged format in order that free discussions of ideas could be encouraged and cultivated. The selection of the interviewees has been most difficult - a task that had to choose an appropriate cross-section of type and size of company. The respondents to the questions represent all sizes of companies in varied industries.

A personal evaluation has been made from the discussions that have transpired during these interviews. The answers submitted in response to topics of management techniques and concepts have been analyzed and interpreted as to relevancy and merit in the formulation of the Management Information System for the entrepreneur.

This thesis, in addition to the establishment of a working model for proper management provides the reader with an opportunity to examine the concepts and disciplines associated with the recommended managerial techniques. Management Information Systems: An In-Depth Study, which is listed as Appendix A, reflects some theory and understanding and fosters perhaps further interests on the proposed subjects.

The underlying objective of this thesis, as stated earlier, was to

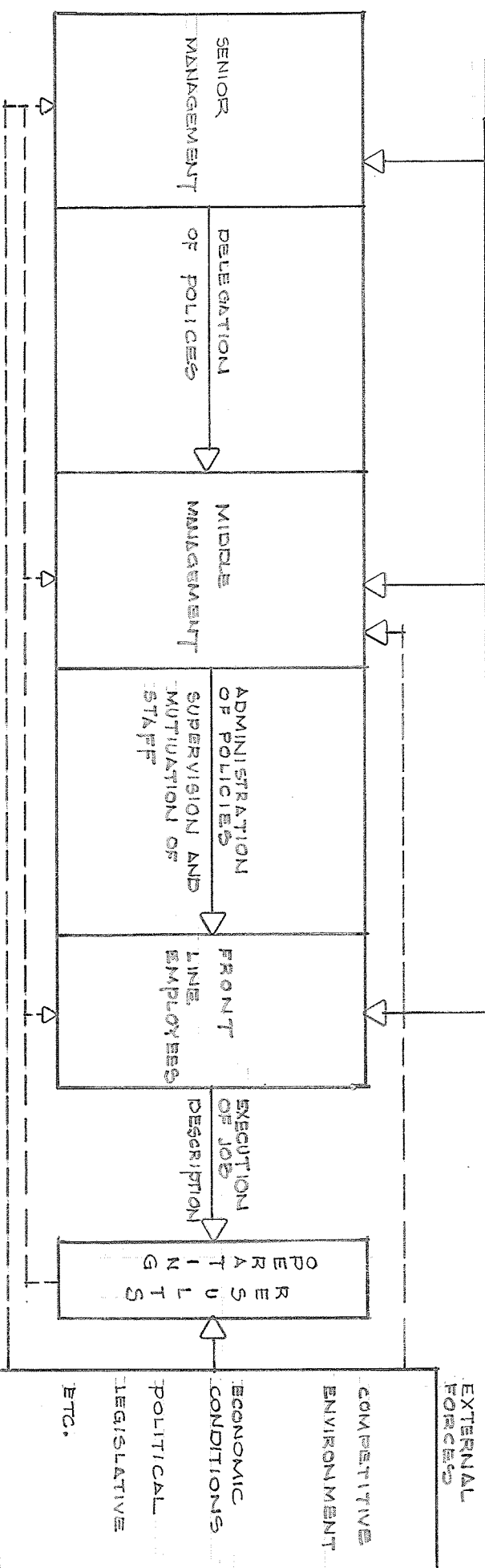
determine whether there are commonly accepted management practises associated with most business, regardless of size and industry. To this end, a Management Information System model (Figure I) was constructed which incorporated the concepts recognized by many academics. In the Appendix, Management Information Systems - An In Depth Study, reflects a more disciplined explanation of these practises and will clarify any terms or concepts for better comprehension. A Structured Questionnaire was used for interviewing senior management from all sizes of companies and in different industries, testing their answers with the aforementioned model in order to assess its feasibility. An examination of the questions will quickly reveal that unlike many other Management Information System models that have been constructed, a balanced emphasis has been given to the non-quantitative aspect of managerial practises. However, a further perusal of the accompanying literature on this subject reassures the reader that the financial information system still retains an integral part of the decision-making processes for management.

Reasons for failure are equally valuable when determining successful management practises, thus Question 8 of the Structured Questionnaire was introduced. Strong consideration was given to include interviewees of financially troubled or bankrupt companies. However, this selection was declined since the author believed that replies to this question would be less than objective, reflecting a defensive rationale

MANAGEMENT INFORMATION SYSTEM MODEL

FIGURE 1

CONCEPTS AND DISCIPLINES PERVADEING THROUGHOUT THE ORGANIZATION
HUMAN BEHAVIOR APPROACH TO ALL LEVELS OF STAFF.
DELEGATION OF RESPONSIBILITY WITH AUTHORITY.
MANAGEMENT BY OBJECTIVES(WITH STAFF PARTICIPATION IN GOAL SETTING)
STRONG FINANCIAL INFORMATION SYSTEM FOR PLANNING AND CONTROL



DUTIES SENIOR MANAGEMENT

FORMULATION OF PLANS
DETERMINATION OF MARKETING STRATEGY
DETERMINATION OF RESOURCE APPRAISAL
AND UTILIZATION OF CASH REQUIREMENTS
APPRAISAL AND SELECTION OF MIDDLE MANAGEMENT
APPRAISAL AND SELECTION OF SUPPLIERS
REQUIREMENTS
DETERMINATION OF ORGANIZATIONAL STRUCTURE
DETERMINATION OF OPERATIONAL TECHNIQUES

SUPPORT INFORMATION

APPRAISAL OF OPERATING RESULTS
CONSULTATION FROM MIDDLE MANAGEMENT
STAFF DEPARTMENT(S)
FRONT LINE STAFF(FREQUENTLY)
ANALYSIS OF COMPETITOR'S ACTION
FROM TRADE JOURNALS, GOVT STATISTICS AND
ECONOMIC FORECASTS, ETC.,
PERSONAL EXPERIENCE AND BUSINESS ACUMEN.

DUTIES MIDDLE MANAGEMENT

PARTICIPATION(INPUT) IN CO. POLICIES
IMPLEMENTATION OF POLICIES
SUPERVISION OF FRONT LINE STAFF
MOTIVATION OF FRONT LINE STAFF.
DECISION-MAKING AT THE OPERATING
LEVEL- STAFF APPRAISAL, ETC.
FEED BACK OF INFORMATION FROM
STAFF AND CUSTOMERS
TO ACHIEVE DEPT. GOALS IN HARMONY
WITH CO. GOALS.

SUPPORT INFORMATION

APPRAISAL OF DEPT. RESULTS
CONSULTATION WITH STAFF AND
CUSTOMER RESPONSES,
ANALYSIS OF COMPETITOR'S ACTIONS
PERSONEL OBSERVATIONS, EXPERIENCE
AND BUSINESS ACUMEN.

DUTIES FRONT LINE STAFF

EXECUTION OF JOB DESCRIPTION
TO USE SELF DISCRETION
TO RELATE TO DEPT AND CO. GOALS.
TO SATISFY CUSTOMER NEEDS
THROUGH PERSONAL SERVICE

SUPPORT INFORMATION

APPRAISAL OF PERSONAL PERFORMANCE
COMMUNICATIONS WITH M. MANAGEMENT
RESPONSE
FORMAL REVIEW WITH M. MANAGEMENT

INFORMATION FLOW
IMPLEMENTATION

FEED BACK

by this type of respondent. The author further believes that management, which was considered successful, would be more inclined to admit to failures and to present the reasons in a frank and less biased manner.

The intent in the construction of the Questionnaire was to state the same question, or parts of the same question, twice. The purpose was to establish a consistency of answers by each interviewee, or to raise any apparent discrepancies caused by a misunderstanding or misinterpretation.

The responses to the questions, that have been recorded as "Results of Interviewing" have been categorized. Beside each response is recorded the view expressed by the group of interviewees. Describing the discussions that transpired in this manner, does not, of course, provide verbatim answers by each of the respondents. Notwithstanding the fact that replies were grouped into a general answer, the final results should describe the views expressed by the interviewees.

The stated results are important in determining whether a consensus of opinion exists for basic managerial concepts for all sizes of business, and whether there are any inherent competitive strengths or weaknesses of a small business. An elaboration of these answers is not expressly stated, but rather is incorporated into the Interpretation of Results.

STRUCTURED QUESTIONNAIRE

1. What are the advantages and disadvantages of managing your size company?
2. What are the main functions of good management?
3. Could you provide the factors that are involved in the planning processes?
4. What are the main uses of the company's financial information system?
5. Does management receive important information other than through the company's financial information systems? How?
6. What do you consider to be your most critical areas for control and decision-making?
7. What do you consider to be the company's main strengths or important resources?
8. Has your company experienced any financial failures or disappointing results in the past? If so, what were their causes?
9. What concepts does your company subscribe to? For example:
 - a) centralization or decentralization
 - b) specialization or not
 - c) management by objectives or management by rules
 - d) behavioural science or management science
 - e) others

RESULTS OF INTERVIEWING

RESPONSES TO QUESTION ONE: What are the advantages and disadvantages of managing your size company?

POTENTIAL ADVANTAGES INHERENT IN A SMALL COMPANY

a) The dominant personality and motivation of the entrepreneur can have an inordinate amount of influence over the company's performance.

Virtually all the interviewees including representatives from large companies subscribed to this statement.

b) The relationship between entrepreneur and his staff can become more personal resulting in a stronger esprit de corps and staff motivation for company goals. Larger companies have a tendency to transfer management at all the levels to different positions and often to other cities and countries. A different style of management and values may accompany each rotation, causing confusion and frustration amongst the staff. As a consequence, the employees of the company may become less goal oriented and more social conscious with their peers.

The representatives of small companies all concurred with this statement, while only 1/2 of the representatives from large companies expressed this point of view.

c) There is a short distance between the entrepreneur (Senior Management) and his staff (including front-line employees). Usually only two or three levels of hierarchy exist in the company's organizational

structure. Clear lines of communication should exist, causing better decisions based on more accurate information.

All the interviewees representing small companies stated this fact, while approximately 1/2 of the large company representatives concurred.

d) The entrepreneur can develop the company's operations or image to reflect his own philosophy and also to adjust to the consumer needs of his own market area. Too often the policy standards handed down by head office of large companies cannot be changed by branch management. These policies may be standardized and stereotyped, not reflecting the needs of the specific region.

With reservations by some representatives of large companies, this point of view was expressed by all the interviewees.

POSSIBLE DISADVANTAGES OF SMALL COMPANIES

a) Because a small company has limited financial resources in relation to its bigger competitors, it often is less willing to accept changes and innovations involving financial risk, relative to its bigger competitors.

This statement was unanimously supported.

b) Large corporations very often carry more prestige with its products or service because they are better known to a larger segment of the market. Psychological factors are a very real issue in consumer behavior.

The majority of interviewees representing both large and small corporations expressed this view.

c) The independent small company may not have access to branch advantages. For example, a Hertz customer in Chicago becomes a Hertz customer in Winnipeg; a Holiday Inn customer in Vancouver becomes a Holiday Inn customer in Minneapolis; a customer may shop Eatons in Toronto because a refund of that merchandise can be made in Edmonton.

This statement was unanimously expressed.

d) The small company often pays more than its large competitors for its products or services because of the limited volume required. Further, the large corporation can often make more efficient use of the costs. For example, Eaton's advertisement costs for one city can be allocated over many stores and departments. The independent store may only have one department to absorb this cost.

This point of view was stated by the majority of both large and small company representatives.

RESPONSES TO QUESTION TWO: What are the main functions of good management?

a) Planning, Implementation and Control were all stated as main functions of good management. Here, equal emphasis was given to all three.

b) Planning, Implementation and Control were again stated as main functions. However, Planning was given the highest priority, although all three were essential. Management's main

function in planning is recognizing and differentiating between the "effective areas" and "efficient areas" of management's responsibility. Effective planning involves market analysis, strategy and innovations. The efficient areas to manage which are less creative, consist of the remaining areas of planning implementation and control.

All the interviewees recognized conceptually the division of functions that exist in any company. A small minority gave equal emphasis to all three as priorities, whereas the remainder all believed that the Planning function was the most critical and difficult to perform.

RESPONSES TO QUESTION THREE: Could you provide the factors that are involved in the planning processes?

a) Planning is based on last year's performance and prior years experience. It should be conducted at least once a year.

b) Planning must be determined from many sources. Prior years experience, the current financial trend of the company, industry trends, economic forecasts, competitors' actions, consultation with department managers, all represent a source of "input" for decision-making.

Only a very small minority concluded that planning should be based on personal experience and last year's financial statements. Virtually all the interviewees agreed that support information for planning should go beyond this and should extend to external sources such as competitors'

actions, trade journals, customer and staff feedback, economic conditions, etc.

RESPONSES TO QUESTION FOUR: What are the main uses of the company's financial information system?

a) Financial reporting should provide management without undue delay, the company's financial performance for the period and any material variances from the norm. This information is essential for operational control - that is making decisions to rectify adverse results.

b) Financial reporting should be used for appraising management planning policies, perpetuating successful decisions and changing unsuccessful ones.

c) Financial reporting should be used for appraising the employee's performances during the period.

d) Financial accounting system should be used for internal and custodial control of company's assets.

e) Financial information reporting should provide information for external purposes, such as the various government tax department, bank perusal, etc., but this should be a subordinate use.

Virtually all the interviewees subscribed to the stated uses of the financial information system.

RESPONSES TO QUESTION FIVE: Does management receive important information other than through the company's financial information systems? How?

a) Feedback of information can come from department managers and/or employees during formal and informal discussions.

b) Feedback of information can come from soliciting comments from the company's customers.

c) Feedback of information can come from competitors' actions.

d) Feedback of information can come from industry's statistical information, trade magazines, etc.

e) Feedback of information can come from economist's forecasts, changing business conditions stemming from government activities and such as income tax changes, duty or tariff changes, etc.

With the exception of 5 (d) and 5 (e), the remaining answers were expressed by virtually all the interviewees. Only a small minority of representatives from small business utilized in their decision-making processes the input from trade or government statistics, economic forecasts, etc.

RESPONSES TO QUESTION SIX: What do you consider to be your most critical areas for control and decision-making?

a) The critical area of control rests with the controllable costs.

In many companies, this would be labour costs and gross margins on the different products and services.

b) Analyzing and making marketing decisions based on the sales results for the period is a critical function of management. (Supporting information required for this function should include sales information in terms of the "number of transactions" per period of time, the dollar sales per square foot, etc.) This function is a more effective role than controlling costs, because judgement and innovation is required.

c) The main area of control rests with committed orders in relation to required plant staff. Based on the backlog of work that has to be produced, decisions are made weekly to increase or decrease plant staff.

Unanimous concurrence was given to statements expressed in 6 (a) and 6 (b), while 6 (c) represented a lone opinion because of the nature of the business.

RESPONSES TO QUESTION SEVEN: What do you consider to be the company's main strengths or important resources?

a) If the company is a retail operation, location of premises can be very important. Convenience shopping is an integral part of consumer motivation and proximity to goods or service is a major contribution towards convenience. The decision-making process in this instance is very critical because it represents a locked-in commitment that cannot be changed.

b)

b) Having competent and motivated staff represents the richest resource that a company can possess. Financial resources can evaporate if losses occur; a reputation or image can quickly become tarnished. Delegating authority to an unqualified staff member can cause irreparable harm.

c) A strong favourable image or goodwill that the company already has established is an invaluable asset to its financial successes. This asset, however, is transitory if the company does not satisfy the customer needs.

d) Substantial cash resources allow the company to take advantage of all opportunities that arise. Further, the relative risk associated with heavy funding of expansion or new ideas is less for large corporations possessing ample cash resources.

All the interviewees representing retail operations concurred with the point of view expressed in 7 (a). 7 (b) and 7 (c) received unanimous approval. 7 (d) reflects the opinions of 1/2 of the interviewees equally divided between small and large corporations.

RESPONSES TO QUESTION EIGHT: Has your company experienced any financial failures or disappointing results in the past? If so, what were their causes?

a) In most instances, financial failures or sub-optimal profits are controllable. When this happens, inadequate or lack of planning is

responsible for these results.

b) Financial failures have been caused by misjudging the calibre of key personnel. The department manager or other key staff represent the operating arm of the company's planned policy. When heavy responsibility and authority is given to a person who cannot perform in this role, the company's financial performance suffers in spite of other strengths inherent in the operations.

c) Failures have occurred because the financial information system did not provide relevant information and whatever information was received, was obsolete. As a result, management was not conducted on a sound and rational basis, but rather by instinct.

All the interviewees with no exceptions expressed the view recorded in 8 (a). The remaining reasons given were expressed by approximately 1/2 of the representatives. However, the other interviewees did not refute these reasons, but rather did not express these as reasons for their company failures.

RESPONSES TO QUESTION NINE: What concepts does your company subscribe to?

a) Delegation of authority should be practised where staff was judged competent.

b) The application of behavioral science provides the best opportunity to properly motivate staff in a productive manner. This requires

a skill by management in providing staff autonomy and discretion, together with staff discipline.

c) Management By Objectives should be conducted where key personnel (usually department managers) are given responsibility for specific company goals.

d) Semi-specialization. That is, each employee should be specialized in a specific task, but sufficient staff should be qualified to assume a task caused by absenteeism, sickness, sudden departure, etc.

All the interviewees expressed and supported the statements reflected in 9 (a), 9 (b), and 9 (c). Virtually all the representatives of small business concurred with 9 (d), while the representatives of large corporations did not comment.

INTERPRETATION OF RESULTS

The results of the interviewing have demonstrated a consistency of opinions shared by the interviewees - a common body of accepted managerial practices that is associated with all business, regardless of size and industry. The Management Information System Model, which had been constructed from academic disciplines and concepts, has fared well against the answers gleaned from the practical experience of the respondents. This Management Information System Model, which is stated as Figure I, has incorporated many of the basic business applications expressed throughout the interviewing. Some limitations to this Model, however, have been revealed. A description is now given highlighting the more critical topics and practices endorsed by the respondents.

PLANNING FUNCTIONS

The recognition of proper planning cannot be over-emphasized. Texts in business practises subscribe to this importance, and the interviewees, without exception, concurred with this fact. The results of the interviewing revealed, however, that in many instances the respondents did not give sufficient time and attention to the planning priorities, causing sub-optimal profits or financial failures. Far too often, the recognition of proper planning dissolves when management becomes embroiled with day to day decisions (administration and execution). When this occurs,

yesterday's formulated plans and policies become outdated and do not reflect the constantly changing needs in the business environment.

All the interviewees agree that a company's activities can be broken down into three main functions - Planning, Administration and Control. While all three functions are vital for a company to prosper, the role of planning is the most critical and most difficult to perform. Good management begins with good planning, for good planning provides the policies and rules for management to follow and the protection (control) to measure the performances not only of the company personnel but also of the company's planning decisions. Planning therefore becomes a part of a cyclical pattern that should repeat itself at regular intervals. Notwithstanding the desire to consult with other personnel when plans are being formulated, this role should remain the ultimate responsibility of the entrepreneur (sometimes referred to as Senior Management). He must not minimize or superficially discharge this responsibility because of demands emanating from the Administration or Control roles.

The effective area of proper planning, and the most critical, is the in-depth examination of the company's marketing program. Strategy and policies should only be concluded after a full analysis of the total marketing spectrum. The art of assembling and interpreting the relevant data is crucial to ultimate profit performances. Bad judgement or insufficient preparation can create extraordinary losses or sub-optimal profits; conversely, the application of careful study and a high degree of

skill can conjure up latent potential yielding substantial profits.

The other areas of Planning would include such topics as Finance or Cost Review that result in more quantifiable decision-making. The need to perform this function is equally essential; however, the task is less difficult.

SELECTION OF PERSONNEL

A crucial responsibility by Senior Management in developing an effective and successful administration is the selection of Middle Management. Where the principal of "Management By Objectives" and "Delegation of Authority" is practised, tragic results can occur if Senior Management has misjudged the capabilities of his operating manager or supervisor (referred to as Middle Management). One must appreciate that the cause of failure rests not only with Middle Management when making bad operating decisions, but also with Senior Management in choosing the wrong personnel for the job. Repeated illustrations have been described where adverse financial results have occurred from this deficiency of inadequate management at the operating level. For example, a company employee from the beverage room of a hotel was promoted to the position of department manager. Within a few months, the department's performance recorded poor results. What transpired was the new department manager's inability to motivate his staff, causing a turnover of employees and an impersonal relationship with the

hotel's patrons.

The selection of key personnel at the operating level (referred to in the model as Front Line Employees) is also important, but not as critical as Middle Management. Although the work behavior of this group should be of great concern to management, Middle Management should be able to deal with the performance of each employee on a day to day basis.

Sometimes the entrepreneur assumes the roles of both Senior Management and Middle Management if the work load allows this combination of duties. This is permissible provided the calibre of work performed by the Senior Management does not suffer. Otherwise, Middle Management must be represented by a member of the company other than the entrepreneur.

OPERATING TECHNIQUES

The concept of Management by Objectives and delegation of authority should be practised whenever there exists the availability of qualified personnel to perform the roles of Middle Management. The treatment and understanding of these concepts should be made very clear to all personnel. Cross purposes of goals or misunderstandings must be discussed and revolved if the best interests of the company are to be served.

Centralization, decentralization, or specialization most often depend upon the company's organizational structure and specific set of

circumstances. These concepts are effective, however, in certain circumstances. Management By Objectives and delegation of authority though, are necessary and effective in most circumstances.

The school of thought endorsing the application of Behavioral Science as a management technique received unanimous concurrence by all the interviewees. Notwithstanding other resources possessed by the company, the employees at all levels must be properly motivated in order for the system to operate successfully. Because Behavioral Science subscribes to self discretion and participation by employees, care must be exercised by management to control and rectify abuses that occur. Not all staff is capable or inclined to undertake the responsibility accompanying this type of supervision. Every effort, however, should be made to attract or develop the personnel to practise this style of work behavior.

FINANCIAL INFORMATION SYSTEM

The development of a financial information system represents the most crucial source of feedback available to both Middle Management and Senior Management. Far too often, especially in small companies, financial information system is used almost exclusively for external purposes - government agencies, the financial institution, etc.

Budgeted financial statements should represent the planning decisions developed by management and converted into a quantifiable form. These statements should be constructed at least annually and more fre-

quently to coincide with planning discussions and changes. These sets of financial statements become the cornerstone for management analysis and decision-making. Where management by exceptions is practised, substantial deviances from the budgeted statements respect the attention of management (both Middle Management and Senior Management). These deviances become relevant only if the budgeted statements have been properly prepared.

This comparison with the budgeted statements is also a measurement of the company's overall performance, each department's or product's performance, the performance of personnel, or the critical appraisal of the planning decisions. Other influences such as competitors' actions have been reflected in the Management Information System model; in most instances, however, the financial reporting serves as the base for measuring the results for the period. Because this source of financial information is so essential in decision-making by Middle Management and Senior Management, the establishment of a strong financial information system for relevant and current information is imperative.

A reaffirmation of traditional financial statement analysis was confirmed during the interviewing. Operating ratios including gross margins, administrative costs to sales, and net profits to sales were reiterated. One significant expense ratio that was continuously stressed was labour costs. Unlike merchandise that remains if a sale is not consummated, labour is time and is not recoverable once the period has

passed. Therefore, any inefficiencies that occur must be recognized and rectified immediately.

Other traditional uses of a financial information system is the examination of the cash flow statements and break-even analysis of the income statements. In addition to the common uses of a financial information system, each business or industry often develops its own peculiar financial criteria in assessing the company performance. In a professional office of service industry, chargeable hours is an indicator most often used. In the manufacturing industry, uncompleted orders in relation to plant costs and raw inventory is closely examined.

THE INHERENT STRENGTHS AND WEAKNESSES OF SMALL BUSINESS

The richest resource possessed by small companies is the dominant personality of the entrepreneur. His motivation to succeed allows him not only to perform better in his position as management, but also influences his staff to respond in a like manner. It was earlier stated that human resources represents the highest potential of wealth in any company. In a small company the total staff may have a more personal relationship with each other and management, relating better to the best interests of the company. In a small company, the entrepreneur is the company; in a large company the company is a separate entity often devoid of many human characteristics.

A tragic error for small business is to enter into direct

competition with its large competitors. The large corporations usually appeal to a broad market because of its vast financial and fixed asset resources. As such, the small company in its marketing analysis, should seek a segment of the market and appeal to the consumer through personal service and/or satisfying the unique characteristics of that segmented market. The small company can become more adaptable to changing consumer habits. An example is the success achieved by the "Big and Tall Shop", a retail clothing operation in Winnipeg.

The biggest weakness demonstrated by small companies is not inherent in the company, but rather a product of poor management. The entrepreneur, when combining his roles of Senior Management and Middle Management, often subordinates his former role by "getting caught up" in his position as an operating manager. Needless to say, the small business is just as vulnerable to poor planning as big business.

The other major weakness may become the financial constraint of the small company. Notwithstanding that branches or subsidiaries of large corporations have to compete with their counterparts for an allocation of the financial pie, the utility function or financial risk is greater with small companies. The accessibility to funds is less and the hesitancy to risk these funds is greater.

SUMMARY AND CONCLUSIONS

The working components of any size organization are essentially similar. The failure of many entrepreneurs has been their inability to conceptualize the different subsystems that exist in their enterprises. To this end, the Management Information System Model listed as Figure I provides an invaluable assistance. While there are some limitations that will be discussed, the results of the interviewing have confirmed the validity of the Model as a foundation for management practices.

APPLICATION OF PRESENT MODEL

Figure I shows a skelton model of an organization that incorporates the total systems approach towards understanding the multi forces affecting management analysis and decision-making. This model is designed to assist management in its responsibility for planning, organizing, and controlling the company's resources and activities.

The dominant concept portrayed is the separation of the company duties into the three different levels of hierarchy - the Senior Management role, the Middle Management role, and the role of the Front Line Employees. This fundamental delineation of duties should constantly remind the entrepreneur that his chief role is that of Senior Management. A perpetual weakness of small business has been to overlook the necessity for performing this role and instead to concentrate on the day to day or

operational activities (responsibilities assumed by Middle Management and Front Line Employees).

This model clearly illustrates that the innovation of ideas and innovation must emanate from the position of Senior Management. While this concept may be considered fundamental by the reader, all the interviewees agreed that in many instances a derelict of duty by Senior Management was a chief cause for sub-optimal performances or financial disappointments. A proper understanding of this role function greatly facilitates management in discharging its planning responsibilities for company's resources and activities.

The Management Information System Model also provides a job description associated with the three levels of hierarchy. Many useful results can be achieved when both Senior Management and the affected personnel understand what is expected from the position and what are the formal lines of lateral and vertical relationships. To illustrate, a clear definition of duties for the different roles will help coordinate the flow of activities inherent in any organizational setting; a clear definition of duties will raise any inconsistencies of managerial practices and objectives. These and other such examples provide the entrepreneurs with the tools for organizing the company's resources and activities.

The organizing process provides the setting within which planning and controlling can occur. In addition to the selection of the personnel for the different levels of hierarchy and a formulation of a job description,

the Model has demonstrated the different practices prevalent in many successful organizations. These subsystems have also been attested to by the interviewees and represent the major concepts and disciplines that are applied by management. These recommended practices should not be construed as cardinal rules that must be followed; rather they represent practices that should be studied.

The third responsibility by Senior Management - that of controlling the company's resources and activities is likewise reflected in the Model. The Support Information assigned to each level in the organizational hierarchy represents a feedback of information from many sources. This information is essential for Senior Management not only in fulfilling a function of controlling, but also in the formulation of the planning processes. Far too often the entrepreneur has exercised his control responsibility almost exclusively through the use of financial information system. The Model has indicated quite strongly, both written and conceptually, that the financial information system is not the only source or tool used by management in the discharge of his control responsibilities. Source information from External Forces, information from staff communications and consultation, and an input into the subsystem from customers' responses, all represent valuable contributions for planning and control decision-making.

LIMITATIONS OF MODEL

Notwithstanding the conclusion that the Model does provide an overview or a conceptual framework of managerial precesses, the results of the interviewing have revealed minor deficiencies. These deficiencies may be grouped into two basic areas. One classification would include the "equal importance of application", that has been given to the sub-scribed managerial processes; in reality, some concepts and techniques are more critical than others. To illustrate, the concept of showing the planning function and administrative function as two separate entities is very critical. Within the planning function itself, the responsibility for developing a marketing program, and the responsibility for selecting and appraising Middle Management represent two major duties. These are but a few examples where a highly valued concept or major responsibility by Senior Management is treated with undue emphasis in the Management Information System Model.

The second classification relates to the description or lack of description dealing with the company's resources as a small business. Here the deficiency is not one of emphasis but rather an absence of material and consideration. The interpretation of results relating to the inherent strengths and weaknesses for a small company are not reflected in the Model. These results would help the entrepreneur recognize the company's fortés and weaknesses.

To conclude, the results of the interviewing have supported the Management Information System Model, subject to minor qualifications. These qualifications include the need to stress the relative importance of the stated managerial processes and the need to discuss the utilization of company resources from the point of view of a small business. In balance, however, the Model should provide invaluable assistance to the entrepreneur for conceptualizing the different subsystems that exist in his company. Consequently, the management role of planning, organization and controlling should be facilitated.

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A P P E N D I C E S

APPENDIX A

MANAGEMENT INFORMATION SYSTEMS: AN IN-DEPTH STUDY

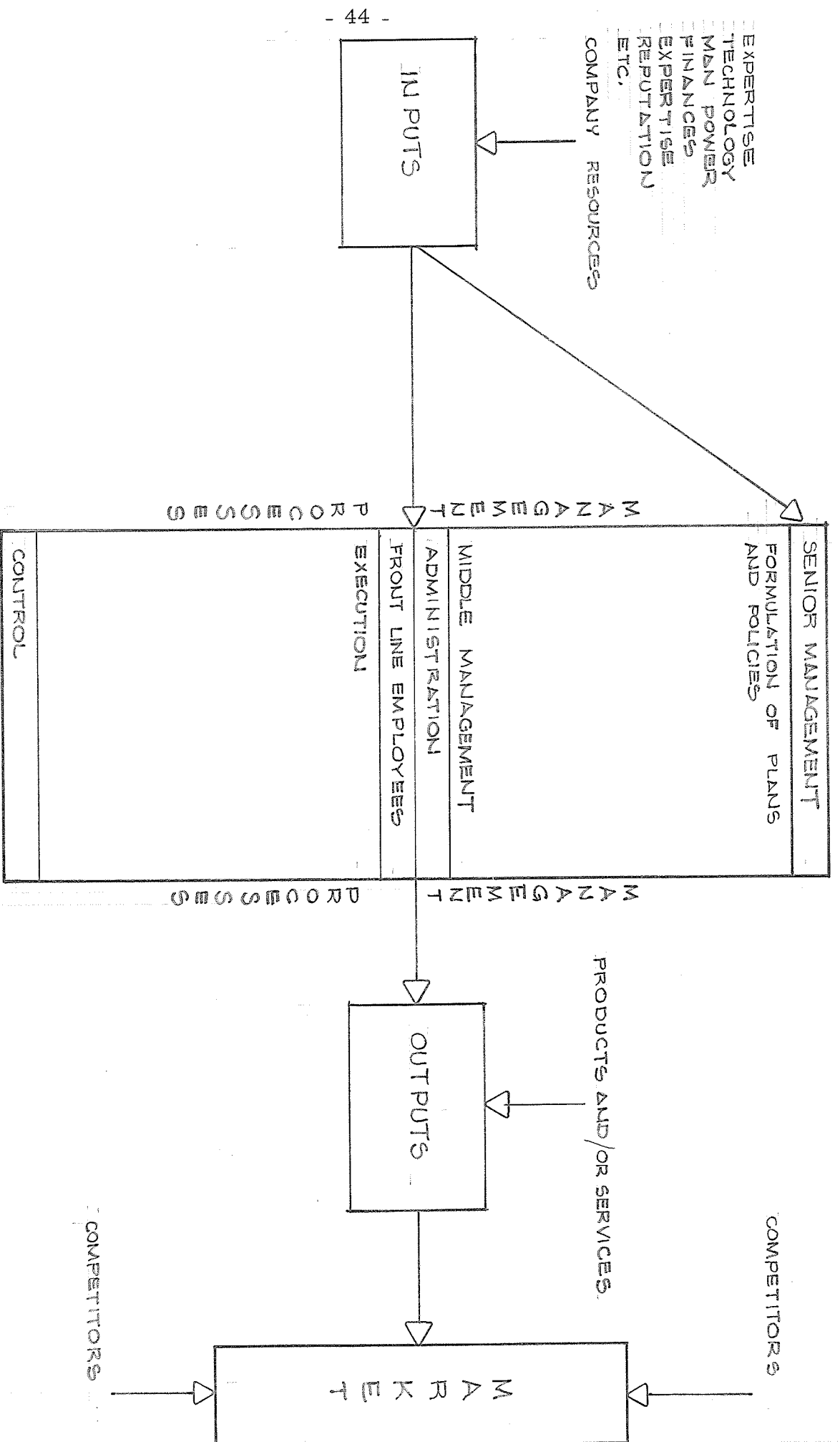
The concepts and opinions outlined in this segment of the thesis is directed mainly towards the owners or managers of small business. However, these same concepts and opinions transcend both the size and nature of any company and thus in principle should apply equally to large corporations. Because business determinants vary with each company and oscillate through time, managerial practises can differ among companies.

Figure II is an attempt to illustrate the interaction of company resources with the machinery of management processes, thus producing a viably economic product and/or service. A major weakness by management, especially the entrepreneur, is the failure to recognize the concept of three substructures existing within the total structure of Management Practises - Planning, Administration and Control. A natural tendency for the entrepreneur is to relegate planning and control to an insignificant role.

PLANNING

Profits don't just happen - they are planned. Planning is a term that can be used to describe the process of determining or charting the company's course of action over a given business cycle. The pressure of dealing with today leads to the mistaken idea that planning for tomorrow

FIGURE II



has somehow lost the value which was so clearly evident at the outset of the business. Although planning must precede execution, it is also a continuing process. Plans must be remade as well as made. A periodic reconsideration is obviously necessary in order to see whether (1) the assumption on which the plans have been made need to be revised; (2) the company's rate of progress has changed and (3) the original goals and objectives of the plan have been altered. This reconsideration should be scheduled on a regular basis to ensure that it is not forgotten. Fortunately this recurring review of company goals requires modest time unless major changes are required. The main concentration of time for planning should occur when formulating annual company objectives.

Without limiting the foregoing, planning goals may consist of the following:

- a) determination of marketing policies
- b) determination of cash requirements
- c) determination of manpower requirements
- d) determination of fixed asset capacity and requirements
- e) determination of product selection and development
- f) determination of organizational structure
- g) determination of different managerial techniques.

EXECUTION

While the entrepreneur often focuses his full attention on the

operational activities, this does not mean that this function is adequately practised. Effective Execution is a function of good Planning. Proper direction results from clearly defined goals and a good two-way communication system between the policy makers and the administrators. Therefore, a lack of proper planning with the operational manager(s) fosters sub-optimal productivity and performance. The organizational structure and the style of management practises should also be tailor made to reflect the specific attributes of each company.

CONTROL

Control may be categorized as "custodial" control and "performance" control. Custodial control represents an essential but mechanical function of management to establish an accounting system for the internal control and the physical care of the company's assets.

Performance control deals with deviances from predetermined criteria developed in the planning stages. In this role, management must exercise more judgement and skill in appraising the company's results. Examples of such control may include a critical review of labour costs in relation to productivity, gross margins of the different products, and a review of actual revenue results with budgeted. This constant feedback of relevant information does not necessarily take the form of financial information; customer comments is often a very important feature of receiving information for decision-making.

MARKETING CONCEPTS

The preceding Introduction has reflected the importance of proper planning as the number one priority of management. The "guts issues" in the planning sphere must be reserved for Marketing Analysis. The thorough investigation and critical decision-making associated with the different components of Marketing often determine the financial performance of any company.

Marketing is a term which has often been interchanged with "selling". While selling is an integral part of marketing policies, other areas of concern must be expressed when formulating marketing strategy. In general terms, marketing analysis and strategy can be broken down into the following parts.

1. Kind of firm, its philosophy and objectives.
2. Determination of Target Market.

The Four P's.

3. Product, designed for the needs of the target market.
4. Place, a way of reaching the target market.
5. Price, a reflection on product differentiation and customers' ability to pay.
6. Promotion, a means for telling and selling the customer about the whole marketing mix.

KIND OF FIRM, ITS PHILOSOPHY AND OBJECTIVES

Identifying the kind of firm as a retailer, wholesaler, manufacturer or some combination is a necessary step in determining the other components of the marketing strategy. For example, if a manufacturer sells to wholesalers and the end-consumer, he can be classified as a manufacturer and retailer. Undoubtedly his pricing policies, his distribution policies, and his advertising programs must reflect this difference.

The company's philosophy towards marketing must be clearly defined in order to avoid misdirected objectives. To illustrate, if a firm is product oriented it may inadvertently strive for an unduly high quality, to the detriment of its marketing success. A marketable product must always have greater priority than a quality product. That can only be accomplished if the company is marketing oriented, where changing consumer needs are recognized and satisfied.

The company's objectives are often taken for granted and consequently could become distorted and misdirected. A list of possible objectives should illustrate that every company does not necessarily have the singular objective to maximize profits. In fact, many of these objectives often prevent maximization of profits in either the short or long run.

1. Maximize profits in the short or long run.
2. Profit stability commensurate with a desired profit level of

achievement - that is, beyond a certain profit level, the rewards (increased profits) do not exceed the cost (increased pressures, aggravation, and personal time consumption).

3. Expand sales volume and/or expand market share.
4. Attempt to stabilize profits by diversification.
5. Develop prestige products for ego satisfaction.

DETERMINATION OF TARGET MARKET

The analysis of the target market will encompass the geographic area in which the company is (or will be) operating and an identification of its customers.

The market area can be segmented in terms of consumer or industrial markets. The company can aim either at the final consumer (perhaps through various middlemen) or at manufacturers or other customers who process or use up the good or service in their own operations. In the first situation, the company would be described as aiming at the consumer market, while in the latter situation, the company would be aiming at the industrial market. This consumer goods-industrial goods market is the first major decision one should make regarding the market area because it is vital to the marketing strategy in terms of the four P's - Product, Place, Promotion and Price. Further considerations that help define the submarket of the company are customer age, income, sex, social class, geographic area, and psychological needs.

It is highly unlikely that the company is aiming its product at the total market area. It must therefore choose that segment of the market which provides the best opportunity of meeting the company's objectives - be it profit maximization, highest sales volume, etc. That segment of the market can consist of more than one submarket. To illustrate, a manufacturer may wish to sell its product to a submarket in the industrial market and sell only to selective retailers in the consumer goods market. In each instance, recognition should be given to the unique characteristics of each submarket and a different marketing program developed to satisfy these differing needs. Of further consequence, is the necessity of planning this program in terms of customer perception of needs and not of management's perception of customers' needs.

PRODUCT ANALYSIS

When analyzing the needs of the customer, consideration must always be given to the quality of the product or service. Wherever possible, the company's commodity should resemble the specifications of its customer, both consumer and industrial. A too high quality may outprice the commodity and a too low quality may alienate too many potential customers.

When assessing the market and customer needs, it would be wise to further classify the company products in terms of producing a heterogeneous or a homogeneous product. Product differentiation, which may

be regarded as heterogeneous, is less vulnerable to price sensitivity and will attract a more loyal customer. Homogeneous goods are those goods that customers view as essentially similar - and therefore, their primary focus is on price. Homogeneous products occur where corporations attempt to duplicate heterogeneous products that have demonstrated economic success and to market their product based on a lower price. Homogeneous products also occur where the product is a staple such as milk, bread, etc., and the marketing of this product does not emphasize price but rather distribution and convenience.

When products are being classified and their performance evaluated, the stage of the product life cycle must be considered. This life cycle can be given four stages. 1. Product Introduction 2. Market Growth 3. Market Maturity 4. Market Decline. If, for example, the product performance breaks even in the introductory stage, financial success may have been achieved. If on the other hand, the product performance breaks even in the declining stage, an unacceptable performance may have occurred and a decision may be reached to drop this product. Far too often, company resources are allocated to problems of yesterday instead of focusing on opportunities for tomorrow. The pertinent question is not how to do things right, but rather how to find the right things to do.

PLACE

The nature of the distribution system(s) being used by the firm is

considered at this time. This topic has added importance because Place decisions often take considerable time to implement and can only be changed with great difficulty.

If the company is a producer or manufacturer, the Place decision most often revolves around the type of distribution the company will practise. One route is to employ salesmen or operate retail outlets and sell directly to the final user; alternatively, the company can distribute through middlemen when selling its goods.

The main advantage of using one's own distribution system is the emphasis and attention that the product will receive in the effort to sell to the final customer. The middlemen are company employees and work exclusively for the company. There is no conflict of interests with competitors' products. The constraining factors in choosing this route is the heavy time element in setting up and implementing a sales force on retail outlet(s) and the very high initial outlay of funds.

In choosing a distribution system where outside middlemen are employed, great care must be given to choice. The firm(s) chosen becomes the selling arm of the producer. His efforts and expertise have a direct reflection on company sales to the final customer. The producer in choosing this alternative may decide for selective distribution and choose specific middlemen. Conversely, the company may wish to "blanket" its product(s) and sell to as many middlemen as is practical.

The advantage in using this indirect system is the relatively low start up time and expense.

The retailer's Place analysis usually does not rest with the distribution system. Rather, very serious consideration must be focused on the location of the retail outlet, and perhaps to a lesser extent to the accompanying service for the customer such as store hours and/or delivery service. In choosing a location, it would be deemed advisable to identify the type of products in terms of convenience goods, shopping goods, specialty goods, and unsought goods. The proximity of the retail outlet in relation to the customer can very often provide the company with a competitive advantage or disadvantage. Any change in store location is inevitably expensive in terms of discontinuing a lease or selling owned premises.

PROMOTION

The purpose of promotion is to communicate and attract the company's product to the target customer. This communication can be accomplished primarily through personal selling and/or advertising. Where the company product is being sold in the institutional market, personal selling is especially favoured, since most often the product is technical in nature. In the consumer market, where personal selling is used, it usually complements the advertisement role of communications. The use of personal selling is usually restricted to a limited number of

middlemen or target customers because of the high cost or expense per call. However, where personal relationships are important and feedback is essential, this form of promotion is often the most effective choice.

For the producer, mass advertisement may assume two functions. The main purpose for the established producer is to communicate the products' benefits to the end user in order that sales can be achieved. For a relatively new producer, however, an important function is to create a sufficiently large demand for his product by the final user in order to attract desirable middlemen (wholesalers and/or retailers). This second function should not detract from the long-run objective of the established producer, that is to maintain the image of the products' benefits in front of the final user.

For the retailer the promotion program usually consists of mass and store display advertisement. Mass advertisement at the retail level is especially predominant where the store wishes to reach as broad a market as possible - that is, where the local populace is the target customer. Major examples of mass advertisement include newspaper, television and radio. Other forms of mass advertisement can be billboards, flyers, mail circulars, etc. Most often, the type of mass advertisement selected by management will be a combination of the different forms illustrated above. One purpose of the advertisement is to identify the place (of the product). A second purpose can be to

to differentiate the product. A third purpose is to communicate the price. The emphasis as to purpose may relate to the type of company that is advertising - that is, whether the company is a manufacturer, wholesaler or retailer.

PRICING POLICY

The pricing method adopted by the company should be compatible with the decision relating to the other three P's. All of these decisions of course should be aimed towards the company's overriding objective(s).

As a general rule, product differentiation which denotes product quality is less sensitive to price because theoretically the competition is less. Factors that may justify a premium price are:

- a) product quality
- b) if the item is inexpensive and infrequently purchased
- c) if the item is considered an impulse purchase
- d) if the outlet provides a convenience to the customer such as proximity, delivery, store hours, credit terms, etc.

Where product differentiation does not exist, the product may be classified as homogeneous. In this instance, the product is usually price sensitive because many other products are in direct competition. Factors that cause price sensitivity to the product are:

- a) a homogeneous product
- b) a planned purchase

Regardless of the pricing policy, many company should attempt to create a better and more accessible product as perceived by the final user. One last consideration is that any pricing strategy must be tempered by competitors' decisions.

ORGANIZATIONAL STRUCTURE

The formal structure is frequently defined in terms of:

- 1) The pattern of formal relationships and duties - the organizational chart plus job descriptions or position guides.
- 2) Formal rules, operating policies, work procedures, control procedures, compensation arrangements, and similar devices adopted by management to guide employee behavior (including that of executives) in certain ways within the structure of formal relationships.

In more simple terms and as it might relate to smaller business, the organizational structure may be described as follows: Each person (including the owner) is given a responsibility to fulfill certain functions. The person should understand the work relationship he has with the other employees - i.e. who his superior(s) is, who his co-workers are, and what employees (if any) that he must supervise. The duties for each job classification and the company rules governing employee behavior should both be understood.

Exhibit A and Exhibit B depict an organizational chart that might reflect the formal working relationship existing in a large and small organization respectively. Three main areas in determining the structure are: 1) Activities 2) Decision Making and 3) Relations.

ACTIVITIES

There is a tendency to automatically set up the traditional line and

staff departments - to illustrate, in manufacturing there may be a manufacturing department, an engineering department, a purchasing department, a personnel department, a marketing department, an accounting department, etc. However, a specific business in industry may not need all the traditional departments and in fact may require new departments not conventionally used.

A departure completely from this approach is the establishment of departments according to Products, Territories, etc. In that instance, the Product or Territory would be an autonomous entity reporting its performance to a senior executive.

DECISION-MAKING

Far too often in companies, bureaucratic levels of red tape are created not by design but inadvertently. Thus, the company becomes vulnerable to large organizational malaise. For example, if a customer has a complaint, optimally it should be resolved by a front line employee. Far too often, the problem passes through many levels of the organizational structure before a decision is reached. A time delay and a distortion of the problem is an unavoidable consequence when the decisions are not made at the lowest possible level. To resolve or at least alleviate this problem, delegation of responsibility with authority should be practised.

RELATIONS

This is the study of the coordination and cooperation required between one department and another, and also between the employees themselves within any department. This form of dependency is sometimes referred to as the downward, upward, and lateral relationships. Each department (or employee) is a moving part within the complete organization. Constant attention must be given to prevent friction from developing. A conflict of interests, personality conflicts between or within the departments, different perceptions of goals, different norms or values to work ethics, are but some of the reasons for friction and sub-optimization by any of the departments within the company. For example, the production department in a manufacturing company will probably favour long runs in order to achieve high efficiency. On the other hand, the sales department may procure "special orders" in order to satisfy a customer, causing friction with the production department. Again, by virtue of its size, small companies generally are able to recognize and rectify conflicts that do arise. The other side of the coin, however, is that large companies have more specialized expertise available to them which represents potentially a very valuable and productive resource.

OPERATIONAL TECHNIQUES

PRINCIPLES OF CENTRALIZATION AND DECENTRALIZATION

The principle of centralization is that all decisions should emanate from the top. There are numerous justifications for this style of management.

1. A detailed and rigid application of rules will provide standardization of company practices, which in turn highlights deviances that occur.
2. If identical rules are to be followed by employees in each category of job description, performance can more easily be measured by comparing the results of one employee to another.
3. The calibre of labour resource does not have to be as high if proper rules and regulations are handed down and decisions can be made by qualified personnel from the top.
4. The philosophy of specialization within the company organization lends itself to centralization. Because each unit (department or employee) represents a separate company function, such as marketing or engineering, the coordination and control of these skills can best be accomplished by an overseer - management from the top.

This style of management may create weaknesses within the company. With centralization, there is a greater tendency to require more "paper-work", than often appears necessary. Because business is a dynamic and constant moving phenomenon, the rules and regulations that were once

valid may quickly become obsolete.

The implementation of centralization lends itself to close supervision. Many employees object to this form of supervision because social interaction and creativity are curtailed.

Employees selection is more confined to the job description than to the individual's general capabilities. Employees thus become pigeon holed to their job descriptions, discouraging employee initiative and self actualization.

Decentralization requires a delegation of responsibility with authority by top management to middle and lower management. To illustrate, senior management should provide the sales manager, who is responsible for his department's goals, a range or area of jurisdiction in which he may make operating decisions. These decisions may include the hiring or discharging of salesmen, etc. Each person or department head who is given this responsibility must also be given a clear and attainable goal. The task that he or his department must accomplish should not represent a part of a step, but rather a whole goal that can be related to overall company's objectives. In order that the employee (or supervisor) accept his responsibility and authority as reasonable, he must be given the opportunity to participate in the formulation of both these decisions. The advantages attributable to the form of decentralization policies are now listed.

1. Greater control can be achieved by management because the multi actions and decisions taken by the respective department is not evaluated and measured - rather the performance of that employee or department is being judged.

2. Because all the employees or departments are part of a team that is judged on their common goal, there is less conflict of interests and more cooperation within that group to achieve the prescribed goal.

3. The autonomy provided by this system develops greater managerial skills for the supervisor and often for the other employees in the department.

4. The employees opportunity to strive for attainable goals not only generates a learning process but also provides a sense of self satisfaction, all of which creates a happier and more productive employee.

5. Allowing decisions to be made at the operating unit of activity is consistent with bringing decision-making down to its lowest possible level. The inherent advantages of this has already been discussed.

The main weaknesses to decentralization are reflected as some of centralization's attributes.

1. Goals can only be achieved if the employee (or supervisor) is able and willing to discharge a greater degree of responsibility.

2. Employee participation in goal setting must not be given lip service if management is vocally prescribing to this form of decision-

making. Personnel who are told that their opinions count, but perceive a negative resistance to his (subordinate's) contributions will inwardly regard management as a hypocrite. The subordinate's behavior may then become damaging to company goals.

3. Unless proper planning and clear and attainable goal setting is achieved, the employee's efforts will be damaging to the company's success.

4. Decentralization can only be practised effectively if management understands its concepts and agrees to it, and where the organizational structure is constructed to allow for this form of practice; that is, delegation must also be practised.

5. Excessive competition between the departments can develop to the point where company objectives are being violated in order to attain department goals.

SPECIALIZATION

Specialization has been most prominent in our society with the advent of the industrial revolution. Specialization has now spread from the industrial usage to the area of the white collar worker. A repeated complaint by owners of small business is the unfair advantage claimed by large corporations because they are able to take advantage of the benefits accruing from specialization.

The concept of specialization is that a more efficient use can be

made of the company's resources - namely, the company's balance sheet assets and the company's human resources. By concentrating on one segment of the work activity, balance sheet assets will be utilized more fully and/or human resources will become more proficient or expert. On the surface, these assumptions are logical and, in fact, may be true. However, the criteria of applying company resources is not how efficient can they be used, but rather how effective are they?

The following reasons or advantages are advanced for subscribing to the principle of specialization.

1. A motivation for the principle is the achievement of economies of scale. Extensive use of this practice occurs in the garment industry. The cutter performs only this one function in the work processes and consequently is able to develop high skill and competency.

2. Specialization allows the employee to achieve and maintain a high degree of excellence in his work. Where a department is charged with the responsibility of performing one function, the calibre of the department increases to meet this challenge. Thus, a company is continually gaining a valuable resource - a highly competent staff. Conversely, the absence of this resource may place the company in a disadvantaged position with its competitors.

The implementation of specialization into the company's work activities can also introduce a number of potential problems.

1. Because each department represents a part of the total step, the performance of each department may be difficult to measure. Often, the financial information system will report the results of the completed product but not the performance of each sub unit making up the product.

2. Specialization of a non-professional nature can quickly become very boring and lead to a loss of self-actualization by the employee. Further, specialization does not lend itself to much lateral movement between departments. Consequently, little on the job or through the job enjoyments are received, thus causing an unhappy and unproductive employee.

3. Where a complete step is broken down into units, there is a dependency between the units. Therefore, when one unit falls behind in its production, it can cause a bottleneck for other units; conversely, when a unit achieves a higher production than was anticipated, it may lose its gain because of its dependency with another unit.

4. Where specialization of a technical or professional nature is developed, problems may exist in measuring the performances, communicating with, and supervising that unit. In other words, if the subordinate knows more than his superior, it may be difficult to understand what the subordinate is doing and how to use judgement in determining the solutions offered by the subordinate.

MANAGEMENT BY OBJECTIVES

A favorite story at management meetings is that of the three stonecutters who were asked what they were doing. The first replied: "I am making a living." The second kept on hammering while he said: "I am doing the best job of stonecutting in the entire county." The third one looked up with a visionary gleam in his eyes and said: "I am building a cathedral."

The third man, of course, is a true "manager". The first man knows what he wants to get out of the work and manages to do so. He is likely to give a "fair day's work for a fair day's pay". But he is not a manager and will never be one. It is the second man who is a problem. Workmanship is essential; without it no work can flourish. Workmanship must be encouraged in the business enterprise. But it must always be related to the needs of the whole.

In an attempt to achieve a common perception of company and department objectives between the supervisor and higher management, a fully participation by the two parties in setting the supervisor's goals should be encouraged. The final goal setting and the means for attaining these goals should always be discussed in relation to the company's overall objectives and philosophy. Needless to say, a consistency between the company's and department's objectives must prevail. This attainment of clear and consistent goal setting cannot be over-emphasized. A misinterpretation of this role can create a wasted and sometimes damaging

display of human effort.

Once having achieved the department's objectives, management should provide the supervisor with the necessary authority to achieve these objectives, thus making it possible for him to control his own performance. This delegation of task by higher management removes from management the day to day operations of any given department. Control is accomplished by regular reviews of department performances, noting those results of the department which deviated from planned objectives.

Management's function then becomes one of rectifying bad results, pursuing good results, and coordinating the results from all the departments towards the planned company objectives. Management should further be able to evaluate changing business conditions and to mutually redefine company and department objectives if the situation warrants such a change.

One alternative by Management by Objectives is Management by Crisis. Under those circumstances, management's talents and resources are used to extinguish brush fires to the detriment of proper planning, organization and control. Not only is management operating under perpetual pressure but also their efforts are misdirected and inefficient.

The second alternative can be described as a close supervision concept of managing or Management by Methods (rules). This form of

stewardship is most prevalent where centralization is practised. This form of management lends itself to detailed reporting which often is criticized as a bureaucratic weakness. "To control everything is to control nothing, and to attempt to control the irrelevant always misdirects."

RESOURCE APPRAISAL AND CONTROL

The relationship of company resources to the other components in the organization has been graphically described in Figure II. Many of these resources are taken for granted or neglected, thus causing inefficiencies and sub-optimal profits. Management should periodically inspect the criteria established for appraising the effectiveness of these inputs. To this end, an analysis for some of the major inputs is now presented. The financial resources of the company which represents a major input for any company is discussed separately.

FIXED ASSETS

When planning for a company's plant facilities or other fixed assets, many factors should be considered in this analysis.

1. Can the present facilities accommodate the company's requirements in the short run (usually a year)?
2. Is it economically feasible to maintain the present facilities - i. e. are the maintenance costs too high in relation to the costs of new facilities?
3. How much lead time is required to receive and put into operational use the contemplated fixed assets?
4. Is this fixed asset available now, will it be available at some other time, and what are the expected costs of acquiring this fixed asset at the later date?

5. What are the company's priorities in terms of capital budgeting?

6. Are any of these fixed assets obsolete (or unproductive), or can any of these fixed assets be replaced by more effective means?

7. Maintenance costs of fixed assets are inevitable. Excessive maintenance costs are an indication that fixed assets should be replaced. In order to recognize excessive costs, the financial reporting on the operating statements should differentiate between fixed assets.

COMPANY SUPPLIERS

Planning and decision-making in choosing the company's suppliers is also a very important feature of good management. A statement often repeated has a good deal of merit. "Your profit is in your purchasing". Purchasing, however, must include not only cost, but also selectivity and reliability. When developing a policy for purchasing, the following factors may be included in the appraisal.

1. What quantity of material is required for a given period of time, and what price considerations are available for different volumes of purchases?

2. What is delivery time for this purchase and consequently what is the minimum level of inventory that the company should carry?

3. What is the warehouse capacity for inventory and can the warehouse accommodate volume purchasing?

4. In assessing the cost saving of volume purchasing, are expenses such as warehousing, finance charges, extra handling charges, and insurance shown as a deduction from this saving?

5. How critical is the supply of goods and how reliable is the supplier in terms of product consistency and delivery?

6. With a manufacturing company, is the product quality of the supplier commensurate with the needs of the company - i. e. the quality of the raw material or component should, of course, not be inferior to the company's specifications but also should not be of too high a quality because of the extra cost.

7. With a manufacturing company, can a component or part that the company manufactures be purchased cheaper outside the company?

8. Are control procedures such as inventory control and minimum inventory levels feasible for the company's operations?

HUMAN RESOURCES

Planning for human resources is very critical because this resource is not readily available and also because human behavior is more difficult to predict than other tangible assets. During the planning processes, though, consideration may be given to the following factors.

1. Does the company require additional manpower for the forthcoming period? If so, in what categories and at what level of skill?

2. Is there an adequate supply of labour in the area for the

classification and skill required?

3. Does the company provide an on the job training program which will raise the level of skill?

4. Is the job description tailored to the strengths of the employee or is the type of employee tailored to the job description?

5. How is the job description developed - i.e. does the employee participate in his role expectancy or are his duties and responsibilities handed down to him by management?

6. Are employee's expectations clearly defined and understood by both the superior and subordinate?

7. How is the employee's performance measured, how frequently and by whom?

8. How vulnerable is the company to key personnel? Are there enough versatile employees to substitute for absentee, departed, or retired employees - i.e. will bottlenecks occur because an employee failed to show up for work, quit or was fired, or retired because of illness or old age?

9. Is the calibre of employee consistent with the type of supervision employed? Close supervision allows little freedom or autonomy by the subordinate; rather, the employee must be able to follow instructions and be more concerned with the financial incentives than with job satisfaction.

Control of human resources is reflected by:

- a) the bottlenecks that occur
- b) the turnover of employees
- c) the feedback of employee performance from customers, etc.
- d) the performance of the employee in a quantitative way. For

example, management through experience and discussions with department supervisors, have determined the ratio of labour to sales for each department. When this percentage deviates from the established percentage, a scrutiny is made into the performance of the staff.

FINANCIAL INFORMATION SYSTEMS

Financial information systems should be designed to assist management in their task of accomplishing company goals. However, the financial data emanating from this system should assist, but not be a substitute for management in their decision-making role. The four main users of financial information systems are: (1) management (2) creditors (3) government agencies and (4) shareholders (where there is a separation between owners and management). As a result, in order to satisfy these different readers, the traditional financial information systems have become bastardized at the expense of sacrificing valuable information for management purposes.

This dissertation discusses a financial information system that is designed solely for management's purposes. Much of the financial reporting for management will remain for exclusive use by management and will not appear on the traditional financial information system for external use (for government, for creditors, or for shareholders) since this information may be construed as classified.

The financial information system does not represent the only support information that management uses in the planning and decision-making roles. Other forms of input can vary, but usually include staff consultations, customers' responses, competitors' behavior, trade journals, economic forecasts, etc. However, the financial information

system is a necessary source of information for management in the performance of his role. Management's use of this information can be described under three goals.

1. The planning goal consists of interpreting financial results of prior year(s) for the purpose of forecasting business activity in the long or short range. Thus, input of financial information represents a most significant contribution of required information necessary by management in their decision-making role for planning objectives.

2. The accountability goal which measures the performance of the company personnel.

3. The custodial goal which is a more traditional aim. It rests mainly with the control and safeguard of company assets, rather than improving the decision-making processes and employees' performance. Management's concern is to assure and prevent the dissipation of company's assets through fraud or negligence. Organizations in the past have tended to establish a financial information system for custodial purposes and have been very weak in satisfying the first two goals described above.

The financial information system consists of Budgeted and Actual Balance Sheet, Profit and Loss and a Cash Flow Statement. These financial information systems are prepared in two stages of the business cycle - in the planning stage and the performance stage.

The budgeted cash flow statement is very important since it establishes the peaks and valleys of cash positions. This statement is

very often neglected by small business, and with disastrous results. Companies may find themselves making book profits, but discovering cash losses. For example, the company may have earned an additional \$20,000 in net profits during the year, due to increased sales of \$200,000. However, the company may have experienced cash losses of \$100,000 because \$40,000 of fixed assets were acquired and the accounts receivable had risen by \$60,000 in relation to its trade liabilities. A prior knowledge and anticipation of cash deficiencies due to company expansion can most often be rectified by short term (bank) or long term funding (mortgage company or other equivalent lending institution), thus preventing serious cash shortages and even bankruptcy. The other advantage to cash budgeting is to anticipate cash surpluses and to utilize these funds on a planned rather than ad hoc basis.

The budgeted balance sheet does not have the critical importance of the budgeted cash flow statement. Most users of financial information systems are trained to read balance sheets and may have a more difficult time determining the expected financial position of the company by perusing only the cash flow statements.

The main area of management efforts rests with the analysis and preparation of budgeted statements of profit and loss. Far too often, the planning and budgeting of the statement of profit and loss (when planning and budgeting in fact occurred) consisted of a cursory review of last year's or prior years' financial performances. Almost mechanically,

a flat percentage increase is attached to the sales total and a different percentage increase (or decrease) is also added to the expenses. A pattern of "statement analysis" that has existed for generations continues unabated with the underlying principle that what transpired yesterday and today will also occur tomorrow. The budgeted statement of profit and loss should reflect the policies and objectives of the company for the forthcoming period. Thus, the planning and decision-making must be conducted on a well prepared and sound basis. Any comparisons with actual results will then have validity.

An underlying principle of effective financial reporting is to relate benefits to costs, and to pre-established standards or expectations. Stated differently, the budgeted financial statement should be incorporated into the actual financial statement with differences between the budgeted and actual results reported as "variances".

A further extension of this principle of variance reporting is to relate these variances to a responsible source - i. e. the system of financial reporting should be so designed that performances can be measured (through variances) and that an employee or department be accountable for the results. This concept of reporting is inherent in the management technique commonly referred to as MBO - "management by objectives". The objectives are meeting the pre-determined standards, and the practise of this technique is to report to management only those results that surpass or fall short of these objectives (already referred

to as variances).

The problem that often confronts management is constructing a system of measurements that provides useful information (an input) in the decision-making process for planning objectives and policy formulations, and at the same time provides a fair evaluation of the tasks accomplished by the different personnel of the company. Company activity and transactions must be recorded in terms of relevancy to company goals; all information must stand the test of relevancy with superfluous information being deleted. Superfluous information only clouds the real problems and issues, resulting often in a misdirection of company resources and energies; it also consumes valuable time, preventing more important functions from being accomplished.

While it is impossible to provide what is considered relevant information common to all businesses, the concept of relevant information is now discussed. Peter F. Drucker⁷ describes the procedures and the criteria for determining relevant information. There is first a need "to identify and understand those areas in a business for which results can be measured. Such RESULT AREAS are the businesses within the larger business complex; products and product lines (or services); markets (including customers and end users); and distributive channels." A delineation of these result areas would also include department and

⁷Peter F. Drucker, Managing For Results; (Harper & Row, 1964).

branch or territorial performances. A similar analysis of cost centres should be established distributing related expenses to the appropriate result areas. This task is not difficult where the expenses relate to "cost of goods sold" or other easily identifiable sources; the difficulty arises when so-called "administrative or overhead costs" must be charged to a result area. The difficulty is for two reasons. Firstly, these expenses must be charged to a result area based on use and value received. No result area wishes to accept an administrative charge which is perceived as not commensurate with the use or value received. The second difficulty of expense allocating is determining the performance of the cost centre. For example, if a staff department such as "accounting" is expensed out to the different result areas, what criteria can be developed to ascertain the performance of the accounting department.

Illustrations of income reporting that may apply in specific situations are now given. In the airline industry, income may be reported in terms of airline seat revenue per mile; in the beverage room of a hotel, income may be reported as seat income per day; in the accommodation rental industry (hotel-motel or apartment-houses) gross revenue may be reported as gross opportunity rental with an accompanying charge for opportunity costs (vacant accommodations); in a retail store, income may be classified in terms of customers as well as classes of merchandise. Expenses may be similarly treated. For example, a rent charge may be allocated to the profit centres in terms of dollars per square

foot; purchases of material or merchandise may be recorded not only by class of good but also by supplier; labour costs in manufacturing should be budgeted and expensed as a dollar value or percentage cost per unit produced or sold.

Financial reporting should also represent an interval of time which reflects a full business cycle. Stated differently, where the business operations have more than one operating cycle or seasonal period within the year, financial statements should record the financial results for that period or season.

The introduction of new concepts and ideas into financial reporting does not necessarily preclude many of commonly accepted forms of financial presentations. The external uses of financial statements still assure the retention of the traditional methods of financial accounting. Further, only the superfluous information was recommended for deletion for management reporting. Much of the commonly accepted financial analysis such as gross profit on sales, etc., has much value and should be retained. In summary, the overriding theme that has been presented is the need to report financial information based on company needs and not tradition.

NEW FORCES AFFECTING THE ROLE OF INFORMATION

The historical method of recording the company's financial transactions has been by hand. This system of recordkeeping has withstood the test of time, and notwithstanding the advantages gained through electronic technology, many small firms would be wise to continue this form of manual record keeping. Small firms, whose financial activities are not numerous and/or transactions unsophisticated, are unlikely to gain benefits through the use of electronic equipment such as data processing or computers. The cost attached to securing the personnel and equipment would more than exceed any benefits derived through the use of this sophisticated equipment.

During the past decade, several forces have appeared that have had a visible impact on the form and content of information and on some aspects of its role in the managerial process. These are:

1. The electronic computer and its associated communications equipment.
2. The combination of mathematical techniques and scientific method, often called "operations research".

Advantages or benefits to be gained through the use of electronic computers or data processing equipment is predicated on the firm possessing a high volume of transactions and an elaborate "spin off" of information with each transaction. Some of the benefits that may accrue to a company are now listed.

a) A reduction in the cost and an increase in the accuracy of information.

b) An increase in the speed with which information becomes available for use.

c) An increase in the accessibility of information to the decision maker, which manually was not available.

d) Greater and faster access to financial information which better assists management in the centralization and/or decentralization operations.

The second major force - Operations Research lends itself to big business; however, it must be recognized that small business can sometimes utilize some of the mathematical techniques and as such, must constantly explore any such opportunities.

As a useful oversimplification, it might be stated that the most valuable contributions by operations researchers have been their abilities (1) to use mathematical techniques in the solution of complex business problems, (2) to assist management in structuring these problems by defining and identifying their important elements more clearly and completely, and (3) to clarify and require that information be developed about costs and values and risks that had often not been developed in the past, or had not been used in those councils where decisions were made.

A few typical applications of Operations Research will illustrate the present uses of this resource in the business world.

The most frequent application of Operations Research lies in the field of inventory control. Here, factors such as delivery time of product, quantity prices of product, product obsolescence, customer responses to unavailable products and storage costs, were incorporated into the mathematical formula known as EOQ (Economic Order Quantity).

Another application of Operations Research is to determine the "best" method of distributing products through a number of warehouses to a number of customers.

Another use of a mathematical technique called Statistics can be applied in Market sampling of a new product. The function of Statistics is to determine a sampling market in the total market population that, when tested, will provide results with high confidence levels.

Other techniques such as PERT examine the optimum route to be taken when more than one activity is carried out concurrently. The factors that are considered are the time required for each step and the interdependency of each task to the other.

The use of Operations Research in the business environment will increase as a better understanding is reached between the mathematicians and the world of commerce. This evolvment is inevitable and its use unavoidable for many businesses if they wish to remain competitive.

BEHAVIORAL SCIENCE

Organizations can best be described as (1) GOAL ORIENTED, people working with a purpose, (2) PSYCHO-SOCIAL SYSTEMS, people working in groups, (3) TECHNOLOGICAL SYSTEMS, people using knowledge and techniques, and (4) AN INTEGRATION OF STRUCTURED ACTIVITIES, people working together. The common denominator in this equation is PEOPLE. No part of organization's assembly can function properly unless the person or group of people responsible for that part are qualified and MOTIVATED. To illustrate, technology affects the type of inputs into the organization and outputs from the system; however, the social system determines the effectiveness and efficiency of the utilization of the technology. These statements of truths apply equally to both large and small companies, and in all industries.

An employee's motivation is related to the satisfaction of his needs. Some forms of satisfaction are enjoyed OFF the job. This is considered an EXTRINSIC REWARD and results in large part from the remuneration received from his employment. A second need satisfaction occurs when his social needs are satisfied and the working environment is pleasant. This process of motivation is often referred to as AROUND the job satisfaction. A final form of employee motivation is caused by the nature of his work and is referred to as THROUGH the job satisfaction. Both around the job and through the job satisfactions are classified

as INTRINSIC REWARDS for the employee.

The growing social responsibility assumed by all levels of government assists in part towards satisfying the extrinsic needs of employees. Because governments are contributing more financial assistance through either social assistance programs, and/or increased pension benefits, and/or unemployment insurance compensations, the work ethic in our society is changing. Therefore, employees' intrinsic rewards must become more important to them and consequently they are little motivated by the compensation received through their employment.

If one subscribes to Maslow's⁸ Need Hierarchy Theory, the employee then becomes motivated through seeking need satisfaction from his around the job and through the job attractions. Maslow views man's needs in terms of a hierarchy, certain needs becoming operative only when other needs have been relatively satisfied. Exhibit C shows how the need-hierarchy concept constructed by McGregor⁹, relates to the employee's productivity and performance. A brief explanation is given towards each of the Need Descriptions listed on the exhibit.

SAFETY NEEDS

Although the exhibit does not reflect the physiological needs

⁸A.H. Maslow, Motivation and Personality (New York: Harper & Bros., 1954).

⁹Douglas McGregor, The Human Side of Enterprise (New York: McGraw-Hill Book Inc., 1960).

expressed by Maslow, one can consider that this need is incorporated into the safety needs. Safety needs can then be described in terms of risks and financial security - risks in the sense that his personal being is threatened and financial security in the sense that he will not be laid off. For being laid off can threaten his ability to put bread on the table and provide a roof over his family's head.

MEMBERSHIP NEEDS

Social needs is perhaps a better description of this need category. Management knows of the existence of these needs, but often assumes incorrectly that the inherent tendency to interact with other employees, is a threat to the organization. Management, fearing group hostilities to its own objectives, often goes to considerable lengths to control and direct human efforts in ways that are inimical to the natural "groupness" of human beings. When man's social needs are thus thwarted, he behaves in ways which tend to defeat organizational objectives.

SELF ESTEEM AND STATUS PRESTIGE NEEDS

These two descriptions of needs can be referred to as man's ego needs. In terms of hierarchy, both should be placed side by side above the membership need. They are shown now above each other for graphic simplicity. The two needs could be described as follows.

1. Those needs that relate to one's self-esteem; needs for self-respect and self-confidence, for autonomy, for achievement, for competence,

for knowledge.

2. Those needs that relate to one's reputation: needs to status, for recognition, for appreciation, for the deserved respect of one's fellows.

Conventional methods of organizing work often give little heed to these aspects of human motivation. If the practises of "scientific management" were deliberately calculated to thwart these needs - which, of course, are not, they could hardly accomplish this purpose better than they do.

SELF-ACTUALIZATION NEEDS

Finally, - a capstone, as it were, on the hierarchy - there are the needs for self-fulfillment. These are the needs for realizing one's own potentialities, for continued self-development, for being creative in the broadest sense of that term.

This study of work responses to the need-hierarchy scale was performed in 1960, over a decade ago. The results of the study favouring a strong recognition and fulfillment of the "higher" needs is even more pronounced today. To reiterate, the basic needs of physiology and safety have been relatively satisfied by government legislations. Consequently, the need to provide conditions in the work environment that is conducive to satisfying the "higher" needs is even more critical today. Employees not only as a rule provide a higher productivity when the opportunities

for higher need satisfaction exist, but also are more inclined to select those companies who cater to those needs. thus a greater assurance for a supply of competent labour.

Earlier, it was stated that the common denominator in the formula of organization's functions, that of planning, organizing, and directing, were people. Anywhere at anytime management should be concerned with employees' motivation in the pursuit of their tasks. As a consequence, management must consider the conditions affecting the employees' need satisfaction when the decisions are involved in developing the company's structure, in developing the employee's job description or task, in choosing the concepts of managerial techniques for centralization or decentralization, in choosing supervision and control by MBO (Management by Objectives) or MBM (Management by methods or rules), in choosing close supervision or participatory supervision, and in choosing the many other managerial techniques.

The purpose of this segment of the thesis is to conceptualize the different components or subsystems that function within any organization. Emphasis has been given to those areas of interest that are relevant to small business and to ignore or give token consideration to factors that are of concern to only big business. Details of any concept or discipline are purposely not given for two reasons. Firstly, the inundation of detailed information may cloud the real issue of defining the concept;

secondly, the intent of this dissertation is to initiate the interest of the reader in any area of concern to him, in the hope that he pursue in detail the issue raised.

The owner or manager of small business is a multi purpose individual. His role requires not only the function of the "chief executive", but also those duties assumed by operating managers and front line employees. Far too often, management is practised not by objectives, but rather by day to day crisis. The intent of this dissertation is to provide more planning, organization and controls in the company's curriculum.

APPENDIX B

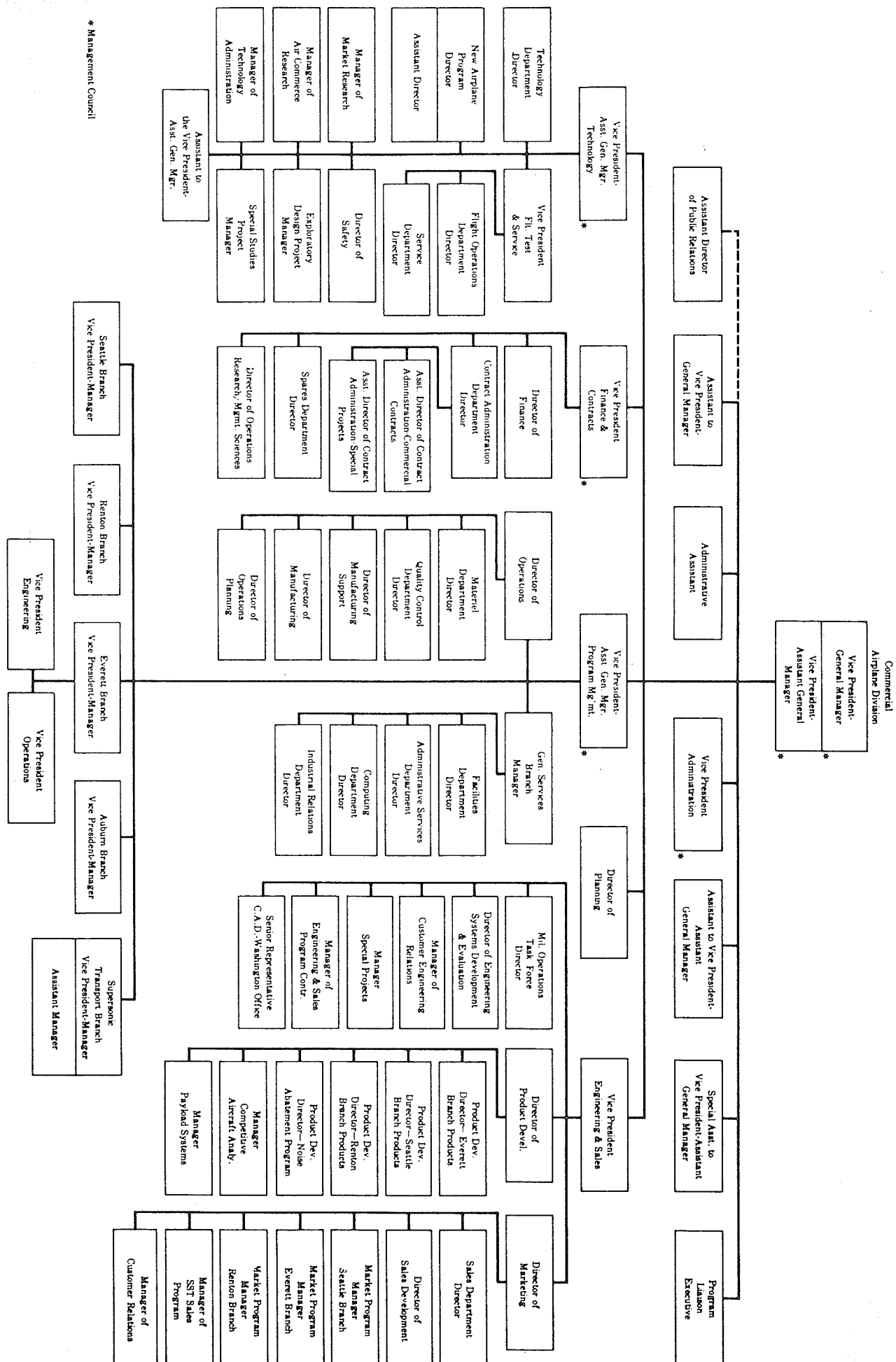
THE LIST OF INTERVIEWEES

Mr. I. Garfield	General Manager of the Wall and Redekop Corp. Ltd.
Mr. L. Hull	Comptroller of the Comax Corporation of Canada Ltd.
Mr. P. Kives	President and General Manager of the K-Tel International Ltd.
Mr. F. Kravetsky	Principal of the Beachcomber Polynesian Restaurant.
Mr. S. Ritterq	Principal and General Manager of the Camera Shop Ltd.
Mr. I. Segal	President and General Manager of the I.S. Jewellers Ltd.
Mr. L. Shulman	General Manager and Partner of the Perth's Drive-In Plants Ltd.
Mr. M. Silverberg	Principal and General Manager of the Acme Chrome Furniture Ltd.
Mr. F. Spivak	Principal and General Manager of the International Inn.
Mr. M. Tasse	Assistant General Manager of the Hotel Bonadventure - A Western International Hotel.

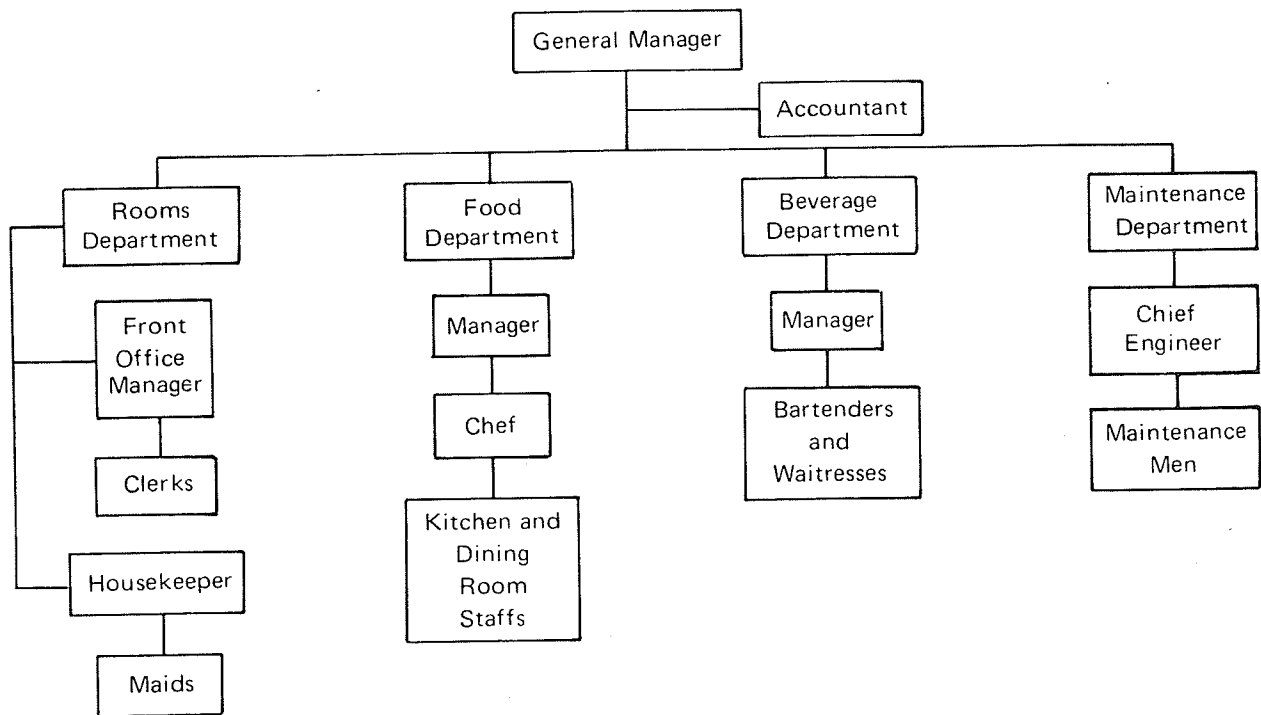
APPENDIX C

SCHEDULE OF EXHIBITS

- EXHIBIT A - Typical Organizational Structure of a Large Corporation
- EXHIBIT B - Typical Organizational Structure of a Small Corporation
- EXHIBIT C - An Interaction of Human Needs, Conditions in Work Group's Environment, and Work Group's Productivity



**The ABC Motel
Organization Chart**



SOME RELATIONS BETWEEN CONDITIONS IN THE WORK GROUP'S ENVIRONMENT, MOTIVATION, SATISFACTION, PRODUCTIVITY, AND TURNOVER-ABSENTEEISM

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
CONDITIONS IN THE WORK GROUP'S ENVIRONMENT							COMPANY PERCEIVED AS SUPPORTIVE
					LOW PERCEIVED CONTRIBUTION OPPORTUNITY	HIGH PERCEIVED CONTRIBUTION OPPORTUNITY	HIGH PERCEIVED CONTRIBUTION OPPORTUNITY
				PRODUCTION- CENTERED LEADERSHIP	ACCOMMODATIVE LEADERSHIP	ACCOMMODATIVE LEADERSHIP	GROUP- CENTERED LEADERSHIP
			LOW STATUS CONGRUENCE	HIGH STATUS CONGRUENCE	HIGH STATUS CONGRUENCE	HIGH STATUS CONGRUENCE	HIGH STATUS CONGRUENCE
		LOW INTERACTION OPPORTUNITY	HIGH INTERACTION OPPORTUNITY	HIGH INTERACTION OPPORTUNITY	HIGH INTERACTION OPPORTUNITY	HIGH INTERACTION OPPORTUNITY	HIGH INTERACTION OPPORTUNITY
	LOW EMPLOYMENT SECURITY	HIGH EMPLOYMENT SECURITY	HIGH EMPLOYMENT SECURITY	HIGH EMPLOYMENT SECURITY	HIGH EMPLOYMENT SECURITY	HIGH EMPLOYMENT SECURITY	HIGH EMPLOYMENT SECURITY
(NEED ACTIVATION)							
NEEDS							
SELF-ACTUALIZATION							
STATUS-PRESTIGE							
SELF-ESTEEM							
MEMBERSHIP							
SAFETY							
(EFFECTS ON PRODUCTIVITY AND TURNOVER- ABSENTEEISM)							
PRODUCTIVITY	HIGH	LOW	LOW?	LOW	MEETS MINIMUM REQUIREMENTS	HIGH	HIGH
TURNOVER-ABSENTEEISM	LOW	HIGH	HIGH	?	AVERAGE	LOW	LOW
KEY	NEED NOT ACTIVATED			NEED ACTIVATED BUT RELATIVELY SATISFIED		NEED ACTIVATED BUT RELATIVELY FRUSTRATED	