

Certificate in **BUSINESS MANAGEMENT**

Online Class

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INTRODUCTION TO BUSINESS



Chapter (4) Main Pillars of Business

- i. Production
- ii. Marketing
- iii. Human Resource
- iv. Production



IV. Main Pillars of Business



i. Production



IV. Main Pillars of Business



i. Production

“ Firms produce by combining the factors of production.”





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i. Production

Types of Production

- **Job Production**
- **Batch Production**
- **Mass Production**
- **Process Production**



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i. Production

- **Job Production** – This type of production system is concerned with making a (usually) high-priced product and order which is not likely to be repeated
-i.e. a **one-off job**.

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i. Production

- **Batch Production** – This is the production of a given quality of goods – i.e. **a number of units of a similar specification**. There may be repeat orders for these goods, but there is no continuous flow of production.



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i. Production

- **Mass Production** – This is the continuous output of **uniform, standardized products** for a **mass market** which offers a regular, continuous demand. The goods are relatively low priced and are produced by the use of machines and semi-skilled and unskilled labor.



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i. Production

- **Process Production** – This refers to the process used to extract products such as oil and gas. It makes possible a continuous flow of production, using expensive machinery, **highly automated methods** and a mass marketing technique.



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i. Production

Economics of scale refer to the savings made in terms of cost of producing each unit of production as a result of increasing size. The cost per unit of production is made up of two types of cost:

- **Fixed cost** - which do not vary with the level of output.
- **Variable cost** - which vary with changes in production.

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ii. Marketing



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ii. Marketing

" Marketing as a business philosophy "



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ii. Marketing

“ Marketing is a management process responsible for **identifying, anticipating and satisfying** customer requirement **profitability.**”

Management

The Charter Institute of

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ii. Marketing

Marketing Mix

- Product
- Price
- Place
- Promotion
- People
- Process
- Physical evidence



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ii. Marketing

- **Product** - what the business provides to satisfy customer needs.

Product activities - Quality, features, style, brand name, packaging, sizes, services, warranties, returns

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ii. Marketing

- **Price** - the financial expression of the value of a product.

Pricing activities - Target customers, cost, competition, the law, social responsibility

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ii. Marketing

- **Place** - the process of delivering the product. Place or Distribution related activities
- **Physical distribution** - Transportation, warehousing and storage, order processing, Inventory control,
- **Location**
- **Channels of distribution**



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ii. Marketing

- **Promotion** - the way in which a business communicates with customers.
- **Promotional activities** - Advertising, personal selling, sales promotion, sponsorship and public relations

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ii. Marketing

- **People** - the people who make contact with customers in delivering the product.
People activities – pre-sales and after-sales support, customers service, advisory.

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ii. Marketing

- **Process** - the processes involved in delivering your products and services to the customer.

Process activities – monitoring, quality assurance, handling customers complaints, identifying customers needs



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ii. Marketing

- **Physical evidence** - refers to everything your customers see when interacting with your business.

Physical evidence activities – physical presence, product tangibility, product consistency with business image

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iii. Human Resource



IV. Main Pillars of Business



iii. Human Resource

" Human resource management (HRM) is the management of the various activities designed to enhance the effectiveness of an organization's workforce in achieving the organization's goals. "

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iii. Human Resource

The subject of HRM is generally divided into three distinct branches:

- Employee resourcing
- Employee development
- Employee relations

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iii. Human Resource

- **Employee resourcing** – which is concerned with **obtaining and retaining staff** and their development in jobs through the activities of planning, recruitment and selection, pay and other rewards, and ensuring general working conditions which motivate and satisfy staff.

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iii. Human Resource

Human Resource Planning is the process which sets out to ensure that an organization has the **right quantity** and **quality of employees** doing the **right things** in the **right place** at the **right cost** to the organization.

iii. Human Resource

Human Resource Planning (Cont.)

Failing to establish a correct balance between the supply of, and demand for, labor in an organization can lead to either:

- **Shortage of staff**
- **Surplus of staff**



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iii. Human Resource

Human Resource Planning (Cont.)

- **Shortage of staff**
 - if a business employs fewer staff than it requires, it is unlikely to be able to meet its production and sales targets, machinery and stock will be unused, and its trading profit is likely to be reduced.

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iii. Human Resource

Human Resource Planning (Cont.)

- **Surplus of staff**
 - a business which finds itself employing more staff than it needs will incur wage and salary costs which cannot be funded by using such staff in productive forms of activity.

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iii. Human Resource

- **Recruitment and Selection** – People are the most important aspect in any business and management should make every effort to get the right people in the right jobs at the right time. For a company to stay competitive it must recruit and retain an efficient and effective team of employees.

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iii. Human Resource

Recruitment and Selection

The Vacancy - Recruitment is necessary when either **an existing employee leaves or a new position is created**. Whatever the reason, an analysis of the situation should be completed to assess whether there really is a vacancy or whether the work could be done somewhere else – reorganization of work or training could solve the problem.



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iii. Human Resource

Recruitment and Selection

The Vacancy

the job itself must be considered:

- **Job analysis**
- **Job descriptions**
- **Person specification**

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iii. Human Resource

- **Employee development** – which is concerned with ensuring that employees' skills remain relevant to the changing demands of work and that motivation is maintained.



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iii. Human Resource

Training and

Development

What is Training and Development?

- **Training** is **work-oriented** – organizations train their employees so that they can perform their work tasks effectively.

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iii. Human Resource

Training and Development

What is Training and Development? (Cont.)

- **Development** is **individual-oriented** – it is more than just training. A person may be developed in the course of training. However, the main purpose of development is to lead individual to realize and use more of his/her potential capacity and to increase that potential to open new horizons.

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iii. Human Resource

- **Employee relations** – which is concerned with reconciling conflict between the rights and interests of employers and employees through the adoption of appropriate strategies and procedures.



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iii. Human Resource

Employee relations

Remuneration and Reward

- Financial
- Non-Financial



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iv. Finance





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iv. Finance

" For a business to succeed, it needs to **monitor and manage** carefully its finances.

Failure to do so makes it increasingly difficult to meet one of its basic objectives i.e. to make a profit.

In effect, the business needs to be able to monitor its costs and revenues to ensure that it makes a profit."

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iv. Finance

The basic terms of finance

- Sales Revenue
- Costs of Production
- Profit
- Break-Even
- Working Capital
- Budgeting



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iv. Finance

Cash Flow Forecasts

Cash Flow is not profit. It is simply the **flow of money into and out of a business** over a given time period. It is one of the most important elements of financial management.

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iv. Finance

The Time Factor in Finance

Businesses **need funds** for different time periods.

These time periods are generally classified as:

- **Short term** – usually taken to mean under one year
- **Medium term** – usually taken to mean between one and five years
- **Long term** – usually referring to finance for over five years.

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iv. Finance

The Cost of Finance

If a business **wants to raise funds** - it is asking someone – the existing owner, new owners or an outside body – to put their own money into it. Anyone investing will want a return of some sort on the money, so raising finance necessarily involves a **cost to the business**.

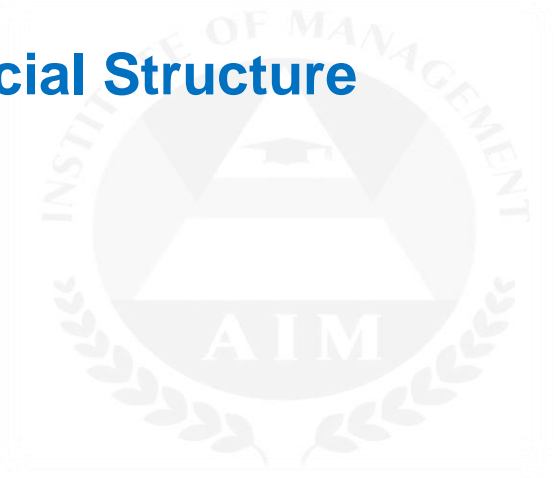
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iv. Finance

Business Financial Structure

- Capital
- Types of share
- Debentures



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iv. Finance

Business Financial Structure

- **Capital** – every business must have capital contributed by its proprietors to enable it to operate. This capital is the **basic source of funds** available to the business from which it can purchase assets and pay its liabilities.



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Business Financial Structure

- **Types of share**
 1. **Ordinary Shares**
 2. **Preference Shares**





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iv. Finance

- **Types of share**

a) Ordinary Shares – The holder of ordinary shares in a limited company possesses **no special right** other than the **ordinary right** of every shareholder to participate in any available profits. If no dividend is declared for a particular year, the holder of ordinary shares receives no return on her/his shares for that year. On the other hand, in a year of high profits they may receive a much higher rate of dividend than other classes of shareholders. ordinary shares are often called **equity share** capital or just equities.



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iv. Finance

- **Types of share**

b) Preference Shares – Holders of preference shares are entitled to a **fixed rate**, on any profits available for dividend. Thus, when profits are small, preference shareholders must first receive their dividend at the fixed percentage rate and any surplus may then be available for a dividend on the ordinary shares

–a preference shareholder is sure of a fixed return each year on his or her investment.



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Business Financial Structure

c) Debentures – A debenture is **written acknowledgement** of a loan to company, given under the company's seal, which carries a **fixed rate of interest**.

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iv. Finance

Business Financial Structure

Shareholder

- In effect, one of the proprietors i.e. an inside person.
- participates in the profits of the company, receiving a dividend on his or her investment.
- Not entitled to receive repayment of money invested (with certain exceptions) unless the company is wound up.

Debenture Holder

- A loan creditor and therefore an outside person.
- Secures interest at a fixed rate on his or her loan to the company, notwithstanding that the company may make no profit.
- Entitled to be repaid on expiry of term of debentures as fixed by deed.



Thank You For Your Attention!

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