

VIDEO CASES

CHAPTER 1 No Clowning Around—Cirque du Soleil

Several themes were introduced in this first chapter, including the importance of entrepreneurship to the success of the overall economy, the need for entrepreneurs to take risks (and the greater the risk, the higher the profit may be), and the dynamic business environment and the challenges it presents. Few organizations in today's society are more indicative of the new challenges than Cirque du Soleil.

First, Guy Laliberté took a huge risk by challenging the established circus tradition. The elaborate shows are expensive to start, and the talent must be the best in the world. But the risk pays off big time with sales of almost a billion dollars per year. Cirque du Soleil creates thousands of new jobs and contributes greatly to the communities it serves. It does this not only through the taxes it pays, but also through community outreach programs. Because of its entertainment value, Cirque contributes to both standard of living (through the taxes it pays) and quality them (the fun it provides for citizens of all ages).

Like all organizations, Cirque du Soleil has many stakeholders. They include the owners, the employees, and the local community. The organization is especially focused on the stakeholder group called customers. It wants to put on the best show possible, and that means providing the best talent in the best locations. To reach as many people as possible, many of the shows go on the road. You can even watch some of the shows on TV.

The business environment presents many challenges for Cirque du Soleil, as it does for all businesses.

The economic and legal environment of Canada greatly supports entrepreneurs like Laliberté. The technological environment in Canada and the United States is also supportive of new business ventures. No circus in the past came close to the elaborate technological devices used by Cirque du Soleil. The stage for one of the Cirque productions in Las Vegas, for example, is a huge pool that delights the audience with its ability to change from a place where the actors can seem to walk on water to one where they can dive from many feet above it.

The social environment is also conducive to new businesses. The variety of the Canadian population has contributed greatly to the ability of the circus to find diverse acts and to recruit acts from around the world. The ability of the organization to adapt to many cultures is shown by its success in various cities throughout the world.

Of course, success is likely to breed much competition, and Cirque has its share. Even traditional circuses are tending to offer more exciting programs that reflect what Cirque has been doing for years. Competition is good for business, as it prompts all businesses to offer the best products possible.

One of the best things about this video is that it allows you to see part of Cirque du Soleil in action. If you have never seen a Cirque show, search one out—if only on TV. It is exciting and fun, and it shows that entrepreneurship is alive and well and providing wonderful new services. The result is profits for the owners and a better quality of life for us.

Discussion Questions

1. Guy Laliberté is an example of an entrepreneur that found an opportunity within a changing business environment. What are other lessons that you can take from this video that might result in an entrepreneur's success?
2. What are some of the challenges and opportunities you can identify for Cirque du Soleil in today's dynamic business environment?
3. How would you compare the excitement and fun of working for a new entrepreneurial venture like Cirque du Soleil with working for a large, traditional business? What are the risks? The rewards? The challenges?

CHAPTER 2 The Bank of Canada: Count on Us

The Bank of Canada contributes to the well-being of the Canadian economy through the implementation of monetary policy, its role in the Canadian financial system, and its management of Canada's bank notes. Located in Ottawa, Ontario, the Bank of Canada is our country's central bank. It is not a commercial bank and it does not offer banking services to the public. Its principal role, as defined in the Bank of Canada Act, is "to promote the economic and financial welfare of Canada." The Bank was founded in 1934 as a privately owned corporation. In 1938, it became a Crown corporation belonging to the federal government. (Crown corporations are discussed in Chapter 4.)

Take a second and think of your bank balance. What makes that money valuable? According to the Bank of Canada's Governor, Mark Carney, you don't have to worry about your money or the financial system in Canada due to the work of the Bank of Canada.

The Bank of Canada's main job is to direct monetary policy, which involves setting the interest rates that people and businesses pay when they borrow money. The Bank's objective is to influence interest rates so that the economy can remain healthy and create jobs. A healthy and stable economy helps families and businesses adapt to the changing conditions in the world economy.

As long as inflation is low, stable, and predictable we can remain confident in the future value of our money. The Bank of Canada and the Government of Canada aim for an annual inflation rate of 2 percent. This is known as the inflation target. The Bank of Canada sets the policy interest rate, which influences commercial interest rates. For consumers, low interest rates mean that

it costs less to borrow money. For businesses, low-cost loans help them buy new equipment and expand their operations. All of this economic activity helps to push rates up. On the reverse, when everyone spends less due to higher interest rates, inflation tends to come down.

From buyers to sellers, from sellers to banks, and from banks back to businesses and consumers, it is easy to take all of these millions of transfers for granted. Money moves through a financial system. The Bank of Canada oversees these large complex systems that are used for making these daily financial transfers.

Since Canada is an open economy (i.e., we depend more on international trade and capital flows than many other countries), it is important to understand the global economic environment as well. To this end, the Bank of Canada works to ensure that the financial system stays strong and secure by working with the G20 (the 20 largest countries in the world), the IMF (International Monetary Fund), and the BIS (Bank of International Systems) to raise the standard of regulation and also ensure that other countries are applying these regulations and supervision through their banks, insurance companies, and financial systems so that Canada is not impacted by shocks from abroad.

When the Bank of Canada was established, it was given the sole authority to issue bank notes in Canada and to preserve the value of money. Bank notes are designed to be attractive, easy to use, durable, and difficult to counterfeit. If it was hard to tell a real Canadian bank note from a fake, confidence in our currency would disappear. All of our bank notes have security features that are easy to check.

Discussion Questions

1. The Bank of Canada has the mandate to contribute and enhance the well-being of Canadians. What three areas are targeted by the Bank of Canada as a way to do this?
2. How does the Bank of Canada try to keep the inflation in check?
3. What is the impact of high interest rates for consumers and businesses? How about low interest rates?

CHAPTER 3 The Mouse That Doesn't Come with a Computer

Who has not heard of Mickey Mouse? M I C, K E Y, M O U S E! How would you say that in French or Chinese or Spanish? Would it have the same meaning or the same appeal? Those are the questions Disney faced when planning to take the Disneyland experience overseas.

Would the "Happiest Place on Earth" be equally happy for people who hadn't been exposed since birth to Mickey Mouse, Donald Duck, and the other Disney characters?

Walt Disney Imagineering is the creative arm of the Walt Disney Company <thewaltdisneycompany.com>.

The people in Imagineering come up with solutions to the questions posed above. The problem may be easier to solve than you imagine, because people all over the world have similar likes, fears, and imaginations. Just because they come from a different culture and speak a different language doesn't mean that they won't be equally enchanted by Cinderella, Snow White, and Mickey Mouse. On the other hand, there may be huge differences in the way people react.

So, what can you do to minimize the potential for disharmony? One answer is to hire local people to help in every phase of the project. They know the culture. They know the language. And they know what people like and dislike—in each specific country or town or village.

Taking Disney to China would have many positive benefits for both countries. It would create jobs in China and bring new entertainment to the people there. A Chinese Disneyland would create a more favourable balance of trade for the United States and possibly lead the way to more trade with China.

Discussion Questions

1. Working in another country can be a fun and challenging experience. If you had to choose one country to live in other than Canada, what would it be? Explain why. What Canadian companies are located there?
2. What products have you bought lately that were made in a different country? What countries produced them? Did you have any difficulty accepting the fact that the product came from there? Did

Chinese labour is less expensive than U.S. labour, so a Disney park could perhaps be built for less—if local architects, engineers, and set designers were used. Everything would have to be planned with a Chinese audience in mind.

The same would be true in other countries. For example, in Japan, people like to shop for gifts, so the gift shop might be bigger and have more clerks. In France, people may prefer to drink wine instead of Coke. Local laws and local tastes must be considered. In short, taking a business overseas is a real challenge. It means listening to what locals have to say and then adapting your offerings accordingly.

Many questions need to be answered. For example, would people in other countries be willing to spend the same amount of money to enter the parks? Are there alternative ways to charge for the experience? Which of the Disney characters would appeal the most to people from China? How would you find the answers to such questions?

you have any difficulty with the directions or the follow-up service? What does that tell you about global marketing and global business?

3. Imagine yourself trying to sell someone from France on the idea of visiting the Disney park. What issue might you expect to encounter? What issues may you encounter when trying to get someone visiting from France to go to the original Disneyland park in the United States?

CHAPTER 4 Creating a Buzz: Red Bull

In this chapter, you were introduced to the ways in which government activities can affect businesses. Let us consider how the creation of laws and regulations, one of the six government activities discussed, can create an opportunity for the sale of a product that some believe is dangerous to one's health.

Developed in Austria, Red Bull <www.redbull.com> is an energy drink with high caffeine content. It is creating quite a buzz, literally. It is promoted to people who need an energy boost.

Health Canada <www.hc-sc.gc.ca> is the federal department responsible for helping Canadians maintain and improve their health while respecting individual choices and circumstances. Health Canada oversees legislation for health products, regulating everything from vitamins to herbal remedies. Under

this legislation, Red Bull was approved as a health product, with many warnings. These warnings include the following: Red Bull is not recommended for children, for pregnant women or those who are breast-feeding, or for caffeine-sensitive persons; it is not to be mixed with alcohol; and people should not consume more than 500 mL per day.

Some believe that Red Bull should not have been approved for sale in Canada as a health product. Too much consumption of Red Bull can be dehydrating. Despite allegations to the contrary, there was no evidence at the time of this video supporting the claim that Red Bull negatively affects people's hearts. There was no long-term research on how the combination of ingredients in this product interacts with the body. Regardless, some countries—Norway, Denmark, and

France—were so concerned that they banned Red Bull. The governments in Sweden and Iceland have also voiced concerns.

In addition to other marketing activities, Red Bull sponsors extreme sporting events. The product can be purchased in a variety of locations across Canada, including bars and local variety stores. It is a number-one seller in 7-Eleven variety stores, which are easily

accessible to children. The video shows how Red Bull representatives are promoting their product throughout Canada and encouraging participants to try it. From the footage shown, it does not appear that they are consistently communicating the warnings on the label, including that Red Bull should not be mixed with alcohol.

Have you tasted Red Bull? If so, did you like it? If not, are you curious to try it?

Discussion Questions

1. What ingredients are found in Red Bull? What is the controversy surrounding these ingredients?
2. Why did Health Canada approve the sale of Red Bull when other countries have banned the sale of this product?
3. Do you agree that people must take responsibility for their own health, including reading labels and following instructions? In your opinion, should Health Canada be doing more? Explain.

CHAPTER 5 If It Isn't Ethical, It Isn't Right

Cancer affects the lives of millions of people each year. While significant progress has been made toward fighting the disease, finding a cure is considered by many to be the “holy grail” of medicine. For most of the twentieth century, cancer-fighting drugs were like bombers in the Second World War. They’d drop thousands of bombs, hoping that a few would get lucky and hit the target. Since the drugs couldn’t tell the difference between a cancer cell and a healthy cell, they killed them both. But new generations of drugs are more precise and target individual disease cells, leaving healthy cells unharmed.

Unfortunately, developing effective new treatments for cancer is a lengthy and costly process. Every step in the process of developing a new drug calls for ethical decision making. The temptation may be to rush the process and cut corners to minimize costs and maximize profits. Does the drug violate a patent that already exists? How far should a company go in testing the effectiveness and the side effects of the new product? Should the drug be tested on animals? Should it be tested on humans? How much should a company charge for the drug? What should the company say in its promotions?

Jennie Mather founded a company called Raven Biotechnologies to develop solutions to the most serious cancer illnesses. She understood from the beginning that ethical decisions are based on ethical management. She used the latest monoclonal technology because it enabled her company to target and attack a single disease cell such as a cancer cell. This is a much safer and ethical way of solving the problem

because it dramatically reduces the serious side effects caused by “shotgun” treatments. Because of these precautions, such drugs tend to make it through the government screening process faster and easier.

Mather hires employees who have the same ethical approach to business and the same kind of scientific approach that she has. She knows that management sets the ethical parameters, but that employees must maintain those standards. Business people today are conscious of the fact that the public is very sensitive to ethical practices because of companies, such as Enron, that violated ethical principles. The public is particularly sensitive to issues surrounding pharmaceutical companies. One popular movie focused on the ethics of product testing. Should drugs be tested on humans? If so, how should people taking the test drugs be treated? Is it right to give some people the test medicine and others a placebo (a fake medicine)?

Another fundamental issue is price. It costs a lot of money to develop a new drug, and companies cannot come up with new solutions to illnesses without recouping those huge costs. On the other hand, people without health insurance and people in developing countries simply cannot afford high prices for drugs. Who should bear the cost of providing life-saving drugs to those people?

Mather and her employees take an ethical approach to everything they do. Everyone looks forward to the day when there are effective drugs for pancreatic cancer, colorectal cancer, and other serious illnesses. We look to science to solve those problems, and we look to ethical managers to apply the science in the right way.

Discussion Questions

1. What ethical issues concern you most about the development and sale of pharmaceutical drugs? Does Raven Biotechnologies address all of your concerns?
2. One of the major issues involving pharmaceutical drugs is their high cost. Why do drug companies have to charge such high prices? Should they charge lower prices in countries where the people cannot afford expensive drugs?
3. Is the need for high ethical standards more or less important in the pharmaceutical industry? Why? What could be done to assure the public that the highest standards are being used?

CHAPTER 6 Java Nook

Annette Lavigne, mother of six, is starting a business selling coffee with her new life and business partner, John Welter. Apart from a few jobs at minimum wage, Lavigne has spent the last twenty years at home with her children. Armed with a high school “how-to course” in business, Lavigne is turning first-time entrepreneur in one of the riskiest service businesses; as many as 40 percent of new restaurants close within two years.

The partners found a low-rent location for their small café and are hoping for sales of \$400 a day to start when they open. We learn of some of the challenges that they face as their opening date keeps getting pushed back. Starting the venture with \$20,000 that Lavigne received in an accident settlement, they soon realize that they have underestimated both the amount of money and time needed to commercialize

their business. The money is soon gone and the bills keep piling in. Lavigne is approved for \$30,000 from a second mortgage on her house to continue with this dream of a lifetime.

One week from opening, they still have a lot to do. Among other tasks, they are deciding what food to serve, where to place it, and how to run the espresso machine. With less than twenty hours to go, the carpenter is still putting up walls.

The first week of the Java Nook’s opening was a great success. So much so, in fact, that the carpenter became a full partner. With less than two weeks under their belt, Lavigne and Welter decide to expand. They lease the space next door and plan to sell local art. They’re going for broke if they don’t go broke. “If it doesn’t succeed,” says Lavigne, “we know that we will have done our best and at least we will have the Java Nook.”

Discussion Questions

1. What are the advantages and disadvantages of starting a partnership?
2. Do Annette and John have the backgrounds needed to succeed in business? Explain.
3. If you were seeking to open a similar business, would you prefer to do it on your own or to purchase a franchise? What are some of the advantages and disadvantages of purchasing a franchise?

CHAPTER 7 dougieDOG in the *Dragons’ Den*

Aspiring entrepreneurs enter the *Dragons’ Den* and pitch their business concepts and products to a panel of Canadian business people who have the cash and the knowledge to make their dreams happen. But it takes more than passion to convince these investors, as it is their money that is on the line.

In this segment, we meet Dougie Luv, a Vancouver entrepreneur with a gourmet take on a campfire classic. President of dougieDOG Hot Dogs <dougiedog.com>, he is seeking \$200,000 for 25 percent of his company. Two and a half years ago, Luv decided to research the hot dog, a comfort food. He drove to Los Angeles and spent eight weeks on the road, eating hot dogs.

Returning to Vancouver, he opened British Columbia’s first hot dog restaurant.

The hot dogs are all natural, free of hormones, preservatives, and chemical additives. His restaurant serves more than 26 varieties of this all-natural hot dog. Costing \$7 each, the price is more than double the price of a hot dog that is purchased from a street vendor (also known as street meat).

The operation is 650 square feet with monthly sales between \$25,000 to \$30,000. While the operation lost \$10,000 in its first year, Luv has since adjusted the food costs and wages. It is in a great location, Vancouver’s entertainment district. A lot of his business

occurs after 10:00 p.m. when people leave the bars and clubs in the area.

Luv is passionate about his company and he is convinced that it is going to make money on this exclusive brand of hot dog. In fact, he is legally ready to franchise his business. “This is what being an entrepreneur

is about,” says Luv. “Believing in your product, doing it, and making it work.”

Unfortunately, Luv is not successful in convincing the Dragons to give him the money. Watch the video to learn why believing in your product and making it work is not always enough.

Discussion Questions

1. According to Jim Treiving, one of the Dragons, how much does a business between 600 to 800 square feet have to make to break even in a year? How close is this business, as it now stands, to this point?
2. What are the reasons given by the Dragons as to why they will not invest in dougieDOG? Do they make valid points?
3. Would you invest in adougieDOG franchise based on what you learned in this video? Explain.

CHAPTER 8 How Bad Is Your Boss?

No matter where you work, no matter how important you think you are, you can't escape the boss. Some are demanding, some are out of touch, and they are creating stress in the workplace.

Shaun Belding, author of *Winning with Bosses from Hell*, shares the seven deadly sins of bosses. You will hear from former employees examples of bad boss behaviour that contributed to a negative work environment. In many instances, employees quit their jobs as a result of poor management styles.

Business people who have risen through the ranks share some of their insights based on years of experience. In one instance, you will hear how treating workers well can boost the bottom line: good management is important for the health of an organization and the individual, while poor management makes organizations and people unhealthy. One former executive believes that employees are asking for reality, clarity, and opportunity in the workplace, and that this is what executives need to deliver.

In this chapter you read about changes occurring in the areas of management and leadership. Most managers today are flexible and open to new ideas. They tend to give their workers more responsibility and authority and act more like leaders than bosses who tell their workers what to do. Robert Lemieux is a young executive at the Delta Chelsea in Toronto, Canada's biggest hotel. He is the director of sales, with a staff of 50. In order to become president or vice-president, he knows that he

has to become a great boss. To help him avoid becoming a bad boss, he agrees to work with Lindsay Sukornyk, founder of North Star Coaches <www.northstarcoaches.com>, an executive coaching firm. As part of the process, she helps identify those things he does well as a boss and those things he needs to do better. The result is that in addition to his positive traits, Lemieux learns that there is a perception that he over-promises and under-delivers with his employees as he becomes too involved in projects. In a discussion with his employees, he shares this feedback and solicits their advice on how he can change his approach to become a better supervisor. Such open communication is reflective of his strong leadership and the care that he demonstrates for his employees.

When you consider your answers to the seven questions posed in the video, it is important to recognize that not everyone can be perfect all of the time. However, if you said yes to between three and six questions, you have (or have had) a bad boss. If you are in this situation now, you may need to take action to change the situation, but be careful if you confront your boss. After all, you are the subordinate and such a discussion would require a high degree of tact.

If you have limited work experience, this video is still of value to you. One day you likely will hold a management position, and hopefully you will remember some of these points as you move up the corporate ladder.

Discussion Questions

1. What are the seven deadly sins of bosses?
2. Do you believe that people can be coached to be better managers? Explain.
3. What leadership style should Robert Lemieux use to be considered more effective by his staff?
4. What can workers do to protect themselves from a bad boss?

CHAPTER 9 One Smooth Stone

David slew Goliath with a single smooth stone, and thus was born the name of the company One Smooth Stone (OSS). It's an unusual name for an unusually interesting company. OSS is in the business of providing materials for big corporate events: sales meetings, client meetings, and product presentations. Most people in industry have attended many such meetings, so keeping them entertained is a major challenge. And that's where OSS comes in: It uses project teams to come up with original and captivating presentations for its customers.

You read about the history of organizational design in this chapter. You learned, for example, about Fayol and his principles of organization. The first principle is unity of command (every worker is to report to one, and only one, boss). Other principles include order, equity, and esprit de corps. This video shows that OSS understands the importance of esprit de corps. It is a fun and interesting place to work, and employee turnover is very low. The company does not follow many of Weber's principles dealing with written rules and consistent procedures. Quite the contrary: OSS is structured to be flexible and responsive to its clients. There are no set rules, and the company is certainly not consistent with its projects. Everything is custom-made to the needs of each client.

OSS uses a flat organization structure. There are a few project managers, who have workers under them, but they don't look over the employees' shoulders telling them what to do or how to do it. That means there is decentralized authority. Whereas many companies are structured by department—design, engineering,

marketing, finance, accounting, and so forth—OSS is structured using project teams. Each team is structured to meet the needs of an individual client. For example, the company hires people with specific skills as they are needed. The term for this is outsourcing, and OSS outsources many of its tasks to freelance professionals. Together, these professionals work as self-managed teams. The teams focus on client needs. There are some staff workers to help with personnel, legal, and other such services.

The company is not keen on making strategic plans because its environment changes so rapidly that such plans are obsolete as soon as they are made. Therefore, the company engages in “strategic improvising.” Although OSS sounds less structured and more informal than most companies, it still focuses on total quality and practises continuous improvement.

In addition, the company is particularly concerned about its corporate culture. It has three values: smart, fast, and kind. It works smart, responds quickly, and is always kind to others, including its own workers. Because of its culture and responsiveness, the company has been able to capture big accounts such as Motorola, Sun Microsystems, and International Truck and Engine.

The long-run success of the firm, however, is based on its project management teams. They carefully listen to what clients are trying to accomplish and then come up with solutions to their problems. You can see their creativity in this video. Clearly, OSS has been able to impress the Goliaths of big business with its presentations.

Discussion Questions

1. What have you learned from this video about the use of teams as an organizational tool versus the traditional line or line-and-staff forms of organization?
2. Does working at OSS look like more or less fun than working for a company with a more traditional approach to organizational structure and operations? Why?
3. From what you saw in the video, what do you think the core competencies of the company might be?

CHAPTER 10 Reality on Request: Digital Domain

As chairman and CEO of Digital Domain <*digitaldomain.com*>, Scott Ross runs one of the largest digital production studios in the world. His studio won an Academy Award for simulating the sinking of the *Titanic* in the movie of the same name. It also created the digital

waves that wiped out the horsemen in *The Lord of the Rings*.

Operations management is unique at Digital Domain because no two projects are ever the same. One day the company may be making a digital cow

(*O Brother, Where Art Thou?*), on another a digital spaceship (*Apollo 13*), and on still another digital waves (*Titanic*). Digital Domain is both a production and a service provider. How so? In addition to producing digital scenes for movies, the company advises movie producers as to what is possible to accomplish digitally. Still, certain activities, such as facility location and facility layout, are common to both service organizations and production firms.

Since many movies are made in Los Angeles, it's important for Digital Domain to be close to the city. Actors are often chosen from that area, as are workers and specialists at Digital. The company believes that its most important resource is its workers. Thus, facilities layout is designed to make workers' jobs easier yet efficient. For example, there's a combination conference room and cafeteria. Given the company's passion for quality, everything is designed to be clean and logical. Facility layout assists workers in developing the highest-quality product possible given time and money constraints.

Materials requirement planning (MRP) is a computer-based operations management system that uses sales forecasts to make needed parts and materials available at the right time and place. Since Digital's primary resource is people, the company lists 54 key disciplines in its database, so it's easy to find the right person for the right job. For example, a project may come up on

Wednesday that demands resources be available the next Monday. People have to be contacted and hired just in time to keep the project on time and within budget.

The company does much of its purchasing on the Internet. It also uses flexible manufacturing. To keep costs down, Digital also uses lean manufacturing, the production of goods using less of everything: less human effort, less manufacturing space, less investment in tools, and less engineering time for a given project. To keep costs down, the company does a lot of previsualizing—simulating projects to determine the best way to proceed.

Of course, mass customization is basically what Digital Domain is all about: creating new and different scenes that cannot be duplicated. However, once the company learns to create artificial waves or some other image, it is easier to duplicate a similar image next time. Since film is very expensive, many ideas are created using pen and pencil first. From such “primitive” tools, the company goes on to use computer-aided design.

Making movies is expensive. Everything needs to be done as planned. Scott Ross knows it's show business, and that making a profit is vital. For this reason, getting things done right and on time is the hallmark at Digital Domain.

Discussion Questions

1. Do you have an appreciation for operations management now that you've seen how exciting such a job can be at a company like Digital Domain?
2. Mass customization is critical in the production of movies and special effects. As a consumer, what benefits do you see in being able to buy custom-made shoes, clothes, automobiles, and more?
3. What lessons did you learn from this video that you could apply at any job you might get?
4. This video points out that certain workers are very focused on quality, and that there comes a time when you have to stop improving things because time has a cost. Have you had to make a trade-off between perfection and “good enough”? What were the consequences?

CHAPTER 11 Motivation Is a Hot Topic

We all have witnessed retail employees who seem at best indifferent to customer satisfaction. They are as likely to be talking to one another as to customers—sometimes on the phone. It doesn't take a retailing expert to know that such employees do not contribute to the success of the firm. So, how do firms get retail employees to be passionate about their work? To answer that question, consider Hot Topic Incorporated <www.hottopic.com>.

Hot Topic stores sell clothing and accessories that appeal to the alternative culture. Emphasis is on the

latest music trends and the fashions that accompany them. Employees, therefore, need to be familiar with the newest bands and the latest music. That means going to concerts and observing what people wear and becoming very familiar with the cultural trends within those groups.

Torrid <www.torrid.com> is another store run by the same company. It caters to an entirely different audience: more mature women who are looking for fashionable plus sizes. Hot Topic Incorporated runs both stores. The CEO of the company is Betsy

McLaughlin. She has learned how to motivate the employees at both stores using well-established managerial techniques outlined in this chapter.

There is much emphasis in this text on employee empowerment. At Hot Topic, that means that employees are paid to attend music concerts where they not only have a good time, but also learn more about the culture of the people they will be serving. Since promotions come from within, that culture carries over into headquarters. There are none of the usual offices that designate hierarchy. Instead, all employees are encouraged to make decisions on their own, within reason, and to be responsive to customer needs. As you read in this chapter, Herzberg says that employees

have certain needs that are not motivating but result in dissatisfaction (and possible poor performance) if not present. They include salary and other benefits. Thus, the salary and benefits at both stores have to be competitive.

Employees feel good about their work when they are empowered to do what it takes to please customers. Empowerment often demands some in-house training to teach employees the skills they need to be responsive to customer demands. All of this falls under the concepts of Theory Y, which states that people are willing to work hard if given the freedom and opportunity to do so. Such freedom is what Hot Topic Incorporated is all about.

Discussion Questions

1. What motivators identified by Herzberg are used at Hot Topic?
2. How do you think Hot Topic employees would react if the company gave them each a small raise, but stopped paying them to attend music concerts?
3. How well would a Theory X manager perform at Hot Topic? Why?

Would they be more or less motivated to please customers? Why?

CHAPTER 12 Surf's Up at Patagonia!

Human resource management (HRM) can be one of the most exciting and enjoyable parts of a firm, depending on management's commitment to workers' needs. No company reflects this commitment better than Patagonia. Patagonia's HRM doesn't have to worry about where it's going to get its next worker, as people are lined up to get a job with the company. Why? Because this is a firm with passion—passion for making the best products possible, passion for making its employees happy, and passion about the environment.

Patagonia believes that a great business begins with great products. Who could argue with that? Great products meet the needs of customers. In this case, that means that they will be long-lasting and are backed by a full guarantee. But great products do more than satisfy consumers; they also have a minimal impact on the environment.

Workers at Patagonia are pleased that the company's commitment to the environment is not just a slogan. Ten percent of its pre-tax profit goes to environmental groups of all kinds. Employees are encouraged to get to know these groups and to participate in selecting the groups that receive the company's donations. If an environmental group is not familiar with best business practices, such as writing a business plan, Patagonia will give it that training.

Given that thousands of people are willing to work for Patagonia, how does the HRM department choose which ones to hire? They are looking for people who are as passionate as they are. What kind of passion do they require? Any kind: a passion for cooking, for cleaning, for life. When employees have passion, they will stick with an employer. That's why the turnover rate at Patagonia is a low 4 percent per year. Some businesses have a turnover rate approaching 100 percent per year. These businesses have to train and retrain their employees constantly. Patagonia can put all of that effort into satisfying the needs of employees who want to stay.

What does the company do for its employees that makes it stand out from other companies? For one thing, Patagonia knows that parents often feel uncomfortable leaving their children with child-care centres. Patagonia provides onsite daycare—and they did so long before other companies even dreamed about offering such a benefit. Children thus become part of the company's atmosphere. There are children everywhere, and the parents feel comfortable having them nearby.

All employees experience days when the sun is shining and nature is calling. You simply can't get your work done because you are dreaming about fishing or golfing or mountain climbing or whatever. How would

you like it if your manager said, “Go ahead, take off. Have fun!” How can a company do that? One way is to have a flexible work schedule. With such a schedule, workers can take off early or come in late when the “surf’s up”—that is, when recreation calls. Patagonia’s top managers have a passion for sports and sports equipment—the kind that Patagonia sells. Since they expect their employees to have the same passion, that means letting them go when they need to go. That employee passion is communicated to customers, who buy more. It’s a win–win deal for the company.

Discussion Questions

1. Patagonia stresses the importance of hiring employees with passion—a passion for anything, not just sports. Why does it place such importance on passion? Why would it think that someone with a passion for something unrelated to sports (e.g., cooking) might be an excellent employee?
2. What effect do Patagonia’s practices of providing child care and donating to environmental groups have on employee productivity and retention? Why?
3. Can you see the potential for possible abuses of a flextime program? What could a company do to prevent such abuses before they occur?

CHAPTER 13 United We Stand

After reading this chapter, you are familiar with the history of labour unions. You have learned the tactics that labour uses to get new benefits from management, and you have learned the tactics that management uses to respond to labour demands. What should be evident is that labour unions are still important today and they continue to seek fair treatment for the employees that they represent.

We are so accustomed to thinking about labour unions in the auto, steel, and other related industries that we tend to overlook other key industries where labour unions are very important. Have you heard of the Screen Actors Guild (SAG), the American Federation of TV and Radio Artists (AFTRA), and the Writers Guild of America (WGA) <www.wga.org>? Do you have any idea what issues the membership faces in such unions? Are they the same issues that unions have always faced: seniority, pay, benefits, and such? Or are they different somehow?

Some young people dream of becoming movie stars. They see the glamour, the excitement, the adulation of the fans, and the huge paycheques. What they don’t see behind the scenes is the constant fight going on to win and keep certain privileges that past actors have won. Back in the 1930s, actors worked unrestricted hours, had no required meal breaks, and had unbreakable seven-year contracts. The producers tried to control who you could marry, what

Employees are happy with the freedom they have, and the company is happy with the productivity that such freedom creates.

What other company offers surfing lessons to its employees? Few companies let their employees leave when the surf’s up, but many other companies offer employees flexible work schedules and other incentives that allow them to balance their work and personal lives. These companies also have workers who are passionate about the company and their work. Who organizes all of these activities for workers? HRM!

political views you could express, and what your morals were. The SAG won some concessions for the actors in 1937, but the studios pretty much still “owned” their stars. Eventually the stars won the right to better contracts—to the point where independent studios were formed and actors could control their own careers, even demanding a percentage of gross for their pay (e.g., Jimmy Stewart in 1950).

Other issues concerned residuals for films shown on TV and in reruns. Other contracts had to do with commercials and how the actors would be paid for them. Today’s contracts deal with issues like diversity, salary and work conditions, financial assurances, safety considerations, and so on. Things are constantly changing for actors. For example, independent film producers around the world have different rules and requirements. TV commercials now appear on cell phones. SAG keeps up with such changes to assure fair treatment of its members.

While SAG is for movie actors, AFTRA is a performer’s union for actors, radio and TV announcers and newsmen, singers, and others who perform on radio and TV. It negotiates wages and working conditions much like the SAG, including health care and pensions. You can imagine negotiating an issue like equal pay for equal work when dealing with highly paid actors and actresses with huge egos.

The WGA represents writers in the motion picture, broadcast, and new media industries. (The Writers Guild of Canada represents Canadian writers.) Like actors, writers have issues dealing with pay, benefits, retirement, and so forth. The more you think about it, the more it will become clear to you that actors

and others in the entertainment industry need unions or some other kind of organization to protect them from unfair practices. You can only imagine what treatment actors and others get from independent companies in other countries if they don't have representation.

Discussion Questions

1. Imagine what it would be like to try to get a job as an actor in Hollywood. What role might a union play in helping you find a job, negotiate a contract, and otherwise look out for your interests? You might look on the SAG-AFTRA <www.sagaftra.org> and WGA Web sites for more information (as an update to the video, SAG and AFTRA merged in March 2012).
2. What issues might actors, performers, and writers have that other workers may not have?
3. What is the general attitude in your class toward labour unions? Are there many union workers in your city? Where do you see labour unions gaining strength in the future?

CHAPTER 14 Going for the Green Market

You can't go to a grocery store or hardware store these days without noticing how many products are being promoted as "green" products. They are called "eco-friendly" or "natural" or simply "green." There is "green" paint with no smell, "green" cars that use less gas, and "green" environmental paper products.

This video features several green products including Green Works from The Clorox Company <www.thecloroxcompany.com>. Clorox considered making such products for five years before deciding that the market was ready for them. Using the concept of "Find a need and fill it," the company used focus groups to find out what customers wanted in cleaning products. Consumers indicated that they wanted to go green, but didn't want to change their behaviour radically. The company responded accordingly, and did not create a niche product but one that would appeal to everybody.

Clorox believes its product is truly green. It contains coconuts, lemon, and corn ethanol. It is Clorox's first new brand in twenty years, so they wanted to make it right. In fact, the Sierra Club <www.sierraclub.org>, an environmental organization, has gone so far as to endorse the product. Some people have questioned whether or not the Sierra Club should be endorsing any products from companies like Clorox that make other products, such as bleach, that many say harm the environment. Clorox contends that Clorox bleach becomes nothing more than salt and water after use and is environmentally safe. In fact, bleach has saved lots of lives because of its ability to kill germs.

The validity of the Sierra Club endorsement was criticized by others because the organization gets money from Clorox—a fact that puts some doubt in people's minds about the ethics of the whole process. The Sierra Club calls it "cause-related marketing" and finds nothing wrong with the fact that it receives money from Clorox.

The question for all of us is, "How do we know which products are truly green and which are not?" Are the companies helping to save the world or are they simply practicing good marketing? The answer, the video points out, is that we really don't know which products are "good" for the environment. In fact, there is a call for strict government guidelines as to which products should be able to use the words "green" and "sustainable."

Another company featured in the video is Home Depot. It offers green paint, green light bulbs, and other green products. It uses Scientific Certification Systems <www.scs-certified.com> to test its products and does its own testing as well. Nonetheless, there is a call for better labelling of green products, including the ingredients. If a product doesn't list all the ingredients, the video suggests you not buy them.

Pretending a product is green when it really is not is called "green washing" and confuses the consumer. Many people believe that almost all products in the future will be greener than ones on the shelf now. On the other hand, others contend that the "green revolution" may not last for more than a few years. Whether or not green products are here to stay is up to consumers like you.

Discussion Questions

1. List at least four products that you've seen or purchased that are clearly green products. How much influence do green promotions have on your purchasing decisions? Discuss.
2. There was some discussion in the video about the future of green products. Do you believe that green products are here to stay?
3. Would you like to see more green labelling, including the listing of ingredients? Do you believe that the use of such products will make a significant difference in the sustainability of the planet? Why or why not?

CHAPTER 15 Promotion Gets a Big Push

Students today are witnessing a major revolution in promotion. They have seen radio change from standard broadcasting to commercial-free satellite radio. They have watched families blank out TV commercials with TiVo and other digital video recording devices. Students spend less time reading newspapers and magazines and more time talking on the phone, playing video games, and listening to their iPods. More entertainment options are available today and there are more distractions from traditional promotional tools.

Today's students also have a wonderful opportunity to reinvent promotion, changing it from a one-way stream of sales pitches to an interactive dialogue among promoters and consumers. Traditional promotional tools—selling, advertising, public relations, and sales promotion—have always provided fun and interesting careers. The challenge today is to create promotions for the new realities of the marketplace. That means, for one thing, creating advertising and other promotions on the Internet. One of the cutting-edge advertising agencies in this regard is Night Agency <www.nightagency.org>, which has become an integral part of the marketing process for the firms it serves. It does everything from helping in the design of the product to working with the company to develop a winning brand name, effective packaging, and fast distribution.

A company like Night Agency has to promote itself to other businesses. Like most firms, Night Agency relies heavily on word of mouth to spread its name. Publicity in the form of articles written about the company is another powerful promotional tool. Night Agency teaches other

firms how to use public relations and publicity to educate the public about the good things the firms do and to give the firm's side of the story during controversies. Think of the public relations challenge that oil companies have had over high gas prices at the pump.

Often, promotional efforts begin inside a company. Salespeople, clerks, and other customer-contact people (and that means almost everyone in the firm, because all workers contact other people) often don't understand everything they need to know about the products they make and sell. That means using internal promotions to keep employees informed. That may take the form of videos, brochures, meetings, charts, and more. Full-function advertising agencies get involved in such internal promotions as well as the more traditional external promotions that you are more used to seeing.

One of the more innovative products from Night Agency is interactive web games and demonstrations. Such promotions get potential customers more deeply involved in promotions than they have been in the past. However, such promotions need to be measured like any other promotional tool to ensure that they are seen, remembered, and followed. One of the more memorable of Night Agency's efforts was the Darfur Digital Activist Contest, which was designed to increase awareness of the desperate need for aid among the people in Darfur, Sudan. It is exciting and rewarding to use promotional tools to make a difference in the world, and doing what you can to end world hunger, poverty, disease, and war is part of that challenge.

Discussion Questions

1. What kinds of promotions have led you to buy the items you have purchased recently? These items include the school you attend (what prompted you to go there?), the clothes you wear, the music you listen to, the restaurants you go to, and so on.
2. What differences, if any, did you notice between what Night Agency does and what you are used to seeing in promotions?
3. What has been your reaction thus far to Internet promotions? Do you pay any attention to them? Are they getting better? If so, in what way?

CHAPTER 16 Goodwill Industries

Goodwill Industries <www.goodwill.org> is a major charitable organization that relies primarily on financial and non-financial donations and grants. It has retail operations that help sustain its financial operations so as to fulfill its mission to help train, support, and employ disadvantaged individuals and those with disabilities.

The video introduces the accounting function and the specific steps involved in the accounting cycle. The similarities and differences between for-profit and not-for-profit entities are discussed in detail. The importance of accounting in providing financial information and analysis is featured. Emphasis is placed on financial statements as well as ratio analysis in helping gauge the financial health of the organization.

Accounting is crucial for all organizations, whether they are a small business, large corporation, or a governmental or not-for-profit organization. The different types of accounting are discussed, including

managerial, financial, tax, auditing, governmental, and not-for-profit. Balance sheets, income statements, and statements of cash flows provide important information for managers and others in the organization and help to demonstrate whether the organization is on budget or whether there are variances between projected and actual revenues. Costs and expenses have to be kept in line and are carefully monitored and analyzed by the accounting function.

Sufficient cash flow is critical to the sustainability of any organization, particularly the not-for-profit organization; in this case, Goodwill. Not-for-profit organizations utilize performance ratio analysis to gauge their overall financial performance. The results of these analyses help management assess the organization's performance against its plan or budget. They also help to develop strategic plans for the future as well as to benchmark against other similar companies.

Discussion Questions

1. Discuss the implications of long-term viability for not-for-profit businesses.
2. Discuss how Goodwill Industries applies the elements of the accounting cycle in the running of their business.
3. Compare the nature of the three basic financial statements for Goodwill Industries versus a for-profit business.
4. Which financial ratios does Goodwill Industries use and how do they use each of them?

CHAPTER 17 It's My Money

Entrepreneurs tend to be an independent bunch of people, but few are as independently minded as Todd McFarlane. He started out working for others as a cartoonist and eventually started his own firm. Now he focuses more on making toys; that is, collectibles of sports personalities, musicians, movie heroes, and the like. You can see in the video that McFarlane takes a rather casual approach to business. That doesn't mean, however, that he is not constantly aware of his need for financing. Nor does it mean that he doesn't know everything he needs to know about financing options.

Of course, the number-one financing option is to put up your own money. The advantage of doing that is that no one can tell you what to do. And that means a lot to McFarlane. But usually your own money won't pay for everything that you need. In that case, you have to go to the banks and other sources to get funding. It helps to have a financial expert on board

to determine what funds are needed, to budget those funds, and to keep track of spending. Steve Peterson is that guy for McFarlane. Nonetheless, McFarlane has trained himself to be able to read reports and keep track of everything that's going on in the finance area. All entrepreneurs could learn from his example.

McFarlane knows that it is easy to spend too much money on something—and to lose a lot of money in the bargain. That means being wise in both long-term and short-term financing. Usually, McFarlane stays away from investors, but that isn't possible when funding a major project such as a movie. Furthermore, when you get into ownership financing, you also lose some control over the project. Normally, McFarlane doesn't like to lose such control, but in some cases, such as making an animated movie, it's necessary.

One way to keep loan costs down is to be a good customer of the bank. If you repay your loans in

time, you can get lower interest rates on future loans. McFarlane also knows the benefit of having a budget and sticking to it. That's as true in your personal finances as it is in business. If you make \$25,000, you need to spend less than \$25,000. And if you make \$1 million, you have to spend less than \$1 million. It's the same principle.

Sometimes people spend money on a passion. In McFarlane's case, that means baseball. He once paid several million dollars for a home-run ball hit by one of the home-run leaders. The problem was that the player didn't remain the leader very long, and soon the ball was not worth nearly as much money. So? The publicity that McFarlane received for buying the ball—and losing millions—made up for the loss. It earned him licensing agreements with many ball clubs,

and the right to make the images he sells. He expects to make millions from the investment in the long run.

So, what do you do with your money when you have millions more than you need? For McFarlane, it means giving money to the ALS Association, which fights Lou Gehrig's disease. Again, the publicity that McFarlane receives attracts more donors to the cause.

So, what can we learn from this video? Every entrepreneur needs to understand finance to be successful in the long run. You can be as casual as you want about business, but when it comes to finance, you had better know what you're doing. And the money you make is yours to spend. You can have a good time buying what you want, but you can also make a difference in the world by helping a favourite cause to raise money.

Discussion Questions

1. Why do you suppose a free thinker like McFarlane tries to avoid getting other investors involved in his business? What is the advantage, in this instance, of debt financing?
2. What is the advantage of having a line of credit at the bank? What can a business do to keep loan charges at a minimum?
3. Do business people have a special obligation to give some of their money to charity? What famous business people have been in the news because of their giving? Should others follow their example?

CHAPTER 18 Would You Like Banking with That Insurance?

It's not unusual to hear employees at a fast-food restaurant ask, "Would you like fries with that?" But you don't expect your banker to ask, "Would you like insurance while we are taking care of your banking needs?" Nonetheless, that's exactly what is happening at the major banks in Canada. This chapter is all about money and banking, and the latest trends in banking. One of those trends is to combine banking with insurance, as you will see in this video.

Recent changes in legislation have allowed banks to start selling insurance, either directly or through an insurance company they own (the Toronto Dominion bank owns Meloche, Monnex). In the United States, an example of these combined services is State Farm Insurance <www.statefarm.com>. State Farm also operates a virtual bank; that is, an online bank in the United States. At State Farm Bank, you can get regular banking services such as chequing accounts, loans, short-term investments, and more.

So, how does State Farm offer such services? State Farm Insurance agents will handle any of your banking needs. But, like most online banks, you can

do most of your banking online via the Internet. Customer service is available 24 hours a day. Any remaining questions can be directed to a State Farm agent.

This chapter talked about banks. State Farm has its deposits, insured much like we have deposits insured in Canada, through the Canadian Deposit Insurance Corporation. State Farm, however, does not have strategic partnerships with car dealerships or other firms like General Motors Acceptance Corporation does.

Because it is in the health and banking business, State Farm offers products such as health insurance plans that are low in cost and that have a high deductible. Although State Farm's insurance and banking operations have been integrated, that integration was not as easy as might be imagined. Two different corporate cultures had to be merged, but that merger has gone relatively smoothly. Now, when a customer suffers a major loss because of a flood, hurricane, or something similar, the bank can easily respond and adjust insurance payments and house payments accordingly.

Like all corporations, State Farm has ethical issues to confront. For example, agents ensure that customers understand that they can buy insurance and not get involved in banking, and vice versa. The whole idea is to listen to customers to determine their wants and needs.

If they want to buy a new car, financing can be made available—and insurance, too. Because of their good products and good service, State Farm mostly relies on word of mouth to promote its products. Of course, there are highly trained salespeople to help customers as well.

Discussion Questions

1. What advantages and disadvantages do you see with doing both insurance and banking with the same company?
2. Are you as comfortable banking online as you are with a clerk in a brick-and-mortar bank? Would it help to be able to work with your insurance agent instead of a banking clerk?
3. What kind of services do you get from a brick-and-mortar bank (such as ATMs) that you might not get as easily from an online bank?