

The Office in the Business World

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OBJECTIVES

- Describe the relationship of the office to the overall organization
- Describe typical goals and structures of businesses
- Identify the types of office competencies workers need
- Explain employer expectations and factors related to developing office competencies

Millions of Americans spend much of each workday in offices. Many changes in technology have occurred during the last decade. These changes have created a widespread need for knowledge and skills that are commonly referred to as office competencies. Whatever their fields or careers, workers share a need to know how to perform efficiently and effectively in offices. The Office in the Business World introduces you to the office as a workplace.



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CHAPTER 1

The Office in a Changing Business World

Many workers in many different types of jobs perform office tasks. The recruiter in a Human Resources Department, the technician in a chemical laboratory, the curator in a museum, the buyer in a department store, and the CPA in a public accounting firm all perform a range of office tasks during a typical workweek. All office workers, regardless of their duties, must understand how office functions relate to their work and to the total organization.

In Chapter 1, you will learn about various types of offices and office workers. You will also gain an understanding of typical goals and structures of businesses, not-for-profit entities, and governmental units.

Online Resources

- *The Office* Web site:
Data Files
Vocabulary Flashcards
Beat the Clock, Organizations
Chapter 1 Supplementary
Activity
- International Association of
Virtual Office Assistants
(IAVOA)
Rt. 1 Box 275
Red Oak, OK 74563
- Search terms:
home office
mobile office
office competencies
office technology
telecommute

THE OFFICE TODAY

Topic 1-1

objectives

- Describe various types of offices
- Describe types of workers who use office skills
- Explain how technology influences office practices
- Identify common information-related office tasks

The term *office* is used in a variety of ways. An **office** is a place in which the affairs of a business or an organization are carried out. For example, you may have heard a lawyer say, “I will be out of the office during the afternoon.” A teacher might say, “Come by my office.” The office is a place of work for many types of workers. Accountants, marketing managers, systems analysts, human resource directors, as well as secretaries, records clerks, administrative assistants, and many others work in offices. Although each of these employees has varying duties, all of them must be knowledgeable about many office practices.

This textbook focuses on the many workers who need to understand office practices and use office skills. Regardless of what you plan for your life’s work, you will benefit from studying the topics in this book and from the skills you will develop.

office: a place in which the affairs of a business, professional person, or organization are carried out

WORKPLACE CONNECTIONS

Carole Federman is an internal auditor for an international bank. The company headquarters are in Philadelphia. Her work requires traveling to branches throughout the United States. She visits cities such as Paris, Milan, and Tokyo. She must write many reports to share her conclusions and recommendations. Carole composes her reports at her laptop computer. She usually completes the reports with no help from office support staff.



This executive prepares reports using her laptop computer.

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Offices Are Information Driven

information: data or facts that have been summarized or organized into a meaningful form

Information is made up of data or facts that have been organized into a meaningful form. Information is at the core of all office activities. Office workers use information in many ways. Some illustrations include:

- A manager writes the policy for sales returns.
- A stock broker accesses a database for the current price of a company's stock.
- A sales clerk enters details of a customer's order at a computer.
- A customer service rep responds by telephone to questions about installing electronic equipment.

Workers need to understand thoroughly the business or organization in which they are employed. Each task is related to the organization's purposes and goals. For example, a purchasing agent often makes telephone calls to place an order for materials or supplies. To answer questions that the **vendor** may ask, the employee needs to know the details about what is being ordered. The employee also needs to know when the item is needed, the cost of the item, and similar details.

vendor: a seller of goods or services

Office Functions Are Varied

In some offices, every employee does a wide variety of tasks. In other offices, each employee's work is focused on a few tasks. Some common office tasks are shown in Figure 1-1.1 on page 5. Can you identify two activities that might be completed by a manager? Can you identify two that might be performed by an office assistant? Think of a particular career and identify two activities that might be performed by someone in that career.

WORKPLACE CONNECTIONS

Helen Serreno works as an office assistant to the director of a relatively new art gallery in Santa Fe, New Mexico. Helen talked about her job in these words:

I never know what a day will be like. I handle many office tasks as I assist the director, the art assistant, and the manager of exhibits. I do some tasks every day such as respond to e-mail messages, open and organize the mail, and handle phone calls. I have a personal computer, a photocopier, a fax machine, e-mail and Internet access, and a wide range of software programs that I use daily. I'm responsible for maintaining all the equipment, too.

KEY OFFICE ACTIVITIES

Creating/Analyzing Information

- Composing memorandums, letters, and reports
- Organizing, summarizing, and interpreting data
- Creating presentations
- Making decisions and recommendations based on information studied

Searching for Information

- Accessing databases, the Internet, and company intranets
- Requesting information from persons within the company
- Requesting information from persons outside the company
- Using reference manuals and books

Processing Information

- Editing and proofreading
- Keyboarding
- Opening and reviewing incoming communications
- Entering data in databases
- Photocopying
- Preparing outgoing communications
- Preparing checks, orders, invoices
- Preparing spreadsheets

Communicating Information

- Answering telephones
- Greeting callers
- Responding to persons within and outside the organization
- Providing instruction to coworkers
- Preparing and delivering presentations

Managing Information

- Maintaining calendars
- Maintaining databases and files
- Maintaining financial records

Workers in many jobs handle office tasks. Some workers, however, devote full time to office tasks. For example, some employees in an Accounting Department process invoices, checks, and other documents related to customer accounts. They devote all of their time to office tasks.

WORKPLACE CONNECTIONS

The manager of a midsize manufacturing company in Lexington, Kentucky, talked about the role of office support services in these words:

The work done by the office employees in our Accounts Payable Department is vital to the success of our company. Invoices must be processed and payments made to vendors. This work must be done in a timely manner to keep materials flowing so production goals can be met. We value these workers and provide them with the most current technology.



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The assistant manager in a small company is instructing a new staff member.

Technology in Modern Offices

The use of technology is common in today's offices. An architect who designs buildings works at a computer. An executive uses the World Wide Web to find a schedule for travel to London. Sales people from several states communicate with the regional manager in Philadelphia using a company **intranet**.

intranet: computer network within an organization that is meant for the use of its employees or members

Many companies use up-to-date technology in their offices to help employees be productive. Because the technology available is changing, the way work is accomplished is also changing. Workers should expect their duties, as well as the way they work, to change from time to time. The need for high productivity and quality performance means that all workers must be willing to change work methods. Office workers must be skillful learners—on their own and in more formal training and educational settings.

Marie Ann Martinez describes what she is doing today that she was not doing just three years earlier:

Three years ago, we were a domestic company. Today we do business in 60 countries. I regularly send e-mail messages to China, Singapore, Hong Kong, Prague, and Moscow, and other places around the world. I used to prepare printed letters, place hard copies of letters in a file drawer, and conduct research by telephone. Now I send e-mail messages instead of letters in many cases. I use databases (Figure 1-1.2) and electronic files to store information. I access the Internet to research and communicate information.

Title	First Name	Last Name	Address	City	State	Postal Code	Business Phone
Mr.	Walt	Barker	625 Dante St.	New Orleans	LA	70118-6625	555-0117
Mr.	John	Best	124 Granville St.	New Orleans	LA	70129-1124	555-0141
Mrs.	Adriana	Bee	507 Loyola Ave.	New Orleans	LA	70113-5507	555-0147
Ms.	Kim	Chassie	20 Ibis St.	New Orleans	LA	70124-0020	555-0124
Ms.	Maria	DeOliveira	207 Chase St.	New Orleans	LA	70127-2207	555-0115
Mr.	Jon	Gardiol	10 Bordeaux St.	New Orleans	LA	70115-0010	555-0118
Mr.	Tu	Hewang	810 Julia St.	New Orleans	LA	70113-0810	555-0122
Ms.	Kim	Hostilo	10 Audubon Blvd.	New Orleans	LA	70118-0118	555-0138
Mr.	Bruce	Leski	805 Poydras St.	New Orleans	LA	70112-6805	555-0144
Mr.	Daniel	Levi	20 Dorsiere St.	New Orleans	LA	70130-4420	555-0114
Ms.	Lu	Lin	234 Foch Rd.	New Orleans	LA	70126-2234	555-0143

Figure 1-1.2

Many companies use database software such as Microsoft® Access to store data.

Alternative Offices

Where is the office? The office may be at headquarters, in a carrying bag, or at home. It may be a temporarily assigned workspace. No longer is the office always a particular space used for the same purpose day after day.

The typical office from earlier days is referred to as the traditional office. A traditional office is permanent and located where the company does business. In such an office, employees travel daily to a central location. They spend the working day at the same desk or in the same workspace and generally report directly to a supervisor or manager. Many businesses still use traditional offices; however, other types of work arrangements are being used more frequently.

The practice of working and communicating with others from a home office or other remote location is called telecommuting. A worker who **telecommutes** shares information with clients or coworkers using the **Internet** or an intranet. Equipment such as a computer, telephone, and fax machine makes talking and sharing data easy. These workers may work in virtual offices, mobile offices, or home offices.

telecommute: the practice of working and communicating with others from a remote location

Internet: a public, worldwide computer network made up of smaller, interconnected networks that spans the globe

Virtual Office

The term *virtual* describes something that has a conceptual form but no physical form that you can see or touch. For example, you are acquainted with your local library. It is in a physical building that contains shelves of books you can use to get information. A virtual library might be a computer station that gives you access to many libraries from your school or home. Although the virtual library has no physical form, it allows you to gather information just as a physical library does. The **virtual office**, therefore, has no physical form but allows you to perform work activities as you would in a traditional office setting.

virtual office: the capability to perform work activities away from a traditional office setting

Just as some office workers use virtual offices, some offices employ virtual assistants. A virtual assistant is a worker who performs tasks normally handled by an on-site secretary or administrative assistant. This growing field provides advantages to both the company and the virtual assistant. A virtual assistant can work from a home office. He or she can set the work schedule and work only as many hours per week as desired. Virtual assistants do not require on-site office space and are usually paid only for the hours they work. This means cost savings for the company, which can be especially important for small businesses.

WORKPLACE CONNECTIONS

Susan Gray is a successful interior designer in St. Louis. Although Susan refers to her office as a portable office, it is really a virtual office. Susan visits clients to plan and discuss projects. In her bag, she carries a digital phone; a notebook computer with wireless access to fax, e-mail, and the Internet; and a portable copier/printer. Susan can provide plans for a room, cost estimates, and a contract right in the client's living room.

Mobile Office

Mobile offices are very much like traditional offices, but they are temporary. Offices set up at construction sites and manned by office staff are one type of mobile office. Another type of mobile office is the **nonterritorial workspace**. Nonterritorial workspaces are available on an assignment basis. They are not assigned to anyone permanently. This type of workspace is often found in professional organizations. For example, an accounting firm or law firm may have many staff members who work away from the company a great deal of the time. Because such personnel do not need a permanent office, they can request an office on their arrival at headquarters.

mobile office: office temporarily located at a particular site or that can move from place to place

nonterritorial workspace: area not assigned to a specific person or task

hoteling: assigning temporary office workspace to workers as needed

The use of nonterritorial workspace is sometimes referred to as **hoteling**. The process is similar to that of a hotel assigning a room to a guest. Computer software makes assigning space prompt and effective. Employees who generally work from a home office, for example, may be assigned office space on those occasions when they do work at the company office.

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Two architects review building plans in a mobile office.

Home Office

A space within a person's home that is used to perform office tasks is referred to as a home office. In many home offices, workers can communicate easily with others using e-mail, the Internet, an intranet, fax, and a telephone. Some people who work at home are able to take part in teleconferences with persons at other locations.

Many people who work in home offices are self-employed. Such persons are often called **freelancers**. Freelancers may occasionally meet with customers or clients in person. However, they may communicate primarily by e-mail, telephone, and mail.

freelancer: independent contractors who work for others, usually on a project-by-project basis

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Freelancers often work from home offices.

Ingrid Thomason owns and manages an accounting service business as a freelancer, working from her home. Having worked in the Accounting Department of a large company, she is knowledgeable about accounting systems. She decided that she would prefer to live in a small rural town. She has been successful in finding as many clients as she can handle. Her state-of-the-art computer and software programs allow clients to transmit financial information to her for processing and organizing. Her clients have online access to their financial statements on a timely basis. Ingrid notes that she has a number of clients that she has never seen in person.

Predictions Are for Further Change

Technology and procedures used in offices are changing. However, all companies do not apply change at the same rate or in the same way. Some companies monitor changes in technology. They introduce the newest equipment and software related to their work as quickly as possible. Such organizations see value in updating their operations. At the same time, other companies decide that no changes are needed.

A company may use the latest ideas and equipment. However, its workers may not be as effective as those at a company that uses more traditional methods. For example, workers who want to complete work quickly and well may be able to do so even without new equipment. They may be more productive than indifferent workers who use the latest equipment. Over time, however, new equipment and methods that aid workers tend to be used by most organizations.

REVIEWING THE TOPIC



1. List five information-related office tasks.
2. What kinds of employees need office competencies?
3. As you consider the office functions in Figure 1-1.1, identify at least three that you think would require skill in using equipment.
4. As you consider the office functions in Figure 1-1.1, identify at least two that you think at this point you could handle. Explain why.
5. Why might an organization have specialized offices? Give an illustration of such an office.
6. How does a traditional office differ from a virtual office, a mobile office, and a home office?
7. What makes telecommuting a feasible way of handling office work?
8. Will using the latest technology ensure that office workers are highly productive? Why or why not?

MAKING DECISIONS



Assume that you have completed your studies and are seeking your first full-time position. You have been interviewed by two companies. Each company has offered you a position. You like both companies as far as the nature of the work, the salary, and the employee benefits. But there is a difference in where you will work.

In Company A, you would be expected to come to headquarters each day. The company has current computers and other technology, and the supervisor seems very helpful and friendly. In Company B, you would be telecommuting. Company B would provide you with all the equipment and furniture for your workstation at home. You would have access to your supervisor via telecommunications. From time to time—possibly no more than once in three weeks—you would be expected to attend a training session or a team meeting at headquarters. Which position would you accept?

1. Make a list of the factors you would consider in making a decision about which job to accept.
2. Write a brief paragraph in which you discuss your decision and the basis for it.



REINFORCING ENGLISH SKILLS

For a group of words to be a complete sentence, it must contain both a subject and a verb. In this exercise, you will identify complete and incomplete sentences. You will change incomplete sentences into complete sentences, choosing words that make sense to you.



1. Open the *Microsoft® Word* file *CH01 English* found in the data files. Read the paragraphs, noting which sentences are complete and which are incomplete.
2. For all incomplete sentences, add a word or words to make complete sentences.
3. Save your edited sentences.

Note: Save all documents created for exercises in this textbook using meaningful filenames. Print documents or e-mail them to your instructor as your instructor directs. Keep all files for possible use in other exercises.

COMPOSITION

INTEGRATED DOCUMENT

RESEARCH

SPREADSHEET

TEAMWORK

WORD PROCESSING

Topic 1-1 : ACTIVITY 1

Getting Acquainted with Local Offices

In this activity, you will become familiar with the types of offices in your own community. Work in a team with three other class members to complete this activity.

1. Develop a list of four or five major employers in your area.
2. Find answers to the following questions by visiting the company, talking with an employee, or accessing the company's Web site:
 - What is the primary product(s) or service(s) of the business or organization?
 - What percentage of the employees at this location work in offices?
 - How many workers telecommute? If there are workers who telecommute, how many of them are considered office workers?
 - What technology is being used in preparing letters and reports? for telecommunications? for records management?
 - In general, determine if the technology in use is state-of-the-art, somewhat up-to-date, or a type that does not use computers.

3. Prepare a written report of one to two pages in which you present the information you gathered. Use spreadsheet software to prepare a pie chart showing office use of technology that is current, somewhat current, and not current. Incorporate this pie chart in your report.
4. Participate in a discussion that summarizes what offices are like in your community.

Topic 1-1 : ACTIVITY 2

INTERNET

Accessing the Web Site for This Textbook

The publisher of this textbook maintains a Web site with information related to the textbook. *The Office* Web site contains data files, games, links, and other information that you will use as you complete the activities in this textbook. You will probably visit this site often. In this activity, you will explore the site and create a link to make visiting the site quick and easy.

1. Access the Internet. Start your Web browser such as *Microsoft® Internet Explorer*. In the Address box, enter **theoffice.swlearning.com**.
2. A Web site that contains Web pages related to your textbook should appear. Click a hyperlink, such as **Student Resources**. Quickly scan the new page to see the information that it provides. Click the **Back** button to return to the welcome page.
3. Locate and access the **Links** page on the Web site. This page contains links to other sites that you can use as you complete activities. Whenever a Web site is mentioned in an activity in the textbook, look for the link to that site on this page.
4. Return to the welcome page for this site. Add this Web site to your Favorites or Bookmarks list. Use this Favorites or Bookmarks link whenever you need to access this site for later activities.

COMPOSITION

INTERNET

RESEARCH

Topic 1-1 : ACTIVITY 3

Qualifying as a Home Office



In the United States, a person who works in a home office may be able to deduct costs related to the home office from federal income taxes. The home office and its use must meet certain requirements, however. You will learn about those requirements in this activity.



1. Open the *Word* file *CH01 Deduction* from the data files. Read the excerpt from IRS *Publication 587, Business Use of Your Home*.
2. A freelance writer uses a portion of her den for a home office. The den is also used as a family gathering place for watching TV and playing games. Does this home office qualify for a business tax deduction? Why or why not?
3. *Publication 587* was published for use in preparing year 2004 tax returns. Have the regulations changed for the current year? Access the U.S. Internal Revenue Service Web site. Search the site using the term *home office* to find current regulations.
4. Prepare a one-page report using the information you learn from this document. In the report, include a brief summary of the requirements a home office must meet to qualify for a business tax deduction. Discuss how current regulations differ from (or are the same as) those in *Publication 587* (using your research from Step 3).

THE OFFICE IN RELATION TO THE TOTAL ORGANIZATION

Topic 1-2

objectives

Office tasks are related to the work of many parts of an organization. Completing office tasks often requires judgment and making decisions. Understanding the organization will help you make sound decisions in completing your work.

Understanding the Organization

Office activities are basically related to information. You will process and communicate information as you complete your work. In doing so, you will learn much about your organization. Such learning, however, is not automatic. You must make an effort to learn about the company. You will find tasks more interesting and be a more valuable employee when you understand the organization.

Learning from Your Work

The information you handle is related to your organization. You should be alert to opportunities to learn from the content of your work. Of course, you must realize at all times the information you handle may be **confidential**.

- Explain how employees develop understanding of organizations in which they work
- Describe common types of organizations
- Identify goals for different types of organizations
- Explain a common structure for personnel
- Describe the role of office employees within an organization

confidential: private or secret in nature

WORKPLACE CONNECTIONS

Fred Jansen works for a senior vice president, Mr. Roberts, in a large advertising company. Mr. Roberts is involved in buying several small advertising agencies. Fred knows that much information about possible deals is confidential. He notes for his own use, however, information from reports and other documents. He finds that his understanding of the specific deadlines, for example, can help him prioritize his work.

Learning from Resources Available

Learning about the company can help employees understand their own jobs better. Annual reports are sometimes provided to all employees. These reports can help employees understand the company's mission as well as its goals for the coming fiscal year.

Reading trade magazines is a good way to learn about trends in your field.



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Employees can read articles that appear in newspapers or magazines about the company. They may have access to Web sites that deal with the industry in which the company operates. These sites can also provide valuable information. Workers who understand the company know whom to call when they need information related to their work. They also know where to find answers to questions about the company.

Types of Organizations

In the United States, organizations are grouped into one of three categories. They may be businesses, not-for-profit entities (but not governmental), or governmental units. The goals of these organizations vary, as well their methods of operation.

Businesses

profit: monetary gain; advantage

charter: written grant of rights from a government

Businesses are organizations that seek to make a **profit**. For the most part, businesses in the United States are organized as sole proprietorships, partnerships, or corporations. Sole proprietorships and partnerships can be organized without approval by any governmental body. Corporations, on the other hand, are required to secure **charters** from the states in which they incorporate. All businesses must follow the laws and regulations governing business activity.

Sole Proprietorship

sole proprietorship: a business owned by one individual, also called single proprietorship

A business owned by one individual is a **sole proprietorship**. Such a business may or may not also be managed by the owner. Sole proprietorships may be of any size, but many of them are small. Welsh Internet Access is an example of a small business. This small company with about 1,000 customers provides Internet access for companies. They also provide consulting services for those who want to build intranets.

Partnership

A business that is not incorporated and has two or more owners is known as a **partnership**. Different types of partners may participate in a partnership. Some partners may provide funds for the business but not take part in managing it. Other partners may actively lead and manage the business. Partnerships, too, may be of any size; many are small, however.

Ramos & Saunders Graphics is an example of a partnership owned and operated by Bill Ramos and Sally Saunders. The business provides a wide range of artistic services to a variety of clients.

partnership: a business that is not incorporated and has two or more owners



These attorneys have formed a partnership.

Corporation

A **corporation** is a business set up under the laws of a particular state. A charter must be secured for a corporation. The business may be privately or publicly owned. Owners have shares of ownership called stock certificates. Owners are called stockholders or shareholders. The corporation is considered a legal unit, separate from its shareholders. Most large companies in the United States are corporations. Publicly owned corporations are required to report information about the business to shareholders on a timely basis. Such reports become available to many others besides the stockholders.

Park and Son, Inc. is an example of a corporation that is privately owned. The company develops and sells software systems to individuals and companies. John Park manages the company.

corporation: a business organized under the laws of a particular state for which a charter was secured

Professional Service Organizations

Professionals such as lawyers, doctors, and accountants often have businesses. The business may be a sole proprietorship, partnership, or corporation. The laws and regulations governing a company of professional persons, however, are different from those that apply to other businesses.

negligence: failure to use a reasonable amount of care resulting in damage

Shareholders in a corporation, for example, are generally not held responsible for the behavior of managers of the business. If the business has debts that it cannot pay, shareholders cannot be forced to pay those debts. Members of a professional service organization, however, may be legally responsible for each other's actions. They may also be responsible for the debts of the company. For example, suppose one accountant in a firm is sued for **negligence** in managing a client's affairs and found guilty. All members of the firm can be forced to help pay the damages awarded to the client. If the firm does not have enough money to pay the damages, members can be forced to use their personal money to pay the debt.

A professional company may choose to organize as a limited liability company (LLC) or a limited liability partnership (LLP). Both these forms offer some personal liability protection to members of the company. For example, in an LLC a member generally cannot be forced to use personal money to pay for debts of the company. Note, however, that an LLC does not protect a member from liability created by his or her own negligence or criminal activity.

Not-for-Profit Entities

Many organizations in the United States provide services without the intent of making profits. Among these organizations are associations that sponsor programs for young people, such as 4-H clubs, Girl Scouts, Boy Scouts, and the Future Business Leaders of America. Other common not-for-profit groups include centers for performing arts, museums, libraries, hospitals, and private colleges. Many hospitals and schools, however, do operate as businesses and do seek to be profitable.



This museum is a not-for-profit entity.

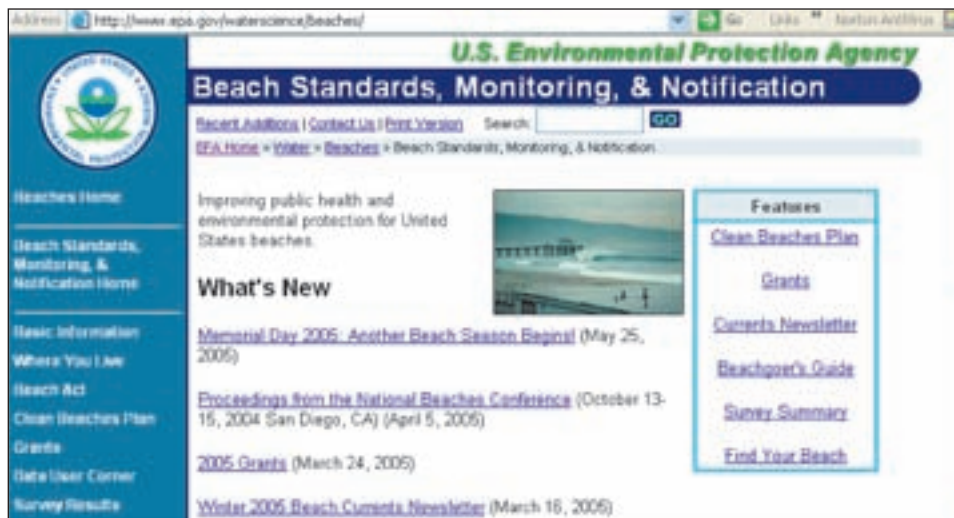
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Not-for-profit organizations receive funds from a variety of sources. Many depend on money received from individuals and groups. They may receive money from dues and fees paid by participants. Some funds may come from government agencies at the local, state, or federal level. Often, these groups operate in what is referred to as a businesslike manner. This means that resources are carefully budgeted as though the entity were a profit-making business.

Governmental Units

Governmental units at the local, state, and national levels play a critical role in society. These units are called by different names. They may be an agency, bureau, department, or board. Each unit has specific duties related to services considered important for the citizens served. For example, the Environmental Protection Agency's (EPA) mission is to protect human health and to safeguard the natural environment. The EPA makes information available on its Web site as shown in Figure 1-2.1. Other examples include:

National	Department of the Treasury, Bureau of Labor Statistics
State or Province	Department of Commerce, Occupational Safety & Health Division
Local	Marriage License Bureau, Board of Education



Source: U.S. Environmental Protection Agency. <http://www.epa.gov/waterscience/beaches/> (accessed June 6, 2005).

Figure 1-2.1

The EPA's mission is to protect human health and to safeguard the natural environment.

Goals of Organizations

Each of the three major types of organizations has different overall goals. Businesses, including professional companies, seek to make a profit. On the other hand, not-for-profit entities and governmental units do not seek to earn profits. Their goals relate to the services they provide. These goals influence the work of the employees.

Goals of Businesses

You may have heard a comment such as, “It’s the bottom line that counts.” Prior to the comment, a discussion may have taken place about what a business should choose to do. Various strategies for increasing profits may have been discussed. In general, strategies that will provide the most profit are selected. This increases “the bottom line”—the amount of profit shown on the bottom line of the company’s profit and loss statement. Profits allow a business to expand through investment in new facilities and new equipment. Profits also provide the means to make payments (called dividends) to shareholders in a corporation.

WORKPLACE CONNECTIONS

Many tasks that workers perform relate to helping to meet the profit goals of the business. Hans Welenz works in the Customer Service Department for a company that makes personal computers. The company sells computers nationwide, primarily to businesses. Hans’s main task is to understand exactly a complaint or question from a customer. He gives the information to the person in the company who can help the customer. Hans and other staff members try to answer all complaints or questions within 24 hours. Hans knows that his work aids the company in meeting profit goals. A satisfied customer will be likely to buy more computers in the future. A dissatisfied customer is likely to make future purchases from another company.

income statement: a report that details the results of business operations for a certain period of time

revenue: income, money, or other gain received

expense: financial cost; fee; charge

balance sheet: a report that presents the financial condition of a company as of a specific date

assets: goods and property owned

liabilities: debts

owner’s equity: owner’s share of the worth of a firm; capital

A profit and loss statement may also be called an income statement. An **income statement** details the results of business operations for a certain period of time. It answers the question, “How successful was the business during the time period?” The income statement lists the amounts and sources of **revenues**, as well as **expenses**, and the income (profit) or loss of a business for the reporting period. A net income results if revenues are greater than expenses. A net loss results if expenses are greater than revenues. Dandy’s Delights’ (a sole proprietorship) income statement for the recently ended fiscal year is shown in Figure 1-2.2 on page 21.

A **balance sheet** is a report that presents the financial condition of a company as of a specific date. The balance sheet reports the **assets**, **liabilities**, and **owner’s equity** or capital. The assets of a company include all the goods and property owned by the firm as well as the amounts due the company from others. Liabilities are the debts of the company. The owner’s equity or capital is the owner’s share of the worth of the firm. This amount is the difference between assets and liabilities. On every balance sheet, the total assets must equal the total liabilities plus the owner’s equity. This accounting formula applies to every balance sheet, whether the balance sheet is for a large corporation or a small, individually owned business. A balance sheet for Dandy’s Delights is shown in Figure 1-2.3 on page 22.

**DANDY'S DELIGHTS
INCOME STATEMENT**

For the Year Ended December 31, 20--

		% of Sales
Sales	\$200,000	
Cost of Goods Sold	<u>100,000</u>	
Gross Profit on Sales	\$100,000	50%
Operating Expenses		
Advertising Expense	500	
Delivery Expense	1,000	
Office Supplies Expense	800	
Payroll Taxes Expense	4,500	
Salaries Expense	58,200	
Utilities Expense	3,500	
Miscellaneous Expense	<u>500</u>	
Total Operating Expense	<u>69,000</u>	
Net Income from Operations	\$31,000	16%
Other Income and Expenses		
Interest Expense	<u>2,000</u>	
Net Income Before Income Tax	\$29,000	15%
Less Income Tax	<u>8,200</u>	
Net Income After Tax	<u><u>\$20,800</u></u>	10%

Figure 1-2.2

An income statement shows a company's profit or loss for a specific period of time.

DANDY'S DELIGHTS
BALANCE SHEET
As of December 31, 20--

Assets			
Current Assets			
Cash	\$12,000		
Accounts Receivable	3,500		
Baking Supplies Inventory	2,000		
Office Supplies	500		
Total Current Assets			\$18,000
Fixed Assets			
Delivery Van	\$7,000		
Baking Equipment	5,000		
Building and Land	95,000		
Total Fixed Assets		107,000	
Total Assets			\$125,000
Liabilities			
Current Liabilities			
Notes Payable	\$1,500		
Accounts Payable	1,000		
Salary and Wages Payable	200		
Total Current Liabilities			\$2,700
Fixed Liabilities			
Long-term Note Payable	\$5,000		
Mortgage Payable	35,000		
Total Fixed Liabilities		40,000	
Total Liabilities			\$42,700
Owner's Equity			
Dan Burts, Capital			
Beginning Balance		\$63,500	
Net Income for 20--	\$20,800		
Less Withdrawals	2,000	18,800	
Dan Burts, Capital			
Ending Balance			82,300
Total Liabilities and			
Owner's Equity			\$125,000

Figure 1-2.3

A balance sheet shows a company's financial condition on a specific date.

Goals of Not-for-Profit Entities

Not-for-profit organizations, as the title states, do not seek to make a profit. The chief goal of such organizations is to provide valuable services to those who can benefit from them. Museums strive to provide interesting exhibitions of various types of art. Social agencies provide food and cleaning services for the elderly. Such organizations try to make sure all who need their services actually receive them.

WORKPLACE CONNECTIONS

Workers in not-for-profit entities perform many office tasks. Here is just one example:

Elvira Sidney works as a counselor in a not-for-profit outreach program in Apopka, Florida. Much of her time is spent helping those who come to enroll in literacy and job skills programs. Elvira realizes that many of her clients are shy and unfamiliar with offices. She is friendly, helpful, and sensitive to the need for encouragement. The outreach organization is aware of the numbers of people in the community who could benefit from the programs offered. They strive each year to increase the enrollment in their programs, which are free.

Goals of Governmental Units

Governmental units, like not-for-profit entities, do not seek to make a profit. These units are supported primarily by taxes. The overall goals of governmental units are related to providing services that citizens desire or need. For example, the government maintains a federal highway system. This system ensures ease of travel throughout the country. Such a system is an aid to commerce and to the quality of life that citizens enjoy. Many workers in government are required to handle the tasks required to meet the needs of citizens.

WORKPLACE CONNECTIONS

This brief description of the duties of one worker in a federal office will provide an idea of what is done in one governmental office:

Judy Chen works at the Federal Deposit Insurance Corporation. This federal agency regulates most insured banks in the United States. Judy's office assigns staff to examine banks and receiving reports. Attention to details and to prompt updating of all records is critical in Judy's job. She finds her work challenging and interesting. She believes she is learning much about the total banking system in the United States through her dealings with examiners and reading the reports.

Structure of Organizations

Many different types of employees work at various levels in companies. Because they work together, they must know who is responsible for each activity. They must also know what authority each person has. Office workers, especially, find it helpful to understand the duties and authority of those with whom they work.

Knowing how a company is structured will give you a better understanding of how it operates. Many companies prepare a chart that shows positions in order of rank or authority. As you can imagine, the chart for a large company will have many pages. Figure 1-2.4 shows a partial organization chart for a small company. Note the levels of responsibility and the different titles.

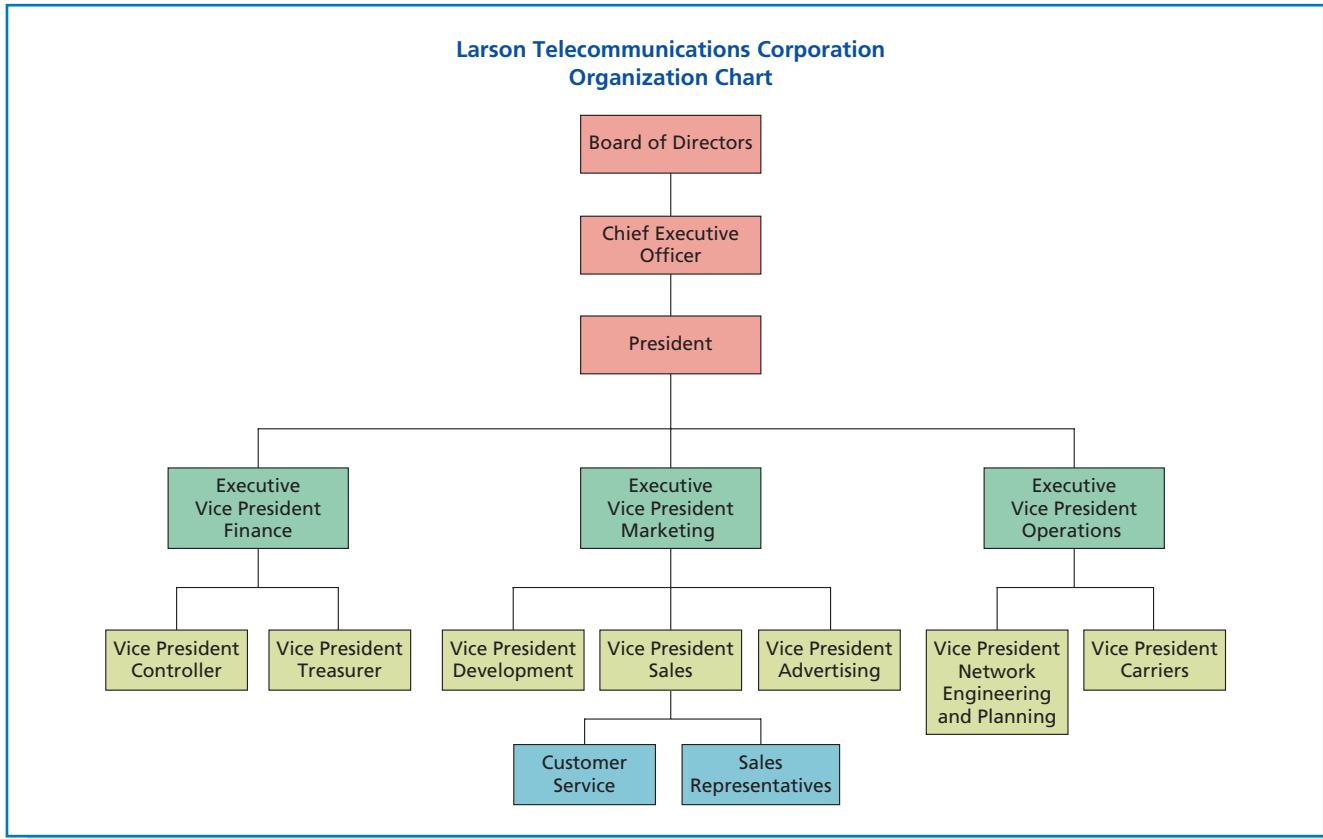


Figure 1-2.4

Board of Directors

An organization chart shows the structure of a company.

Many large corporations have a board of directors. Publicly owned corporations must have such boards. Owners elect members of the board of directors. The board establishes the policies that guide senior management in directing the company. Generally, some senior managers of the company are members of the board. The board has a number of committees that may meet more frequently than does the full board. Some members of boards of directors are not employees of the company. These directors are expected to provide guidance and to make decisions that will serve the best interests of the company. Such outside directors receive a payment for their services, which are limited to a number of meetings each year. Generally, the full board of directors may meet no more than four to five times each year.

Not-for-profit entities also have a board of directors (sometimes called a board of trustees). The board's duties are similar to those of a corporation's board.

Senior Management

Persons who give direction in carrying out the policies of the board of directors are called senior management, or top management. The chief executive officer (CEO), the president, the chief operating officer (COO), and the chief financial officer (CFO) are generally included in this group. The CEO and president have overall responsibility for everything that happens in the company. In some companies, one person holds both of these positions.

Large companies are often subdivided into units. The units are organized in some manner that is appropriate for the work of the company. Often the units are called divisions or strategic business units. Divisions are usually managed by vice presidents.

Middle Management

Managers who direct the daily activities of a company are called middle management. Many companies have fewer middle managers than in the past. This type of structure is sometimes referred to as a flatter organization. Workers are allowed to make decisions without review by managers. This concept is sometimes called **employee empowerment**.

Computers help workers process and manage information. Increased use of computers has allowed companies to have fewer middle managers. In some companies, more work is done in teams with all members taking part in making decisions. This trend also reduces the need for middle managers.

employee empowerment:
enabling employees to
make decisions

Department Employees

The nature of a company's activities determines the types of workers that will be employed. Each type of employee has certain duties. Working together, they are expected to meet the goals of the company. In many companies, employees are organized in departments or teams that relate to the functions of the company. These functions may include finance and accounting, communications, sales and marketing, information technology, legal services, and human resources. Office workers can be found in all these areas.

Production workers are found in manufacturing companies. These workers make the products the company sells such as cars, computers, or furniture. This type of company will also have workers in departments such as research and development, inventory control, and shipping. Many companies sell or provide services rather than products. Employees such as financial counselors, legal assistants, and real estate agents who provide these services are needed in these companies.

The size of a company influences the types of workers needed. In a small company, a single person may, as is commonly stated, wear many hats. For example, one manager may determine how the company's money will be spent. He or she may approve all expenses and sign all payments for goods and services. The manager may also be present to oversee the business on a daily basis. You can imagine that an office assistant in such a company would be likely to do tasks related to communications, records management, and purchasing. In a large company, one person would probably not have the range of duties and authority that is common in a small company.

FOCUS ON . . .

Employee Empowerment

Our employees are empowered. We couldn't function in this fast-paced world without every employee responding wisely to the changes that surround us. We rely on the common sense and wise judgment of every employee.

The president of a bank in a large North Carolina city who spoke these words is not alone in his belief in empowering all 300 of the bank's employees. He understands the value of empowerment, which is the privilege to make decisions or changes in what you do without having to get approval.

Empowerment requires that you understand your company. You learned earlier in Chapter 1 that workers need to understand thoroughly the business or organization in which they are employed. By understanding your organization, you will find every aspect of your job of greater interest. You will better understand what you are doing, and you will be able to use the privilege of empowerment successfully. Consider this example of employee empowerment:

Melissa works in a large consulting company that believes in employee empowerment. She is a new receptionist on the fourth floor, which serves as a center for meetings and conferences for employees and clients. Every day, three, four, or even more individuals would come to her desk asking: "Where is the meeting for ____?" She would have to get the name of the person responsible for the meeting, call

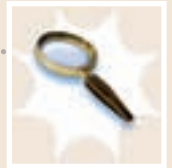
that person's office, and get the needed information. In the meantime, others were waiting to know where they should go. Melissa realized that a problem existed due to lack of information and clear communications.

Melissa had not been told that she would need to guide individuals to the right room. When she realized this task would be a routine part of her job, however, she began to think about how she could resolve the problem. Melissa knew that conference rooms were reserved and that those assistants making arrangements submitted the details of the meeting via e-mail. She called the office that handled room assignments and asked: "Could you add my name to your list for a copy of your confirmation for a room? I will be able to direct visitors to the right room with this information." The staff member was cooperative and responded: "Melissa, that is no problem at all. We'll also keep you informed of changes in plans." In addition, Melissa decided to post a schedule for the day inside the entrance so visitors could check the time and location of the day's meetings.

Melissa remembered her orientation to the company and how she and other new employees were informed of the functions of each department of the company. She realized how that information was now helping her as she thought of better ways to handle her assignments. She enjoyed being *empowered!*

As you have learned, employees in an organization work at various levels and in many different departments. With few exceptions, you will find office workers in all areas of an organization. Even in departments such as production, office workers are needed to process information.

REVIEWING THE TOPIC



1. Why is it valuable for a worker to understand the business of the organization in which he or she is employed?
2. In what ways can workers learn about the organizations in which they are employed?
3. What are common forms of businesses?
4. How does a corporation, in general, differ from a sole proprietorship or a partnership?
5. What do not-for-profit entities provide?
6. What kind of services do governmental units provide?
7. Contrast the overall goal of businesses with that of not-for-profit entities and governmental units.
8. What are common titles for persons who are in top management, and what is the general nature of their responsibilities?
9. How does an organization chart aid in understanding a company?
10. At which levels in a large organization are you likely to find office workers?

INTERACTING WITH OTHERS



You were standing at a desk of a coworker when her telephone rang. This is what you heard her say:

Who do you want?

A Mr. Ted Wells? Are you sure he works for this company?

Gee, I really don't know who the executives are. I don't work for any of them. I work for the director of catering services.

Oh, you work for Johnson Corporation. Well, you know how hard it is to know your own job, let alone know what is going on in the company.

You say our operator gave you this extension? Possibly, the operator doesn't know much more about the company than I do.

If I knew the extension for the president's office, I'd transfer you because I'd guess the president's secretary knows where everyone is—but, I don't know the number offhand and I could never find my directory on this messy desk . . . Let me transfer you back to the operator. Is that okay? I so wish I could be helpful.

Just hold on. But, first where are you calling from? Why don't you call when you aren't busy, and we can have a chat. Do you have my number?

It's 513-555-0192, extension 344.

Hold on. Good luck in finding Mr. Wells. Goodbye.



continued

1. Describe the impression you think the caller has of your coworker's knowledge of the company and of her way of working.
2. Identify what you think the coworker said that reflects positive attitudes toward others.
3. If your coworker maintained an orderly desk, what would she have done as soon as it was clear that the caller had the wrong extension? What might she have said instead of the comments shown here?



REINFORCING MATH SKILLS

As you learned in this chapter, the goal of a business is to make a profit. To judge the extent to which the profit goal is being met, businesses analyze their sales on a regular basis. Assume that you have been given the sales figures below. You have figures for actual sales four years and sales projections for three years. Create a spreadsheet or table and use formulas to analyze the sales as follows:



1. Calculate the total yearly sales by adding the U.S. and international sales.
2. Calculate the percentage U.S. sales are of the total yearly sales. Show no decimal places for all percents.
3. Calculate the percentage international sales are of the total yearly sales.
4. For U.S. sales for each year, calculate the percentage increase over 2003 sales.
5. For international sales for each year, calculate the percentage increase over 2003 sales.
6. For total sales for each year, calculate the percentage increase over 2003 sales.
7. Use appropriate column heads and format the information attractively. Add a comment below the data giving your impression of the rate of growth for this technology.

ACTUAL AND PROJECTED SALES
(\$ In Millions)

Year	U.S. Sales	International Sales
2003	70	30
2004	100	40
2005	150	50
2006	200	50
2007	240	80
2008	300	100
2009	350	170

Topic 1-2 : ACTIVITY 1

DESKTOP PUBLISHING

Organization Chart

An organization chart is often used to show the structure of an organization. Prepare an organization chart showing the management team for the World Wide Sales and Service Division of a multinational company. Refer to Figure 1-2.4 for a sample chart.

1. Begin with the company name, GLOBAL MANUFACTURING, followed by the division name, centered at the top as the chart title.
2. Place Thomas McEwen's name and title, CEO, in the top block of the chart.
3. Insert a block for Paul B. Kalis, Sr. Vice President, who is head of the division and reports to Thomas McEwen.
4. Insert blocks for the following vice presidents who report to Paul B. Kalis:
 - Marco Ortiz, Vice President, Latin America
 - Akira Komuro, Vice President, Asia, Pacific
 - Rachel J. Kohnstamm, Vice President, Europe, Middle East, Africa
5. Insert a block for James E. Phelps, Assistant Vice President, Europe, who reports to Rachel J. Kohnstamm.
6. Insert blocks for Jean L. Lucent, Manager, France, and Howard A. Toole, Manager, Denmark, who report to James E. Phelps.

Topic 1-2 : ACTIVITY 2

SPREADSHEET

Income Statement

The goal of a business is to make a profit. Financial statements such as income statements and balance sheets report how successful a business has been in achieving this goal.

1. Use spreadsheet software to create an income statement for Holly's Crafts using the data shown below step 8. Format the income statement similar to the one shown in Figure 1-2.2. Use appropriate number formats and rules under numbers as shown in Figure 1-2.2.
2. Enter the appropriate headings and date the income statement for the year ended December 31 of the current year.



3. Enter a formula to subtract the cost of goods sold from sales to find the gross profit on sales.
4. Enter a formula to subtract the total operating expenses from the gross profit on sales to find the net income from operations.
5. Enter a formula to subtract other expenses or add other income to find net income before income tax.
6. Enter a formula to subtract income tax to find net income after income tax.
7. Enter formulas to calculate the percentage of sales for gross profit on sales, net income from operations, net income before tax, and net income after tax. (Divide each number by sales.)
8. One goal of Holly's Crafts is to have net income that is 25 percent of sales or higher. Assuming Holly's Crafts sells the same amount of merchandise and expenses and taxes remain the same, how much would the company have to increase prices to meet this goal?

Data for an income statement for the year ended December 31 of the current year:

Sales	\$325,000
Cost of Goods Sold	175,000
Operating Expenses	
Advertising Expense	1,000
Delivery Expense	2,000
Office Supplies Expense	500
Payroll Taxes Expense	5,000
Salaries Expense	58,000
Utilities Expense	3,000
Miscellaneous Expense	400
Other Expense	
Interest	2,500
Income Tax	11,500

CHAPTER REVIEW

1

Summary

During your study of Chapter 1, you learned about the role of the office in today's organizations. You studied types of organizations and learned about their goals. Consider the points listed below as you reinforce your understanding of the topics in this chapter:

- Offices are found in almost all types of organizations. Many workers must perform office tasks.
- Offices are information driven.
- Modern offices are subject to rapid change as new technology is introduced.
- The office is not necessarily a place at a company's official location. Virtual offices and mobile offices can also be used.
- Understanding the total company's work helps an employee handle office activities effectively.
- Organizations are categorized as businesses, not-for-profit entities, or governmental units.
- Companies, beyond the very small, need various types of employees to help meet the company's goals.
- Many types of workers perform some office activities. The duties of office support services employees are mainly office activities.

Key Terms

assets
balance sheet
charter
confidential
corporation
employee
empowerment
expense
freelancer
hoteling

income statement
information
Internet
intranet
liabilities
mobile office
negligence
nonterritorial
workspace
office

owner's equity
partnership
profit
revenue
sole proprietorship
telecommute
vendor
virtual office

Organizations in Your Community

Learn more about the organizations in your community by developing a database of the organizations. Work with two classmates to complete this activity.

1. Develop a list of local organizations in your community (businesses, not-for-profit entities, and governmental units).
2. Each team member, select a different type of entity. For at least three organizations in this type of entity, obtain the information shown in step 4.
3. After obtaining the information, work as a group to design a database to record the information. Enter the data in the database. Sort the data by type of entity. If possible, post the database in a location where the information can be viewed by all members of the class.
4. Each team member, select one of the organizations from the database that you would like to consider as a place of employment. Write a brief essay in which you identify your choice. Give reasons why you think you would like to work for this type of organization.

Information about each organization:

- Type of entity
- Complete name and address of the main office
- General telephone number
- World Wide Web site address(es), if any
- Brief description of the main activity, product, or service of the organization
 - For businesses, include the form of organization
 - For not-for-profit entities, include the major sources of funds
 - For governmental units, include the level—local, state, or national
- Brief description of types of workers employed

Balance Sheet

You are the assistant to Holly Cooper, the owner of Holly's Crafts. Holly has asked you to create a balance sheet for Holly's Crafts.



1. Open the *Microsoft® Excel®* file *CH01 Balance Sheet* found in the data files. The data is in rough format. Format the balance sheet similar to the one shown in Figure 1-2.3. Use appropriate number formats and rules under numbers as shown in Figure 1-2.3.
2. Enter the appropriate headings and date the balance sheet as of December 31 of the current year.

3. Assets: Enter a formula to add the current assets to find the total current assets. Enter a formula to add the fixed assets to find the total fixed assets. Enter a formula to add the total current assets and the total fixed assets to find the total assets.
4. Liabilities: Enter a formula to add the current liabilities to find the total current liabilities. Enter a formula to add the fixed liabilities to find the total fixed liabilities. Enter a formula to add the total current liabilities and the total fixed liabilities to find the total liabilities.
5. Owner's Equity: Enter the net income after taxes figure from the Holly's Crafts Income Statement you created earlier in this chapter as the net income. Enter a formula to subtract Holly Cooper's withdrawals from the net income. Enter a formula to add the remaining income to the capital beginning balance.
6. Enter a formula to add the total liabilities and the capital ending balance to find total liabilities and owner's equity. This number should equal the total assets.