

Business Management

Exam Information	Description
Exam number 230 Items 44 National Career Cluster Business Management & Administration Certification available Yes	The Business Management industry certification exam assesses sound management concepts applicable to future employment opportunities. Learners analyze, synthesize, and evaluate data from various functional areas of business, including marketing, finance, and production/operations. Effective management is evaluated through decision-making abilities, long-range planning knowledge, human relations expertise, and motivational skills. Learners demonstrate their understanding of the four basic functions of management: planning, organizing, leading, and controlling.

Exam Blueprint and Performance Skills

Standard	Percentage of exam score
1. Role Of Business Management & Economics	13%
2. The Four Functions Of Management	26%
3. Leading Function	17%
4. Controlling Function	11%
5. Financial Information	17%
6. Marketing	9%
7. Ethics, Social, and Legal Responsibility	9%

*Includes performance skill evaluation

Standard 1 - Role Of Business Management & Economics

Candidates will understand the role of Business Management and the economic concepts that affect the business decision-making process.

Objective 1 Candidates will understand that a country's economy is based on its ability to satisfy its people's wants and needs.

An economy needs to answer these 3 basic economic questions.

- a. What to produce?
 - b. How to produce goods and services?
 - c. How to distribute goods and services? Online or Brick & Mortar
1. Compare and contrast between the 3 main economic systems.
 - a. Command: an economy in which production, investment, prices, and incomes are determined centrally by a government.
 - b. Market: an economic system in which production and prices are determined by unrestricted competition between privately owned businesses.
 - c. Mixed: an economic system combining private and public enterprise

Objective 2 Describe the law of supply and the law of demand.

1. Illustrate the supply and demand curves and define supply and demand
 - a. Supply: the amount of a good or service offered for sale
 - b. Demand: the desire of purchasers, consumers, clients, employers, etc., for a particular commodity, service, or other item
2. Describe the interrelationship between cost, price, and profit
 - a. $\text{Price} - \text{Cost} = \text{Profit}$
 - b. As cost goes up so does price and the opposite is always true
3. Explain how Equilibrium, Surplus & Shortage relate
4. How supply and demand affect price

Objective 3 Objective Description

1. Understand basic economic terms that affect businesses decision-making.
 - a. Understand what scarcity is: the state of being scarce or in short supply; shortage
 - b. Understand what opportunity cost is: the loss of potential gain from other alternatives when one alternative is chosen.
 - c. Understand the concept of the business life cycle as it correlates with the economy (depression, inflation, recession, expansion)

Objective 4 Understand economic factors as they apply to international business:

1. Balance/Restriction of Trade
 - a. Imports: bring (goods or services) into a country from abroad for sale.

- b. Exports: send (goods or services) to another country for sale.
 - c. Tariff: a tax or duty to be paid on a particular class of imports or exports.
 - d. Embargo: an official ban on trade or other commercial activity with a particular country.
 - e. Sanction: a threatened penalty for disobeying a law or rule.
2. Describe the concepts of import and export.

Optional: Standard performance evaluations on the final page of this document

Standard 2 - The Four Functions Of Management

Candidates will be introduced to the four functions of management beginning with the planning and organizing functions.

Objective 1 Identify the four functions of management.

- 1. Planning - Determining a course of action
- 2. Organizing - Coordinating activities and resources
- 3. Leading - Managing, motivating, and directing
- 4. Controlling - Monitoring and evaluating

Objective 2 Candidates will plan the most effective course of action for setting an organization's goals and deciding how to achieve them.

- 1. Understand the importance and purpose of a business plan for managerial success and capital resource allocation

Objective 3 Distinguish between strategic (long-term) and operational (short-term) planning.

- 1. Identify examples of strategic planning.
 - a. SWOT analysis: analysis of internal Strengths, Weaknesses, Opportunities and Threats
 - b. PEST analysis: Political, Economic, Socio-Cultural, Technological
- 2. Identify examples of operational planning by explaining how each planning tool is utilized in the business decision-making process:
 - a. Budgets
 - b. Calendars & Schedules
 - c. Policies & Procedures
- 3. Identify and explain the business decision-making process:
 - a. Define goal
 - b. Establish criteria
 - c. Choose good options
 - d. Identify pros & cons
 - e. Decide the most logical option for the situation
 - f. Evaluate results

Objective 4 Business Ownership Legal Structure

1. Compare and contrast business ownership legal structures specifically relating to tax & insurance liabilities, and profit distribution. Provide examples for each basic forms of ownership:
 - a. Sole Proprietorship
 - b. Partnership
 - c. Corporation
 - i. LLC (Limited Liability Corporation)
 - ii. S-Corporation C-Corporation
 - d. Identify characteristics, advantages, disadvantages, and examples of a Franchise Agreement.

Objective 5 Differentiate between management structures (centralized and decentralized).

1. Identify types of organizational structures and how they are utilized within a business:
 - a. Line
 - b. Line and Staff
 - c. Matrix d. Team

Objective 6 Describe the importance of a vision statement with broad goals that are (long-term), mission statement, and objectives (short-term).

1. Vision Statement- Broad, lasting, and inspirational message that communicates the purpose of the business to all stakeholders.
2. Mission Statement- A short, specific statement which is adaptable to the current purpose and direction.

Optional: Standard performance evaluations on the final page of this document

Standard 3 - Leading Function

Candidates will identify and describe how to influence members of the organization to work together effectively.

Objective 1 Identify, compare, and contrast different leadership styles:

1. Autocratic: relating to a ruler who has absolute power.
2. Democratic: relating to or supporting democracy or its principles.
3. Laissez-faire: attitude of letting things take their own course, without interfering.

Objective 2 Identify effective leaders and their leadership qualities in the current business industry.

1. Explore effective leadership qualities which include:
 - a. Honesty (high standards of integrity)
 - b. Judgment (consider fact carefully & gather new information)
 - c. Objectivity (no bias—look at all sides of a problem)
 - d. Initiative (ambition and persistence in reaching goals)
 - e. Dependability (follow through on commitments)
 - f. Cooperation (work well with others)
 - g. Courage (able to make unpopular decisions)
 - h. Confidence (trust own judgment)
 - i. Stability (not highly emotional, solve problems and reduce conflicts)
 - j. Understanding (understand people, encourage others to share opinions)

Objective 3 Compare and contrast management and motivational theories:

1. Theories: X, Y, and Z
2. Herzberg's Theory
3. Maslow's Hierarchy of Needs

Objective 4 Describe techniques managers use to motivate individual employees:

1. Goal Setting
2. Job Advancement
3. Cross-training
4. Empowerment
5. Self-direction

Standard 4 - Controlling Function

Candidates will evaluate organizational activities and determine a plan of action

Objective 1 Evaluate and determine alternative actions when goals are not being met (changing goals or changing strategies). Review the DECIDE process of the business decision making process (Standard 2).

Objective 2 Identify the four steps used in the process of controlling operations within a business:

1. Set standards
2. Measuring performance
3. Analyze performance
4. Take corrective action

Objective 3 Identify the major factors in operations management:

1. TQM (total quality management)- a system of management based on the principle that every staff member must be committed to maintaining high standards of work in every aspect of a company's operations.
2. Lean- The main purpose of Lean management is creating value to the customer by optimizing resources. Lean management is a method of managing and organizing work with the aim of improving a company's performance, particularly the quality and profitability of its production processes.
3. Supply Chain- management of the flow of goods and services and includes all processes that transform raw materials into final products.

Objective 4 Explain management responsibilities as a means of controlling your business outcomes:

1. Recruiting
2. Hiring
3. Training
4. Appraising
5. Firing, Terminating, Dismissing

Standard 5 - Financial Information

Candidates will analyze and understand the importance of financial information in the business decision-making process.

Objective 1 Identify and define basic financial terms used in business:

1. Asset- something of value that is owned
2. Liability- something of value that is owed to a creditor
3. Owner's Equity- The difference between assets and liabilities a
 - a. $\text{Assets} - \text{Liabilities} = \text{Equity}$
 - b. $\text{Assets} = \text{Liabilities} + \text{Equity}$
4. Revenue- All money coming in from the sale of goods or services
5. Expense- The cost required for something; the money spent on something.

Objective 2 Analyze basic financial statements used in business:

1. Income Statement- (Assets, Liabilities, Equity)
2. Balance Sheet- (Revenue, Expenses)
3. Cash Flow Statement- (Inflows and outflows of cash)

Objective 3 Analyze and interpret data that appears on financial statements used in making management decisions:

1. Return on Investment: $:(\text{Revenue} - \text{Cost}) / \text{Cost}$
2. Breakeven Analysis: $\text{Total Cost} = \text{Total Revenue}$

Objective 4 Identify and explore sources of financing to start and operate a business.

1. Wage, Salary and Commission
2. Insurance (disability, long-term, medical, dental)
3. Retirement
4. Vacation
5. PTO (paid time off)

Standard 6 - Marketing

Candidates will understand how marketing affects business decisions.

Objective 1 Identify and understand the four P's of the marketing mix: Explain the determinants of supply and demand.

1. Product - possibly the most important, can be good, and service.
2. Price - amount of money requested or exchanged for a product, should cover expenses and allow for a profit
3. Place - activities involved in getting a product or service to the end user, may include shipping, ordering processing, inventory storage, and stocking of goods. Describe that place can be both a physical location or online site.
4. Promotion - process of communication with customers and potential customers to inform, persuade, and remind about products, their price, and where they can be purchased

Objective 2 Research markets to determine what the customer values:

1. Target Markets and Market Segmentation
 - a. Demographics; Who? (Personal characteristics such as Age, Gender, Income Level, Education Level, Race, Ethnicity)
 - b. Geographics/Location; Where? (Segmentation based on where people live such as Natural or Political Boundaries, Climate, Cultural influences, and Customs)
 - c. Psychographics/Interests; Why? (Involves grouping people with similar lifestyles, as well as shared attitudes, values, and opinions such as Activities, Attitudes, Personality & Values)
 - d. Behavioral; How? (Looking at the benefits desired by consumers such as shopping patterns, usage rate, benefits--and not just the physical characteristics of a product)

Standard 7 - Ethics, Social, And Legal Responsibility

Candidates will understand and identify ethics, social responsibility, and legal aspects that regulate business.

Objective 1 Explain the overall nature of corporate social responsibility.

1. Philanthropy
2. Human Rights
3. Environmental Impact and Sustainability
4. Understand the purpose of a business code of ethics.

Objective 2 Describe how employee rights affects the workplace:

1. Child Labor
2. Drug Testing
3. Right-to-privacy
4. Sexual Harassment
5. Whistle Blowing
6. Understand the purpose of a business code of ethics.

Objective 3 Identify and describe government agencies that regulate business:

1. OSHA (Occupational Safety and Health Administration)
2. EEOC (Equal Employment Opportunity Commission)
3. FTC (Federal Trade Commission)
4. FDA (Food and Drug Administration)
5. HIPAA (Health Insurance Portability and Accountability Act)
6. FERPA (Family Educational Rights and Privacy Act)
7. FLSA (Fair Labor Standards Act) 8. ADA (Americans with Disabilities Act)

Optional: Standard performance evaluations on the final page of this document

Performance Skills Evaluation

Exam name: Business Management

Candidate Name: _____

Performance assessments may be completed and evaluated any time before the certification is issued. The following performance skills can be used in connection with the associated standards and exam. The evaluator will function as the subject matter expert to determine if the candidate meets the skills requirements with a Yes/No for passing.

Standard 1 – Role of Business Management and Economics

- Apply the economic concepts above toward the creation of a business plan. Your potential business must do the following:
 - Identify a market problem
 - Identify a market solution that shows demand
 - Answers the 3 economic questions
 - What to produce?
 - How to produce goods and services?
 - How to distribute goods and services?

Pass:

Standard 2 – The Four Functions of Management

- For your business complete and include the following information in your business management (also called business description) section of your business plan
 - Write your business mission and vision statements (to be included in your Executive Summary Section)
 - Describe your legal form of ownership (S-corp, Partnership, etc..) and why you chose this form
 - Provide your Organizational Chart (Who answers to whom)
 - Identify key personnel titles and roles

Pass:

Standard 5 – Financial Information

- Identify needed qualifications for each of your key employees in your organization.
- Create at least 3 job descriptions for the future personnel you are intending to hire.
- Determine 3 evaluation criteria for each job description to determine if you are meeting your business goals.
- OR
- Choose a financial statement (income statement, balance sheet, cash flow statement) and create a projected one for your business plan.
- Create compensation and benefit packages you plan to offer your key employees.

Pass:

Evaluator Name:

Date:
