Chapter Objectives

• Name a business's main areas of operation.
• Differentiate a business process from a business function.
• Identify the kinds of data that each main functional area produces.
• Identify the kinds of data that each main functional area needs.
• Define integrated information systems and state why they are important
Functional Areas of Operation

Business Processes

Integration of Business Functions

- Sharing data efficiently and effectively within and between functional areas leads to more efficient business processes.
- Information systems that share data between functional areas are called Integrated Information Systems.
Information System

- Includes:
  - Computers
  - People
  - Procedures
  - Software
- Stores, organizes and delivers information
- Information systems are a critical tool for integrating business functions

Functional areas, business functions

LEMONADE STAND

Lemonade Stand

- Marketing and Sales
  - Develop products
  - Determine pricing
  - Promote products
  - Take customer orders
  - Make sales forecast
  - Track repeat customers to send flyers or thank-you notes
  - Manage credit
Lemonade Stand

• Supply Chain Management
  – Buy raw materials (purchasing)
  – Make lemonade
  – Manage recipes
  – Maintain manufacturing (cost) records

• Accounting and Finance
  – Record raw transaction data
    • Sales, raw material purchases, payroll, cash receipts
  – Provide data for sales forecasting, credit management, cash management

• Human Resources
  – Recruit, train, evaluate and compensate employees
  – Develop personnel plans (staffing) based on sales
  – Determine compensation—depends on labor market
Marketing and Sales

**Inputs**
- Customer data
- Order data
- Sales trend data
- Per-unit cost

**Outputs**
- Sales strategies
- Product pricing
- Order status
- Sales forecast
- Hiring needs
Supply Chain Management

• Inputs
  – Product sales data
  – Production plans
  – Inventory levels

• Outputs
  – Raw material orders
  – Packaging orders
  – Resource expenditure data
  – Production and inventory reports

Accounting and Finance

• Inputs
  – Payments from customers
  – Accounts receivables data
  – Accounts payables data
  – Sales data
  – Production and inventory data
  – Payroll and expense data

• Outputs
  – Payments to suppliers
  – Financial reports
  – Customer credit data
Human Resources

- Inputs
  - Personnel forecasts
  - Skills data

- Outputs
  - Regulation compliance
  - Employee training and certification
  - Skills database

Summary

- All manufacturing companies have basic functional areas
  - Marketing and Sales
  - Supply Chain Management
  - Accounting and Finance
  - Human Resources
Summary

• Marketing and Sales
  – Sets product prices
  – Promotes products
  – Takes customer orders
  – Creates sales forecasts

Summary

• Supply Chain Management
  – Develops production plans
  – Orders raw materials from suppliers
  – Receives the raw material into the facility
  – Manufactures products
  – Ships products to customers

Summary

• Accounting and Finance
  – Records sales transactions
  – Records customers’ payments
  – Records suppliers’ invoices and payments to suppliers
  – Summarizes operational data in managerial reports
Summary

- Human Resources
  - Recruits employees
  - Trains employees
  - Compensates employees
    - Includes employee benefits
  - Oversees the evaluation of employees

Summary

- Employees working in one functional area need data from other functional areas
- Functional area information systems should be integrated, so accurate data can be shared and readily available
- Integrated information systems serve functional areas
  - Capture data
  - Process data
  - Store data
  - Make data accessible across functional areas
    - As needed
  - Restrict access to data to maintain security and privacy

Summary

- Business managers must think in terms of business processes that integrate functional areas
  - A business process view promotes efficiency and competitiveness
  - Business processes require information sharing among functional areas
  - ERP systems provide this capability by using a common database of information
End of Chapter 1 Part 3

Integrated Information Systems – Share the Data