The Changing Face of Business

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Learning Objectives

1. Define business
2. Identify and describe the factors of production
3. Describe the private enterprise system
4. Identify the seven eras in the history of business
5. Explain how today’s business workforce and the nature of work itself is changing.
6. Identify the skills and attributes needed for the 21st-century manager
7. Outline the characteristics that make a company admired
Define Business

- A broad, all-inclusive term applied to various enterprises
- All profit-seeking activities and enterprises
- Provider of goods and services necessary to an economic system
- Drives the economic pulse of a nation
- Improves citizens’ standard of living
- An exchange between a buyer and a seller
What are Profits?

- Profits represent rewards earned by businesspeople:
  - who take the risks involved in blending people, technology, and information
  - to create and market want-satisfying goods and services.
- Accountants think of profits as the difference between a firm’s revenues and the expenses it incurs in generating those revenues.
- Profits serve as incentives to start and expand companies.
Not-for-Profit Organizations

- Businesslike establishments with objectives other than returning profits to their owners
- Public service is placed above profits
- Operate in both the public and private sector
  - Public: government agencies, political parties, and labor unions
  - Private: museums, libraries, trade associations, and religious organizations
- The concepts of for-profit firms also apply to not-for-profits and managers of not-for-profits face similar challenges.
Factors of Production

Four Basic inputs or key resources required for successful operation of an economic system:

- Natural Resources
  - Production inputs useful in their natural states: agricultural land, building sites, forests, and mineral deposits

- Capital
  - Includes technology (machinery and equipment), tools, information, and physical facilities.

- Human Resources
  - From the CEO to a self-employed writer

- Entrepreneurship
  - The willingness to take risks to create and operate a business
The Private Enterprise System

- In the U.S., an economic system that rewards firms for their ability to identify and serve the needs and demands of customers

- **Capitalism** is another name for the private enterprise system

- Adam Smith is the father of capitalism, who believed an economy is best regulated by the "**invisible hand**" of competition

- To compete, each firm must provide a **competitive differentiation** to set itself apart
Basic Rights in the Private Enterprise System

- **Right to Private Property** – own, use, buy, sell and bequeath most forms of property, including land, buildings, machinery, and equipment

- **Right to profits** after taxes, earned through business activities

- **Competition** – allows for the public to set rules for competitive activity

- **Freedom of Choice** – citizens choose their own employment, purchases, and investments
The Entrepreneurship Alternative

- The entrepreneurial spirit fuels growth in the U.S. economy
- The entrepreneurial spirit is the source of new jobs
- An entrepreneur is a risk taker in the private enterprise system
- Capital, time, and talents to pursue opportunities for profit by individuals who see market opportunity
- The willingness of individuals to start new ventures drives economic growth and keeps pressure on existing companies to satisfy customers
Education Levels of Small Business Owners

![Pie charts showing education levels of small business owners](image)
# Seven Eras in the History of Business

<table>
<thead>
<tr>
<th>Era</th>
<th>Main Characteristics</th>
<th>Time Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colonial</td>
<td>Primarily Agricultural</td>
<td>Prior to 1776</td>
</tr>
<tr>
<td>Industrial Revolution</td>
<td>Mass production by semiskilled workers, aided by machines</td>
<td>1760-1850</td>
</tr>
<tr>
<td>Industrial Entrepreneurs</td>
<td>Technology advances and increased demand for manufactured goods</td>
<td>Late 1800s</td>
</tr>
<tr>
<td>Production</td>
<td>Emphasis on producing more goods faster</td>
<td>Through the 1920s</td>
</tr>
<tr>
<td>Marketing</td>
<td>Consumer orientation</td>
<td>Since the 1950s</td>
</tr>
<tr>
<td>Relationship</td>
<td>Deep, ongoing links with individual customers</td>
<td>Began in 1990s</td>
</tr>
<tr>
<td>Social</td>
<td>New ways for businesses and consumers to communicate</td>
<td>Since 2000s</td>
</tr>
</tbody>
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Strategic Alliances

- To take full advantage of available opportunities, businesses must form partnerships with other organizations.
- One form of partnership is called a strategic alliance.
- A strategic alliance is formed to create a competitive advantage for the businesses involved.
- Barnes and Noble and Starbucks have formed a successful strategic alliance.
A way to build relationships is to incorporate issues and causes in which customers care deeply.

Companies can create environmentally friendly products and processes.

Companies are well aware of saving energy, cutting emissions, reducing pollution and waste.

“Going green” is more than just a movement – it’s a way of doing business.
Today’s Business Workforce

- It is crucial to keep pace with accelerated change in today’s business world
- A skilled and knowledgeable workforce is an essential resource
- High-quality production workforces are needed to compete in global markets
- Brainpower is needed to stay on top of new technologies and continued innovation
Changes in the Workforce

- Aging of the Population and Shrinking Labor Pool
- Increasingly Diverse Workforce
- Outsourcing and the Changing Nature of Work
- Flexibility and Mobility
- Innovation through Collaboration
Aging of the Population and Shrinking Labor Pool

- By 2030, the number of workers 65 and older will double, and many will retire
- The labor pool could fall short
- Management challenges with a multi-generational workforce
- Work-life styles, work expectations, and disparate levels of technological expertise
- Advanced technological skills will be required
## Aging of the U.S. Population

<table>
<thead>
<tr>
<th>AGE</th>
<th>2010</th>
<th>2020</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>16–64</td>
<td>203 million</td>
<td>214 million</td>
<td>218 million</td>
</tr>
<tr>
<td>66% of total</td>
<td>63% of total</td>
<td>61% of total</td>
<td></td>
</tr>
<tr>
<td>65 and older</td>
<td>40 million</td>
<td>55 million</td>
<td>64 million</td>
</tr>
<tr>
<td>13% of total</td>
<td>16% of total</td>
<td>18% of total</td>
<td></td>
</tr>
<tr>
<td>Median</td>
<td>37 years</td>
<td>38 years</td>
<td>38.5 years</td>
</tr>
</tbody>
</table>

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Increasingly Diverse Workforce

- Fastest growing U.S. populations include Hispanics and those of Asian origin
- Managers must be sensitive to the nuances of a diverse workforce
- A firm’s success can be enhanced by blending individuals
- Success is enhanced through different genders, ethnic backgrounds, cultures, religions, ages, and physical and mental abilities
Outsourcing and the Changing Nature of Work

- A shift away from manufacturing, and more to services
- Service workers require knowledge, technical, and communication skills
- Outsourcing, the use of outside vendors to produce goods and fulfill service functions, has increased staffing flexibility with the use of technology
- Offshoring – relocating business processes to lower cost locations overseas
- Nearshoring – outsourcing production or services near a company’s headquarters
Flexibility and Mobility

- Not all seek a work-comes-first lifestyle
- Exploration and implementation of various work arrangements
- Work, technology, and the relationships between them continue to evolve
- Telecommuting, job sharing, and virtual teams allow employees the flexibility to live and work where they choose
Innovation through Collaboration

- A trend toward collaboration in place of working solo
- Collaboration increases learning and enhances problem solving
- Collaboration enhances creativity and translates to innovation
The 21st Century Manager

- Importance of Vision
  - Perceiving marketing place needs
  - What an organization must do to satisfy needs

- Importance of Critical Thinking and Creativity
  - Analyze and assess information, knowledge, and arguments for problem solving
  - Developing novel solutions to problems requires creativity

- Ability to Lead Change
  - Changes resulting from technology, marketplace demands and global competition
What Makes a Company Admired?

- FORTUNE® publishes a list of the World’s Most Admired Companies based upon the following criteria:
  - Innovation
  - People management
  - Use of corporate assets
  - Social Responsibility
  - Quality of management
  - Quality of products and services