**CHAPTER 1: THE CHANGING FACE OF BUSINESS**

**Chapter Overview**

Business is the nation’s engine for growth. To succeed, business firms must know what customers want so that they can supply it quickly and efficiently. Firms can *lead* in advancing technology and other changes. They have the resources, know-how, and the financial incentive to bring about innovation.

Businesses require physical inputs as well as the accumulated knowledge and experience of managers and employees. Yet, they also rely on their ability to change with the marketplace. Flexibility is a key to long-term success—and to growth.

This Canadian edition explores the strategies that allow companies to grow and compete in today’s interactive marketplace, along with the skills that you will need to turn ideas into action for your own success in business. This chapter defines business and its role in society. It illustrates how the private enterprise system encourages competition and innovation while preserving business ethics.

**Glossary of Key Terms**

**Brand:** name, term, sign, symbol, design, or some combination that identifies the products of one firm and differentiates them from competitors’ offerings

**Branding:** process of creating an identity in consumers’ minds for a good, service, or company; a major marketing tool in contemporary business

**Business:** all profit-seeking activities and enterprises that provide goods and services necessary to an economic system

**Capital:** production inputs consisting of technology, tools, information, and physical facilities

**Capitalism:** economic system that rewards firms for their ability to perceive and serve the needs and demands of consumers; also called the private enterprise system

**Competition:** battle among businesses for consumer acceptance

**Competitive differentiation:** unique combination of organizational abilities, products, and approaches that sets a company apart from competitors in the minds of customers

**Consumer orientation:** business philosophy that focuses first on determining unmet consumer wants and needs and then designing products to satisfy those needs

**Creativity:** capacity to develop novel solutions to perceived organizational problems

**Critical thinking:** ability to analyze and assess information to pinpoint problems or opportunities

**Diversity:** blending individuals of different genders, ethnic backgrounds, cultures, religions, ages, and physical and mental abilities to enhance a firm’s chances of success

**Entrepreneur:** person who seeks a profitable opportunity and takes the necessary risks to set up and operate a business

**Entrepreneurship:** willingness to take risks to create and operate a business

**Factors of production:** four basic inputs for effective operation: natural resources, capital, human resources, and entrepreneurship

**Human resources:** production inputs consisting of anyone who works, including both the physical labour and the intellectual inputs contributed by workers

**Natural resources:** all production inputs that are useful in their natural states, including agricultural land, building sites, forests, and mineral deposits

**Nearshoring:** outsourcing production or services to locations near a firm’s home base

**Not-for-profit organization:** organization that has primary objectives such as public service rather than returning a profit to its owners

**Offshoring:** relocation of business processes to lower-cost locations overseas

**Outsourcing:** using outside vendors to produce goods or fulfill services and functions that were previously handled in-house or in-country

**Private enterprise system:** economic system that rewards firms for their ability to identify and serve the needs and demands of customers

**Private property:** most basic freedom under the private enterprise system; the right to own, use, buy, sell, and bequeath land, buildings, machinery, equipment, patents, individual possessions, and various intangible kinds of property

**Profits:** rewards for businesspeople who take the risks involved to offer goods and services to customers

**Relationship era:** the business era in which firms seek ways to actively nurture customer loyalty by carefully managing every interaction

**Relationship management:** collection of activities that build and maintain ongoing, mutually beneficial ties with customers and other parties

**Social era:** a new approach to the way businesses and individuals interact, connect, communicate, share, and exchange information with each other in virtual communities and networks around the world.

**Strategic alliance:** partnership formed to create a competitive advantage for the businesses involved; in international business, a business strategy in which a company finds a partner in the country where it wants to do business

**Transaction management:** building and promoting products in the hope that enough customers will buy them to cover costs and earn profits

**Vision:** the ability to perceive marketplace needs and what an organization must do to satisfy them

**Learning Objective 1: Distinguish between business and not-for-profit organizations.**

*Business consists of all profit-seeking activities that provide goods and services necessary to an economic system. Not-for-profit organizations are business-like establishments whose primary objectives involve social, political, governmental, educational, or similar functions—instead of profits.*

**Annotated Lecture Notes**

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| **Opening Vignette:Justin Bieber: Reflecting the changing face of the music business**Who was discovered on YouTube at the age of 13?Who is a Canadian icon with his breakout single introduced in 2009?The Internet has changed the way artists, like Justin Bieber, are discovered and how they communicate and develop their relationships with their fan base. Justin Bieber uses a variety of tools such as blogs, tweets, and videos to develop and maintain his relationship with fans. | *Lecture Enhancer:* * *Do you think that Justin Bieber would have been a successful artist without being discovered on YouTube?*
* *How has social media significantly changed business today?*
* *How would you improve Justin Bieber’s web presence?*
* *What is another type of business that could use the Internet to improve communications between participants?*
 |
| ***WHAT IS BUSINESS?*** |   |
| **1. Business*** 1. The term “business” refers to a broad concept.
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| * 1. **Business** consists of all profit-seeking activities and enterprises that provide goods and services necessary to an economic system.
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| * + 1. Businesses produce tangible goods or provide services.
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| * + 1. Business drives economics and improves the standard of living.
 |  |
| * 1. At the heart of every business endeavor is an exchange between a buyer in need of a good or service and a seller who makes a profit.
 |  |
| * 1. **Profits** are rewards for businesspeople who risk blending people, technology, and information to create and market goods or services.
 | *Lecture Enhancer:* *Showcase the following list of the 10 most profitable companies in Canada 2014* <http://www.theglobeandmail.com/report-on-business/rob-magazine/top-1000/top-canadian-companies-by-profit/article19317880/>  |
| * + 1. Profits are incentives for people to start companies, expand, and provide competitive products.
 |  |
| * + 1. In accounting, profit is the difference between a firm’s revenues and the expenses it incurs in generating these revenues.
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| iii. A company cannot survive without profits. |  |
| 1. **Not-for-Profit Organizations**
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| * 1. **Not-for-profit organizations** are business-like establishments that have primary objectives other than profits.
 | *Lecture Enhancer:* *Explain a possible objective of a not-for-profit organization.* |
| * 1. They place public service over profits but need money to achieve their goals.
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| * + 1. In the private sector they include: museums, libraries, trade associations, charitable organizations, and religious groups.
 | *Lecture Enhancer:**Name examples of private-sector not-for-profit organizations.**Discuss the Salvation Army* [*http://www.salvationarmy.ca/*](http://www.salvationarmy.ca/) |
| * + 1. In the public sector, they include: government agencies, political parties, and labour unions.
 | *Lecture Enhancer:* *Name examples of public-sector not-for–profit organizations.* |
| * 1. Not-for-profits are a major part of the Canadian economy.
 |  |
| * + 1. More than 160,000 not-for-profit organizations are registered in Canada, raising $112 Billion in revenue and employ over 2 million people.
 |  |
| * + 1. 1/3 of the employees work in hospitals, colleges and universities.
 |  |
| * 1. They face many of the same challenges as businesses do in raising money.
 | *Lecture Enhancer*: *What possible risks do not-for-profits face if they choose to sell merchandise or to share advertising with a business in order to raise funds?* |
| * + 1. Without funds, they cannot provide services. Approximately half of the revenues come from government grants (provincial)
 |  |
| ii. Some not-for-profits sell merchandise or set up profit-generating arms. | *Lecture Enhancer*: *Name a not-for-profit organization that sells merchandise or has a profit-generating arm.* |

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**Assessment Check Answers**

**1.1 What activity lies at the heart of every business endeavor?**

*At the heart of every business endeavor is an exchange between a buyer and a seller*.

**1.2 What are the primary objectives of a not-for-profit organization?**

*Not-for-profit organizations place public service above profits, although they need to raise money in order to operate and achieve their social goals.*

**Learning Objective 2: Identify and describe the factors of production.**

*The factors of production consist of four basic inputs: natural resources, capital, human resources, and entrepreneurship. Natural resources include all productive inputs that are useful in their natural states. Capital includes technology, tools, information, and physical facilities. Human resources include anyone who works for the firm. Entrepreneurship is the willingness to take risks to create and operate a business.*

**Annotated Lecture Notes**

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| ***FACTORS OF PRODUCTION*** |   |
| 1. **Factors of production** are inputs required for the successful operation of an economic system. |  |
| 2. The four basic factors of production are natural resources, capital, human resources, and entrepreneurship. | Table 1.1: Factors of Production and Their Factor Payments*Lecture Enhancer*: *Name one factor of production and its method of payment. Think of a business in which this factor plays a major part.*  |
| **1. Natural Resources**  |  |
| * 1. **Natural resources** include all production inputs that are useful in their natural states; the basic inputs required in any economic system.
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| * 1. Examples are agricultural land, building sites, forests, and mineral deposits.
 |  |
| 1. **Capital**
 |  |
| * 1. **Capital** includes technology, tools, information, and physical facilities.
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| * 1. Technology refers to machinery and equipment, including computers and software, telecommunications, and inventions.
 |  |
| * 1. Technology improves products and provides timely and accurate information.
 |  |
| * 1. To remain competitive, a firm needs to continually acquire, maintain, and upgrade a firm’s capital, which requires money.
 | *Lecture Enhancer*: *Provide an example of a business that recently upgraded or updated some form of its capital.*  |
| * 1. Those who supply capital to firms earn payment in the form of interest.
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| 1. **Human Resources**
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| * 1. **Human resources** include everyone who works for an organization.
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| * 1. Human resources encompass both physical labour and intellectual inputs.
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| * + 1. Employees are a source of ideas and innovation.
 |  |
| * + 1. Talented, motivated employees provide a competitive edge.
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| 1. **Entrepreneurship**
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| * 1. **Entrepreneurship** is the willingness to take the risks necessary to create and operate a business.
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**Notes:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Assessment Check Answers**

**2.1 Identify the four basic inputs to an economic system.**

*The four basic inputs are natural resources, capital, human resources, and entrepreneurship*.

**2.2 List four types of capital**.

*Four types of capital are technology, tools, information, and physical facilities.*

**Learning Objective 3: Describe the private enterprise system.**

*The private enterprise system is an economic system that rewards firms for their ability to perceive and serve the needs and demands of customers. Competition in the private enterprise system ensures success for firms that satisfy consumer demands. Citizens in a private enterprise economy enjoy the rights to private property, profits, freedom of choice, and competition. Entrepreneurship drives economic growth.*

**Annotated Lecture Notes**

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| ***THE PRIVATE ENTERPRISE SYSTEM*** |   |
| **1. Private Enterprise**  |  |
| a. No business operates in a vacuum—each is part of an economic system. |  |
| b. The economic system of a society determines how goods and services are produced, distributed, and consumed in a society, as well as patterns of resource use. |  |
| c. The **private enterprise system** is an economic system that rewards businesses for their ability to perceive and serve the needs and demands of customers. |  |
| * + 1. It minimizes government interference.
 |  |
| * + 1. Businesses that satisfy customers acquire the factors of production and earn profits.
 |  |
| d. **Capitalism** is another name for the private enterprise system. |  |
| * + 1. Adam Smith in 1776, said that an economy is best regulated by the “invisible hand” of **competition**—the battle for consumer acceptance.
 |  |
| * + 1. Competition leads to the best goods and services as weaker producers leave the marketplace.
 | *Lecture Enhancer*: *Name two of Walmart’s competitors.*  |
| e. **Competitive differentiation** is the unique combination of organizational abilities, products, and approaches that sets a company apart from competitors, in the minds of customers. | *Lecture Enhancer*: *How does Walmart differentiate itself among its competitors?***Hit & Miss: Live Nation Connects Superstar Artists and Fans** |
| 1. **Basic Rights in the Private Enterprise System**
 | *Lecture Enhancer: Choose one of the four rights under the private enterprise system. Give an example of how this right allows freedom to a business*. |
| * 1. The right to **private property** means that every person has the right to own, use, buy, sell, and bequeath property.
 |  |
| * + 1. This is the most basic freedom under the private enterprise system.
 |  |
| * 1. Business owners have the right to all profits—after taxes—earned through their activities.
 |  |
| * 1. Citizens in private enterprise system are free to choose their own employment, purchases, and investments.
 |  |
| * 1. Other economic systems sometimes limit freedom of choice to accomplish government goals.
 | *Lecture Enhancer: Give a hypothetical example of what government goals might be more easily achieved by limiting a citizen’s freedom to choose their own employment.* |
| * 1. The private enterprise system ensures fair competition by allowing the public to set rules.
 |  |
| i. The Canadian government prohibits excessively aggressive competitive practices. | *Lecture Enhancer: Explain why cable companies have been a recent target of fair-competition laws.* |
| ii. There are laws against price discrimination, fraud, and deceptive advertising and packaging. |  |
| 1. **The Entrepreneurship Alternative**
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| * 1. **Entrepreneurs** are risk takers who recognize marketplace opportunities and use their capital, time, and talents to pursue profits.
 |  |
| * 1. Entrepreneurship drives economic growth and keeps pressure on existing companies to satisfy customers.
 |  |
| * 1. Data regarding entrepreneurship in Canada:
 |  |
|  1. Of all new businesses created in Canada, 99 percent are small businesses, defined as privately owned and operated companies with fewer than 500 employees.
 |  |
| 1. The small business sector creates 80 percent of all new jobs and generates 45 percent of Canada’s economic output. Thus, Canada’s small businesses are the majority of all Canadian businesses
 |  |
| 1. Statistics Canada data suggest that 5 percent of all businesses employ fewer than five employees, and 95 percent employ fewer than 50.
 | Figure 1.2**CLASS ACTIVITY:** Ask how many students (or their family members) work in a companywith fewer than 20 employees. |
| * 1. Entrepreneurship provides innovation.
 |  |
| * + 1. Start-up companies tend to innovate most in area of new technology.
 |  |
| * + 1. Small companies are more flexible, so they can make changes quickly.
 |  |
| * + 1. Entrepreneurs often find new ways to use the four factors of production.
 | *Lecture Enhancer: Why are smaller companies more likely to find innovative ways to use the factors of production?* |
| * 1. Larger or existing businesses also can encourage entrepreneurial thinking among their employees and customers in order to gain improved innovation and new market opportunities.
 |  |

**Hit & Miss:**

**Live Nation Connects Superstar Artists and Fans**

**Summary**

Beverly Hills-based powerhouse, Live Nation Entertainment is the largest producer of live music concerts worldwide. Live Nation sells millions of tickets each year for events that range from folk to electronic dance music, and that feature entertainers from new artists to music legends. A few years ago, Live Nation merged with ticket-selling giant Ticketmaster Entertainment to create Live Nation Entertainment. Over 250 million fans access various entertainment platforms each year, attending more than 180,000 events in 47 countries. While more than 65 percent of the company’s revenues come from its concert segment, other distinct business units include venue operations, ticketing services, and artist management and services.

**Questions for Critical Thinking**

**1. Ticketmaster, now part of Live Nation Entertainment, responded to the threat of the secondary ticket resale market (by firms like Craigslist and StubHub) by launching its own ticket marketplace. How will Ticketmaster’s marketplace impact secondary market competitors?**

*Ticketmaster realized that reselling tickets on its site allows content owners, venues and other participants to benefit when tickets are resold for higher prices. Live Nation has its TicketsNow business, which focuses on the secondary market. Because there are profits in the secondary ticket market, Ticketmaster has employed an attitude of “if you can’t beat ‘em, join ‘em.” Although Live Nation and Ticketmaster have testified in the past about the evils of ticket scalping, and how it should be outlawed, the company has changed its stance by committing to and providing as many “fan-friendly” ticket options as possible.*

**2. Live Nation anticipates double-digit growth in the number of concert goers worldwide over the next several years. What factors could contribute to such a healthy increase in attendance?**

*The company claims its growth has been organic -- there have been no acquisitions, but an improved economy and the growth of EDM (Electronic Dance Music) have contributed. The company’s festival base is poised for growth.*

**Notes:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

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**Assessment Check Answers**

**3.1 What is an alternative term for “private enterprise system”?**  *Capitalism is an alternative term for private enterprise system.*

**3.2 What is the most basic freedom under the private enterprise system?**

*The most basic freedom is the right to private property*.

**3.3 What is an entrepreneur?**

*An entrepreneur is a risk taker who is willing to start, own, and operate a business*.

**Learning Objective 4: Identify the seven eras of business.**

*The seven historical areas are the Colonial period, the Industrial Revolution, the age of industrial entrepreneurs, the production era, the marketing era, the relationship era and the social era. In the Colonial period, businesses were small and rural, emphasizing agricultural production. The Industrial Revolution brought factories and mass production to business. The age of industrial entrepreneurs built on the Industrial Revolution through an expansion in the number and size of firms. The production era focused on the growth of factory operations through assembly lines and other efficient internal processes. During and following the Great Depression, businesses concentrated on finding markets for their products through advertising and selling, giving rise to the marketing era. In the relationship era, businesspeople focus on developing and sustaining long-term relationships with customers and other businesses. Technology promotes innovation and communication, while alliances create a competitive advantage through partnerships. Concern for the environment also helps build strong relationships with customers. The Social era is a new approach to the way businesses and individuals interact, connect, communicate, share, and exchange information with each other in virtual communities and networks around the world.*

**Annotated Lecture Notes**

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| ***SEVEN ERAS IN THE HISTORY OF BUSINESS***The seven eras of North American business include: the Colonial period, the Industrial Revolution, the age of industrial entrepreneurs, the production era, the marketing era, the relationship era and the social era. |  Figure 1.3 |
| 1. **The Colonial Period**
 | ***CLASS ACTIVITY:*** *Ask students**for examples of people today who earn their income by making**crafts.* |
| * 1. The Colonial period focused on rural and agricultural production.
 |  |
| * + 1. The success or failure of crops influenced every aspect of the economy.
 |  |
| * + 1. Colonial towns were marketplaces for farmers and craftspeople.
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| * 1. Colonists depended on England for manufactured items and funding industries.
 |  |
| * 1. Even after the Revolution, British investors financed North American industries well into the 19th century.
 |  |
| 1. **The Industrial Revolution**
 | ***CLASS ACTIVITY:*** *Lead a discussion to identify the oldest companies in the local area that continue their operations.* |
| * 1. The Industrial Revolution marked a transformation into manufacturing, starting in England around 1750 and spreading to North America by the mid-1800s.
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| * 1. In the past, specialized, skilled workers built products one-by-one.
 |  |
| * 1. Now a factory system mass produced items using semi-skilled workers.
 |  |
| * + 1. Factories profited from the savings of large-scale production, bolstered by machines.
 |  |
| * + 1. Raw materials were purchased cheaply.
 |  |
| * + 1. Specialization of labour led to faster and more efficient production.
 |  |
| * 1. North American business rapidly became industrialized.
 |  |
| * + 1. Agriculture became mechanized.
 |  |
| * + 1. Factories sprang up.
 |  |
| * + 1. A railroad system increased the pace of industry.
 |  |
| 1. **The Age of Industrial Entrepreneurs**
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| * 1. The age of industrial entrepreneurs led to new inventions and innovations, starting in the late 1800s.
 |  |
| * 1. Inventors created useful products and new production methods.
 |  |
| 1. Alexander Graham Bell; his father,

 Melville; and friend Reverend Thomas Henderson started basic short-distance telephone service between office buildings and warehouses in 1877. The company later became Bell Canada Inc. |  |
| 1. In the United States, Eli Whitney

 introduced the idea of  interchangeable parts,  which later led the way to mass  production on a previously  impossible scale. |  |
| c. This era raised the overall standard of living for Canadians. |  |
| d. New prosperity increased demand for manufactured goods. |  |
| 1. **The Production Era**
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| * 1. Demand for manufactured goods increased through the 1920s.
 |  |
| * + 1. Huge, labour-intensive factories dominated business growth.
 |  |
| * + 1. Work became increasingly specialized for each labourer.
 |  |
| * + 1. Managers focused on producing more goods at a faster pace.
 |  |
| * 1. The assembly line, introduced by Henry Ford, became commonplace.
 |  |
| * 1. Businesses focused on internal processes rather than external influences.
 |  |
| * + 1. Marketing was minimal, with a focus on producing and distributing goods.
 |  |
| * + 1. Little attention was paid to consumer wants or needs.
 |  |
| * + 1. Businesses decided what the market would get.
 | *Lecture Enhancer:**Compare the options available to buyers of a Ford automobile today compared to during the production era.* |
| 1. **The Marketing Era**
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| * 1. The marketing era, starting in the 1930s, shifted focus to customers’ wants and needs.
 |  |
| * 1. During the Great Depression, the focus shifted to marketing, selling, and advertising.
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| * 1. After World War II, demand for consumer goods exploded.
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| * + 1. Firms focused on *consumer orientation* as they determined what people wanted, then designed products to satisfy those needs.
 |  |
| * + 1. Consumer choices skyrocketed.
 |  |
| * + 1. **Branding** created an identity in consumers’ minds for a good, service, or company.
 | *Lecture Enhancer: Compare and contrast the brand identities of Walmart and Target.* |
|  iii. A **brand** is a name, term, sign, symbol, design, or some combination that identifies the products of one firm and differentiates them from competitors’ offerings. | *Lecture Enhancer: Give three examples of different brands of athletic shoes. How does each brand differentiate itself within the market?* |
| 1. **The Relationship Era**
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| * 1. **The relationship era** is the business era in which firms seek ways to build long-term customer loyalty by carefully managing every interaction.
 |  |
| * 1. *Transaction management* had dominated since the 1800s, as businesses concentrated on manufacturing products and then hoping customers would buy them.
 | *Lecture Enhancer:* *How has the shift in focus from production to customer relationships affected how innovation occurs within an industry?* |
| * 1. Businesses earn enormous paybacks for nurturing customer loyalty.
 |  |
| * + 1. Expenses are cut because it costs less to keep loyal customers than to find new ones.
 | ***CLASS ACTIVITY:*** *Ask students**how many “frequent buyer” or loyalty cards they carry in their**wallet or purse.* |
| * + 1. Firms discover the needs and preferences of customers, which leads to improved competitive differentiation.
 |  |
| * 1. The relationship era is now based on connections between:
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| * + 1. businesses and customers
 |  |
| * + 1. employers and employees
 |  |
| * + 1. technology and manufacturing
 |  |
| * + 1. separate companies.
 |  |
| 1. **The Social Era**
 |  |
| * 1. The **Social era** of business can be described as a new approach to the way businesses and individuals interact, connect, communicate, share, and exchange information with each other in virtual communities and networks around the world.
 |  |
| * 1. Is used on the premise that organizations create value through connections with groups or networks of people with similar goals and interests, offers businesses immense opportunities, particularly through the use of technology and relationship management.
 | **Hit & Miss: Twitter’s Dorsey: 140 Characters at a time** |
| * 1. **Relationship management** is a collection of activities that build and maintain ongoing, mutually beneficial ties with customers and other parties.
 |  |
|  d. These actions use **social media tools** and **technologies**, which include blogs, podcasts, Microblogs, social and professional networks, picture sharing platforms and content communities.  | ***CLASS ACTIVITY:*** *Ask how many students have created any of the listed social media tools. Determine the purpose and how this is impacting the newest Era.*  |
| 1. **Strategic Alliances**
 |   |
| * 1. **Strategic alliances** are partnerships formed to create a competitive advantage for both firms.
 |  |
| * 1. E-business has created a new type of strategic alliance.
 |  |
| * + 1. A firm that does business completely online connects with a traditional retailer.
 | *Lecture Enhancer: Give an example of a current e-business strategic alliance.* |
| * + 1. The experienced firm shares expertise in purchasing and distribution with a partner.
 |  |
| 1. **The Green Advantage**
 |  |
| * 1. “Going green” is no longer whether a company should, but how.
 |  |
| b. Developing environmentally friendly products is a major force in business. |  |
| c.Energy is among a firm’s biggest costs, and carbon-based fuels such as coal add carbon dioxide to the atmosphere.  |  |
| d. Some “green” initiatives are costly for firms. | **Going Green:****Internet Billionaire’s Goal: Help China Breathe Easier** |

**Hit & Miss:**

**Twitter’s Dorsey: 140 Characters at a time**

**Summary**

Twitter began as an interoffice microblogging platform created by programmers from a defunct company started by Jack Dorsey. When a small earthquake shook San Francisco, word of the quake spread quickly via Twitter—and a new company was born. Square, Dorsey’s most recent business venture, allows credit card payments to be made to individuals and businesses by attaching a small device to a smart phone or tablet. Dorsey is guided by three principles--simplicity, constraint, and craftsmanship--still very much part of Twitter’s culture today.

**Questions for Critical Thinking**

**1. How can businesses apply Dorsey’s three guiding principles to create a strategic vision?**

*Dorsey believes in restraint, which is symbolic of the limitation of 140 characters. Businesses applying Dorsey’s three guiding principles to create a strategic vision should be purposeful, courageous, understanding of customers’ needs, kind, open and honest (especially when it comes to failure).*

**2. What lessons can be learned from Jack Dorsey about perseverance, technology, and starting a business?**

*Some of Dorsey’s lessons include: “Play, wait for your big idea’s time to come, be the unexpected, career paths aren’t always in straight lines, look for inspiration in everyday life, embrace routine, don’t be a jerk, achieve perfection through simplicity.” These lessons translate to being kind and patient.*

**Going Green**

**Internet Billionaire’s Goal: Help China Breathe Easier**

**Summary**

Less than two decades ago, Jack Ma founded Alibaba in his Hangzhou apartment. Alibaba Group includes an online payment system, Alipay, and two e-commerce sites, Tmall and Taobao. The company has been described as the Chinese version of eBay, Amazon, and PayPal. Its most recent sales exceed the combined sales of eBay and Amazon. The Financial Times recently named Ma its Person of the Year, referring to him as the “godfather of China’s scrappy entrepreneurial spirit.”

Ma, in his late forties, commands a cult-like following among the younger

Chinese generation and is the face of China’s new age of entrepreneurs.

**Questions for Critical Thinking**

**1. How can Ma enlist other business owners to get involved in his environmental causes?**

 *It may be difficult because of the fact that many Chinese business owners have made their fortunes in the shadows of a socialist country, and they’re less likely to become public (think: Bill Gates and Warren Buffet) about their wealth. Having said that, the creation of Ma’s philanthropic trusts should, as he says, “wake people up.” As private philanthropy begins to take off in China, hopefully others can see Ma as someone who leads by example.*

**2.****What are some of the issues that can arise in a country experiencing substantial economic prosperity among segments of its population?**

 *Economic prosperity among segments of a population can be known to create economic divides – the same which exist in the United States as middle income earners shrink, and the gap widens between the very rich and the very poor.*

**Notes:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Assessment Check Answers**

**4.1 What was the Industrial Revolution?**

*The Industrial Revolution began around 1750 in England and moved business operations from an emphasis on independent, skilled workers to a factory system that mass produced items.*

**4.2 During which era was the idea of branding developed?**

*The idea of branding began in the marketing era.*

**4.3 What is the difference between transaction management and relationship management?**

*Transaction management focuses on building, promoting, and selling enough products to cover costs and earn profits. Relationship management focuses on building and maintaining ongoing ties with customers and other parties*.

**Learning Objective 5: Explain how today’s business workforce and the nature of work itself is changing.**

*The workforce is changing in several significant ways: (1) it is aging and the labour pool is shrinking, and (2) it is becoming increasingly diverse. The nature of work has shifted toward services and a focus on information. More firms now rely on outsourcing, offshoring, and nearshoring to produce goods or fulfill services and functions that were previously handled in-house or in-country. In addition, today’s workplaces are becoming increasingly flexible, allowing employees to work from different locations and through different relationships. And companies are fostering innovation through teamwork and collaboration.*

**Annotated Lecture Notes**

|  |  |
| --- | --- |
| ***TODAY’S BUSINESS WORKFORCE*** |  |
|  **1. Workforce** |  |
| * 1. A skilled and knowledgeable employee base, or workforce, is essential.
 |  |
| * 1. It is the foundation of a firm’s competitive differentiation.
 |  |
| 1. **Changes in the Workforce**
 |  |
| * 1. Challenges result from recent changes in the workforce.
 |  |
| b. These include: aging of the population, a shrinking labour pool, diversity, the changing nature of work, the need for flexibility and mobility, and the need to work with others to innovate. |  |
| 1. **Aging of the Population and Shrinking Labour Pool**
 |   |
| * 1. Generation X members (born from 1965 to 1981) and Generation Y (born from 1982 to 2005) are launching and building their careers.
 | Figure 1.3: Population projections, children and seniors |
| i. Employers find more generations in the workforce simultaneously than ever before. | *Lecture Enhancer: What unique skills might each generation bring to the workplace?* |
| b. Technology demands workers with sophisticated skills. |  |
| i. The demand for college graduates is greater than the supply. |  |
| ii. Companies hire talent at the extreme ends of the working-age spectrum. |  |
| c. Employers administer retirement planning and disability programs, retraining, and insurance benefits.  |  |
| **4. Increasingly Diverse Workforce** |  |
|  * 1. Two-thirds of Canada’s population growth is due to international immigration, particularly from Asia.
 |  Figure 1.4: Top 10 birthplaces of immigrants in Canada  |
| * 1. Managers need to learn to work effectively with people of all ethnic groups, cultures, and lifestyles.
 | ***CLASS ACTIVITY****:* *Ask the class about their experiences in working in teams with diverse**membership. What benefits and difficulties did the teams**encounter?* |
| * 1. Diversity means blending individuals of different genders, ethnic backgrounds, cultures, religions, ages, and physical and mental abilities to enhance a firm’s chances of success.
 | Share this top 10 rating <http://www.diversityinc.com/the-diversityinc-top-50-companies-for-diversity-2012/>  |
| * 1. Diverse workforces perform tasks more effectively and develop better solutions to business problems than homogeneous employee groups.
 | *Lecture Enhancer:* *Why might diverse workforces offer more innovative solutions to business problems than homogeneous workforces?* |
| * 1. Attention to diversity issues reduces the threat of legal battles and discrimination lawsuits.
 |  |

|  |  |
| --- | --- |
| **5. Outsourcing and the Changing Nature of Work** |   |
| * 1. The nature of work is shifting in today’s companies: Services, not manufacturing, account for most of the North American workload.
 |  |
| * + 1. The Internet has made **outsourcing** possible—using outside vendors to produce goods or fulfill services and functions that were previously handled in-house or in-country.
 |  |
| * 1. Outsourcing reduces costs while gaining access to expertise.
 |  |
| * 1. **Offshoring** is the relocation of businesses overseas in order to lower costs.
 |  |
| * + 1. China is dominant for production offshoring, whereas India is important for offshoring services.
 |  |
| * + 1. Some firms create entire functions overseas, so offshore jobs are never in Canada.
 |  |
| * 1. **Nearshoring** outsources production or services to locations near a firm’s home base.
 |  |
| **6. Flexibility and Mobility**  |  |
| * 1. Workers explore arrangements such as telecommuting and job sharing.
 |  |
|  b. Employers hire more temporary and part-time employees. |  |
| c. Networking and virtual teams allow people to work across the globe and share knowledge and ideas. |  |
| * 1. Managers and employees need to be flexible and responsive to change.
 |  |
| **7. Innovation through Collaboration**   |   |
|  a. Businesses use teamwork in a creative environment where members solve problems or seize opportunities.  |  |
|  b. Employees no longer remain with a single company throughout their careers. |  |
|  c. Firms value a partnership with employees, which encourages creativity and rewards risk taking and innovation. |  |

**Notes:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Assessment Check Answers**

**5.1 Define outsourcing, offshoring, and nearshoring.**

*Outsourcing involves the use of outside vendors to produce goods or fulfill services and functions that were once handled in-house or in-country. Offshoring is the relocation of business processes to lower-cost locations overseas. Nearshoring is the outsourcing of production or services to locations near a firm’s home base*.

**5.2 Describe the importance of collaboration and employee partnership.**

*Firms now recognize the value of a partnership with employees, which encourages creative thinking and problem solving and rewards risk taking and innovation.*

**Learning Objective 6: Identify the skills and attributes managers need to lead businesses in the 21st century.**

*Today’s managers need vision—the ability to perceive marketplace needs and the way their firm can satisfy them. Critical-thinking skills and creativity allow managers to pinpoint problems and opportunities and plan novel solutions. Finally, managers are dealing with rapid change, and they need skills to help lead their organizations through shifts in external and internal conditions.*

**Annotated Lecture Notes**

|  |  |
| --- | --- |
| ***THE 21st-CENTURY MANAGER*** |   |
| 1. **The 21st-Century Manager**
 |  |
| * 1. Today’s companies need intelligent, motivated managers who can create and sustain a vision of success for the organization.
 |  |
| * 1. Managers need to apply critical thinking and creativity to challenges and lead change.
 |  |
| 1. **Importance of Vision**
 |  |
| **Vision** is the ability to perceive market needs and understand what a firm can do to satisfy them. |  |
| 1. **Importance of Critical Thinking and Creativity**
 |   |
| * 1. **Critical thinking** is the ability to analyze and assess information to pinpoint problems or opportunities.
 | ***CLASS ACTIVITY:*** *Lead a class “brainstorming” discussion by**asking students to name a new oil and lubrication business**that also will sell coffee and snacks to customers waiting in**a comfortable lounge area.* |
| * + 1. It includes determining the authenticity, accuracy, and worth of information, knowledge, and arguments.
 |  |
| * + 1. It involves looking beneath the surface for deeper meanings and connections.
 |  |
| * 1. **Creativity** is the capacity to develop novel solutions to perceived problems.
 |  |
| * + 1. It involves seeing different and better ways of doing things.
 |  |
|  ii. Creativity must lead to action. |  |
| **4. Ability to Lead Change** |   |
|  a. Managers must be able to lead business through changes driven by technology, marketplace demands, and global competition. |  |
|  b. Managers must recognize employee strengths and motivate workers toward common goals. |  |
| * 1. Change comes from both external and internal forces.
 |  |
| * + 1. **External forces** include customer feedback, international developments, economic trends, and new technologies.
 | *Lecture Enhancer: Explain how Google’s experience with its Buzz service is an example of management responding to external forces.* |
| * + 1. **Internal forces** include new goals, employee needs, labour union demands, or production problems.
 |  |

**Notes:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Assessment Check Answers**

**6.1 Why is vision an important managerial quality?**

*Managerial vision allows a firm to innovate and adapt to meet changes in the marketplace*.

**6.2 What is the difference between creativity and critical thinking?**

*Creativity is the capacity to develop novel solutions to perceived organizational problems. Critical thinking is the ability to analyze and assess information to pinpoint problems or opportunities*.

**Learning Objective 7: Outline the characteristics that make a company admired.**

*A company is usually admired for its solid profits, stable growth, a safe and challenging work environment, high-quality goods and services, and business ethics and social responsibility.*

**Annotated Lecture Notes**

|  |  |
| --- | --- |
| ***WHAT MAKES A COMPANY ADMIRED?*** |   |
| Every year, publications and organizations release lists of companies that are most admired. | *Fortune’s* Top Ten Most Admired Companies <http://fortune.com/worlds-most-admired-companies/> and <http://archive.fortune.com/magazines/fortune/mostadmired/2011/index.html>  |
| 1. Factors that make a company admired include solid profits, stable growth, a safe and challenging work environment, high-quality goods and services, and business ethics and social responsibility.
 | *Lecture Enhancer: Are there any factors that you feel have been left out of this list?*  |
| 1. **Business ethics** refers to standards of conduct and moral values involving decisions made in the workplace.
 |  |
| 1. **Social responsibility** refers to a management philosophy that includes:
 | **Solving an Ethical Controversy:****SEC Lax on Oversight?**  |
| * 1. contributing resources to the community
 |  |
| * 1. preserving the natural environment
 |  |
| * 1. developing or participating in nonprofit programs that benefit the general public.
 |  |

**Notes:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Assessment Check Answers**

**7.1 Define *business ethics* and *social responsibility*.**

*Business ethics refers to the standards of conduct and moral values involving decisions made in the work environment.*

*Social responsibility is a management philosophy that includes contributing resources to the community, preserving the natural environment, and developing or participating in nonprofit programs designed to promote the well-being of the general public*.

**7.2 Identify three criteria used to judge whether a company might be considered admirable.**

*Criteria in judging whether companies are admirable include any three of the following: solid profits, stable growth, a safe and challenging work environment, high-quality goods and services, and the demonstration of business ethics and social responsibility*.

**Answers to Review Questions**

**1. Why is business so important to a country’s economy?**

 *Business provides the bulk of employment opportunities, as well as the products and services that people need. Business drives the economic pulse of a nation.*

 **2. In what ways are not-for-profit organizations a substantial part of the Canadian economy? What challenges do not-for-profits face?**

 *Not-for-profit organizations form a large part of the Canadian economy. The not-for-profit field is an industry just like any other industry: revenues are raised and employees earn incomes by providing services. Canada has more than 160,000 registered not-for-profit organizations, in categories ranging from arts and culture to science and technology. Most are local organizations that provide sports and recreational activities. Not-for-profits receive funding from both government sources and private sources, including donations. These organizations are commonly exempt from federal, provincial, and local taxes. Not-for-profits raise more than $112 billion in revenues and employ more than 2 million people. Approximately one-third of these jobs are in hospitals, universities, and colleges. About half of all revenue comes from government grants, mostly provincial. These organizations also receive more than $8 billion in donations from individuals and require more than 2 billion volunteer hours, the equivalent of more than 1 million full-time jobs.*

*Without funding, organizations cannot do research, obtain raw materials, or provide services. Toronto’s Hospital for Sick Children (SickKids) is one of the world’s top healthcare institutions for children. It is Canada’s*

*leading centre dedicated to children’s health by uniting patient care, research, and education and is one of Canada’s most research-intensive hospitals: its more than 600 staff researchers operate within a $140 million budget.*

**3. Identify and describe the four basic inputs that make up factors of production. Give an example of each factor of production that an auto manufacturer might use.**

 *The four basic inputs are natural resources (steel and other raw materials needed to make a car), capital (factories, technology), human resources (management, factory workers), and entrepreneurship (company founder).*

**4. What is a private enterprise system?What are the four rights that are critical to the operation of capitalism? Why would capitalism function poorly in a society that does not ensure these rights for its citizens?**

 *A private enterprise system is an economic system that rewards firms for their ability to perceive and serve the needs and demands of consumers. It minimizes government interference in economic activity.*

 *The rights include: rights to private property, profits, freedom of choice, and competition.*

 *A business would not be able to earn a profit, and individuals would have fewer choices for employment, purchases, and investments.*

**5. In what ways is entrepreneurship vital to the private enterprise system?**

 *It fuels growth in the economy by encouraging individuals to start businesses and by keeping pressure on existing businesses to continue to satisfy customers. Of all new businesses created in Canada, 99 percent are small businesses, defined as privately owned and operated companies with fewer than 500 employees and total annual revenue between $30,000 and $5 million. Thousands of new businesses start each year. The Canadian economy depends on small businesses for their growth and strength. Statistics Canada data suggest that 5 percent of all businesses employ fewer than five employees, and 95 percent employ fewer than 50. The small business sector creates 80 percent of all new jobs and generates 45 percent of Canada’s economic output. Thus, Canada’s small businesses are the majority of all Canadian businesses.*

**6. Identify the seven eras of business in North America. How were businesses changed during each era?**

 *The seven eras of business in North America are the Colonial period, the Industrial Revolution, the age of industrial entrepreneurs, the production era, the marketing era, the relationship era and the social era. The Colonial period was primarily agricultural, so the economic focus was on rural areas. Manufactured items came from England. The Industrial Revolution was the beginning of mass production by semi-skilled workers using machines. Factories were built in cities and railroads were constructed to move goods. The age of industrial entrepreneurs saw advances in technology and increased demand for manufactured goods, leading to entrepreneurial opportunities. The production era emphasized producing more goods faster, leading to production innovations. The marketing era resulted when businesses found they could no longer automatically sell everything they produced. Competition demanded a new consumer orientation. In the relationship era, businesses take a longer-term approach to customer management. They benefit from nurturing relationships with customers, employees, suppliers, and other businesses.* The Social era, a new approach to the way businesses and individuals interact, connect, communicate, share, and exchange information with each other in virtual communities and networks around the world.

**7. Describe the focus of the most recent era of business. How is this different from previous eras?**

 *The relationship era requires better communication between businesses and customers and employees, and better connections between technology and manufacturing.* *The focus is on the long-term relationships a business has with various entities, instead of the past product focus.*

**8. Define *partnership* and *strategic alliance.* How might a motorcycle dealer and a local radio station benefit from an alliance?**

 *A partnership is an affiliation of two or more companies that help each other achieve common goals. One such form of partnership is a strategic alliance, a partnership formed to create a competitive advantage for the businesses involved.* *The radio station might advertise the motorcycles, while the motorcycle company might fund events for the radio station.*

**9. Identify the major changes in the workforce that will affect the way managers build a world-class workforce in the 21st century. Why is brainpower so important?**

 *An aging population, a shrinking labour pool, the growing diversity of the workforce, and the new employer-employee relationships will challenge managers. Managers will need creativity* *and vision to stay on top of rapidly changing technology and to manage the complex relationships in the global business world of the 21st century.* *The brainpower of the employees plays a vital role in the firm’s ability to stay on top of new technologies and innovations. A first-class workforce can be the foundation of a firm’s competitive differentiation, providing important advantages over competing businesses.*

**10. Identify four qualities that the “new” managers of the 21st century must have. Why are these qualities important in a competitive business environment?**

 *Managers need vision, critical thinking, creativity, and the ability to lead change. Vision gives businesspeople the ability to perceive marketplace needs and determine what an organization must do to satisfy them. Critical thinking and creativity enable businesspeople to look at a wide variety of situations, draw connections between disparate information, and develop future-oriented solutions. Business owners must be able to guide their employees and organizations through the changes brought about by technology, marketplace demands, and global competition.*

**RETURN TO INSIDE BUSINESS**

**Justin Bieber: Reflecting the changing face of the music business**

**Summary**

The Internet has changed the way artists, like Justin Bieber, are discovered and how they communicate and develop their relationships with their fan base. Justin Bieber uses a variety of tools such as blogs, tweets, and videos to develop and maintain his relationship with fans.

**QUESTIONS FOR CRITICAL THINKING**

**1. How would you improve Justin Bieber’s web presence?**

*Great opportunity to have students brainstorm and even create a mock website and list of improvements.*

**2. What is another type of business that could use the Internet to improve communications between participants?**

* *The not-for-profit sector*
* *Government owned businesses*

Projects and Teamwork Applications

1. The entrepreneurial spirit fuels growth in the Canadian economy. Choose a company that interests you—one you have worked for or dealt with as a customer—and read about the company in the library or visit its Web site. Learn what you can about the company’s early history: Who founded it and why? Is the founder still with the organization? Do you think the founder’s original vision is still embraced by the company? If not, how has the vision changed?
2. Brands distinguish one company’s goods or services from its competitors. Each company you purchase from hopes that you will become loyal to its brand. Some well-known brands are Tim Hortons, Burger King, Coca-Cola, Hilton, and Old Navy. Choose a type of good or service you use regularly and identify the major brands associated with it. Are you loyal to a particular brand? Why or why not?
3. More and more businesses are forming strategic alliances to become more competitive. Sometimes, businesses pair up with not-for-profit organizations in a relationship that is beneficial to both. Choose a company whose goods or services interest you, such as Lululemon Athletica, Timberland, FedEx, General Mills, or Target. On your own or with a classmate, research the firm on the Internet to learn about its alliances with not-for-profit organizations. Then describe one of the alliances, including goals and benefits to both parties. Create a presentation for your class.
4. This chapter describes how the nature of the workforce is changing: the population is aging, the labour pool is shrinking, the workforce is becoming more diverse, the nature of work is changing, the workplace is becoming more flexible and mobile, and employers are fostering innovation and collaboration among their employees. Form teams of two to three students. Select a company and research how that company is responding to changes in the workforce. When you have completed your research, be prepared to present it to your class. Choose one of the following companies or select your own: BCE, Telus, 3M, Marriott, or Dell.
5. Many successful companies today use technology to help them improve their relationship management. Suppose a major grocery store chain’s management team has asked you to assess its use of technology for this purpose. On your own or with a classmate, visit one or two local grocery stores and also explore their corporate websites. Note the ways in which firms in this industry already use technology to connect with their customers, and list at least three ideas for new ways or improvements to existing ones. Present your findings to the class as if they represented the management team.

Web Assignments

**1. Using search engines.** Gathering information is one of the most popular applications of the Web. Using two of the major search engines, such as Google and Bing, search the Web for information pertaining to brand and relationship management. Sort through your results—you are likely to gets thousands of “hits”—and identify the three most useful. What did you learn from this experience regarding the use of a search engine?
<http://www.google.com>
<http://www.bing.com>

**2. Companies and not-for-profits.** In addition to companies, virtually all not-for-profit organizations have Web sites. Four Web sites are listed below, two for companies (Alcoa and Sony) and two for not-for-profits (Humane Society of Canada and National Audubon Society).What is the purpose of each Web site? What type of information is available? How are the sites similar? How are they different?
<http://www.aloca.com>
<http://www.sony.com>

[http://www.humanesociety.com](http://www.humanesociety.comhttp://www.audubon.org)

[http://www.audubon.org](http://www.humanesociety.comhttp://www.audubon.org)

**3. Characteristics of the Canadian workforce.** Visit the website listed below. It is the home page for the *Canada Year Book* . Published annually by Statistics Canada, the *Canada Year Book* is a good source of basic demographic and economic data. Use the relevant data tables to prepare a brief profile of the Canadian workforce (gender, age, educational level, etc.). How is this profile expected to change over the next 10 to 20 years?

<http://www.statcan.gc.ca/pub/11-402-x/index-eng.htm>

*Note:* Internet Web addresses change frequently. If you do not find the exact sites listed, you may need to access the organization’s home page and search from there or use a search engine such as Bing or Google.

**CHAPTER 1: COLLABORATIVE LEARNING EXERCISES**

## 1 - Business as a Career

Learning Objective: 1

Purpose:

To help students connect their own interests and desires with the class material, and to allow them to relate to each other on a personal level.

Background:

Introductory business students come from a wide range of backgrounds, some with focused goals and broad experience, and others with little interest and even less knowledge. This exercise is designed to help them understand how business can be personally relevant from a career standpoint.

Relationship to Text:

Business and Not-for-Profit Organizations – Learning Objective 1

Estimated Class Time:

Approximately 20 minutes

Preparation/Materials:

Paper and pen/pencil

Exercise:

Divide your class into groups of three to five students.

Direct students to write their names on their papers and jot down three things that they love to do. You may want to warn them upfront to keep it clean, but with that caveat, encourage them to be honest (listening to music, for example, is perfectly fine).

Ask them to pass their papers to another student in their group.

This is the creative part: Ask students to choose one of the passions on the list they received and to write down five business careers—both for-profit ventures and not-for-profit ideas that could relate to that area of interest. (For example, hanging out with friends and going to parties could translate into a career in event-planning; taking care of your dogs and cats could mean a career with a not-for-profit veterinary association or humane society.)

Return papers to original students and allow a moment or two for the groups to read their papers and discuss among themselves.

Reconvene to discuss as a class. Possible topics:

* Were there any surprises? (Typically there are several.)
* Ask for sample passions. Brainstorm additional career possibilities for each.
* Ask for volunteers to share their passion and related career option.

# **2 - Competitive Differentiation**

Learning Objective: 4

Purpose:

To emphasize the importance of creativity in developing competitive differentiation for products and services.

Background:

In today’s hyper-competitive marketplace, businesses must differentiate their products and services from the wide range of other choices. Although dynamic innovation is rare—and life-changing—many successful products depend on providing a new twist to an existing product.

Examples in the text include Procter & Gamble’s acquisition of Iams pet food and expansion of its Tide line, and Kellogg’s creation of new cereals and breakfast bars.

This activity is designed to bring out the creativity that is in all of our minds and is crucial for business innovation.

Relationship to Text:

 Competitive Differentiation – Learning Objective 4

Estimated Class Time:

###  Approximately 10 minutes

Preparation/Materials:

 Board and marker/chalk

Exercise:

Rebus puzzles present common words and phrases in novel orientation to each other. The goal is to determine the meaning. Write each puzzle on the board, and challenge your students to determine the meaning.

NOTE: Often one student “gets it” instantly; if so, you may want to ask that person to hold off for a moment to give others a chance. The puzzles (and the answers) are below.

To go one step further, you might ask students to create their own rebus puzzles.

HISTORY

##### HISTORY

HISTORY

(History repeats itself)

YYYGuy

(Wise guy)

RIGHT RIGHT

(Equal rights)

MEREPEAT

(Repeat after me)

XQQQMe

(Excuse me!)

BAN ANA

(Banana split)

BPULSEIANSEUSRSE

#### (Mixing business with pleasure)

##### THE SADBACKDLE

(Back in the saddle)

# **3 - Entrepreneurship**

Learning Objectives: 3 and 6

Purpose:

To spark thinking about the qualities of successful entrepreneurs.

Background:

More and more business students are interested in starting their own companies. This quick discussion exercise is designed to tap into that interest and to encourage potential entrepreneurs to develop the qualities that would facilitate their success.

Relationship to Text:

###  The Entrepreneurship Alternative – Learning Objectives 3 and 6

Estimated Class Time:

 Less than 10 minutes

Preparation/Materials:

###  None needed

Exercise:

The following Winston Churchill quotation is clearly relevant to aspiring entrepreneurs:

*“I am certainly not one of those who need to be prodded. In fact, if anything, I am the prod.”*

Simply sharing this quotation usually sparks discussion, but if not, here are some questions to stimulate thinking:

* What did Winston Churchill mean by these words?
* How many of you consider yourselves the “prod”?
* Is it possible—or even desirable—to learn to become the “prod”?
* How does this relate to starting your own business?
* How could it help? How could it hurt?

**4 - History of Business**

Learning Objective: 4

Purpose:

To encourage critical thinking about the evolution of business in the United States.

Background:

### The rise of business clearly led the United States to its powerhouse economic status. Although each era has fueled prosperity for many, some have paid a significant price. Students seem to appreciate the opportunity to identify which group has paid the price for change and growth within the overall economy.

Relationship to Text:

 Six Eras in the History of Business – Learning Objective 4

Estimated Class Time:

###  Approximately 10 minutes

Preparation/Materials:

###  None needed

Exercise:

As you review each of the seven eras, ask students to identify the potential downside of each stage in the evolution of CANADIAN business. (Afterwards, ask if they can think of current businesses that may show traces of these periods or similarities in philosophy as to their management style, treatment of employees, and methods of operation.) Possibilities include:

Colonial period: Business was limited to those who could produce crops or manage a skilled trade, and goods needed to be hauled to the cities to be sold.

Industrial Revolution: Mass movement to cities led to major health issues for people accustomed to the fresh food and regular exercise associated with agrarian life.

Age of Industrial Entrepreneurs: Although this period created enormous wealth, significant problems began to fester: unsafe working conditions, child labour, violent union-busting, and environmental degradation.

Production era: Highly specialized manual labour—especially with the emergence of the assembly line—led to the standardization of mind-numbing jobs, still in existence today.

Marketing era: As businesses aimed to provide the best consumer value, overseas sweatshops began to emerge as a significant problem for several high-profile brands (e.g., Nike).

Relationship era: Small businesses may not be able to secure the attention that they need to grow from their business partners.

Social era: a new approach to the way businesses and individuals interact, connect, communicate, share, and exchange information with each other in virtual communities and networks around the world.

Other discussion possibilities:

* How did one era lead to the next?
* What is the next step in the evolution of business?

**5 - The Best Companies to Work For**

Learning Objectives: 5 and 7

Purpose:

To highlight the need for businesses to develop and sustain a world-class workforce.

Background:

##### As modern-day employers recognize that their workforce can provide a significant competitive advantage, many are taking proactive steps to nurture their employees.

##### This discussion exercise is designed to highlight those companies—both as potential employers and as examples for aspiring entrepreneurs. A secondary goal is to underscore the importance of creating positions that employees find personally meaningful.

Relationship to Text:

 What Makes a Company Admired – Learning Objectives 5 and 7

Estimated Class Time:

 Approximately 10 minutes

Preparation/Materials:

 None needed

Exercise:

Every year, *Fortune* magazine compiles a list of the top 100 companies to work for Fortune Magazine 2011 Most Admired Companies

In 2011, this list included the following companies that would probably be familiar to most students (total number of employees is listed as well):

Discussion questions could include:

* Did any of these companies come immediately to mind when you read the words, “top 100 companies”?
* Did any surprise you?
* What are some of the attributes that make a company “good to work for”?
* Why should a company strive to satisfy its employees?
* All of these firms have built top quality, high-profile brands. What else do they seem to have in common?

Ask students to cite positive and negative examples from their own experience. Is a small or large company more likely to be “good to work for”? Why?

Source: “100 Best Companies to Work For 2011,” *Fortune* Magazine, March 21, 2011 edition. Accessed December 18,2012. [http://money.cnn.com/magazines/fortune/mostadmired/2010/full\_list/#](http://money.cnn.com/magazines/fortune/mostadmired/2010/full_list/)

**6 – Factors of Production**

Learning Objective: 2

Purpose:

To stimulate ideas and discussion about why some countries have enjoyed great wealth and economic growth, whereas others have struggled or have great societal poverty.

Background:

This activity is designed to enable students to better understand the connection between the four factors of production and the economic success of a society and country.

The **four factors of production** refer to the four basic inputs: *natural resources, capital, human resources, and entrepreneurship.*

Note: This exercise is best performed in a room or computer lab in which students have access to computer and Internet use.

In the event this is not feasible, then the instructor should:

1. Provide “printouts” for each assigned country for students to review and discuss.
2. Alternatively, teams can be assigned “homework” to conduct their own research then have the team discussion the following class meeting.

Relationship to Text:

 Factors of Production – Learning Objective 2

Estimated Class Time:

This activity requires a presentation by each team for an estimated time of 15 minutes per team, so total class time will vary by class size.

Preparation/Materials:

 Web Sites noted above

Exercise:

* Assign students to pairs or teams. Assign each pair/team a country (a country other than the United States is recommended so that students will need to learn how to analyze new information and develop their research skills).

Note: The exercise is more provocative for discussion if a mix of more successful growing economies and poorer countries is assigned to the class. Assignments might include one or more of the fast growing “BRIC” (Brazil, Russia, India, and China) countries, as well as struggling countries (such as Liberia, Guatemala, Somalia, Afghanistan, Palestine, etc.).

* Share the following guidelines for this exercise:

Students should refer to two websites for their research.

The first is the *Central Intelligence Agency (CIA) World Factbook*, a comprehensive resource containing a wide variety of information on every country in the world:

<https://www.cia.gov/library/publications/the-world-factbook/>

The second resource students can use is *NationMaster.com,* which provides a wealth of statistics and information (including rankings) on countries, gleaned from many varying databases:

<http://www.nationmaster.com/index.php>

 Each team should research the factors of production in the assigned country.

 Examine areas such as infrastructure, size of the population, education levels, types of crops and agriculture and other natural resources, etc. What conclusions can they draw from their research? Each team can present their findings.

The instructor should provide incentives to make this a lively exercise. Perhaps each team member of the winning team concept receives three bonus points for the best concept and another three bonus points is awarded for the best and most creative name. It should be possible for the same team to “win” both the concept and name bonuses. This activity generates lively discussion and student involvement.