**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 book 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:**  an organization’s 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

**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: the** blending of individuals of different genders, ethnic backgrounds, cultures, religions, ages, and physical and mental abilities

**Entrepreneurship:**  ability to see an opportunity and take the risks inherent in creating and operating a business

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

**Human resources:** anyone who works, providing eitherthe physical labor or the intellectual inputs

**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:** businesslike establishment that has primary objects other than returning profits to owners

**Onshoring:** returning production to its original manufacturing location because of changes in costs or processes

**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 earned by businesspeople who take the risks involved in blending people, technology, and information to create and market want-satisfying goods and services

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

**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: Define the term *business*.**

*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 Outline**

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| **Opening Vignette:Apple and Steve Jobs: Business Leadership as Art**The passion of former CEO Steve Jobs helped Apple build their roughly $400 million empire. Inventions like the Apple II, the Mac, itunes, the iPhone, and the iPad transformed the industries of business, entertainment, music, and print and made tasks like surfing the net an accessible part of our everyday lives. Jobs took a 12 year hiatus from Apple industries and established the successful tech firm NeXT along with Academy Award winning Pixar Animation Studios. When he returned to Apple, Jobs worked on creating the generations of Mac computers and other technological devices that captivate society with their sleek design and easy navigation today. For this, Jobs is known not only as an inventor, but also as an entrepreneur, artist, and leader, applauded for his devotion to his job and loyalty to employees. Although Jobs surpassed the qualities and expectations of the average entrepreneur, his contributions demonstrate the importance of innovation and transformation in today’s business world. |  |
| ***WHAT IS BUSINESS?*** | PowerPoint Slide 3 |
| **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.
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| * 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.
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| * 1. Profits are rewards for businesspeople who risk blending people, technology, and information to create and market goods or services.
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| * + 1. Profits are incentives for people to start companies, expand, and provide competitive products.
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| * + 1. 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**
 | PowerPoint Slide 4 |
| * 1. Not-for-profit organizations are business-like establishments that have primary objectives other than profits.
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| * 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.
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| * + 1. In the public sector, they include government agencies, political parties, and labor unions.
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| * 1. Not-for-profits are a major part of the U.S. economy.
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| * + 1. More than 1.5 million not-for-profit organizations operate in the United States, controlling more than $2.6 trillion in assets.
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| * + 1. They employ more workers than all federal and state government agencies combined and have millions of unpaid volunteers.
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**Quick Review**

**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 is the primary objective 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 ability to see an opportunity and take risks inherent in creating and operating a business.*

**Annotated Lecture Outline**

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| ***FACTORS OF PRODUCTION*** | PowerPoint Slide 5 |
| 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 |
| **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.
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| 1. **Capital**
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| * 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.
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| * 1. Technology improves products and provides timely and accurate information.
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| * 1. To remain competitive, a firm needs to continually acquire, maintain, and upgrade a firm’s capital, which requires money.
 |  |
| * 1. Those who supply capital to firms earn payment in the form of interest.
 |  |
| 1. **Human Resources**
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| * 1. Human resources include everyone who works for an organization.
 |  |
| * 1. Human resources encompass both physical labor 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 ability to see an opportunity and take the risks inherent in creating and operating a business
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**Quick Review**

**2.1 What are the four basic factors of any economic system?**

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

**2.2 List the four types of capital**.

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

**3.3 What is an entrepreneur?**

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

 *operate a business.***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 Outline**

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| ***THE PRIVATE ENTERPRISE SYSTEM*** | PowerPoint Slide 6 |
| **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.
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| * + 1. Competition leads to the best goods and services as weaker producers leave the marketplace.
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| 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. |  |
| 1. **Basic Rights in the Private Enterprise System**
 | PowerPoint Slide 7  |
| * 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.
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| * 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.
 | Figure 1.1 Basic Rights within a Private Enterprise System |

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| * 1. Other economic systems sometimes limit freedom of choice to accomplish government goals.
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| * 1. The private enterprise system ensures fair competition by allowing the public to set rules.
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| i. The U.S. government prohibits excessively aggressive competitive practices. |  |
| ii. There are laws against price discrimination, fraud, and deceptive advertising and packaging. |  |

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**Quick Review**

**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*.

**Learning Objective 4: Identify the six eras in the history of business.**

*The six historical areas are the Colonial period, the Industrial Revolution, the age of industrial entrepreneurs, the production era, the marketing era, and the relationship 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.*

**Annotated Lecture Outline**

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| ***SIX ERAS IN THE HISTORY OF BUSINESS***The six eras of U.S. business include the Colonial period, the Industrial Revolution, the age of industrial entrepreneurs, the production era, the marketing era, and the relationship era. | PowerPoint Slide 8 Figure 1.2 Six Eras in Business History |
| 1. **The Colonial Period**
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| * 1. The Colonial period focused on rural and agricultural production.
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| * + 1. The success or failure of crops influenced every aspect of the economy.
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| * + 1. Colonial towns were marketplaces for farmers and craftspeople.
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| * 1. Colonists depended on England for manufactured items and funding industries.
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| * 1. Even after the Revolution, British investors financed U.S. industries well into the 19th century.
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| 1. **The Industrial Revolution**
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| * 1. The Industrial Revolution marked a transformation into manufacturing, starting in England around 1750 and spreading to the United States by the mid-1800s.
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| * 1. In the past, specialized, skilled workers built products one by one.
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| * 1. Now a factory system mass-produced items using semiskilled workers.
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| * + 1. Factories profited from the savings of large-scale production, bolstered by machines.
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| * + 1. Raw materials were purchased cheaply.
 |  |
| * + 1. Specialization of labor led to faster and more efficient production.
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| * 1. U.S. business rapidly became industrialized.
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| * + 1. Agriculture became mechanized.
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| * + 1. Factories sprang up.
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| * + 1. A railroad system increased the pace of industry.
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| 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.
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| * 1. Inventors created useful products and new production methods.
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| * + 1. Eli Whitney (interchangeable parts)
 |  |
| * + 1. Robert and Cyrus McCormick (farm machines)
 |  |
| * + 1. Cornelius Vanderbilt (railroads)
 |  |
| * + 1. J. P. Morgan (banking)
 |  |
| * + 1. Andrew Carnegie (steel)
 |  |
| c. This era raised the overall standard of living in the United States. |  |
| 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.
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| * + 1. Huge, labor-intensive factories dominated U.S. business growth.
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| * + 1. Work became increasingly specialized for each laborer.
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| * + 1. Managers focused on producing more goods at a faster pace.
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| * 1. The assembly line, introduced by Henry Ford, became commonplace.
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| * 1. Businesses focused on internal processes rather than external influences.
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| * + 1. Marketing was minimal, with a focus on producing and distributing goods.
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| * + 1. Little attention was paid to consumer wants or needs.
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| * + 1. Businesses decided what the market would get.
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| 1. **The Marketing Era**
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| * 1. The marketing era, starting in the 1930s, shifted focus to customers’ wants and needs.
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| * 1. During the Great Depression, the focus shifted to marketing, selling, and advertising.
 |  |
| * 1. After World War II, demand for consumer goods exploded.
 |  |
| * + 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.
 |  |
|  iv. 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. |  |
| 1. **The Relationship Era**
 | PowerPoint Slide 9  |
| * 1. *Transaction management* had dominated since the 1800s, as businesses concentrated on manufacturing products and then hoping customers would buy them.
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| * 1. The relationship erais the business era in which firms seek ways to build long-term customer loyalty by carefully managing every interaction.
 |  |
| * 1. Businesses earn enormous paybacks for nurturing customer loyalty.
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| * + 1. Expenses are cut because it costs less to keep loyal customers than to find new ones.
 |  |
| * + 1. Firms discover the needs and preferences of customers, which leads to improved competitive differentiation.
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| * 1. The relationship era is now based on connections between:
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| * + 1. businesses and customers
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| * + 1. employers and employees
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| * + 1. technology and manufacturing
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| * + 1. separate companies
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**Notes:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Quick Review**

**4.1 Describe 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 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 labor 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 Outline**

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| ***TODAY’S BUSINESS WORKFORCE*** | PowerPoint Slide 10  |
| * 1. A skilled and knowledgeable employee base, or workforce, is essential.
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| * 1. It is the foundation of a firm’s competitive differentiation.
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| **1. Changes in the Workforce** |  |
| * 1. Challenges result from recent changes in the workforce.
 |  |
| b. These include aging of the population, a shrinking labor pool, diversity, the changing nature of work, the need for flexibility and mobility, and the use of collaboration to innovate. |  |

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| 1. **An Aging Population and Shrinking Labor Pool**
 | PowerPoint Slide 11  |
| * 1. U.S. workers age 65 or older will double by 2025, to 65 million.
 | Table 1.2: Aging of the Population |
| * 1. Generation X members (born from 1965 to 1981) and Generation Y (born from 1982 to 2005) are launching and building their careers.
 |  |
| i. Employers find more generations in the workforce simultaneously than ever before. |  |
| ii. The U.S. labor pool could fall short by 10 million people as Baby Boomers retire. | PowerPoint Slide 12  |
| c. 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. |  |
| d. Employers must administer retirement planning and disability programs, retraining, and insurance benefits.  |  |
| 1. **Increasingly Diverse Workforce**
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| * 1. Diversity in the workforce is growing, with Asian and Hispanic groups representing the fastest-growing populations in the United States.
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| * 1. Managers need to learn to work effectively with people of all ethnic groups, cultures, and lifestyles.
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| * 1. Diversity means the blending individuals of different genders, ethnic backgrounds, cultures, religions, ages, and physical and mental abilities
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| * 1. Diverse workforces perform tasks more effectively and develop better solutions to business problems than homogeneous employee groups.
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| **5. Outsourcing and the Changing Nature of Work** | PowerPoint Slide 13  |
| * 1. The nature of work is shifting in today’s companies: Services, not manufacturing, account for most of the U.S. workload.
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| * + 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.
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| * 1. Offshoring is the relocation of businesses overseas in order to lower costs.
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| * + 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 the United States.
 |  |
| * 1. Nearshoring outsources production or services to locations near a firm’s home base.
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| * 1. Onshoring is returning production to its original manufacturing location because of changes in costs or processes
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| **6. Flexibility and Mobility**  | PowerPoint Slide 14  |
| a. 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. |  |
| d. 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. |  |

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|  c. Firms value a partnership with employees that encourages creativity and rewards risk taking and innovation. |  |

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

**Quick Review**

**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 needed for the 21st-century manager.**

*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 Outline**

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| ***THE 21st-CENTURY MANAGER*** | PowerPoint Slide 15  |
| * 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**
 | PowerPoint Slide 16  |
| * 1. Critical thinking is the ability to analyze and assess information to pinpoint problems or opportunities.
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| * + 1. It includes determining the authenticity, accuracy, and worth of information, knowledge, and arguments.
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| * + 1. It involves looking beneath the surface for deeper meanings and connections.
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| * 1. Creativity is the capacity to develop novel solutions to perceived problems.
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| * + 1. It involves seeing different and better ways of doing things.
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|  ii. Creativity must lead to action. |  |
| **4. Ability to Lead Change** | PowerPoint Slide 17  |
|  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.
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| * + 1. External forces include customer feedback, international developments, economic trends, and new technologies.
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| * + 1. Internal forces include new goals, employee needs, labor union demands, or production problems.
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**Notes:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Quick Review**

**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 Outline**

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| ***WHAT MAKES A COMPANY ADMIRED?*** | PowerPoint Slide 18  |
| Every year, publications and organizations release lists of companies that are most admired. | Table 1.3: *Fortune’s* Top Ten Most Admired Companies |
| a. 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. |  |
| b. Business ethics refers to standards of conduct and moral values involving decisions made in the workplace. |  |
| c. Social responsibility refers to a management philosophy that includes: |  |
| i. contributing resources to the community |  |
| ii. preserving the natural environment |  |
| iii. developing or participating in nonprofit programs that benefit the general public. |  |

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

**Quick Review**

**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 Name three criteria used to judge whether an organization 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*.

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| **What’s Ahead** |  |
| Chapter 2 takes an in-depth look at the issues of ethical and social responsibility facing contemporary business. |  |