Business Now: Change is the Only Constant

• What is the role of business in the economy?
• How has business evolved?
• What is the role of nonprofits in the economy?
• What are the core factors of production?
• What are the elements of the environment affecting business?
• How are business trends impacting careers?
In the last decade:

- The players have changed
- What consumers want has changed
- How we buy has changed

- Companies are being launched and growing faster than ever
- Mature firms are being merged, acquired and dissolved
A *business* is any activity that provides goods and services in an effort to earn profit.

*Non-profit organizations focus on causes not profit*
**Profit** is the financial reward that comes from starting and running a business.

*the money that a business earns in sales (or revenue), minus expenses*
# The History of Business: Putting It All in Context

<table>
<thead>
<tr>
<th>Industrial Revolution</th>
<th>Entrepreneurship Era</th>
<th>Production Era</th>
<th>Marketing Era</th>
<th>Relationship Era</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mass Production</td>
<td>Industrial Titans</td>
<td>Assembly Line</td>
<td>Consumer Power</td>
<td>Long-term Relationships</td>
</tr>
<tr>
<td>Factories</td>
<td>Wealth Creation</td>
<td>Refining Production</td>
<td>Growth in Consumerism</td>
<td>Satisfied Customers</td>
</tr>
<tr>
<td>Work Specialization</td>
<td>Increase in Living Standard</td>
<td>Productivity Gains</td>
<td>Product Differentiation</td>
<td>Use of Technology</td>
</tr>
<tr>
<td>Efficiency</td>
<td>Manipulation/Competition</td>
<td>Decrease Costs</td>
<td>Customer Focus</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Exploitation</td>
<td>Hard Sell</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>No Customer Focus</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Nonprofits and the Economy: The Business of Doing Good

- Nonprofits focus on health, human services, education, art, religion and culture
- Nonprofits contribute to the economy
- Nonprofits are *organizations* that also require management
- Many nonprofits work with businesses to improve the quality of life in society
- Companies support their missions and improve society

“Nonprofits are not in the business of financial gain. We’re in the business of doing good.”
- Chuck Bean
Factors of Production: The Basic Building Blocks

- Businesses rely on some combination of these factors
- Entrepreneurship is a key factor
  - Most growing economies support and promote entrepreneurship
EXHIBIT 1.1 The Richest Americans, *Forbes* Magazine

<table>
<thead>
<tr>
<th>Name</th>
<th>Net Worth</th>
<th>Source of Wealth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bill Gates</td>
<td>$57,000,000,000</td>
<td>Microsoft</td>
</tr>
<tr>
<td>Warren Buffet</td>
<td>$50,000,000,000</td>
<td>Berkshire-Hathaway</td>
</tr>
<tr>
<td>Lawrence Ellison</td>
<td>$27,000,000,000</td>
<td>Oracle</td>
</tr>
<tr>
<td>Jim Walton</td>
<td>$23,400,000,000</td>
<td>Walmart</td>
</tr>
<tr>
<td>S. Robson Walton</td>
<td>$23,300,000,000</td>
<td>Walmart</td>
</tr>
<tr>
<td>Alice Walton</td>
<td>$23,200,000,000</td>
<td>Walmart</td>
</tr>
<tr>
<td>Christy Walton</td>
<td>$23,200,000,000</td>
<td>Walmart</td>
</tr>
<tr>
<td>Michael Bloomberg</td>
<td>$20,000,000,000</td>
<td>Bloomberg</td>
</tr>
<tr>
<td>Charles Koch</td>
<td>$19,000,000,000</td>
<td>manufacturing, energy</td>
</tr>
<tr>
<td>David Koch</td>
<td>$19,000,000,000</td>
<td>manufacturing, energy</td>
</tr>
</tbody>
</table>

The Business Environment: The Context for Success

- Economic Environment
- Social Environment
- Competitive Environment
- Technological Environment
- Global Environment

BUSINESS
The state of the economy calls for action, bold and swift, and we will act—not only to create jobs, but to lay a new foundation for growth.
In September 2008 the U.S. economy plunged into the worst fiscal crisis since the great depression.

- The value of the stock market tumbled
- More than a million Americans lost their jobs
- Housing prices plummeted and foreclosures reached record levels
- Economic turmoil in the U.S. spread around the world
Economic Environment

- The Federal Reserve and U.S. Government have taken action in stimulus package
  - Job creation
  - Energy focus
  - Infrastructure building

- Key elements of the U.S. economy will promote growth
  - Entrepreneurs
  - Enforceable contracts
  - Low corruption
As the second decade of the 21st century begins, the nation is at a crossroads

Myths about creativity:

1. *Lone geniuses drive creativity*
2. *The best ideas come in bursts of brilliant insight*
3. *Nothing matters more than the idea itself*
4. *Time pressure fuels creativity*
5. *Slacking never pays*
Competitive Environment

• Today’s competition is intense
• Companies must make loyal customers—vocal promoters of their products/services
• Companies must provide unsurpassed value
  ✓ Value is the size gap between benefit and price
  ✓ The cheapest product does not mean value
  ✓ The key to value is quality
Competitive Principles

① Avoid your competitors’ strengths and exploit their weaknesses. Don’t try and beat them at their game.

② Always be a little paranoid. Never underestimate your competition.

③ Competitors will usually get better when pushed.

④ Competitors are sometimes irrational when pushed.
Competitive Environment

• Leading Edge versus Bleeding Edge: Speed to Market

✓ How fast firms get products to market can be a competitive advantage
✓ Bleeding edge firms launch products that fail because they are ahead of the market
✓ Leading edge firms offer products just as the market is ready

• Apple computers was not first to the MP3 market but they now own 75% market share

• Employees are another key competitive advantage
Great Inventions that have impacted human life….for better or for worse.
Social Environment: U.S. Population Estimates

- Diversity
- Aging Population
- Rising Worker Expectations
- Ethics & Social Responsibility

Social Environment

• The U.S. has become more ethnically diverse in recent years.

• Hispanic and Asian populations are projected to double by 2050.

• Growing ethnic populations offer profit potential for firms.

• Growing diversity impacts the workplace.
Social Environment

 Teens today are much less likely than their parents to categorize people by race, religion, and sexual orientation. They’re more likely to notice similarities and differences in core values.
Shades of Green: The Six Sins of Greenwashing

1. Sin of Hidden Trade-Off
2. Sin of No Proof
3. Sin of Vagueness
4. Sin of Irrelevance
5. Sin of Lesser of Two Evils
6. Sin of Fibbing
Technological Environment

- **Business technology** includes any tools that businesses can use to become *efficient* and *effective*
  - Source of competitive advantage
  - Industries have experienced dramatic change
  - New industries have emerged
Technology continues to evolve at breakneck speed, the change in everyday life and business operations is almost unimaginable.

Companies that welcome change and manage it well will clearly be the winners.
Global Environment

Technology is linking customers/suppliers worldwide

China and India’s economies are growing

Terrorism is more of a threat today

Free Trade

Blurred lines between countries/world

Job Migration
Both China and India have been growing relatively fast due to foreign investment and internal development.

China has been a magnet for manufacturing jobs and India for high tech jobs.
What are your passions?

What are business careers that encompass your passions?
Looking Back

- What is the role of business in the economy?
- How has business evolved?
- What is the role of nonprofits in the economy?
- What are the core factors of production?
- What are the elements of the environment affecting business?
- How are business trends impacting careers?