**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. The eras in the history of business are described, along with the skills and attributes needed for 21st century managers. Last, the characteristics that make a company admired are noted.

**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 either the 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

**Social era:** a new approach to the way businesses and consumers interact, connect, communicate, share, and exchange information with each other via various channels, including the Internet and social media platforms

**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 is a broad, all-inclusive term that can be applied to many kinds of enterprises. 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. Businesses provide the bulk of employment opportunities as well as products and services enjoyed by many.*

**Annotated Lecture Outline**

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| ***DEFINE THE TERM BUSINESS.*** | PowerPoint Slide 3 |
| **U.S. Energy Production Thrives** For decades, one of the country’s largest imports has been crude oil. Due in large part to the widespread use of horizontal drilling and fracking, for the first time in more than two decades, the United States is now producing more oil domestically than it imports. The significance? An increased supply and reduced price of natural gas, more competitive domestic industries, reduced greenhouse gas emissions, and a more favorable balance of trade—the value of imports is reduced relative to the value of exports. Additionally, industries that are heavy users of energy (steel, glass, cement) will be more competitive as their production costs decrease. | *LECTURE ENHANCER: Since business provides the bulk of employment opportunities, discuss some of the most common employment opportunities available to new graduates today (they include: healthcare, social services, and business sectors).* |
| **1. For-Profit Organizations**   * 1. The term “business” refers to a broad concept. | PowerPoint Slide 4 *Class Activity:  Before you begin the lecture, it may be interesting to have each student (anonymously) write down his/her definition of the word “business.” Read each aloud in class.* |
| * 1. *Business* consists of all profit-seeking activities and enterprises that provide goods and services necessary to an economic system. |  |
| * + 1. Some businesses produce tangible goods, while others provide services. |  |
| * + 1. Business drives the economics pulse of a nation and improves the standard of living of its citizens. |  |
| * 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 participates in hopes of making a profit. |  |
| * 1. *Profits* represent rewards for businesspeople who risk blending people, technology, and information to create and market goods or services. |  |
| * + 1. Profit is the difference between a firm’s revenues and the expenses it incurs in generating these revenues. | *Class Activity:  Are all business people driven by profits? Provide examples of those in the for-profit arena who may not be entirely driven by profits. Beyond profits, what is their responsibility?* |
| * + 1. The opportunity for profits serves as an incentive for people to start companies, expand them, and provide competitive products. |  |
| iii. Although businesspeople recognize their social and ethical responsibilities for long-run success, the quest for profits is a central focus of business. |  |
| 1. **Not-for-Profit Organizations** | PowerPoint Slide 5 |
| * 1. *Not-for-profit organizations* are business-like establishments that have primary objectives other than profits. |  |
| * 1. They place public service over profits but need to raise money to achieve their goals. |  |
| * + 1. In the private sector they include museums, libraries, trade associations, charitable organizations, and religious groups. |  |
| * + 1. In the public sector, they include government agencies, political parties, and labor unions. | *Lecture Enhancer:  Name examples of private-sector and public-sector not-for-profit organizations. Does your teaching institution fall into one of these categories?* |
| * 1. Not-for-profits are a major part of the U.S. economy. | *Class Activity: Explain three objectives of a not-for-profit organization.* |
| * + 1. More than 1.4 million not-for-profit organizations operate in the United States, controlling more than $3 trillion in assets. |  |
| * + 1. They employ more workers than all federal and state government agencies combined and have millions of unpaid volunteers. |  |

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**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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| ***IDENTIFY AND DESCRIBE THE FACTORS OF PRODUCTION*** | PowerPoint Slide 6 |
| *Factors of production* are inputs required for the successful operation of an economic system. | *Class Activity: Categorize each under its appropriate factor of production:  A truck, a professor, Jay Z, coffee, ATM machine, Reed Hastings, crude oil, computer programmer, cotton, someone who develops an app to monitor blood sugar levels for diabetics, mineral deposits, robotics for car manufacturing, an inventory control system.* |
| The four basic factors of production are natural resources, capital, human resources, and entrepreneurship. | PowerPoint Slide 7  *Table 1.1: Factors of Production and Their Corresponding Factor Payments* |
| **1. Natural Resources** | PowerPoint Slide 8 |
| * 1. *Natural resources* include all production inputs that are useful in their natural states; the basic inputs required in any economic system. |  |
| * 1. Examples are agricultural land, building sites, forests, and mineral deposits. |  |
| 1. **Capital** | PowerPoint Slide 9 |
| * 1. *Capital* includes technology, tools, information, and physical facilities. |  |

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| * 1. Technology is a broad term that refers to machinery and equipment, including computers and software, telecommunications, and inventions designed to improve production. |  |
| * 1. Technology improves products and provides timely and accurate *information* for effective decision making and performance. |  |
| * 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** | PowerPoint Slide 10 |
| * 1. *Human resources,* a critical factor in an economic system, include everyone who works for an organization. |  |
| * 1. Human resources encompass both physical labor and intellectual inputs. |  |
| * + 1. Employees are a source of ideas and innovation. |  |
| * + 1. Effective, well-trained, talented, motivated employees provide a significant competitive edge. |  |
| * + 1. Hiring and keeping the right people matters. |  |
| 1. **Entrepreneurship** | PowerPoint Slide 11 |
| * 1. *Entrepreneurship* is the ability to see an opportunity and take the risks inherent in creating and operating a business. |  |
| * + 1. An entrepreneur is someone who sees a potentially profitable opportunity and then devises a plan to achieve success in the marketplace and earn profits. |  |

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**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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| ***DESCRIBE THE PRIVATE ENTERPRISE SYSTEM*** | PowerPoint Slide 12 |
| **1. The Private Enterprise System** |  |
| a. No business operates in a vacuum—each is part of a larger 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 in economic activity. |  |
| * + 1. Businesses adept at satisfying customers gain access to necessary 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 consumers receiving the best possible products and prices because less efficient producers are gradually driven from the marketplace. |  |
| 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 the Coca-Cola Company differentiate itself from PepsiCo? How do German carmakers BMW and Mercedes-Benz differentiate themselves from one another?* |
| 1. **Basic Rights in the Private Enterprise System** | PowerPoint Slide 13 PowerPoint Slide 14 Figure 1.1 Basic Rights within a Private Enterprise System |
| * 1. The right to *private property,* the most basic right under the private enterprise system, means that every person has the right to own, use, buy, sell, and bequeath forms of property. | *Class Activity: For each of the four basic rights in the private enterprise system, have students provide examples of how it benefits a business and its owner(s).* |
| * 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. | Class Activity: *Ask students what it might be like, upon graduation, to be limited in employment choices.* |

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| * 1. Other economic systems sometimes limit freedom of choice to accomplish government goals. |  |
| * 1. The private enterprise system ensures fair competition by allowing the public to set rules. |  |
| 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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**Learning Objective 4: Identify the seven eras in the history 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.*

**Annotated Lecture Outline**

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| ***IDENTIFY THE SEVEN ERAS IN THE HISTORY OF BUSINESS***  The seven eras of U.S. 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. | PowerPoint Slide 15  Figure 1.2 Seven Eras in History of Business |
| 1. **The Colonial Period** |  |
| * 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. | *Class Activity: Ask students to provide examples of people today who currently earn their income through making crafts or handmade items.* |
| * 1. Colonists depended on England for manufactured items and funding industries. |  |
| * 1. Even after the Revolution, British investors financed U.S. industries well into the 19th century. |  |
| 1. **The Industrial Revolution** |  |
| * 1. The Industrial Revolution marked a transformation into manufacturing, starting in England around 1750 and spreading to the United States by the mid-1800s. |  |
| * 1. In the past, specialized, skilled workers built products one by one. |  |
| * 1. Now a factory system mass-produced items using semiskilled workers. |  |
| * + 1. Factories profited from the savings of large-scale production, bolstered by machines. |  |
| * + 1. Raw materials were purchased cheaply. |  |
| * + 1. Specialization of labor led to faster and more efficient production. |  |
| * 1. U.S. 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** |  |
| * 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. 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** |  |
| * 1. Demand for manufactured goods increased through the 1920s. |  |
| * + 1. Huge, labor-intensive factories dominated U.S. business growth. |  |
| * + 1. Work became increasingly specialized for each laborer. |  |
| * + 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. |  |
| 1. **The Marketing Era** |  |
| * 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. |  |
| * 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** |  |
| * 1. *Transaction management* had dominated since the 1800s, as businesses concentrated on manufacturing products and then hoping customers would buy them. |  |
| * 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. Businesses earn enormous paybacks for nurturing customer loyalty. | *Class Activity: Inquire students about how many “frequent buyer” or loyalty cards they happen to have in their wallet.* |
| * + 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. |  |
| * 1. The relationship era is now based on connections between: |  |
| * + 1. businesses and customers |  |
| * + 1. employers and employees |  |
| * + 1. technology and manufacturing |  |
| * + 1. separate companies |  |
| 1. **The Social Era** |  |
| a. A new approach to the way businesses and consumers interact, connect, communicate, share, and exchange information with each other via various channels, including the Internet and social media platforms. |  |
| b. Based on the premise that organizations, using technology, create value through connections with groups or networks of people with similar goals and interests. |  |
| c. Social media tools include weblogs, blogs, podcasts, and microblogs (Twitter), social and professional networks (Facebook and LinkedIn), picture-sharing platforms (Instagram and Tumblr), and content communities (YouTube). |  |

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**Learning Objective 5: Explain how today’s business workforce and the nature of work itself are 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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| ***EXPLAIN HOW TODAY’S BUSINESS WORKFORCE AND THE NATURE OF WORK ITSELF ARE CHANGING*** | PowerPoint Slide 16 |
| A skilled and knowledgeable employee base, or workforce, is essential to keep pace with the accelerating rate of change in today’s business environment. |  |
| Businesses must build workforces capable of the efficient, high-quality production needed to compete in global markets. |  |
| * 1. Employee brainpower plays a vital role in a firm’s ability to stay on top of new technologies and innovations. |  |
| * 1. A competitive workforce is the foundation of a firm’s competitive differentiation. |  |
| **1. Changes in the Workforce** |  |
| a. Challenges developing and managing human resources 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 17 |
| * 1. U.S. workers age 65 or older will double by 2030, to 72 million. | PowerPoint Slide 18 Table 1.2: What is the trend for the U.S population in terms of aging? |
| * 1. Generation X members (born from 1965 to 1981) and Generation Y (born from 1982 to 2005) are launching and building their careers. | *Class Activity: Ask students about the types of businesses that might benefit from hiring employees from Generations X and Y.* |
| i. Employers find more generations, a broad range of age diversity, in the workforce simultaneously than ever before. |  |
| ii. The U.S. labor pool could fall short by 10 million people as Baby Boomers retire. | *Lecture Enhancer: What impact does the doubling of college educated employees have on workplace hiring and required skills?* |
| c. Technology has intensified the hiring challenge by requiring workers to have ever more advanced skills. |  |
| i. Companies hire talent at the extreme ends of the working-age spectrum—teenagers and seniors. |  |
| ii. Employers must administer retirement planning and disability programs, retraining, and insurance benefits for employees who do retire. |  |
| 1. **Increasingly Diverse Workforce** |  |
| * 1. Diversity in the workforce is growing, with Asian and Hispanic groups representing the fastest-growing populations in the United States. |  |
| * + 1. By 2050, the number of Hispanics in the United States will grow from 35 million to 102 million, or 24 percent of the total population. |  |
| * + 1. The Asian population will increase from 10 million to 33 million, or 8 percent of the total. |  |
| * 1. Managers need to learn to work effectively with people of all ethnic groups, cultures, and lifestyles. | *Class Activity:  Have students provide a list of examples of the benefits of their experiences working with people of different races, genders, and backgrounds.* |
| * 1. *Diversity* is the blending of individuals of different genders, ethnic backgrounds, cultures, religions, ages, and physical and mental abilities. |  |
| * 1. Diverse workforces perform tasks more effectively and develop better solutions to business problems than homogeneous employee groups. | *Lecture Enhancer:* *Discuss why diverse workforces oftentimes provide more innovative solutions to business problems and issues than their homogeneous counterparts.* |
| * 1. Top companies for diversity include Novartis, Sodexo, Ernst & Young, Kaiser Permanente, and PricewaterhouseCoopers, to name a few. |  |
| **4. Outsourcing and the Changing Nature of Work** |  |
| * 1. The nature of work is shifting in today’s companies. A shift has taken place from manufacturing, once accounting for most of U.S. annual output, to services such as financial management and communications. |  |
| * + 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 brings challenges, such as quality and differences in language or culture. |  |
| * 1. Outsourcing reduces costs while gaining access to expertise. |  |
| * 1. *Offshoring* is the relocation of businesses overseas in order to lower costs. |  |
| * + 1. China, the Philippines, and India are popular locations for production offshoring. |  |
| * + 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. |  |
| * 1. Onshoring, increasingly popular, is returning production to its original manufacturing location because of changes in costs or processes. | *Class Activity:  Have students list the benefit of goods, products, and services that are still produced in the United States.* |
| **5. Flexibility and Mobility** |  |
| a. Workers explore various work arrangements such as telecommuting and job sharing. | *Class Activity: Have students come up with the pros and cons of telecommuting and virtual teams to traditional on-site teams with managers in-place. Is face-to-face collaboration better? Are there particular industries in which face-to-face collaboration makes more sense?* |
| b. Employers are hiring greater numbers of temporary and part-time employees. |  |
| c. Networking and virtual teams allow people to work across the globe, where they choose, and share knowledge and ideas. |  |
| d. Managers and employees need to be flexible and responsive to change in such far-flung workforces in order to retain valued workers who require less day-to-day supervision. | *Lecture Enhancer: Ask students how they might feel about a traditional 9-to-5 workday with their direct manager on site.* |
| **6. Innovation through Collaboration** |  |
| a. Some observers see a trend toward a more collaborative work environment. |  |
| b. Another trend, crowdsourcing, obtains input, information, or services for a task or project from a large number of individuals, typically using technology. | *Lecture Enhancer: Discuss how crowdsourcing has changed the face of business by creating a more collaborative work environment.* |
| c. Businesses using teamwork hope to build a creative environment where all members contribute their knowledge and skills to solve problems or seize opportunities. |  |
| d. Employees are less likely to remain with a single company throughout their entire career, as did the previous generation of workers. |  |
| e. With less loyalty to a single firm, employers must recognize the value of an employee partnership that encourages creative thinking, problem solving, and rewards risk taking and innovation. |  |

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**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 19 |
| Today’s companies need intelligent, motivated managers who can create and sustain a vision of success for the organization. |  |
| 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. |  |
| * + 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. | *Class Activity: Have students come up with ways to enhance their creative thinking.* |
| * + 1. It involves seeing different and better ways of doing things. |  |
| ii. Creativity must lead to action. |  |
| **3. Ability to Lead Change** |  |
| a. Managers must be able to lead business through changes driven by technology, marketplace demands, and global competition. | Lecture Enhancer: Discuss Uber and Lyft, two ridesharing companies, and how they have used technology to respond to customer needs. |
| 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. |  |
| * + 1. *Internal forces* include new company goals, emerging employee needs, labor union demands, or production challenges. |  |

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

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

*Companies, like individuals, may be admired for many reasons. 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**

|  |  |
| --- | --- |
| ***OUTLINE THE CHARACTERISITICS THAT MAKE A COMPANY ADMIRED*** | PowerPoint Slide 20 |
| Every year, publications, and in particular, *Fortune* Magazine, and organizations release lists of companies that are most admired. |  |
| 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. |  |
| d. As you learn more, you should be able to determine what makes a company admired. Fortune publishes a “Most Admired” list annually. Criteria for making the list include innovation, people management, use of corporate assets, social responsibility, quality of management, and quality of products and services. | PowerPoint Slide 21**Table 1.3 What companies are on the list for *Fortune*’s Top Ten most admired companies?** |

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

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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. |  |

Projects and Teamwork Applications

1. The entrepreneurial spirit fuels growth in the U.S. economy. Choose a company that interests you—one you have worked for or dealt with as a customer—and read about the company by visiting its website. 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 those of its competitors. Each company you purchase from hopes that you will become loyal to its brand. Some well-known brands are Apple, Pepsi, Marriott, and Gap. 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 REI, FedEx, Kashi, or Sam’s Club. 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 labor 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: Allstate, Cargill, Salesforce.com, or Microsoft.
5. Many successful companies today use technology to help them improve their relationship management. Suppose a major supermarket chain’s management team asked you to assess its use of technology for this purpose. On your own or with a classmate, visit one or two local supermarkets 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 were the management team.

Web Assignments

1. **Using search engines.** Gathering information is one of the most popular applications of the Web. Using two major search engines, 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://bing.com>
2. **Companies and not-for-profits.** In addition to for-profit companies, virtually all not-for-profit organizations have websites. Four websites are listed below, two for companies (Alcoa and Sony) and two for not-for-profits (Cleveland Clinic and National Audubon Society). What is the purpose of each website? 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.mayoclinic.org>  
   <http://www.audubon.org>
3. **Characteristics of U.S. workforce.** Visit the website listed below. It is the home page for the *Statistical Abstract of the United States*. Published annually by the U.S. Census Bureau, the *Statistical Abstract* is a good source of basic demographic and economic data. Click on “Labor Force, Employment, and Earnings.” Use the relevant data tables to prepare a brief profile of the U.S. workforce (gender, age, educational level, and so forth). How is this profile expected to change during the next 10 years?  
   http://www.bls.gov

*Note:* Internet 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 Firefox or Google.

4**. Who are the best nonprofit employers?** The *Non Profit Times* *Magazine* lists the top 50 top nonprofit employers. How much do you know about each? Have you heard of any of the top ten listed below? To learn more, visit their website(s). Which communities are served? Can you profile the types of causes?

1. National Older Worker Career Center

2. Team Rubicon

3. DonorsChoose.org

4. The Denver Center for Crime Victims

5. The Ulman Cancer Fund for Young Adults

6. Legal Aid Society of the District of Columbia

7. Young Community Developers, Inc

8. AHC

9. Caring Voice Coalition

10. Soles4Souls, Inc.

Source: Hrywna, Mark. “2015 NPT Best Places To Work.” *The Nonprofit Times,* April 1, 2015, <http://www.thenonprofittimes.com/wp-content/uploads/2015/03/4-1-15_BestPlacesToWork.pdf>, Accessed May 28, 2015.

**CHAPTER 1: COLLABORATIVE LEARNING EXERCISES**

## 1 - Business as a Career

**Learning Objective: 1  
Define the term *business***

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. Encourage them to be honest (and professional). 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, pet rescue, 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 – The Entrepreneurship Alternative**

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

Purpose:

To brainstorm 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:

### Factors of Production – Learning Objective 2

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?

**3 - History of Business**

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

Purpose:

To encourage critical thinking about the evolution of business in the United States, and its continued change.

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:

Seven 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 U.S. 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 labor, violent union-busting, and environmental degradation.

Production era: Highly specialized manual labor—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?

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

Learning Objectives: 7

Outline the characteristics that make a company admired

Purpose:

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

Background:

##### As today’s’ 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. In 2015, this list included the following companies that would probably be familiar to most students:

1. Apple
2. Google
3. Berkshire Hathaway
4. Amazon
5. Starbucks
6. Walt Disney
7. Southwest Airlines
8. American Express
9. General Electric
10. Coca-Cola

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?

What is the difference between being a firm that is “good to work for” and one that is “most admired”?

Source: “World’s Most Admired Companies 2015.” *Fortune*, accessed May 28, 2015, http://fortune.com. Copyright 2015 by Time, Inc. Used by permission and protected by the copyright laws of the United States. The printing, copying, redistribution, or retransmission of the material without express permission is prohibited. Fortune and Time Inc. are not affiliated with, and do not endorse products or services of Wiley.

**5 – Factors of Production**

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

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:

Websites as noted

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 countries like Nigeria, Kenya, Philippines, India, and China, as well as struggling countries (such as Ukraine, Puerto Rico, and Venezuela, 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 its 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.