

# The Framework of Contemporary Business

- Businesses and businesslike undertakings can be 'profit-seeking' as well as not-for-profit or 'revenue-seeking'.
- Whether profit-seeking or not, these undertakings sustain the economic system whose

Factors of Production	Factor Payments
Natural resources	Rent
Capital	Interest
Human resources	Wages
Entrepreneurship	Profit

For profit-seeking enterprises, survival demands generating adequate profits to

- pay stake-holders for the goods and services,
- compensate investors for them to continue investing, and
- plow-back any excess cash into the business as the working capital for continued growth.

In contrast, the not-for-profit organizations are revenue-seekers. This does not make the attendant organizational and managerial tasks any different from those of the for-profit businesses, however, as their challenges are largely identical.

effective operation involves the four factors of production tabulated above, except for substituting "profit" by "revenue" for the not-for-profit undertakings.

Read the Los Angeles Times (July 6, 2008) article "The Give and Take for Charities" (<http://www.latimes.com/news/local/la-me-charity6-2008jul06.0.6258274.full.story>).

- The economic system must guarantee these four basic rights if private enterprises are to identify and serve the needs and demands of the customers:

- (1) right to private property,
- (2) right to realize profits,
- (3) right of free choice, and
- (4) right to face free and fair competition.

- Business in the U.S. has evolved through these six main phases:

- (1) The Colonial Era,
- (2) Industrial Revolution,
- (3) Industrial Entrepreneurs,
- (4) Production,
- (5) Marketing, and
- (6) The "Relationships" Era.

Businesses in the U.S., and now increasingly worldwide, function within the private enterprise system — the economic system that rewards enterprises for their ability to perceive and serve the needs and demands of the consumers.

This is also called capitalism or, more specifically, *consumer capitalism*. Indeed, capitalism comes in many shades. For instance, a recent book "**Good Capitalism, Bad Capitalism**" (by William Baumol, Robert Litan and Carl Schramm: Yale University Press, 2007), discusses four forms of capitalism, for instance.

- entrepreneurial,
- big-firm (corporate),
- state-directed, and
- oligarchic.

Access this book for free at the following URL: [http://www.yalepresswiki.org/gcbc/GCBC\\_Entire.pdf](http://www.yalepresswiki.org/gcbc/GCBC_Entire.pdf)

- Technological advances have greatly facilitated relationship management, and globalization has made it a necessity. This involves a miscellany of activities that build and sustain ongoing mutually beneficial ties between a business and its stakeholders.
- Today's business confronts many workforce related challenges:

Read the [Jack and Suzy Welch](#) article "Why Your Office Isn't Like Google's" in Aug 14, 2008 issue of BusinessWeek magazine, for instance. It is available at [http://www.businessweek.com/magazine/content/08\\_34/b4097100925793.htm?chan=magazine+channel+opinion](http://www.businessweek.com/magazine/content/08_34/b4097100925793.htm?chan=magazine+channel+opinion). Alternately, you can access the PDF version of this Welchway article at the class website

- aging population,
- shrinking labor pool,
- increasing diversity,
- out-sourcing/back-sourcing,
- employee-employer partnership

- In 1916, the French industrialist Henri Fayol identified **Planning, Organizing, Coordinating and Controlling** as the four jobs a manager does. Not quite, argued Henri Mintzberg, in "The Manager's Job: Folklore and Fact" (Harvard Business Review, Jul/Aug 1975). Today's manager, he argued, has interpersonal (figurehead, leader, liaison), informational (monitor, disseminator, spokesperson) and decisional (entrepreneur, disturbance handler, negotiator) roles.

Try <http://www.rdugan.org/LIS404/mintzbergmar1990.pdf> to access "The Manager's Job: Folklore and Fact:" by Henri Mintzberg (Harvard Business Review, Mar/Apr 1990) or [http://home.hio.no/~araki/arabase/emne/present\\_4.pdf](http://home.hio.no/~araki/arabase/emne/present_4.pdf).