

# **Enterprise Essentials**

**Class # 1: Setting the scene -  
The economy and the firm as an  
economic agent**

EPITA | Fall 2025

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# Kick-Off



- Introductions
  - Course outline
  - Overall course schedule
  - Organization, Admin

# Course Syllabus (1)

## General objective

This course is an introductory course to the enterprise (*aka* the firm, the business organization, the company, or the corporation), its reason of being, organization, internal structure and external environment.

In the context of the entrepreneurial surge driven by digital technologies and of the accelerated transformation of our modern societies and economic systems, the course is designed for students in engineering in order to allow them to get exposed to the fundamental principles behind the existence of a firm, as a distinct type of organization, its rationale as an economic agent, and its core functions and management processes.

Special attention shall be paid to the concepts that are relevant to today's digitalized, globalized and highly interconnected economy, and to the challenges raised by the transformation of traditional firms into adaptive organizations, fit to embrace the challenges of our 21<sup>st</sup> century's turbulent onset.

# Course Syllabus (2)

Therefore, the course is designed so as to allow prospective students to dive in, analyze, and **build a personal understanding** on several of the fundamental challenges, concepts, principles, and functions of the modern enterprise, such as:

- Understand the fundamental reasons why firms exist,
- Understand the stages of growth of a business organization, from start-up to the multinational company,
- Get familiar with the dynamics of the environment in which firms operate, with a focus on industries and markets
- Explore, understand and build a personal vision of any enterprise's DNA, through deep-dives into the very heart of its reason of being: the Business Model
- Get exposure to the role of management in steering the firms' behavior and performance, with a focus on innovation, change, strategy, and decision-making
- Build a personal understanding on the modern business environment and be able to articulate, by the end of the course, an elaborated point of view on a chosen business topic

# Learning Objectives

- Understand the role of the enterprise as an economic agent
  - Get an exposure to the rationale of the existence of a firm,
  - Explore the implications of an enterprise's embeddedness in the economic system
- Explore the business environment
  - Illustrations through various industries and markets
- Understand the business dynamics of a firm, notably:
  - Growth stages
  - External and internal growth
- Assess, concretely, the way companies generate value
  - Focus on the Business Model
- Build an understanding on the main management processes of the enterprise:
  - Innovation and change; strategy and decision-making

# Course Breakdown

## EPITA | Fall 2025

Class	Date & Time   Topics
Class 1	Setting the scene: The economy and the firm as an economic agent
Class 2	The Business Environment: Industries and Markets
Class 3	Business Dynamics
Class 4	Enterprise & Business Models
Class 5	Managing a business organization 1
Class 6	Managing a business organization 2
Class 7	Final Presentations   Course Wrap-Up

### Today's Reference:

**Peter F. Drucker.** *The Theory of the Business.* Harvard Business Review. September–October 1994 Issue



# Before we get started Organization

- Logistics:
    - ❑ WIFI
    - ❑ Video-projector
    - ❑ White board, paper board, pens, Post-It notes
    - ❑ **Presence/Punctuality – 15 minutes rule**
  
  - We will have several class assignments (1 per class), students are expected to prepare for each class assignment, you will only present once.
  
  - Individual participation is expected and largely encouraged. Please try to participate not only to all team works but also throughout the sessions.
- Remote Learning: Teams  
Environment  
Communications  
Create sub-teams  
Class assignments  
Student interaction  
Quiz – Tool: MS Forms  
Course materials upload

# On presence

## BEING PRESENT, MEANS

- Being physically present when class starts
- Being physically present and marking his/her own presence on the attendance portal
- Having less than 15' minutes delay in being physically present and marking his/her own attendance in the portal

## BEING ABSENT, MEANS

- Not being physically present in class, when the call is made
- Not being physically present, 15' minutes after the class has started
- Being impeded in being physically present in class, case in which proper justifications should be provided to the admin team

**NOT BEING PHYSICALLY PRESENT IN CLASS WHEN THE CALL IS MADE BUT APPEARING TO BE PRESENT IN THE ATTENDANCE PORTAL IS CONSIDERED TO BE FRAUD**

# Learning environment

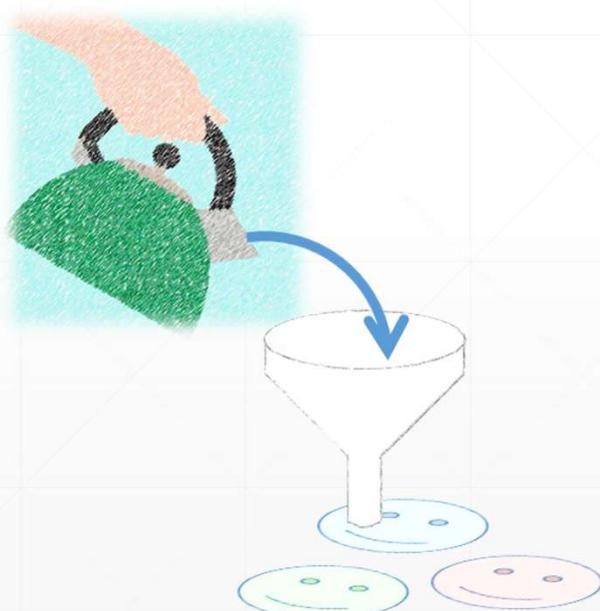
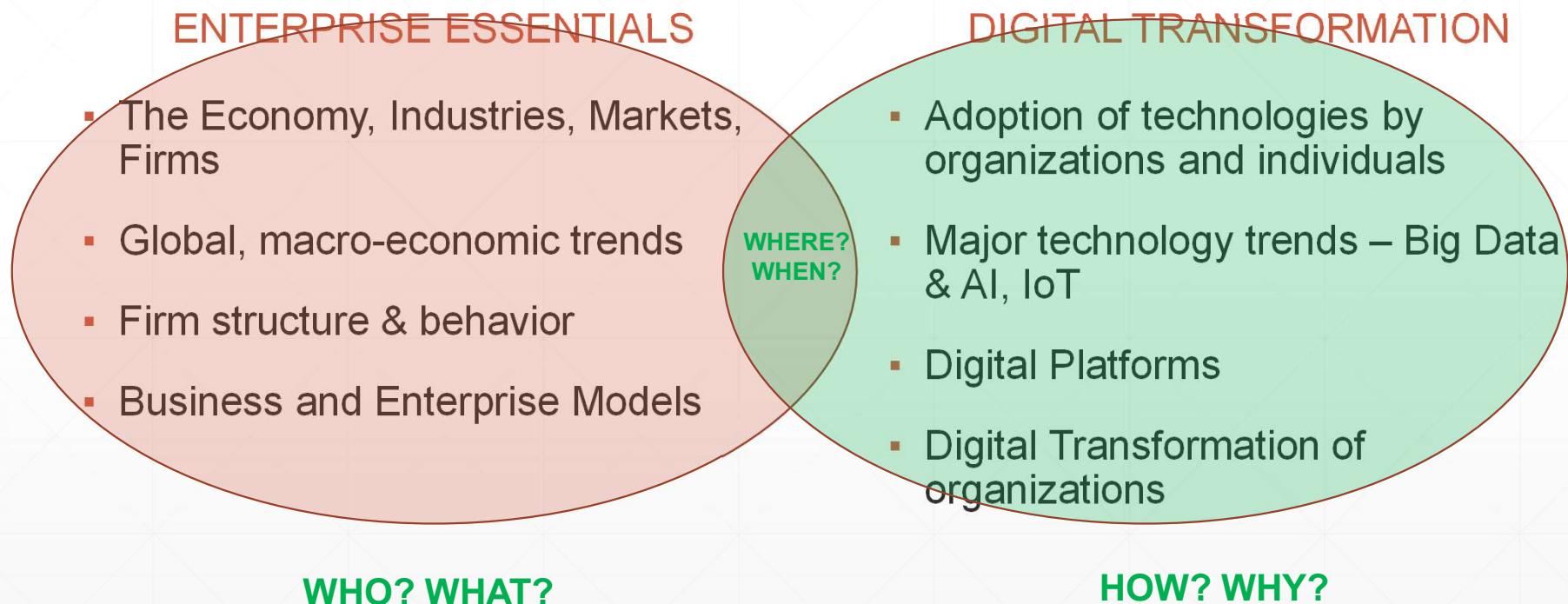


Image source: <http://clipart-library.com/clipart/1308819.htm>

# Organization

## Articulation between the 2 courses



# Enterprise Essentials

## Final Grade

Final Composition	Grade	Class attendance and participation to class assignments throughout the course	Course quiz (MCQ)	Final presentation (group and/or individual)
Weight		30%	20%	50%
Participation to <b>class assignments</b> and group discussions throughout the course				A project (essay), in the form of a question to which students will answer through a carefully drafted presentation (.ppt presentation)

# Enterprise Essentials

## Class Assignments & Course Quiz

- In each class, there will be a class assignment for which you shall need to prepare.
- Information for the class assignments shall be communicated before each class via the course's Teams group.
- Students shall be chosen randomly for each class assignment.
- Not being prepared for the class assignment because you haven't received the notification via the Teams group is not an acceptable excuse, it will earn you a 0 for the class assignment (30% of the final grade).
- Not joining the Teams group before the first class may lead to additional disciplinary measures such as being banned to take the course's quiz (20% of final grade)

# Enterprise Essentials

## Final Presentation | Subjects (1)

1. Elaborate on your own, present or future, entrepreneurial project: personal motivation, reason of being of business, structure (organization) of business, value proposition for your customers, ESG aspects (quantified); business model.
2. In an economic setting of your choice, present and elaborate on the comparative advantages of a new entrant versus existing, established, businesses. Do existing businesses have any advantages on new entrants, in all of the PPP aspects?
3. Elaborate on at least 2 different business models that you see co-existing in an industry of your own choice. Discuss differences, impact on firm organization and performance, consequences at the level of the market and the industry, using accurate measures across all of the performance aspects.

# Enterprise Essentials

## Final Presentation | Subjects (2)

4. Explain, through an example of your own, the difference between internal (endogenous) and external (exogenous) growth, and the combination of these; underpin with calculations of your own.
5. Compare and contrast management styles and practices in a company or industry of your own choice. Discuss how the practices that you have analyzed have made a difference in terms of innovation, change, strategy and decision-making.
6. Discuss an innovation of your choice in terms of: its origins, who has brought it to the market, its success/failure. Elaborate on the reasons why the chosen innovation has succeeded or failed and on your personal take on what should have been done differently (in the case of success: by the competitors, in the case of failure: by the promoter of the innovation).
7. Discuss a strategic decision made by a company or a business leader of your choice. Elaborate on context, decision-making process, implementation of decision and consequences, including measured impact on all of the 3 ESG dimensions.

# Final presentation

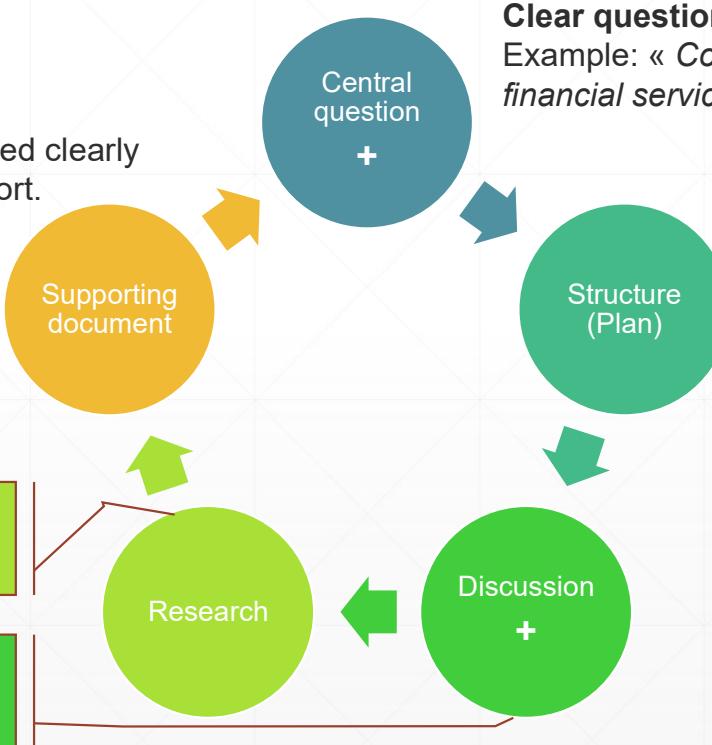
## Structure and expectations

In a **group presentation**, it should be stated clearly (in writing) 'who did what' in the overall effort.

A carefully drafted presentation (.ppt presentation), produced either individually or as a group effort

Original research (articles, figures, charts, ...) should be properly quoted

**Utilization of the course's ideas and concepts** in order to sustain the analysis



**Clear question in close relationship with the course's topics**  
Example: « Could several business models coexist in the financial services industry (FSI) ? »

Outline of presentation  
Example:

- FSI – an overview
- Existing Business models
  - Traditional Banks
  - Independent services providers
  - Neo-banks
  - ...
- Coexistence of business models:
  - A 5-F comparison between BM 1 and 2
- Conclusion:
  - Ex: "Traditional banks are challenged by new entrants but they're fighting back"

# Final presentation

## On plagiarism

According to the University of Oxford (source:

<https://www.ox.ac.uk/students/academic/guidance/skills/plagiarism>), **plagiarism** is defined as:

- “Presenting work or ideas from another source as your own, with or without consent of the original author, by incorporating it into your work without full acknowledgement. All published and unpublished material, whether in manuscript, printed or electronic form, is covered under this definition, as is the use of material generated wholly or in part through use of artificial intelligence (save when use of AI for assessment has received prior authorisation e.g. as a reasonable adjustment for a student’s disability). Plagiarism can also include re-using your own work without citation. Under the regulations for examinations, intentional or reckless plagiarism is a disciplinary offence.”

# Final presentation

## Common forms of plagiarism

According to the University of Oxford (source: <https://www.ox.ac.uk/students/academic/guidance/skills/plagiarism>), the most common forms of plagiarism are:

- **“Verbatim (word for word) quotation without clear acknowledgement**  
Quotations must always be identified as such by the use of either quotation marks or indentation, and with full referencing of the sources cited. It must always be apparent to the reader which parts are your own independent work and where you have drawn on ideas and language from another source.”
- **“Cutting and pasting from the Internet without clear acknowledgement**  
Information derived from the Internet must be adequately referenced and included in the bibliography. It is important to evaluate carefully all material found on the Internet, as it is less likely to have been through the same process of scholarly peer review as published sources.”
- **“Paraphrasing**  
Paraphrasing the work of others by altering a few words and changing their order, or by closely following the structure of their argument, is plagiarism if you do not give due acknowledgement to the author whose work you are using.”

# **Final presentation**

## **On plagiarism | Related matters**

Plagiarism may be induced. This happens when one DOES NOT CHECK the trustworthiness of the cited sources. For this course, you are supposed to:

- 1.** Cite books, which were published, and that you have read
- 2.** Cite academic sources, published in peer-reviewed journals, such as the ones proposed as readings before coming to class
- 3.** Cite trustworthy websites, such as, but not limited to company official websites, government, regulatory authorities; websites of creators, (Wikipedia is included)

**DO NOT (EVER):**

**Copy/paste, nor even cite, websites that are not trustworthy, whose ownership is not clearly acknowledged, whose content is not traceable**

# Enterprise Essentials ()

## Final Presentation | Guidelines

1. Ask a clear question! Your presentation's title should be a question.
2. Be specific, concrete and focused
  - **Ex:** Don't talk about "the future of an industry, a company, or a company function", in general, in vague and generic terms, but rather choose a specific and focused subject and discuss, in detail, what you think is pertinent for its future
3. Use resources for what they are: sources to develop your own analysis and point of view
  - **Ex:** Avoid utilizing exclusively a single resource (report, book, famous author), **it is not what other people think and say that is important**, but rather what your own opinion on the matter is and how you built it
4. **Use the course's concepts and tools** to develop your own, personal, thinking.
5. Build your presentation as an answer to your central question, an answer which should be:
  - Informative
  - Demonstrative, i.e. showing display of systematic reasoning towards reaching its conclusion
  - Relevant for (rooted in) the course's topics
  - Supported by research

# Enterprise Essentials ()

## Final Presentation | Guidelines

6. **Avoid plagiarism, at all cost!** Quote your sources, reference your sources, list your sources, use quotation marks, make it absolutely clear in your presentation what is original (your work) and what belongs to others. It is YOUR WORK that matters!
7. Be clear and transparent about **the way you utilized Generative AI**, as inappropriate usage may be considered to be plagiarism.
  - **Ex:** Always display prompt question and Gen AI answers.
8. Please be aware that, when presenting as part of a small group of students, there is more work involved than when presenting alone. If you choose to present as part of a small group (3 students maximum), it should be made absolutely clear “who did what” in the overall effort

# Grading Criteria

	Outstanding Between 17.50 and 20.00 points	Very good Between 15.5 and 17.5 points	Good Between 14.00 and 15.5 points	Correct Between 10.00 and 14.00 points	Below average Below 10.00 points
<b>Class assignment</b>	High-quality contributions Pertinent contributions to The contributions to the Student participates to Student is obviously showing that the reading the class assignment, class assignments are class assignments, with disengaged with the material for the class has showing interest in the robust, reading material moderate or uneven course's objective and been read and understood topics discussed in class was obviously taken contributions, the linkage topics, participation to and that the student is and the reading material into account between reading material class assignments shows keen to leverage the and class discussion is not that the reading material concepts in order to apparent was neglected explain a real-life situations				
<b>Final presentation</b>	Illustrates excellent mastery of the concepts shows The final presentation The final presentation Illustrates an acceptable The presentation shows strong is of good academic understanding of the that there's no keen discussed during the understanding of the quality, interest for the concepts discussed in interest in the subject course; and the results are concepts and ideas subject matter is class; and the presentation matter, its quality does presented in a clear, well- discussed during the consistently shown is written and presented in not meet the academic written, well-structured course, the supporting through the application an understandable way standards, and the topic way. The final document is of excellent of the guidelines for the with admissible quality in is not relevant for the presentation's subject is quality in terms of topic, final project terms of plan, structure, course's content relevant for the subject structure and supporting and supporting research matter, it is well research documented and student has invested in research				

# Enterprise Essentials ()

## Final Presentation | Timeline

1. (Class 1): Expectations
  - Note: You may develop your final presentation either as an individual project or a small group endeavor (3 students maximum)
2. (Class 4-5): Subjects are chosen, precise formulation is communicated to professor
3. Class (6): Final tweaking and additional guidelines for final presentations
4. Class (7): Final presentations

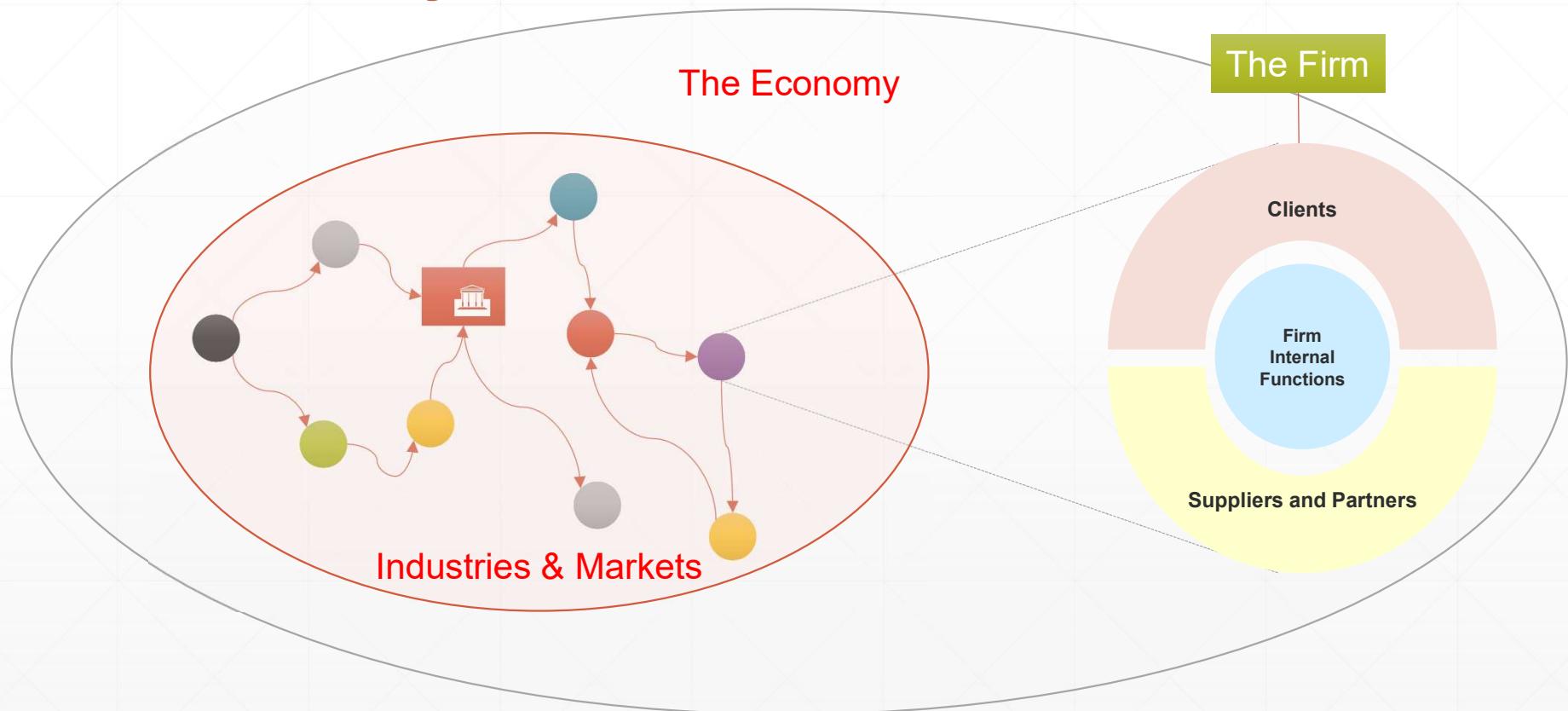


## Setting the scene: The economy and the firm as an economic agent

A Few Fundamental Concepts,  
Economic theories of the firm, 21<sup>st</sup>  
century challenges, Ownership,  
Liability, Management, Forms of  
business

# Our playground

## The economy; industries, markets, firms





# If we were having this course... Class discussion

30 years ago...

1990s

- End of a bipolar world, fall of the communist regimes in Eastern Europe
  - Triumph of market (v. centralized) economic systems
  - Globalization – early innings
  - Technology as a factor of production

10 years ago...

2010s

- Globalized society, realizing that reciprocal relationships are increasingly interconnected and interdependent
  - Internet as main place of exchange
  - The rise of the truly global corporation
  - Technology as a strategic asset



# The Economy and the Firm as an Economic Agent

## Class Discussion

Consider a traditional farming business

- Their roots go back to the origins of humanity
- Over the centuries, farms have become:
  - More productive, with mechanization and chemicals
  - More capital-intensive (as opposed to labor-intensive), ...
- Today's farms operate an even more challenging transition, towards ecological responsibility, environment-friendliness, and sustainable development

Consider a large manufacturing company, in any country

- They came into existence with the first industrial revolution
- Their production was local, initially
- Little by little, manufacturing became industrial production (mass production)
- Today's traditional industry businesses are multi-national companies, competing in a globalized economy

Consider a large communications company, in any country

- These companies were established - as national monopolies - at the beginning of the 20th century in order to provide Post, Telegraph and Telephony services, nationwide
- Little by little, their economic reason of being has evolved, due to regulation (from monopolies to competitors in a market)
- Today, these companies operate in a highly competitive business, are challenged by companies from other industries, and are under regulatory pressure



# The Economy and the Firm as an Economic Agent

## Class Discussion

Consider the early Internet pioneer companies (Yahoo!, AOL, ...)

Their “glory days” lasted for less than 20 years

- Their initial success is intimately related to the emergence of Internet and the www
- As Internet grew and changed rapidly, many of the pioneers had difficulties reinventing their businesses
- Today, after being successively transformed and acquired, most of them struggle to stay alive

Consider a famous rock band, active since the 1960s...

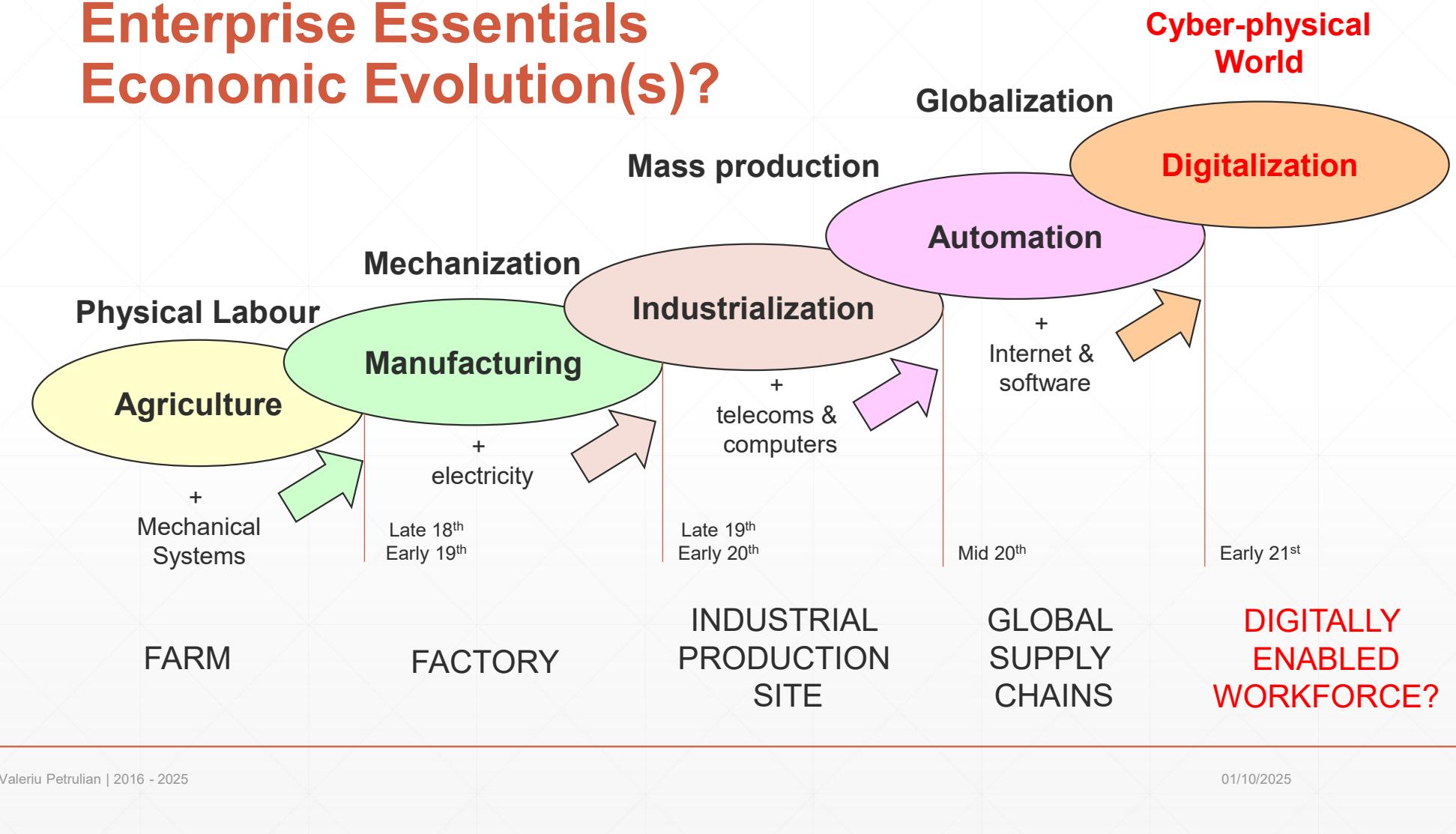
- Over the years, the « initial idea » has developed in a very profitable business, including, but not limited to:
  - Touring (concerts)
  - Recording
  - Publishing
  - Sponsorship, ...
- Further Reading:  
<https://www.google.fr/amp/s/amp.theguardian.com/music/musicblog/2014/may/22/how-the-rolling-stones-became-musics-biggest-business>

Consider yourself, a student in a Computer Science and Engineering School

Would you, at some point in time, set-up your own company, like Bill Gates, Steve Jobs, Mark Zuckerberg, Larry Page, Sergey Brin, Elon Musk, and many others, did before you?

If you do, chances are that you will find that all 5 examples have things in common

# Enterprise Essentials Economic Evolution(s)?



# Enterprise Essentials

## A business cycles perspective

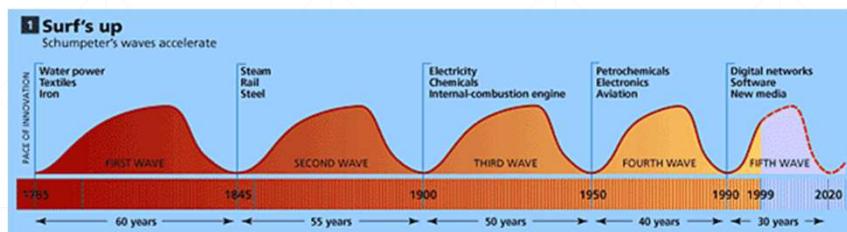


Illustration: Catch the wave, published by The Economist, 1999. <http://www.economist.com/node/186628>

- Each new innovation cycle is driven by innovation, coming from different industry clusters and affecting different needs
- Austrian economist Joseph A. Schumpeter has brought to fore the idea that the economy is permanently disrupted by technological innovation (*i.e. creative destruction*)
- According to Schumpeter, innovation and the entrepreneur are at the heart of the economy

# Economy and Economics

## ECONOMY

- “The state of a country or region in terms of the production and consumption of goods and services and the supply of money.” (Oxford English Dictionary)
- “The system of trade and industry by which the wealth of a country is made and used.” (Cambridge Dictionary)

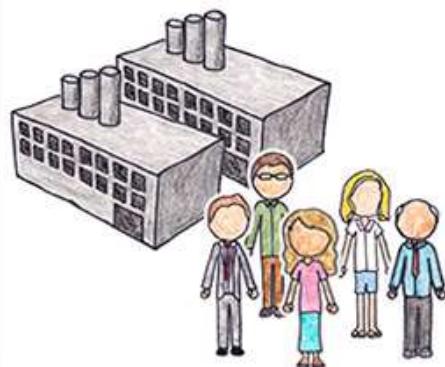
## ECONOMICS

- “The branch of knowledge concerned with the production, consumption, and transfer of wealth.” (Oxford English Dictionary)
- “The way in which trade, industry, or money is organized, or the study of this.” (Cambridge Dictionary)

**MACRO**



**MICRO**



<http://courses.wallstreetsurvivor.com/is/17-understanding-the-economy/economics-101/the-basics/#/>

## Macro and Micro Economics

Generally speaking, Macro and Micro Economics are the two main branches of this discipline. The former deals with global (aggregated) trends, i.e. at a society, or a nation's level; while the latter studies individual choices.

Note: There are many other sub-classifications in Economics, however, for the purposes of this course we've chosen to illustrate this particular one.

# Macro and Micro Economics

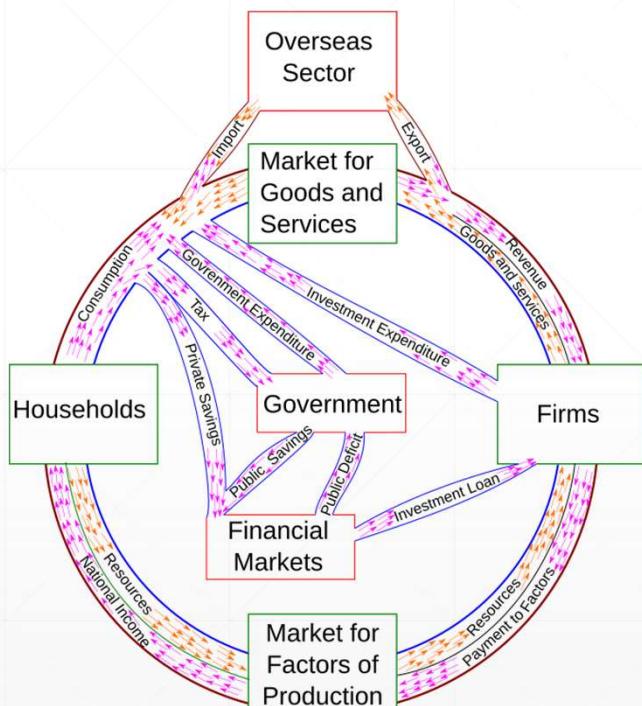
## Macroeconomics

- Players:
  - Countries, regions, continents, the world
- Indicators (example):
  - GDP – Gross Domestic Product
  - CPI, IPC - Consumer Price Index
- Institutions (example):
  - Central Banks
  - World Trade Organization
  - International Monetary Fund
  - World Bank

## Microeconomics

- Players:
  - Consumers, companies (firms)
- Indicators (example):
  - Consumer demand curves
  - Market concentration
- Institutions (example):
  - National Competition Authorities (ex: DGCCRF in France)
  - Industry Regulatory Bodies (ex: ARCEP, CSA in France)

# The Economy Circular Flow of Income



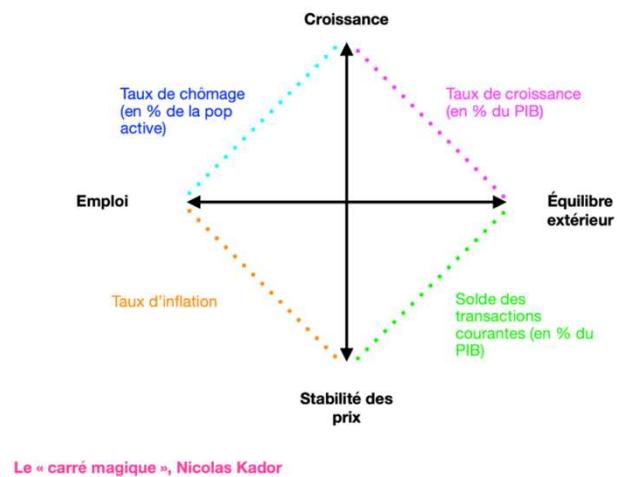
[https://en.wikipedia.org/wiki/Circular\\_flow\\_of\\_income](https://en.wikipedia.org/wiki/Circular_flow_of_income)

The **circular flow of income** or **circular flow** is a model of the economy in which the major exchanges are represented as flows of money, goods and services, etc. between economic agents.

The flows of money and goods exchanged in a closed circuit correspond in value, but run in the opposite direction.

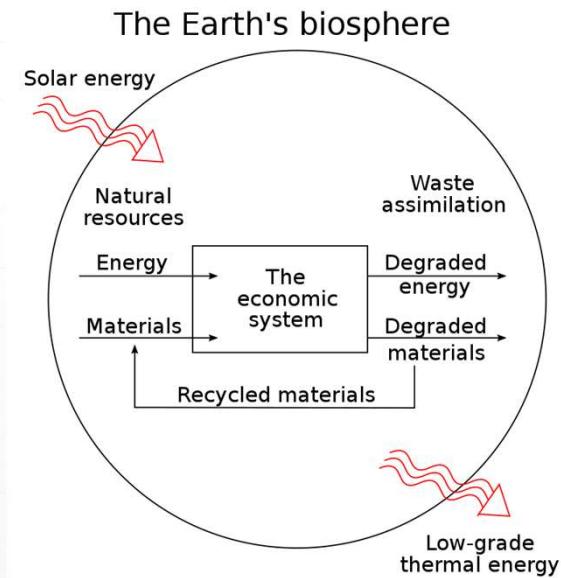
# The Economy Main equilibria

## MACROECONOMIC EQUILIBRIA



Source: [https://en.wikipedia.org/wiki/Ecological\\_economics#/media/File:Diagram\\_of\\_natural\\_resource\\_flows-en.svg](https://en.wikipedia.org/wiki/Ecological_economics#/media/File:Diagram_of_natural_resource_flows-en.svg)  
[https://fr.wikipedia.org/wiki/Carr%C3%A9\\_magique\\_de\\_Kaldor#/media/Fichier:Carr%C3%A9\\_magique\\_format\\_image.png](https://fr.wikipedia.org/wiki/Carr%C3%A9_magique_de_Kaldor#/media/Fichier:Carr%C3%A9_magique_format_image.png)

## ECOLOGICAL (DIS)EQUILIBRIA



# The Economy Important Distinctions

- Factor Markets – they include all factors of production, **including labor, and capital**
- Product Markets
  - Between Firms – B2B
  - Between Firms and Consumers – B2C
- Role of Banks
  - Trusted third-party
- Role of Governments
  - Income redistribution (through tax system)
  - Regulation

# Today's Economy

## 21<sup>st</sup> Century Challenges



**Choice of topics for our course:**

Climate Change

Globalized  
Economy

Entrepreneurial  
wave

Labor Evolution(s)

Rising Services  
Economy

Emerging  
Economic Models

The Information  
Society

Digital Economy



# The Firm as an Economic Agent

## Discussion 1

- An entrepreneur is, first, an individual existing in a wider social context ... :
  - He/She needs to understand his/her society's overall environment
  - He/She needs to understand who are the clients and what are their needs
  - He/She needs to understand in which market and industry his/her own company will perform and how the company positions itself in this environment
- This understanding of the firm's social role is critical as it defines **"what an organization is paid for"** (Peter Drucker).

# 21<sup>st</sup> century challenges

## Climate change

- Human activity IS the main factor contributing to the global climate changes through the generation of greenhouse gases (GG) of a different nature than those naturally present in the atmosphere
- The economic activities with the highest emissions of GG are (source: COP21):
  1. Energy production (34%)
  2. Industrial production (18%)
  3. Transport (14%)
  4. Agriculture (14%)
- The challenge is to keep global warming below 2° C



Conférence des Nations unies  
sur les changements climatiques  
COP21/CMP11

<http://www.cop21.gouv.fr/en/>

Cop 21 summary to be found at:  
<http://www.bbc.com/news/science-environment-35073297>

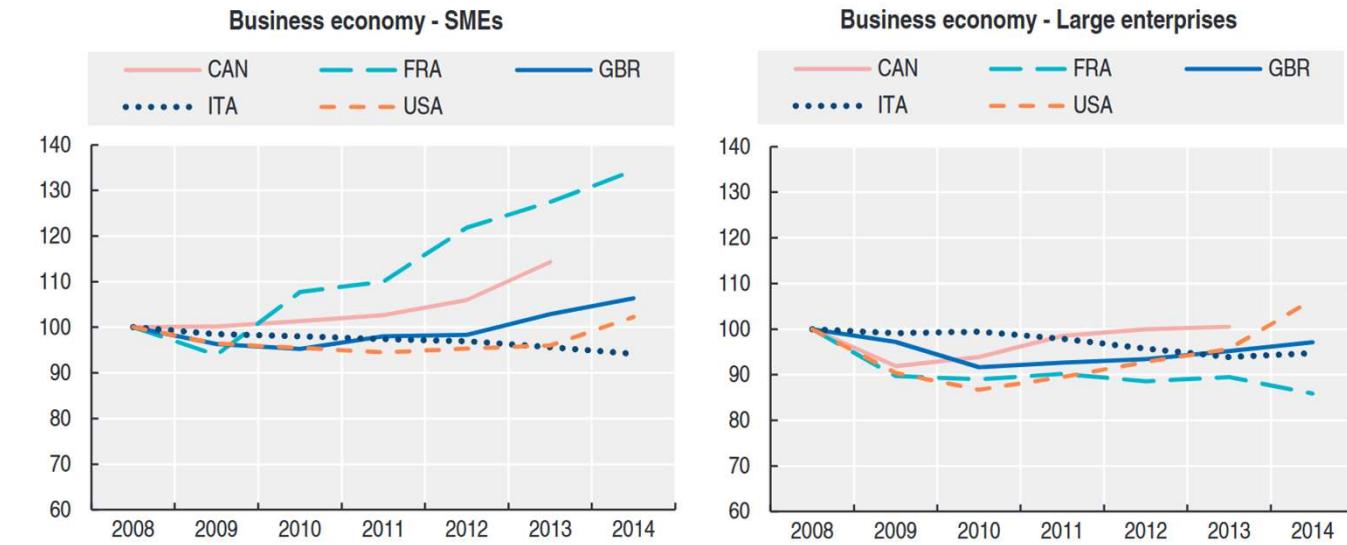
- The deal unites all the world's nations in a single agreement on tackling climate change for the first time in history.
- Coming to a consensus among nearly 200 countries on the need to cut greenhouse gas emissions is regarded by many observers as an achievement in itself and is being hailed as "historic".
- However, scientists point out that the Paris accord must be stepped up if it is to have any chance of curbing dangerous climate change.
- Pledges thus far could see global temperatures rise by as much as 2.7C, but the agreement lays out a roadmap for speeding up progress.

# Climate change and the Information Age



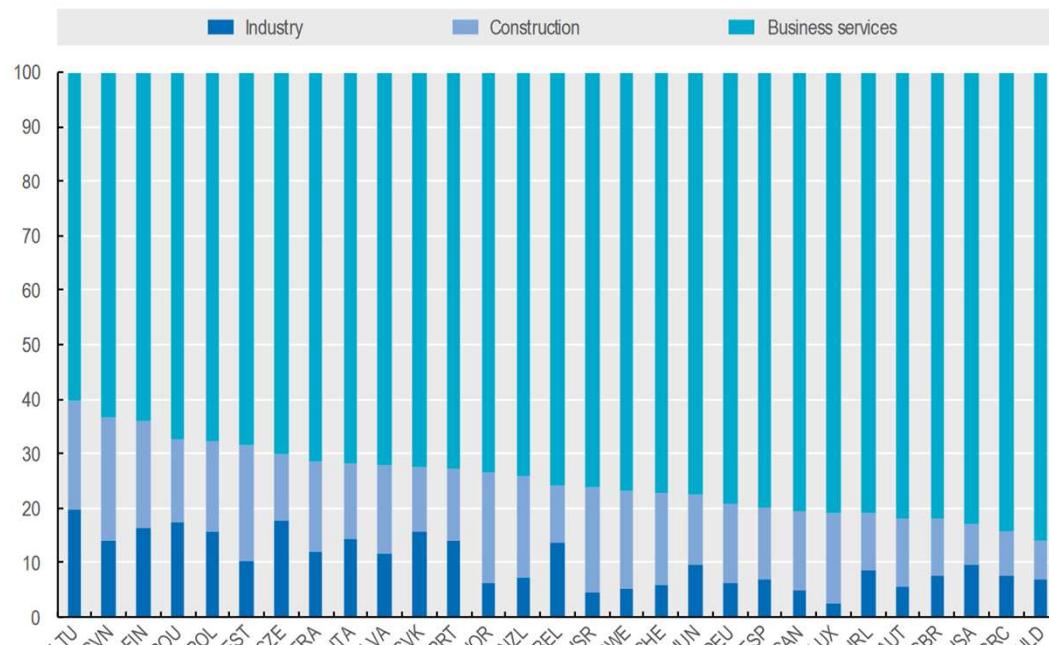
- The infographic to the left shows an insight into the impact of the Information Age on environmental changes
- The economy of the information age is less intangible than it seemed...
- Few facts from ADEME:
  - 507 billion e-mails/day globally (2013)
  - One employee of a French company (of 100 employees) generates annually and through e-mail usage alone approx. 13.6 tons (equiv.) of CO<sub>2</sub>
- For further reading and concrete steps:
  - <http://www.presse.ademe.fr/2011/07/analyses-de-cycles-de-vies-des-technologies-courriers-electroniques-requete-web-cle-usb-quels-impact.html>
  - ... and what if we get inspired by Nature (e.g. biomimetics)?
    - <http://www.dailymotion.com/video/x2joni8>

# 21st century challenges - Entrepreneurial Wave OECD – SME and Large



Source: OECD (2017), Entrepreneurship at a Glance 2017, OECD Publishing, Paris  
[http://dx.doi.org/10.1787/entrepreneur\\_aag-2017-enl](http://dx.doi.org/10.1787/entrepreneur_aag-2017-enl)

# Entrepreneurial Wave OECD – by sector



Source: OECD (2017), Entrepreneurship at a Glance 2017, OECD Publishing, Paris  
[http://dx.doi.org/10.1787/entrepreneur\\_aag-2017-enl](http://dx.doi.org/10.1787/entrepreneur_aag-2017-enl)

# Enterprise Definitions

- Oxford English Dictionary –
  - « **Enterprise** /'entəprāɪz/ **noun** – a company or business »
- Wikipedia -
  - “**Business** is the activity of making one's living or making money by producing or buying and selling products (such as goods and services).”
- The Free Dictionary –
  - “**Business** n. any activity or enterprise entered into for profit. It does not mean it is a company, a corporation, partnership, or have any such formal organization, but it can range from a street peddler to General Motors”

**Note:** « Enterprise », « business », “company” and « firm » shall be used indistinguishably throughout the course.

# Enterprise Definitions bis

- Enterprise definition (French) – Wikipedia
  - « Une **entreprise** est une organisation ou une unité institutionnelle, mue par un projet décliné en stratégie, en politiques et en plans d'action, dont le but est de produire et de fournir des biens ou des services à destination d'un ensemble de clients ou d'usagers, en réalisant un équilibre de ses comptes de charges et de produits »
  - (translation in English) : « An **enterprise** is an organization or an industrial unit, driven by a project translated in strategy, in policies and in action plans, and whose purpose is to provide goods and/or services for a group of users or clients, while achieving a balance between expenditure and revenue accounts »

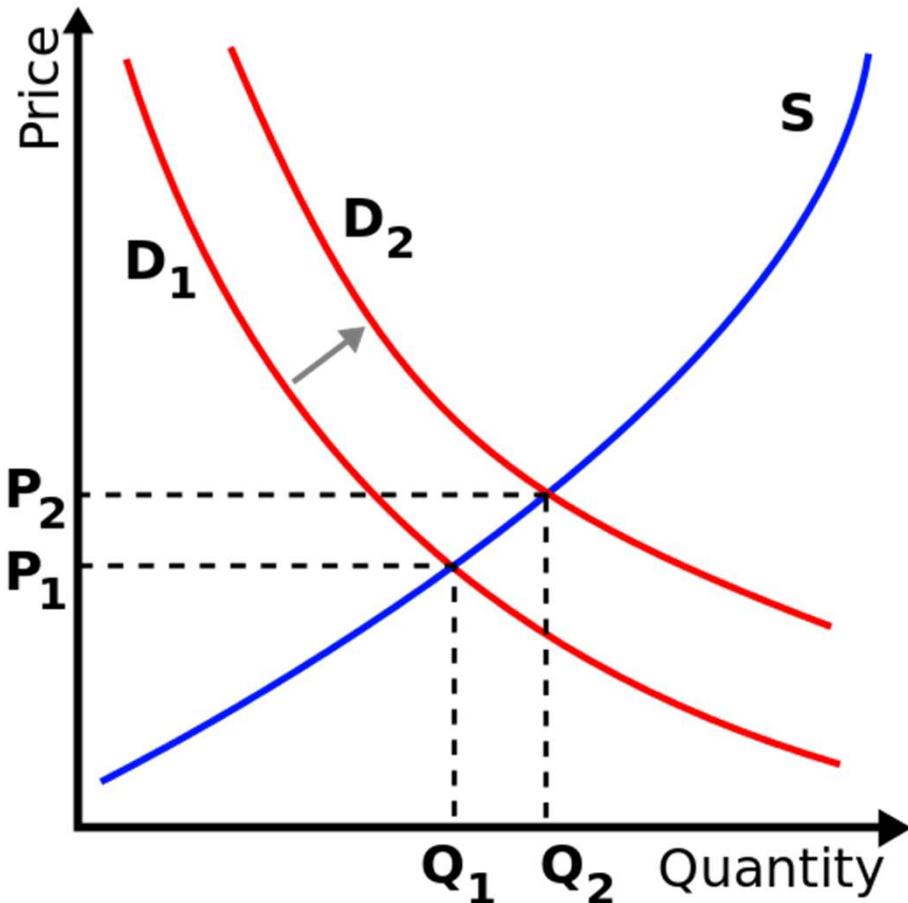
# Enterprise Essentials

## Market Economy

### Wikipedia

- “A **market economy** is an economic system in which the decisions regarding investment, production and distribution are guided by the price signals created by the forces of supply and demand. The major characteristic of a market economy is the existence of factor markets that play a dominant role in the allocation of capital and the factors of production”

**Factors + Production = Products (goods and services)**



## Supply and Demand

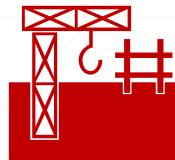
Supply and demand are two economic concepts that, combined, allow to show the forces at work in any economic system. They show, among others, how prices (that are function of the quantity, or output) vary with the production level and how an equilibrium between industrial output and consumer demand may be reached.



# The Firm as an Economic Agent

## Discussion 2

- Once the entrepreneur has understood the environment, he/she needs to define his/her own mission:
  - How he/she will solve a specific social concern
  - How his/her company will satisfy an existing need
  - How his/her business will be recognized as distinctive player (organization)
- « The assumptions about **mission** define what an organization considers to be meaningful results; in other words, they point to how it envisions itself making a difference in the economy and in the society at large.” (Peter Drucker)



# Enterprise Essentials Class 1

## Class Assignment

**Please join the Teams Group prior to coming to class (mandatory!)**

- In each class there will be a class assignment for which you will have to prepare. Information for the class assignments shall be communicated via the Teams group, before each class. Students shall be chosen randomly for each class assignment. Not being prepared for the class assignment because you haven't received the notification via the Teams group is not an acceptable excuse, it will earn you a 0 for the class assignment (30% of the final grade).

**Class Assignment C1** : Please conduct research to answer the following central question: "Why do enterprises (companies, firms, business organizations) exist"?

- In addition, you should be able to elaborate on the following subsidiary questions:
  - What is the social role of an enterprise?
  - What is its mission (reason of being)?
  - Which are the core competencies of an enterprise?
  - Are there any notable differences along those lines between a start-up and a traditional company?

# The Rising Services Economy

- Traditionally, **agriculture** was known as the primary sector, **manufacturing** as the secondary sector and **services** as the tertiary sector.
- Is this classification still valid today?

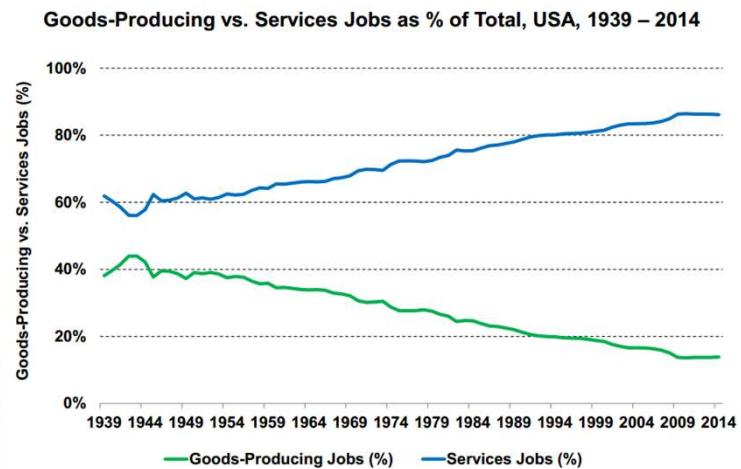
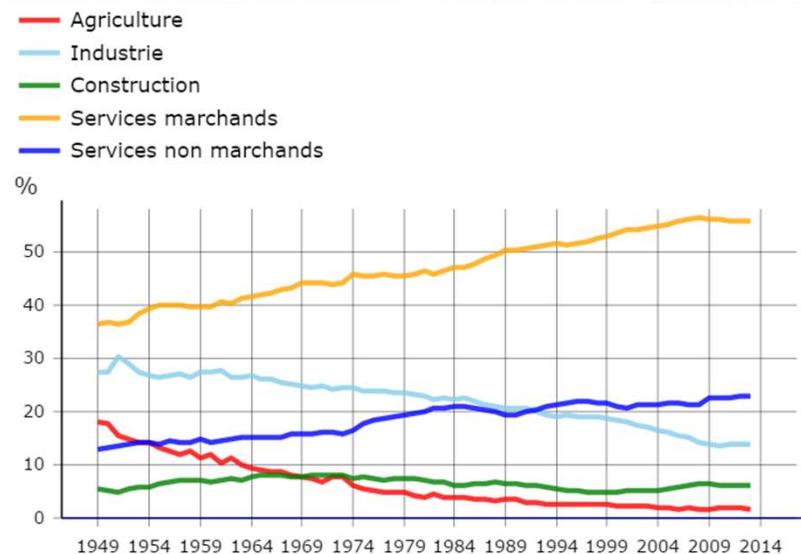


Illustration: KPCB. *Internet Trends Report* by Mary Meeker. May 2015.

Poids des principales branches dans la valeur ajoutée totale



<http://www.insee.fr/fr/themes/series-longues.asp?indicateur=poids-branches-va>

# Good (economics)

From Wikipedia, the free encyclopedia

In economics, a good is a material that satisfies human wants<sup>[1]</sup> and provides utility, for example, to a consumer making a purchase. A common distinction is made between 'goods' that are tangible property (also called goods) and services, which are non-physical.<sup>[2]</sup> Commodities may be used as a synonym for economic goods but often refer to marketable raw materials and primary products.<sup>[3]</sup>

Although in economic theory all goods are considered tangible, in reality certain classes of goods, such as information, only take intangible forms. For example, among other goods an apple is a tangible object, while news belongs to an intangible class of goods and can be perceived only by means of an instrument such as print, broadcast or computer.

Main article: Rivalry (economics)

	Excludable	Non-excludable
Rivalrous	<b>Private goods</b> food, clothing, cars, parking spaces	<b>Common goods (Common-pool resources)</b> fish stocks, timber, coal
Non-rivalrous	<b>Club goods</b> cinemas, private parks, satellite television	<b>Public goods</b> free-to-air television, air, national defense

[https://en.wikipedia.org/wiki/Good\\_\(economics\)](https://en.wikipedia.org/wiki/Good_(economics))

# Goods

“Goods” is a central economic concept which describes the items that are produced, sold, bought or consumed within an economic system. In general, “goods” are tangible items. Further classifications may include: public and private goods, rival and non-rival goods.

Information goods are typically non-rival goods.



## Pure service

- Teaching
- House cleaning
- Plumbing repair
- Restaurant
- Made to measure clothing
- New car
- Radio
- Soft drinks
- Salt

## Pure Commodity Good

[https://fr.wikipedia.org/wiki/Service\\_\(%C3%A9conomie\)](https://fr.wikipedia.org/wiki/Service_(%C3%A9conomie))

## Services

A “service” is often described in economic terms by opposition to a “good” in that it’s intangible.

# The Rising Services Economy

## A question

- Are we heading towards the emergence of a 4<sup>th</sup> « sector », i.e. « the quaternary sector »?
- While there are still many debates around this concept, there are several commonalities that emerge:
  - It produces a combination of secondary sector elements (products) and tertiary sector elements (services)
  - It is a “knowledge-intensive” sector
  - It tends to be highly intangible (dematerialized), as it relies heavily on the digital infrastructure, i.e. the Internet

# Labor Evolution(s)



The evolutions so far have led to the emergence of the  
« knowledge worker »



<http://www.arte.tv/sites/fr/olivierpere/2013/12/29/les-temps-modernes-de-charles-chaplin/>

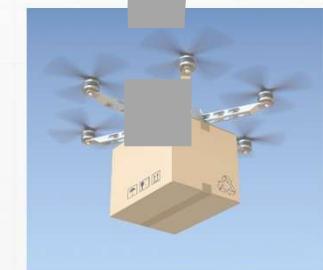
[https://en.wikipedia.org/wiki/Manual\\_labour](https://en.wikipedia.org/wiki/Manual_labour)



<http://imasters.expert/15-facts-programming-probably-know/>

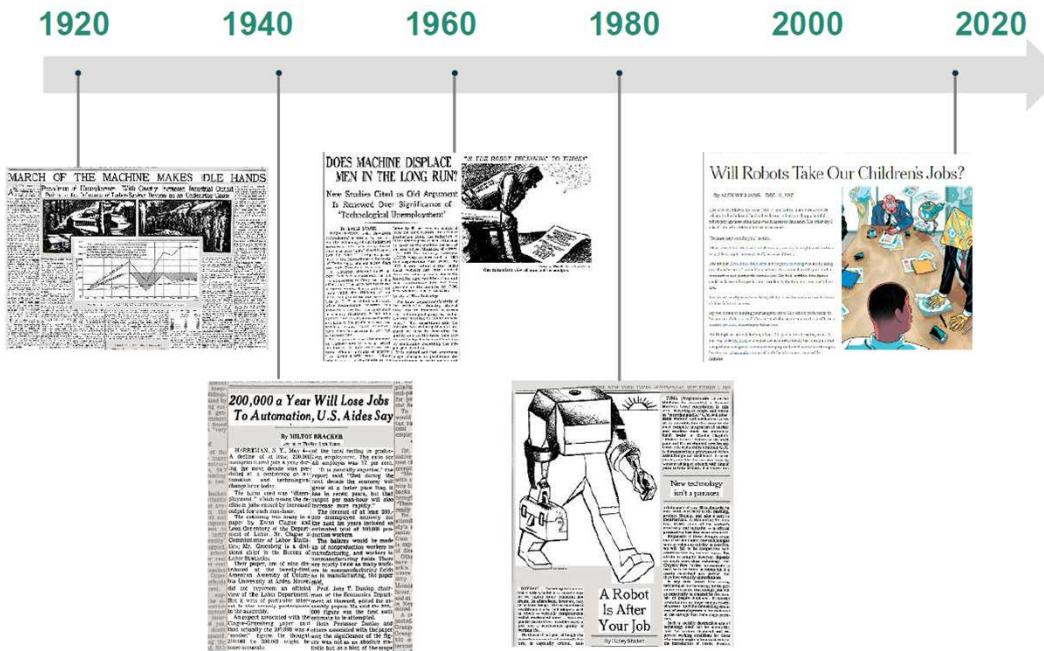
What does the future hold?

<http://www.capital.fr/enquetes/documents/ce-que-nous-connaissons-le-robot-made-in-france-942559>



<http://www.objetconnecte.net/quand-les-drones-sont-au-service-de-l-economie/>

# Labor Evolution is NOT a modern concern



Kleiner Perkins. *Internet Trends Report* by Mary Meeker. 2018

# Workforce evolution Beyond drones and robots...

- Civilian applications of drones
  - Farming
  - Delivery of goods,...
- Robotic applications in medicine:
  - Prosthetics, exoskeletons
- Artificial Intelligence in the workplace:
  - Translators, Artificial Assistants
- Driverless cars
- ...

AND YOU?  
WHAT ARE THE CHANCES THAT YOUR JOB GETS AUTOMATED?  
TAKE THE TEST  
<http://www.bbc.com/news/technology-34066941>

Beyond the contributions of technology to the global workforce, it nonetheless appears that the next decade will face the following HR challenges:

- Shortage in number of workers in most countries
- Mismatch in skillsets
- A changing workplace mix, with:
  - More flexibility (on-demand, contract and freelancing)
- A shift in the age distribution (with the millennial generation progressively replacing baby-boomers)
- Corporate training and education will be increasingly important for a diverse and multicultural workforce

Further reading: <http://www.oxforeconomics.com/workforce2020>, [https://www.ted.com/talks/rainer\\_strack\\_the\\_surprising\\_workforce\\_crisis\\_of\\_2030\\_and\\_how\\_to\\_start\\_solving\\_it\\_now](https://www.ted.com/talks/rainer_strack_the_surprising_workforce_crisis_of_2030_and_how_to_start_solving_it_now)



# The Firm as an Economic Agent

## Discussion 3

- Let's now imagine the entrepreneur who understands the environment and has defined his/her mission:
  - He/she needs to hire the right people (talent, skills)
  - He/she needs to organize work across the organization
  - He/she needs to build the work environment supporting the company's mission ...
- “The assumptions about **core competencies** define where an organization must excel in order to maintain leadership” (Peter Drucker)



# The Firm as an Economic Agent

## Putting it all together

- Once the entrepreneur has understood the environment, defined his/her own mission and its core competencies ...
  - He/she needs to be awarded contracts for work, goods or services,
  - He/she needs to source its basic resources (inputs)
  - He/she may need to source additional labor...
- ....
- ... there are situations where the costs associated with all these activities (in economic terms, the « transaction costs ») could be lowered when, instead of engaging in bilateral contracts on the markets for labor, goods and services and factors of production, the entrepreneur forms a business entity, i.e. a *firm*. (Ronald Coase. *The nature of the firm*. 1937)

# The Firm as an Economic Agent

## Liability, Ownership, Management

- **Liability**
  - “the state of being legally responsible for something” ()
- **Ownership**
  - “own (verb) - to have something that belongs to you, especially because you have bought it”
  - “ownership - the fact of owning something” ()
- **Management**
  - “the activity of running and controlling a business or similar organization”

All definitions are from the Oxford English Dictionary

# The Firm as an Economic Agent

## Forms of business - Examples

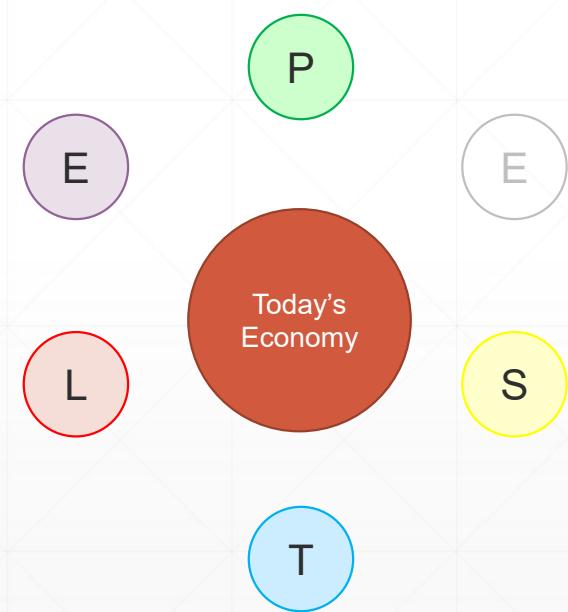
- **Sole proprietorship**
  - Business is not legally separated from its owner
  - Not a legal entity (in some countries)
- **Partnership**
  - Formal arrangement between two or more parties to share ownership and profits of a business
- **Company**
  - Legal identity
  - Limited liability

**Important note:** Legal forms of business vary greatly from country to country, because of the national differences in commercial, tax systems, etc...



# What kind of an Economy are we living in today?

- **Politically** speaking:
  - Government and country level policy implications
- **Economically** speaking:
  - Macro and micro implications
- **Socially** speaking:
  - Impacts of economy on social structures
- **Technically** speaking:
  - Ubiquity of technologies in the workplace and at home
- **Legally** speaking
  - Consequences on the legal environment and law-making process
- **Environmentally** speaking
  - Are economic activities adjusting themselves to global climate challenges?



# Today's Economy

## POLITICAL

1. Threats to democracy ()
2. Fragility of the global and highly interdependent supply chains
3. International coordination and solidarity (ex: COVID-19)
4. Global instability

## ECONOMIC

1. Global commercial wars
2. Excessive financialization of the economic activity
3. Entrepreneurial wave driven by digital technologies
4. Global corporate taxation

# Today's Economy

## SOCIAL

1. Digitalization of social interactions
2. Emergence of the “gig economy” and digital labor
3. Polarization of income distribution
4. Universal basic income
5. Work-life balance

## TECHNOLOGY

1. Ubiquity of digital technologies in the workplace and at home
2. Fast pace of technology innovation
  - Obsolescence of products and goods
  - Obsolescence of knowledge and skills?
3. Polarization of R&D and investments

# Today's Economy

## LEGAL

1. Privacy
2. Statute of “platform workers”
3. « The right to disconnect »
4. Intellectual Property rights and patents

## ENVIRONMENTAL

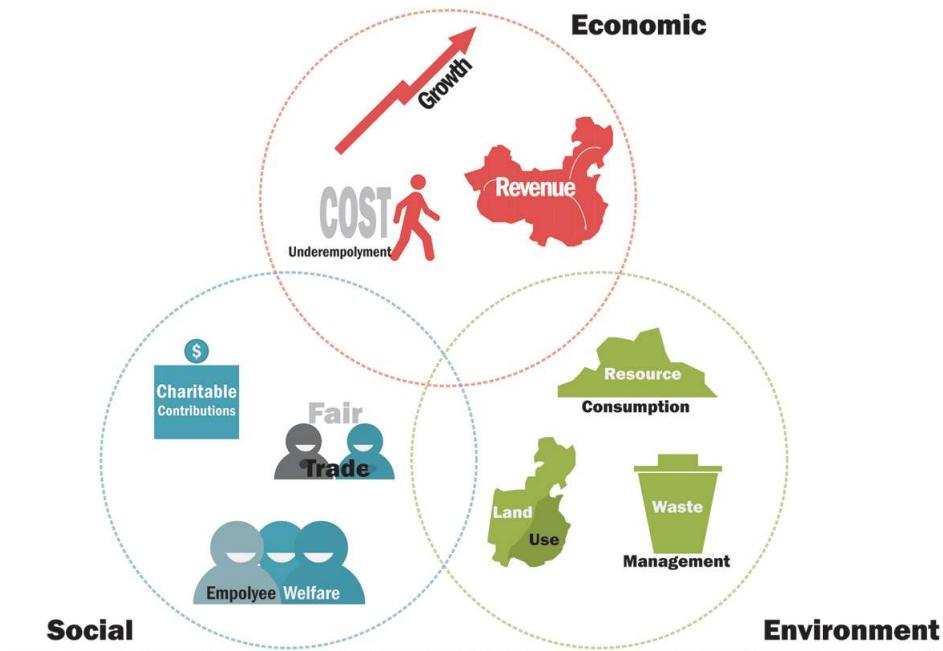
1. Digital accounts for 4% of greenhouse gas emissions
2. ... nearly half of which is due to terminal (user) equipment
3. By 2025, its carbon footprint is expected to double

FOR MORE INFORMATION ABOUT THE GLOBAL BUSINESS ENVIRONMENT:

<https://www.doingbusiness.org/en/rankings>

# Being an enterprise in the 21st century

## Triple bottom line (PPP)



Source: [https://fr.wikipedia.org/wiki/Triple\\_bottom\\_line#/media/Fichier:Triple\\_Bottom\\_Line\\_graphic.jpg](https://fr.wikipedia.org/wiki/Triple_bottom_line#/media/Fichier:Triple_Bottom_Line_graphic.jpg)

# Being an enterprise in the 21st century

## CSR and ESG

### CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) is commonly defined as a business model in which companies integrate social and environmental concerns in their business operations and interactions with their stakeholders instead of only considering economic profits. CSR became mainstream in the 2000s. The *UN Global Compact* and the *Global Reporting Initiative* cover the main international standards of CSR.

Source: HEC

### ENVIRONMENTAL, SOCIAL, GOVERNANCE

**Environmental, social, and governance (ESG)** is shorthand for an investing principle that prioritizes environmental issues, social issues, and corporate governance. Investing with ESG considerations is sometimes referred to as *responsible investing* or, in more proactive cases, *impact investing*.

Source: Wikipedia

# Enterprise Essentials

## Summary Class # 1:



- Economics is a social science that is studying the way goods and services are produced, allocated, exchanged or consumed, either at an individual (consumer, firm) or at an aggregated (nation, society) level. The 2 main branches of economics are “Macroeconomics” and “Microeconomics”
- The surge in recent years of enterprise (especially SMEs) creation, a phenomenon called “entrepreneurship”, calls for a good understanding of the role of the **enterprise** in our modern economics systems. As an economic agent, the enterprise has distinct features that sets it apart from other type of organizations
- The enterprise, or, « business organization » is an economic agent that contributes to the economy by providing efficiently goods and services, either to other companies (B2B) or directly to consumers (B2C)
- Today's social and economic challenges (environment, labor evolutions, urban transition, increased digitalization of economic activities, ...) are numerous and businesses have to take them into account.
- A firm's reason of being and founding principles are the lifeblood of any enterprise. They include: i) the firm's understanding of its social role, ii) its mission, and iii) its core competencies.

# Class # 1 Wrap-Up

- Q&A
- Reading for next class

# Thank You!

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Valeriu Petruelian, PhD