

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 21st 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

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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

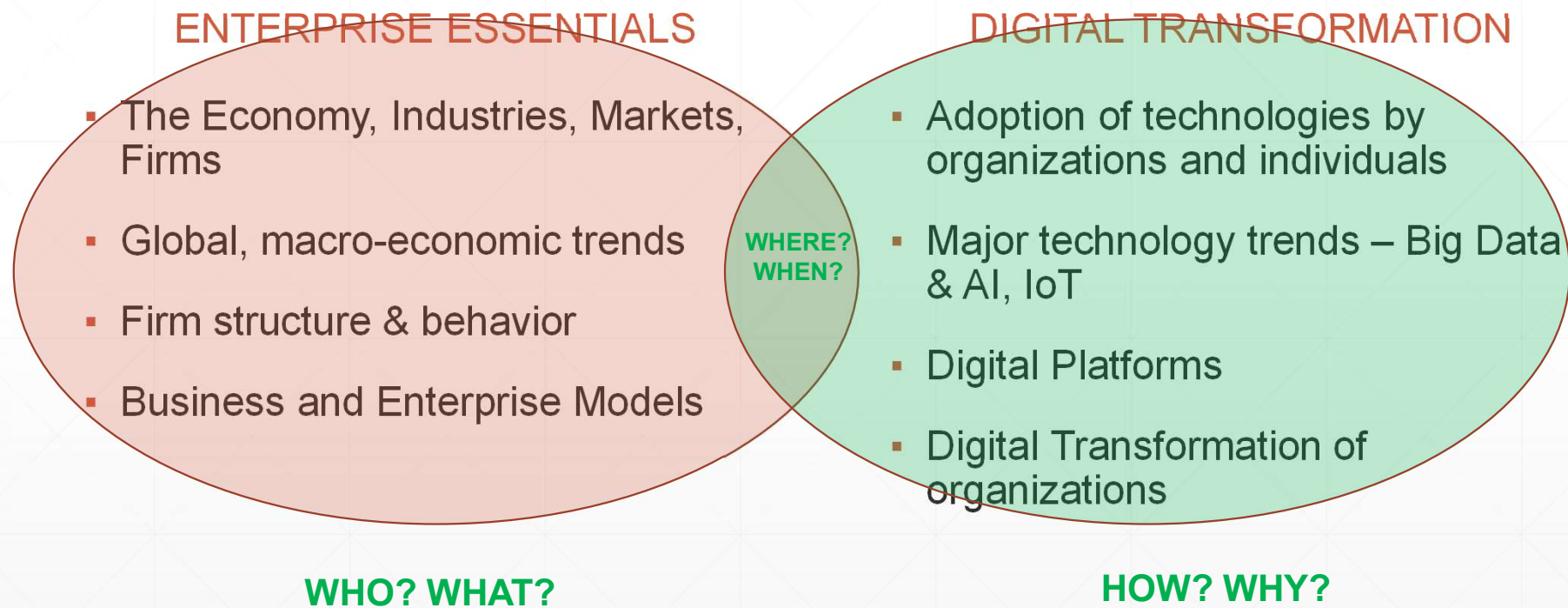
Learning environment



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

Organization

Articulation between the 2 courses



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Final Grade

Final Composition	Grade	Class attendance and participation to class assignments throughout the course	Course quiz (MCQ)	Final (group individual)	presentation and/or
Weight		30%	20%	50%	

Participation to **class assignments** 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)

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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)

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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.

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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

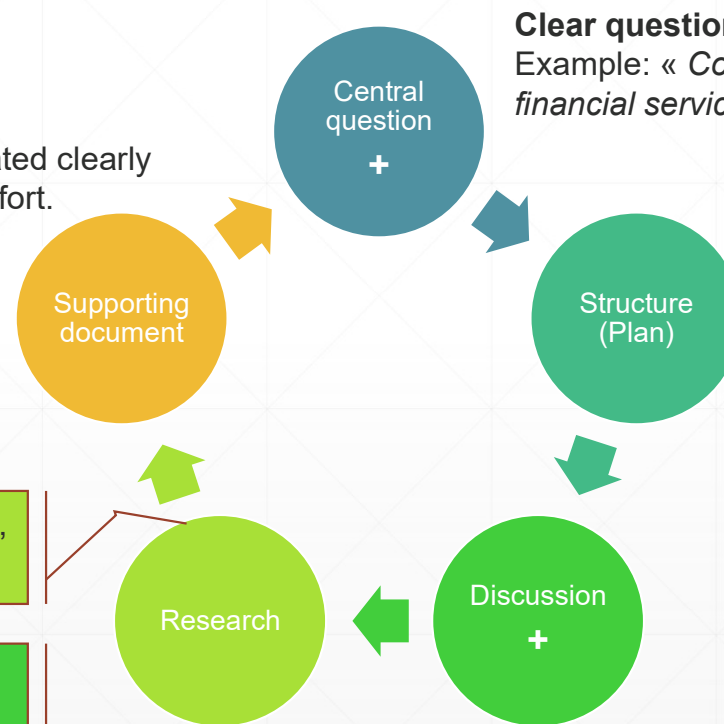
Structure and expectations

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

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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

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

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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

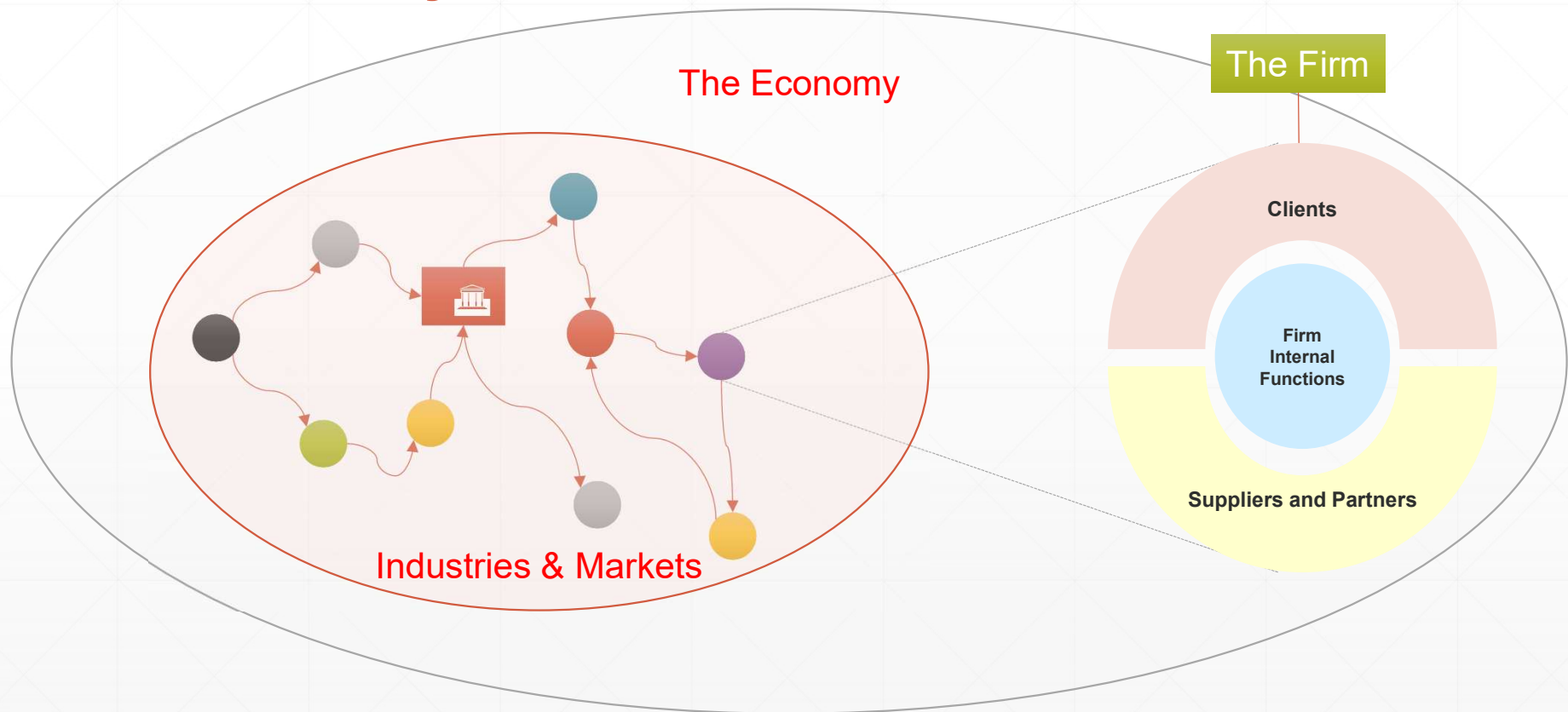


Setting the scene: The economy and the firm as an economic agent

A Few Fundamental Concepts,
Economic theories of the firm, 21st
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...

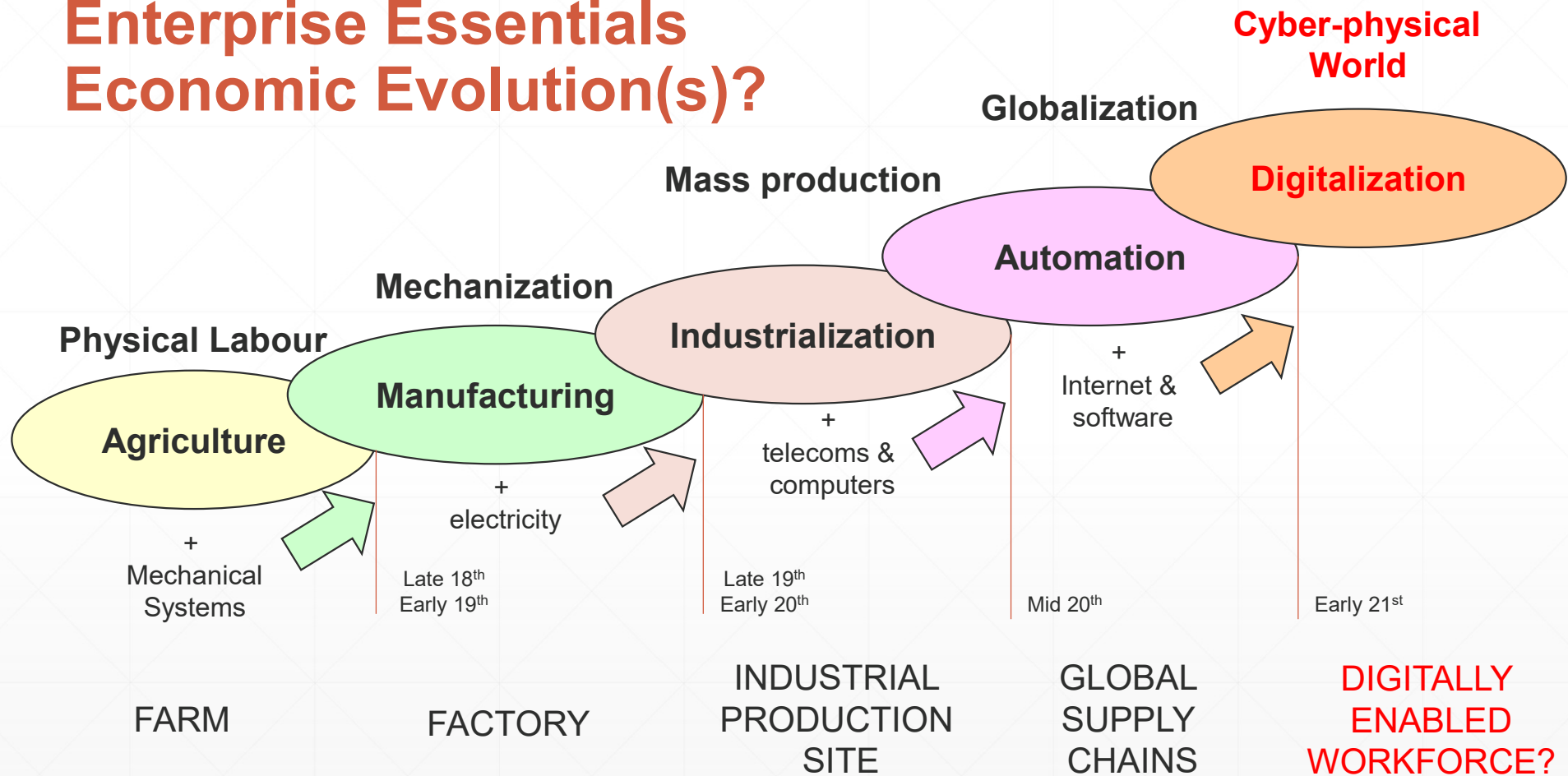
- Over the years, the « initial idea » has developed in a very profitable business, including, but not limited to:
 - Touring (concerts)
 - Recording
 - Publishing
 - Sponsorship, ...
- Further Reading:
<https://www.google.fr/amp/s/amp.theguardian.com/music/musicblog/2014/may/22/how-the-rolling-stones-became-musics-biggest-business>

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

Would you, at some point in time, set-up you 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)?



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A business cycles perspective

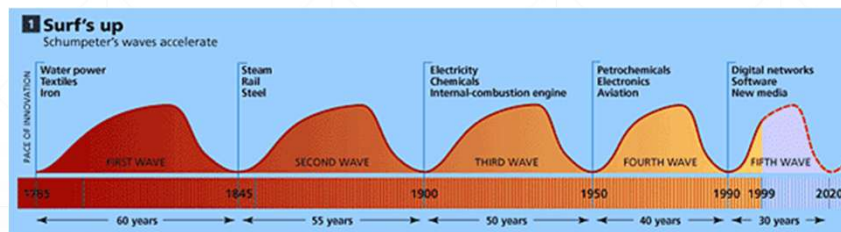


Illustration: *Catch the wave*, published by *The Economist*, 1999. <http://www.economist.com/node/186628>

- 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)

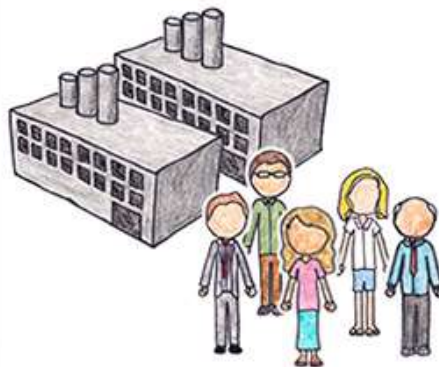
ECONOMICS

- “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

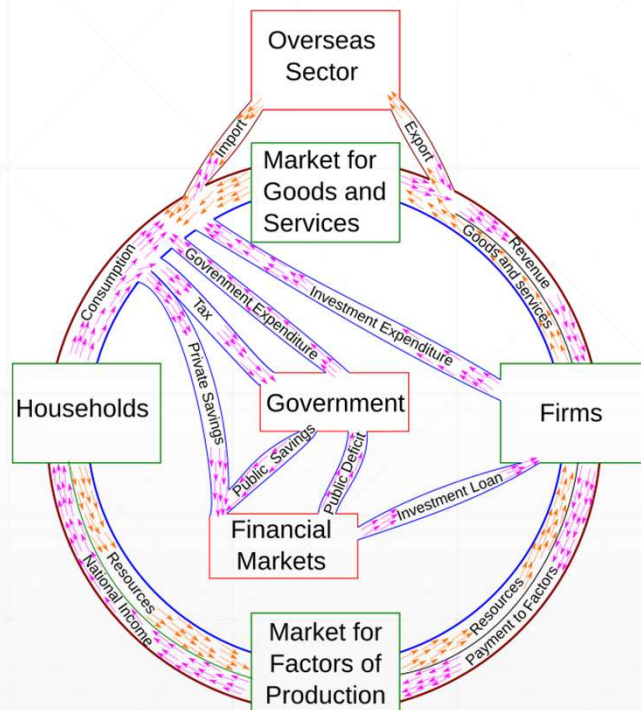
- Players:
 - Countries, regions, continents, the world
- Indicators (example):
 - GDP – Gross Domestic Product
 - CPI, IPC - Consumer Price Index
- Institutions (example):
 - Central Banks
 - World Trade Organization
 - International Monetary Fund
 - World Bank

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



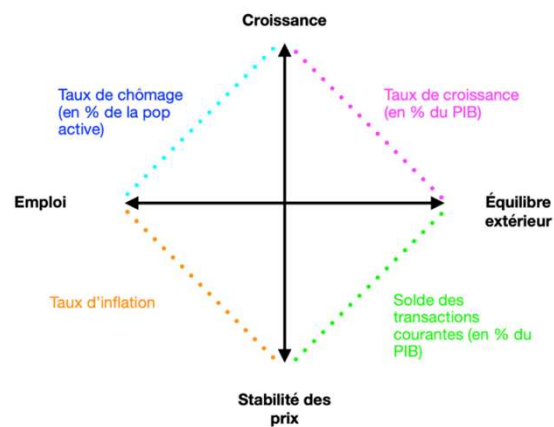
https://en.wikipedia.org/wiki/Circular_flow_of_income

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.

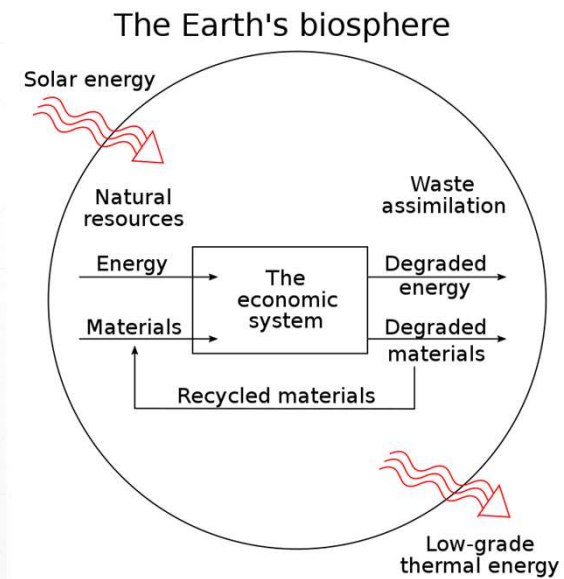
The Economy Main equilibria

MACROECONOMIC EQUILIBRIA



Le « carré magique », Nicolas Kador

ECOLOGICAL (DIS)EQUILIBRIA



Source: 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

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 21st 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).

21st 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

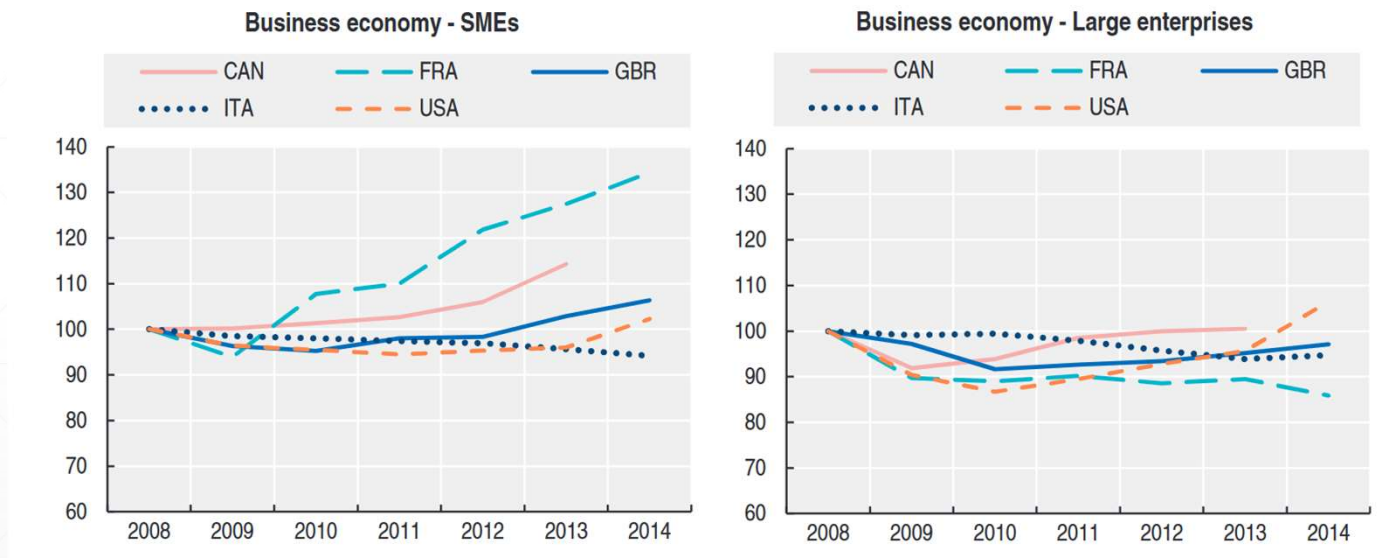


- The infographic to the left shows an insight into the impact of the Information Age on environmental changes
- The economy of the information age is less intangible than it seemed...
- Few facts from ADEME:
 - 507 billion e-mails/day globally (2013)
 - One employee of a French company (of 100 employees) generates annually and through e-mail usage alone approx. 13.6 tons (equiv.) of CO₂
- 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>

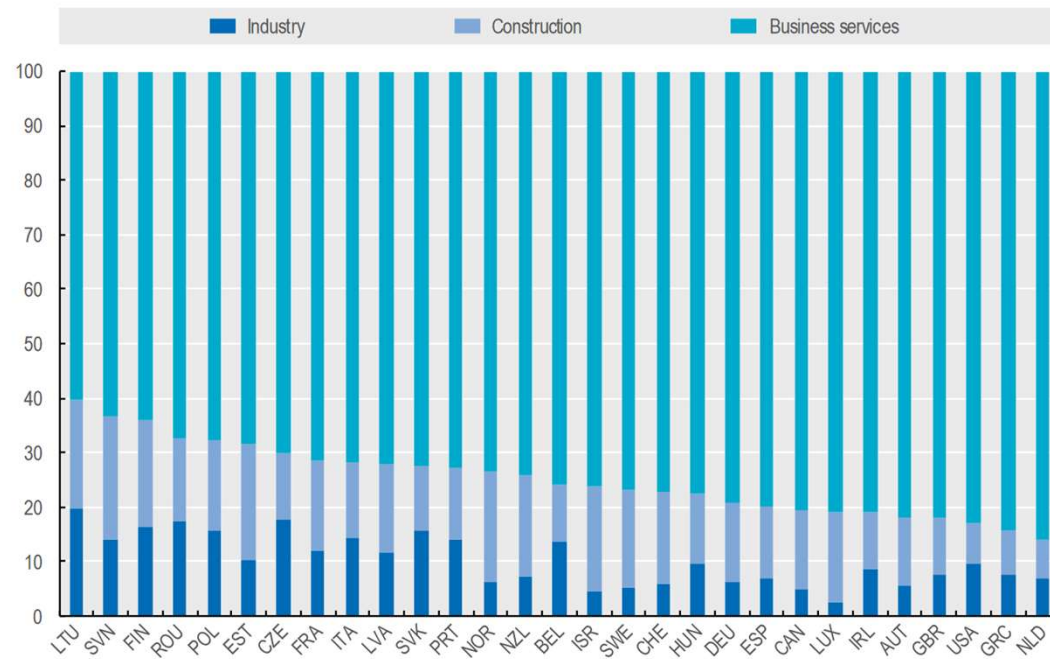
21st century challenges - Entrepreneurial Wave

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

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

Enterprise Definitions

- Oxford English Dictionary –
 - « **Enterprise** /'entəpraɪz/ **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'utilisateurs, 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 »

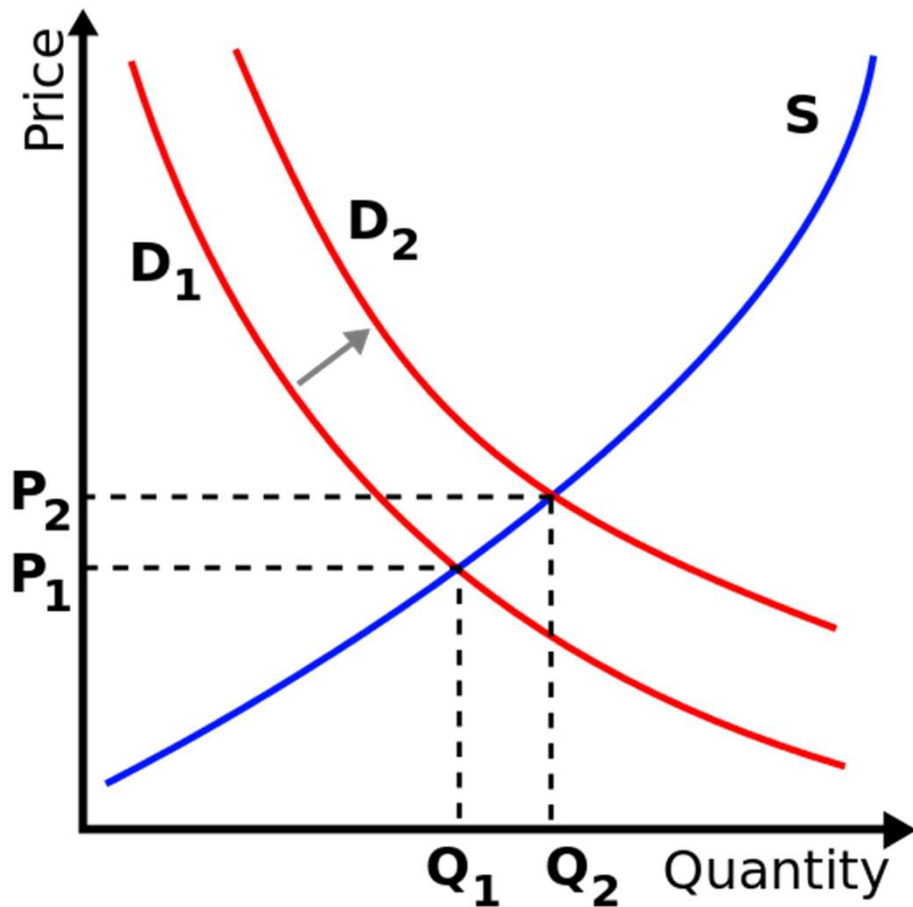
Enterprise Essentials

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)



<https://en.wikipedia.org/wiki/Economics>

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

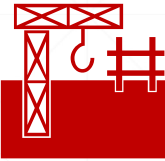
Discussion 2



- 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?

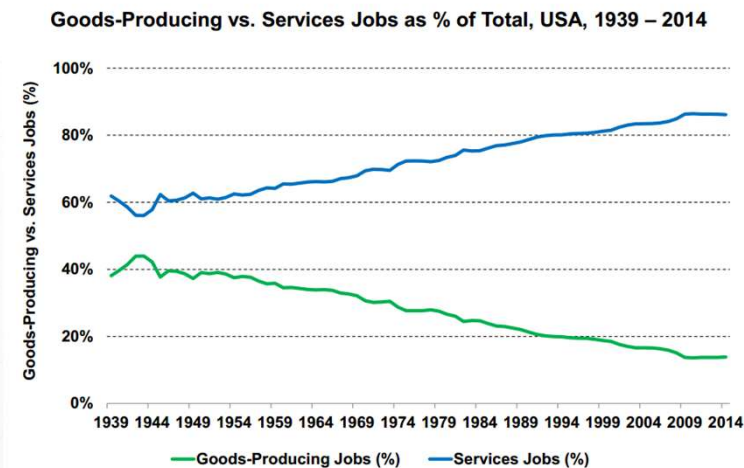
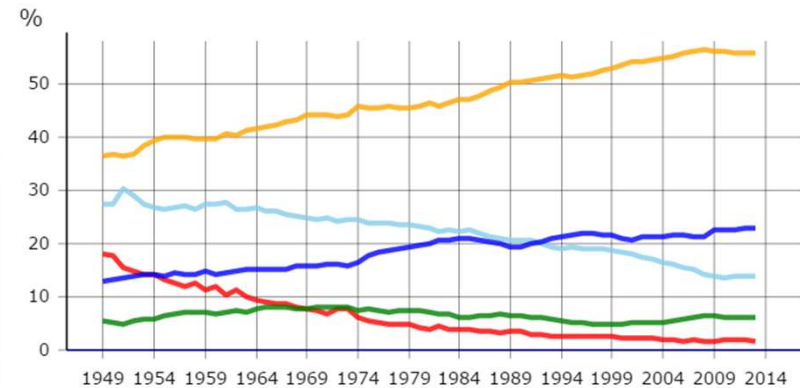


Illustration: KPCB. *Internet Trends Report* by Mary Meeker. May 2015.

Poids des principales branches dans la valeur ajoutée totale

- Agriculture
- Industrie
- Construction
- Services marchands
- Services non marchands



<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**^[1] 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.^[2] **Commodities** may be used as a **synonym** for economic goods but often refer to marketable **raw materials** and **primary products**.^[3]

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	Private goods food, clothing, cars, parking spaces	Common goods (Common-pool resources) fish stocks, timber, coal
Non-rivalrous	Club goods cinemas, private parks, satellite television	Public goods 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.



[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 4th « 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 »



https://en.wikipedia.org/wiki/Manual_labour

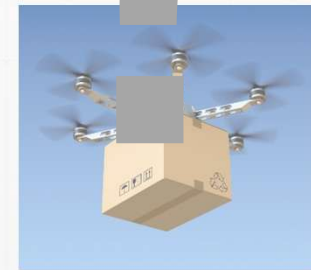


<http://www.arte.tv/sites/fr/olivierpere/2013/12/29/les-temps-modernes-de-charles-chaplin/>



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

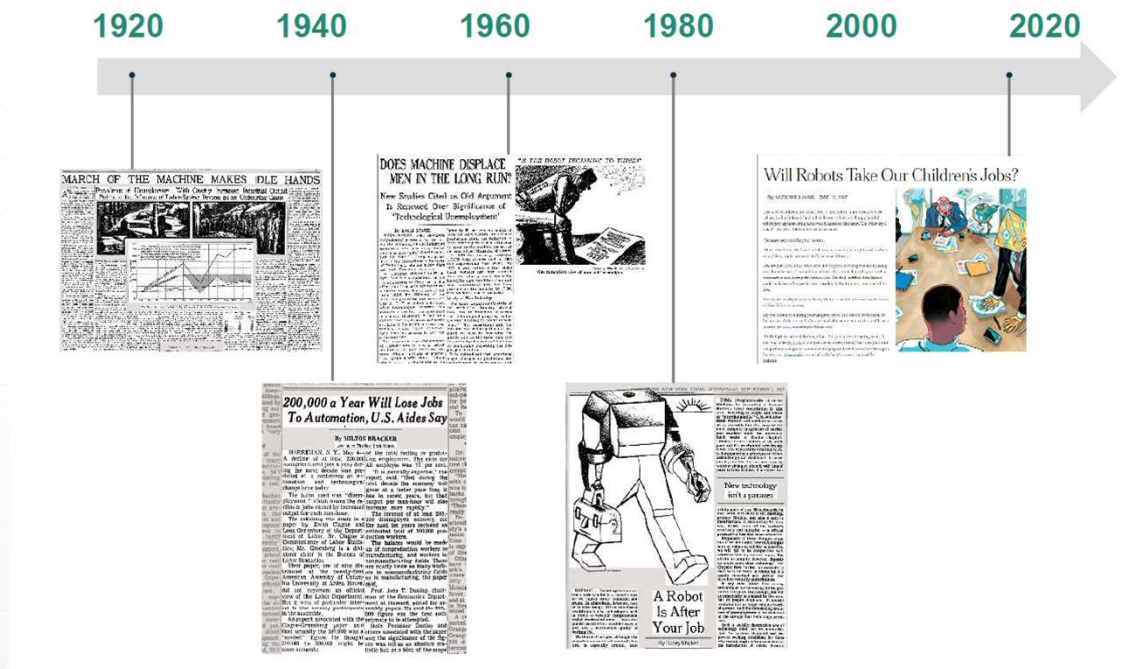
What does the future hold?



<http://www.capital.fr/enquetes/documentaire/mao-le-robot-made-in-france-942559>

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

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.oxfordeconomics.com/workforce2020>, 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

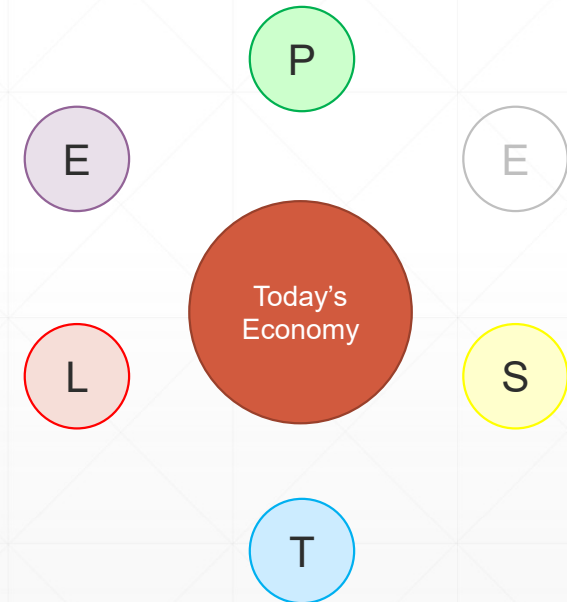
- **Sole proprietorship**
 - Business is not legally separated from its owner
 - Not a legal entity (in some countries)
- **Partnership**
 - Formal arrangement between two or more parties to share ownership and profits of a business
- **Company**
 - Legal identity
 - Limited liability

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

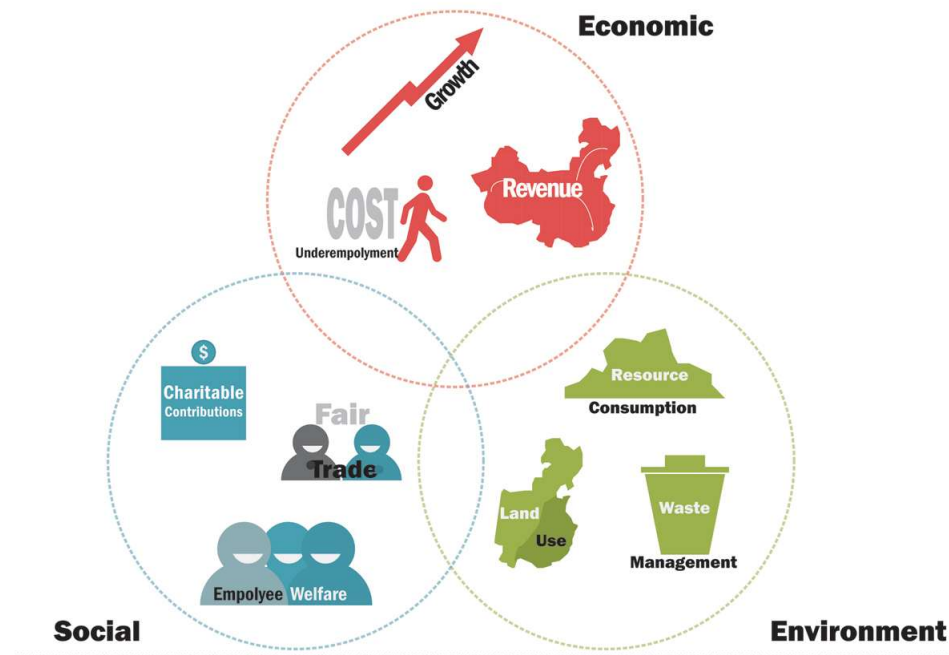
1. Digital accounts for 4% of greenhouse gas emissions
2. ... nearly half of which is due to terminal (user) equipment
3. By 2025, its carbon footprint is expected to double

FOR MORE INFORMATION ABOUT THE GLOBAL BUSINESS ENVIRONEMENT:

<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

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!

Valeriu Petruian, PhD