

The Changing Face of Business

LEARNING OBJECTIVES

- LO 1.1** Define business.
- LO 1.2** Identify and describe the economic factors of production.
- LO 1.3** Describe the private enterprise system.
- LO 1.4** Identify the seven eras in the history of business.
- LO 1.5** Explain current trends in business.
- LO 1.6** Identify the skills and attributes needed for today's manager.
- LO 1.7** Outline the characteristics that make for a successful and admired company.

Changemaker



Kristofier Trippelaar/Alamy Stock Photo

Jeff Bezos, Founder and Executive Chair
 Company: Amazon
 Industry: Technology/E-Commerce Conglomerate
 Website(s): amazon.com and aboutamazon.com

Who is Jeff Bezos, and how did he build the Amazon empire from scratch? Before founding Amazon in 1994, Bezos was much like you—an undergraduate—who went on after college to work various roles in business before making a bold leap to create something extraordinary.

Founding Amazon, an online bookstore, in his garage, he embarked on a journey that transformed the way the world shops. Bezos' vision and determination led to the creation of the world's largest online retailer. He oversaw the development of Amazon's e-commerce platform as it expanded from books to a vast array of products, Kindle e-readers, and the Amazon Web Services (AWS) cloud computing division, which has become a cornerstone of the modern internet.

Jeff Bezos is not only a business visionary but also a hands-on leader. With a workforce spanning hundreds of thousands of employees and annual revenues in the hundreds of billions, Bezos has helped Amazon's expansion into multiple industries, including media, logistics, and cloud services.

In 2021, after nearly three decades at the helm, Bezos transitioned to the role of executive chairman to focus on ventures like Blue Origin, his private space exploration company. He handed over the role of Amazon's CEO to Andy Jassy, his long-time collaborator.

Beyond his business acumen, Jeff Bezos is known for his relentless pursuit of innovation. He has a reputation for pushing the boundaries of technology and logistics, as demonstrated by Amazon's drone delivery experiments and the company's commitment to sustainability.

Bezos' journey from a garage startup to one of the richest persons on the planet is a testament to his unwavering dedication. His leadership style is characterized by boldness, long-term thinking, and an obsession with customer satisfaction.¹

Chapter 1 Overview

Amazon's founder Jeff Bezos continues to lead a company that has gone from clever garage-based startup to global e-commerce and technology powerhouse. His journey in transforming the budding company—focused simply on selling books over the internet—to one of the world's most influential companies highlights two of the greatest forces that are influencing business today: globalization and technology. The globalization of business operations and the rapid growth of technology throughout the world mark two of the greatest forces that are influencing business development. Innovative companies like Amazon contribute greatly to the global economy that Canada participates in. Business is a nation's engine for economic growth and prosperity. A growing economy is one that produces more goods and services over time. Growing economies are important because they yield more income for business owners, their employees, and governments in the form of tax payments. A country depends on the wealth its businesses generate, from large enterprises like Ottawa-based e-commerce Amazon competitor Shopify and powerhouses like the Royal Bank of Canada to new startups that are just beginning. These companies and many others share a creative approach to meeting society's needs and wants while generating the wealth we enjoy.

Have you ever wondered how the concept of business has changed your life? Perhaps not, but it undoubtedly has. It's easy to take for granted things like going to the store, putting items in your cart, and then paying for them at the check-out. This ubiquitously common aspect of life that you may overlook is a part of a complicated web of business ingenuity.

Only after farmers grow and harvest produce, and manufacturers process, package, and ship products to retailers for distribution, are consumers able to conveniently drop products into their shopping carts.

You couldn't buy your favorite snack if it wasn't delivered when you wanted it at the store, or at a price that matched what you were willing to pay.

You couldn't pay for your groceries so quickly if it wasn't for a technological infrastructure enabling you to tap your iPhone to apply Apple Pay and the financial system to clear your purchase.

All of this—every element, and every step in that journey—can't happen without the world of business and the functions that exist within it!

Businesses are at the heart of the way we create, invent, and change the world. They play crucial roles in addressing our daily needs and interests. They address modern transportation needs through innovations like ride-sharing apps after a late night out on the town, or electric scooters to aid zooming across campus. In the realm of food, businesses play a vital role in providing quick and affordable meal solutions, whether it's by offering meal kit deliveries, healthy food subscriptions, or late-night snacks accessible through mobile apps and online ordering platforms.

Businesses solve our transportation problems by marketing cars, tires, gasoline, and airline tickets. They bring food to our tables by growing, harvesting, processing, packaging, and shipping everything from spring water to frozen shrimp. Restaurants buy, prepare, and serve food, and some even deliver. Construction companies build our schools, homes, and hospitals, while real estate firms bring property buyers and sellers together. Clothing manufacturers design, create, import, and deliver our jeans, sports shoes, work uniforms, and party wear. Thousands of firms work at entertaining us during our leisure hours. They create, produce, and distribute films, television shows, video games, books, and music.

To succeed, businesses must know what their customers want, and they must supply it quickly and efficiently. The products that firms produce often reflect changes in consumer tastes, such as the growing preference for sports drinks and vitamin-fortified water. But firms can also *lead* by promoting technology and other changes. Firms organize the resources, the know-how, and the financial incentive to bring about real innovations, such as smartphones, new cancer treatments, and alternative energy sources like wind power. Thus, when businesses succeed, everybody wins.

You'll see throughout this book that businesses require physical inputs such as auto parts, chemicals, sugar, thread, and electricity. They also need the accumulated knowledge and experience of their managers and employees. Businesses also rely heavily on their own ability to change with the times and with the marketplace. Flexibility is key to long-term success—and to growth.

So, what does it take to start a business? How do businesses work? What does the future of business hold? And what role can you play?

That's the fun part. The world is turning, but it's your decision in which direction it will go.

Business is the heartbeat of our economy, and *Contemporary Business* is here to be your trusty guide on this exciting journey. Regardless of where you find yourself on your academic path—whether you're a budding entrepreneur, eager to dive into the business world, have years of experience under your belt, are simply curious about what business is, eager to fulfill a course requirement, or pursuing a different major entirely—this book is thoughtfully crafted to both engage your interest and empower your growth.

You'll glean a bit more business savvy as you encounter the world around you as a consumer. You'll uncover the psychology behind pricing strategies. You'll gain a deeper understanding of the intricate supply chain magic, like how Amazon utilizes advanced robotics in its warehouses to ensure lightning-fast two-day shipping for Prime members. You'll also learn how market research influences the products and services you encounter every day, such as how Netflix uses data analysis to recommend personalized content, enhancing your streaming experience.

Business is a leading force in our economy—and *Contemporary Business* is right there with it. This book explores the strategies that allow companies to grow and compete in today's hyperactive marketplace. This book also explores the skills you will need to turn ideas into action for your own success in business. This chapter sets the stage for the entire text by first presenting a conceptual map of the major interrelated areas of business study, as illustrated in [Figure 1.1](#).

The Environmental Forces Influencing Business Activity

Businesses operate within an ever-changing, multi-faceted environment. To say that businesspeople need to be aware of what is happening in many different fields in order to succeed is a simplification of the task they face. The outer layer of the conceptual map highlights the key environmental forces influencing business activities.

In Chapter 2 we will look at economic theory, the role of governments, and legal issues that are fundamental to understanding business decision making. Chapter 3 will examine the rapid growth of international business activity and the forces of globalization. Chapter 4 will examine some of the major social and cultural concerns facing businesspeople, including business ethics and social responsibility. Throughout the text, we will focus on the extraordinary impact that changing technology is having on business. From the introduction of new products like smartphones and communications software services like Zoom, businesses continuously look for technologically superior offerings for themselves and their customers. Along the way, new firms emerge and those that cannot compete fall out of favour and can ultimately fail. We will explore entrepreneurship and the genesis of new small businesses, their growth toward becoming bigger operations, and their economic contribution to society in Chapters 5 and 6.

The Functional Areas of Business Activity

The middle ring of the conceptual map highlights the three primary functional areas of business activity: management, marketing, and finance. When you ask what businesspeople do exactly, the answers lie inside this layer.

Management is concerned with the planning and organization of resources to achieve organizational goals, such as sales and profit targets. Chapters 7–10 present managerial topics that include strategic planning, decision making, leadership, corporate culture, organizational structure, human resource management, motivation theory, team management, communication, and product and operations management.

Marketing activities deal with customers and all efforts at building and maintaining long-term relationships. At the heart of marketing is defining and understanding customers



FIGURE 1.1 A Conceptual Map of the Major Interrelated Areas of Business Study

and their buying behaviour. Chapter 11 examines technologies that deal with analysis and management of information, especially marketing and financial information. Chapters 12–14 examine the four key strategic areas of product, place, promotion, and price along with the forces that affect marketing. Then, Chapter 15 focuses on the fast-changing online world of e-commerce and related marketing strategies.

Financial activities include the accounting process that keeps financial records and prepares documents for analysis and use in the organization. Knowing product sales behaviour is critical information for marketers who may be experimenting with various price-setting decisions. Financial ratios and performance indicators provide vital information to managers and are presented in Chapter 16. The financial system that includes banking, bond markets, and stock markets is examined in Chapter 17. Finally, Chapter 18 focuses on financial management and planning for the organization that is central to its current and long-term well-being.

The Goals of Business Activity

The goals set by the organization are the focus of all activity and are displayed at the centre of the model. Although most people would recognize profit as an obvious goal for most businesses, there are many other goals, such as promoting a positive social behaviour like safe driving or healthy lifestyles. We will examine the operations of all sorts of organizations that make use of business strategic thinking to advance their goals, including organizations that are not guided by profits at all. But first, let us take a closer look at the meaning and use of the term *business*.

1.1 What Is Business?

What do you think of when you hear the word *business*? Do you think of big corporations like Rogers Communications or TD Canada Trust? Or do you think about your local bakery or shoe store? Maybe you recall your first summer job. *Business* is a broad, all-inclusive term that can be applied to many kinds of enterprises. Businesses provide most of our job opportunities and most of the products that we enjoy every day.

Business consists of all profit-seeking activities and enterprises that provide goods and services necessary to an economic system. Some businesses produce tangible goods, such as automobiles, breakfast cereals, and smartphones; others provide services, such as insurance, hair styling, and entertainment, ranging from theme parks and sports events to concerts.

Business drives the economic pulse of a nation. It provides the means for improving a nation's standard of living. At the heart of every business is an exchange between a buyer and a seller. A buyer has a need for a good or service and trades money with a seller to receive that product or service. The seller hopes to gain a profit—a main indicator of business success and what continuously improves society's standard of living.

Profits are rewards for businesspeople who take the risks involved in blending people, technology, and information to create and market want-satisfying goods and services. In contrast, accountants think of profits as the difference between a firm's revenues and the expenses it incurs in generating these revenues. More generally, however, profits serve as incentives for people to start companies, expand them, and provide consistently high-quality competitive goods and services. Profits are also a primary source of funds needed to expand operations.

The quest for profits is a central focus of business: without profits, a company would not be able to provide sufficient incentive for owners and employees to do the work required. Payment is what motivates most people, as we will see in the study of management in Chapter 7. Though many people may seek as much financial reward as they can achieve, such as employees of professional sports teams and star actors, most people are satisfied with more modest levels of financial reward for their effort. That said, there are not-for-profit organizations that are not motivated by profit growth and instead look to other measures of growth and success, such as services provided to a community.

Not-for-Profit Organizations

What is a common feature of Simon Fraser University's athletics department, the Canadian Society for the Prevention of Cruelty to Animals, the Canadian Red Cross, and your local library? They are all **not-for-profit organizations**, business-like establishments that have primary goals other than returning profits to their owners. These organizations play important roles in society by placing public service above profits. It is important to understand that these organizations need to raise money to operate and to achieve their social goals. Not-for-profit organizations operate in both the private and the public sectors. Private-sector not-for-profits include museums, libraries, trade associations, and charitable and religious organizations. Government agencies, political parties, and labour unions are not-for-profit organizations that are part of the public sector.

Not-for-profit organizations form a large part of the Canadian economy. The not-for-profit field is an industry just like any other industry: revenues are raised and employees earn incomes by providing services. Canada has more than 160,000 registered not-for-profit organizations in categories ranging from arts and culture to science and technology. Most are local organizations that provide sports and recreational activities. Not-for-profits receive funding from both government and private sources, including donations. These organizations are commonly exempt from federal, provincial, and local taxes. Not-for-profits raise more than \$112 billion in revenues each year and employ more than 2 million people. Approximately one-third of these jobs are in hospitals, universities, and colleges. About half of all revenue comes from government grants, mostly provincial. These organizations also receive more than \$8 billion in donations from individuals and require more than 2 billion volunteer hours, the equivalent of more than 1 million full-time jobs.²

Managers of not-for-profit organizations focus on goals other than making profits, but they face many of the same challenges as executives of for-profit businesses. Without funding, organizations cannot do research, obtain raw materials, or provide services. Take Toronto's Hospital for Sick Children (SickKids) as an example. It is Canada's leading centre dedicated to children's health and one of the world's top health care institutions for children. It requires an overall operating budget approaching \$1.1 billion and is staffed by over 12,000 staff and volunteers. It is one of Canada's most research-intensive hospitals: its more than 750 staff

business all profit-seeking activities and enterprises that provide goods and services necessary to an economic system.

profits rewards for businesspeople who take the risks involved in offering goods and services to customers.

not-for-profit organizations organizations whose primary aims are public service, not returning a profit to their owners.



Jonathan Hayward/Canadian Press Images

FIGURE 1.2 The Canadian Red Cross organizes efforts to respond to natural disasters such as the forest fires that threatened Fort McMurray, Alberta, in 2016.

researchers operate within a \$262-million budget.³

Other not-for-profits organize resources to respond to emergencies. For example, the Canadian Red Cross helped manage the largest fire evacuation in Alberta history in 2016 as raging forest fires forced more than 88,000 residents from the Fort McMurray area (see **Figure 1.2**). The Red Cross collected over \$30 million in donations, which were matched by the Canadian government, along with donated materials from across the country.⁴

Some not-for-profits sell merchandise or set up profit-making side businesses to sell goods and services that people are willing and able to pay for. For example, college and university bookstores sell products with the school logo—everything from sweatshirts to coffee mugs. SickKids supports learning for

families and health care providers by selling parenting books, many of which are Canadian bestsellers.⁵ The Livestrong Foundation, formerly the Lance Armstrong Foundation, has sold more than 40 million yellow Livestrong wristbands. It also sells sports gear and accessories for both adults and children. All funds raised through these sales are used to fight cancer and support patients and their families.⁶

Merchandising programs and fundraising campaigns need managers who have effective business skills and experience. As a result, many of the concepts discussed in this text apply to both not-for-profit organizations and for-profit firms.

Assessment Check

1.1.1 What activity lies at the heart of every business endeavour?

1.1.2 What are the primary objectives of a not-for-profit organization?

1.2 Economic Factors of Production

An economic system requires certain inputs to operate successfully. An economy of a city, province, or country lacking or deficient in these inputs will be unable to reach its full potential. A primary responsibility of governments is to facilitate economic activity by encouraging the development of these inputs. Economists use the term **factors of production** to refer to the four basic inputs: natural resources, capital, human resources, and entrepreneurship. **Table 1.1** identifies each of these inputs and gives examples of the types of payment received by firms and individuals who supply them.

Natural resources include all production inputs that are useful in their natural states. Examples are agricultural land, building sites, forests, water, and mineral deposits. Toronto-based Barrick Gold Corporation is the global gold industry leader. Its 25 operating mines and projects are located on five continents and include African Barrick Gold. Mining companies generally pay landowners for the right to extract minerals. Farmers expand their operations by paying rent for the right to grow more crops on a neighbour's land. Natural resources are the basic inputs required in any economic system and are the genesis of wealth creation. Places in the world with valuable natural resources have an economic advantage in developing more wealth, whereas those without natural resources will have to acquire them.

factors of production four basic inputs for effective economic operation: natural resources, capital, human resources, and entrepreneurship.

natural resources all production inputs that are useful in their natural states, including agricultural land, building sites, forests, and mineral deposits.

TABLE 1.1 Factors of Production and Their Factor Payments

Factor of Production	Corresponding Factor Payment
Natural resources	Rent for land leased for operations
Capital	Interest for money used to acquire capital items
Human resources	Wages for employees
Entrepreneurship	Profit for starting and managing operations

Capital, another key resource, includes technology, tools, information, and physical facilities. *Technology* is such machinery and equipment as computers and software, telecommunications, and inventions designed to improve production. Information, which is frequently improved by technological innovations, is another critical factor. Both managers and employees require accurate, timely information to effectively perform their assigned tasks. Technology plays an important role in the success of many businesses. Technology can lead to new products, such as lithium battery-powered electric cars from Tesla and other global manufacturers. As a result, there is a growing demand for raw materials such as lithium hydroxide and lithium carbonate mined by Canadian companies like Nemaska Lithium Inc., primarily in northern Quebec.⁷

Technology often helps a company improve its own products. Netflix, once famous for its subscription-based DVD-by-mail service, now streams on-demand media. Netflix has exclusive rights to streaming movies and original TV shows like its globally popular blockbuster *Stranger Things* and pays for the rights to distribute content produced by others to its subscribers. Like YouTube, Netflix is a company disrupting the old business method of distributing digital entertainment.⁸

Technology can also help a company operate more smoothly by tracking deliveries, providing more efficient communication, analyzing data, or training employees. Canada Post cut costs by expanding the electronic side of its business. Customers can now track their own registered mail online. Retail giant Walmart announced in 2024 that it is pushing the boundaries of convenience with AI-driven innovations. Through its InHome replenishment service, Walmart envisions a future where you never run out of essential items like milk. This service aims to automatically identify when you need replenishment, place the orders, and have them delivered to your home seamlessly.⁹

To remain competitive, a firm needs to continually acquire, maintain, and upgrade its capital. All these activities need money. A company's funds may come from the owner's investments, profits that are turned back into the business, or loans from others. Money is used to build factories; to purchase raw materials and component parts; and to hire, train, and pay employees. People and firms that supply (lend) capital receive factor payments in the form of interest.

Human resources represent another important input in every economic system. Human resources include anyone who works, from the chief executive officer (CEO) of a huge corporation to a self-employed editor. Their input includes both physical labour and intellectual effort. Companies rely on their employees' ideas, innovation, and physical effort. Some companies ask for employee ideas through traditional means, such as through staff meetings and by setting up an online "suggestion box." Others encourage creative thinking during company-sponsored events, such as hiking or rafting trips, or during social gatherings. Effective, well-trained human resources can provide firms with a significant competitive edge. Competitors cannot easily match another company's talented, motivated employees in the same way they can buy the same computer system or purchase the same grade of natural resources.

Hiring and keeping the right people matters. Competent, effective human resources can be a company's best asset. Providing perks to those employees to keep them is often in a company's best interest.

Entrepreneurship is the willingness to take risks to create and operate a business. An entrepreneur is someone who sees an opportunity to make a profit and creates a plan to earn

capital production inputs consisting of technology, tools, information, and physical facilities.

human resources production inputs consisting of anyone who works, including both the physical labour and the intellectual inputs contributed by workers.

entrepreneurship the willingness to take risks to create and operate a business.

those profits and achieve success. Entrepreneurs are the dreamers, the innovators who spot promising opportunities and craft masterful plans to conquer the market.

Knowledge encompasses the expertise, information, and intellectual capabilities that individuals and organizations use to drive innovation. In the knowledge-driven economy of the twenty-first century, businesses recognize that their most valuable assets often reside in the minds of their workforce.¹⁰ Whether it's tapping into the wisdom of seasoned professionals, leveraging research, or harnessing the power of data analytics, knowledge empowers businesses to navigate complexities, make informed decisions, and chart a course toward growth and prosperity. Consider pioneering electric vehicle (EV) startup Tesla: the collective intellect and knowledge of its 125,000 employees have enabled the company to be on the forefront of the industry pushing the boundaries of battery technology and autonomous driving.¹¹

The factors of production comprise a recipe of ingredients for successful business and economic activity. If any inputs are lacking, then business will be difficult or even impossible. However, businesses may have alternatives, which often means paying more to substitute for the input that is lacking. For example, farming without fertile land for growing crops does not eliminate farming as an industry, but it certainly means that alternative methods will likely cost more. Growing plants indoors under controlled conditions such as artificial lighting and irrigation will cost more than conventional farming outdoors on fertile land. As a result, indoor farming can exist only where buyers are willing and able to pay for the more expensive plants, as demonstrated by Bowery Farming. Started by Irving Fain in 2015, the farms use warehouse locations close to major cities to produce higher-quality and better-tasting vegetables without the use of pesticides under controlled growing conditions. Restaurants serving a clientele seeking better-quality food and that are able to pay higher prices make the venture possible.¹²

As we will see throughout the text, much business activity is about securing these four key inputs or developing substitutes. Consider the changes to the factors of production that have taken place in the farming industry. Labour provided by people alone was first replaced by animals. Oxen and horses pulled a plow and increased output far more efficiently than people pulling a plow alone. Later, technology entered the farming industry as farmer-driven tractors replaced the use of animals. Today, fully robotic farm equipment has replaced the need for much of the human-controlled work (see [Figure 1.3](#)). As a result of the capital-intensive cost of farm equipment, many small farms are no longer able to compete with large-scale operations using expensive labour-saving technology. The once large in number entrepreneurial small farm operator has been replaced by far fewer large-scale, capital-intensive industrialized farms.

Canadian businesses operate within an economic system called the *private enterprise system*. The next section looks at the private enterprise system, including competition, private property, and the entrepreneurship alternative.



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CTK/Alamy Stock Photo

FIGURE 1.3 Like other industries, today's agricultural industry requires large-scale capital investments in machinery and specialized equipment that allow for efficient production.

Assessment Check

1.2.1 Identify the four basic inputs to an economic system.

1.2.2 List four types of capital.

1.3 The Private Enterprise System

No business operates completely freely and on its own. All businesses operate within a larger economic system of rules and constraints that directs how goods and services are produced, distributed, and consumed. The type of economic system used in a society also affects the patterns of resource use. Some economic systems enforce strict controls on business ownership, profits, and resources, whereas others, like Canada's, offer more freedoms to individuals.

In Canada, businesses function within the **private enterprise system**, an economic system that rewards firms for their ability to identify and serve the needs and demands of customers. The private enterprise system minimizes government interference in business activity. Businesses that are skillful at satisfying customers are able to gain access to the necessary factors of production and earn profits. Success primarily depends on the businesspeople involved.

Another name for the private enterprise system is **capitalism**. The Scottish economist Adam Smith, often called the father of capitalism, first described the concept of capitalism in his book *The Wealth of Nations*, published in 1776. Smith believed that an economy is best regulated by the “invisible hand” of **competition**, which is the battle among businesses for consumer acceptance. Smith thought that competition among firms would lead to consumers receiving the best possible products and prices because less efficient producers would gradually be driven from the marketplace.

The idea of the “invisible hand” is a basic principle of the private enterprise system. In Canada, competition shapes much of economic life. To compete successfully, each firm must find a basis for its **competitive differentiation**, the unique combination of organizational abilities, products, and approaches that sets one company apart from its competitors in the minds of customers. Businesses in a private enterprise system must keep up with changing marketplace conditions. Firms that fail to adjust to shifts in consumer preferences and firms that ignore their competitors risk failure. See the “**Business & Technology**” feature to learn more about how Walmart sets itself apart from the competition.

Our discussion in this text focuses on the tools and methods that today's businesses use to compete and differentiate their goods and services. We also discuss many of the ways that market changes will affect business and the private enterprise system in the future.

Basic Rights in the Private Enterprise System

For capitalism to operate effectively, the citizens of a private enterprise economy must have certain rights. As shown in **Figure 1.4**, these include the rights to private property, profits, freedom of choice, and competition.

The right to **private property** is the most basic freedom in the private enterprise system. Every participant has the right to own, use, buy, sell, and hand down most forms of property, including land, buildings, machinery, equipment, patents on inventions, individual possessions, and intangible properties.

The private enterprise system also guarantees business owners the right to all after-tax profits they earn through their activities. Although a business is not assured of earning a profit, its owner is legally and ethically entitled to any income it makes that is greater than its costs.

Freedom of choice means that a private enterprise system relies on citizens to choose their own employment, purchases, and investments. They can change jobs, discuss and agree on wages, join labour unions, and choose among many different brands of goods and services. People living in the capitalist nations of North America, Europe, and other parts of the world

private enterprise system an economic system that rewards firms for their ability to identify and serve the needs and demands of customers.

capitalism an economic system that rewards firms for their ability to perceive and serve the needs and demands of consumers; also called the private enterprise system.

competition the battle among businesses for consumer acceptance.

competitive differentiation the unique combination of organizational abilities, products, and approaches that sets one company apart from its competitors in the minds of customers.

private property the most basic freedom under the private enterprise system; the right to own, use, buy, sell, and hand down land, buildings, machinery, equipment, patents, individual possessions, and various intangible kinds of property.

Business & Technology

Walmart's Store Maps Bridge Technology and Retail

Imagine you're on a tight schedule, with only an hour to shop before hosting a party back at your apartment. In 2018, the retail giant Walmart introduced a game-changing feature in its mobile app: in-store navigation maps. This digital tool is designed to help customers efficiently find items in Walmart's large stores, averaging 180,000 square feet and stocking about 100,000 items. Search for an item in the app, and instantly glean which aisle it's in in your specific store.

The feature's development was a cross-departmental effort, involving teams from store operations, real estate, digital, and technology. They collaborated with over 4,700 Walmart stores to ensure accurate aisle information and clear in-store navigation. This blend of digital and physical store elements enhances the consumer shopping experience.

Senior Manager of Digital Acceleration Paul Kilsch emphasizes the app's usefulness in unfamiliar settings or for quick shopping needs, saying "Customers may not be as familiar with the store they're in, especially when traveling, so they can use our app to help them find the things they need." The app not only guides customers to product locations but is also complemented by in-store signage.

Beyond aiding shoppers, this technology has broader applications. It streamlines the work of in-store shoppers fulfilling online orders—which have only continued to grow since the COVID-19 pandemic—and assists night crews in stocking and organizing the store efficiently.

Walmart's venture into digital mapping within physical retail spaces demonstrates a practical fusion of business and technology. This innovation is not just about customer convenience; it also improves employee productivity, showcasing the transformative power of technology in retail.

Next time you visit one of the country's largest retailers, infuse your journey with technology. Perhaps it might redefine your retail efficiency!

Questions for Critical Thinking

1. How does Walmart's integration of digital technology with physical store operations impact both the customers and the business at large?
2. Have you (or would you) used this feature? Does it add value to you? Research more about how Walmart differentiates itself from other retailers by its use of technology.
3. What challenges do you think Walmart faced in bringing this feature to fruition? How do you think they met these challenges?

Sources: <https://www.geospatialworld.net/prime/case-study/location-and-business-intelligence/walmart-uses-location-based-technologies-to-improve-in-store-navigation-for-shoppers-3/>; <https://corporate.walmart.com/news/2018/02/08/your-shopping-trip-just-got-easier-with-this-new-store-assistant>; <https://corporate.walmart.com/news/2019/11/27/walmart-apps-store-maps-help-customers-find-time-and-products-this-holiday-season>

are so conditioned to having this freedom of choice that they sometimes forget how important it is. A private enterprise economy maximizes individual wealth by providing options. Other economic systems sometimes limit the freedom of choice to accomplish government goals, such as increasing industrial production of certain items or military strength.

The private enterprise system also allows fair competition by allowing the public to set the rules for competitive activity. For this reason, the Canadian government has passed laws to prohibit excessively aggressive competitive practices designed to remove competition. The Canadian government has established ground rules that make the following illegal: price discrimination, fraud in financial markets, and deceptive advertising and packaging.

However, regulating behaviour is not a simple matter where all parties can be satisfied with decisions made by government. For example, in recent years, the Canadian Radio-television and Telecommunications Commission (CRTC) issued a decision that increased the costs charged to small internet service providers (ISPs) that buy access to the larger ISP networks of Bell and Bell Aliant, mainly in Ontario and Quebec. The CRTC allowed the larger ISPs to control network traffic, especially high-volume traffic, to the smaller ISPs. The CRTC also began charging "usage-based billing." The smaller ISPs, which sold popular unlimited packages before, were forced to introduce limits, charge more for bandwidth, and change their infrastructure strategy. These changes ended their competitive advantage over the bigger ISPs, which typically charge

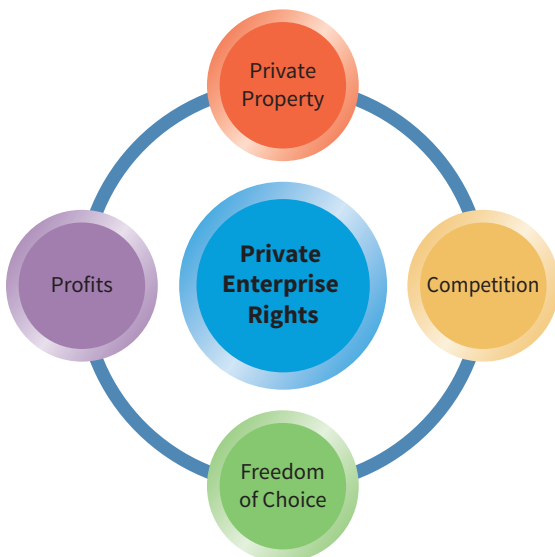


FIGURE 1.4 Basic Rights within a Private Enterprise System.

more for high-volume users. After much complaining from the smaller ISP customers, a compromise pricing model was introduced. The new pricing model limits usage but still allows the smaller ISPs to offer unlimited usage packages to those customers that demand them. This marketplace is further complicated as demand for more and unlimited data from mobile users grows. Many Canadians wonder why costs have not fallen as much as in the United States and elsewhere. In a recent year, the wireless side of the \$80 billion telecommunications industry generated more than \$30 billion of revenue—a very big pie that undoubtedly will be fought over only by Canadian suppliers, as foreign firms are prevented from competing by Canadian government regulations. Recent surveys show that Canadians pay among the highest cellphone rates in the world—13 times higher than the rates paid in France.¹³

The Entrepreneurship Alternative

While many choose the path of working for an already established company, an alternate, often more exhilarating route exists: the entrepreneurship alternative. The entrepreneurial spirit beats at the heart of private enterprise. An **entrepreneur** is a risk taker in the private enterprise system. You hear about entrepreneurs all the time—two university students starting a software business in their dorm room, or a mom who invents a better baby carrier. Many times, their success is modest, but once in a while the risk pays off in huge profits. People who can see marketplace opportunities are able to use their capital, time, and talents to pursue those opportunities for profit. The willingness of people to start new ventures leads to economic growth and keeps pressure on existing companies to continue to satisfy customers. If no one were willing to take economic risks, the private enterprise system wouldn't exist.

The entrepreneurial spirit leads to growth in the Canadian economy. Of all new businesses created in Canada, 99 percent are small businesses. In a recent year, over 100,000 new businesses were started and about 96,000 failed.

There are about 1.2 million small businesses in Canada—about 98 percent of all businesses. The Canadian economy depends on small businesses for its growth and strength. As one individual can rarely operate entirely alone, employees are hired to help the entrepreneur succeed. Over 8 million people representing over 70 percent of the labour force work for small businesses. Statistics Canada data indicate that 54 percent of all businesses have fewer than five employees, and 86 percent employ fewer than 20. The small-business sector creates 80 percent of all new jobs and generates 45 percent of Canada's economic output.¹⁴

So where are the jobs in Canada? **Figure 1.5** shows that the most employment is in the retail sector, followed by manufacturing. Note that small businesses are major employers in these and other segments

Entrepreneurship creates jobs and sells products. Entrepreneurship also leads to innovation. In contrast to more established firms, start-up companies tend to innovate in fields of technology that are new and have few competitors. Because small companies are more flexible than large ones, they can change their products and processes more quickly. Entrepreneurs often find new ways to use natural resources, technology, and other factors of production. Often they find these new ways because they have to—they

entrepreneur a person who seeks a profitable opportunity and takes the necessary risks to set up and operate a business.

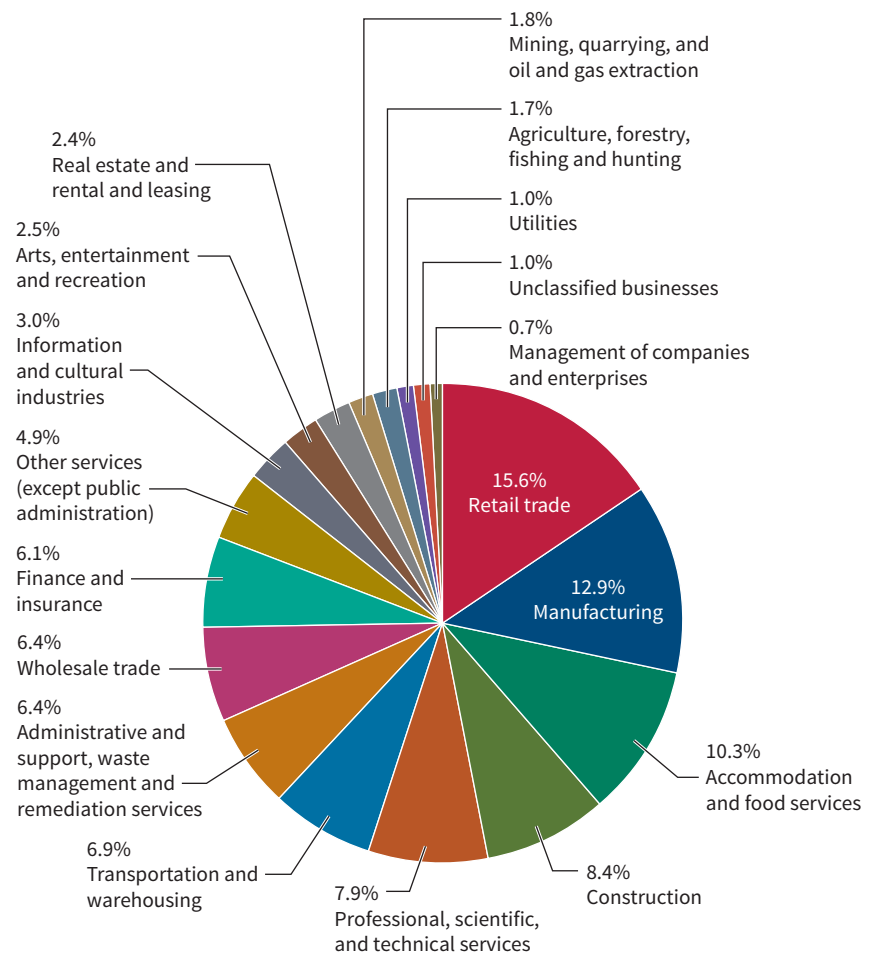


FIGURE 1.5 Share of Employment in the Private Sector in Canada in 2019, by Industry

may not have enough money to build an expensive prototype or launch a nationwide ad campaign. Sometimes, entrepreneurs will locate near one another and form a hub of like-minded businesses that continues to attract newcomers. The Toronto–Waterloo Corridor is Canada’s largest technology hub, stretching about 100 kilometres. Within the corridor are more than 200,000 employees working for about 15,000 tech companies, 5,000 of which are recent startups.¹⁵

Entrepreneurship is also important to existing companies. More and more, large firms are realizing the value of entrepreneurial thinking among their employees. These companies hope to benefit from enhanced flexibility, improved innovation, and new market opportunities. Apple also reaches out to its customers by inviting entrepreneurs of all kinds to develop applications for the iPhone. If the new apps are successful, then Apple profits from those efforts. Already, the iPhone has more than 1.8 million different applications and nearly half a million games, including some developed by Apple. Together, all the apps have been downloaded billions of times.¹⁶ Introduction of the Apple Watch and other wearable technologies has generated a new wave of opportunities for app developers.

As the next section explains, entrepreneurs have played a vital role in the history of Canadian business. They have helped create new industries, developed successful new business methods, and improved Canadian standing in global competition.

Assessment Check

1.3.1 What is an alternative term for the private enterprise system?

1.3.2 What is the most basic freedom under the private enterprise system?

1.3.3 What is an entrepreneur?

1.4 Seven Eras in the History of Business

In the 400 or so years since the first Europeans settled on the North American continent, amazing changes have occurred in the size, focus, and goals of Canadian businesses. North American business history is divided into seven distinct time periods: (1) the colonial period, (2) the Industrial Revolution, (3) the age of industrial entrepreneurs, (4) the production era, (5) the marketing era, (6) the relationship era, and (7) the social era. The next sections describe how events in each of these time periods have influenced business practices.

The Colonial Period

Colonial society featured rural and agricultural production. Colonial towns were small compared with European cities, and they functioned as marketplaces for farmers and craftspeople. The economic focus of North America centred on rural areas because success depended on the output of farms. The success or failure of crops influenced every aspect of the economy.

Colonists depended on Europe for manufactured items and for financial help for their infant industries. Surprising to some, even after the American Revolutionary War (1775–1783), the United States maintained close economic ties with England. The Canadian experience is more understandable. In Canada, British investors continued to provide much of the money needed for developing the North American business system. Trade focused on the abundant resources available in North America, such as furs, fish, and old-stock large timber for ship and house building in Europe. This financial influence continued well into the nineteenth century and spurred exploration of the continent as traders sought more resource riches to export back to Europe. Early eighteenth-century Canadian history is closely tied to the trading relationships between Indigenous peoples and Europeans who supplied large entities like the North West Company and the Hudson’s Bay Company, which was based in Montreal. Originally competitors, the two trading companies merged in 1821.

The Industrial Revolution

The Industrial Revolution began in England around 1750. It changed how businesses operated. Instead of a focus on independent, skilled workers who specialized in building products one by one, businesses moved to a factory system that mass produced items by using numerous semi-skilled workers. The factories made profit from the savings created by large-scale production and by increasing their use of machines. As businesses grew, they could often purchase raw materials more cheaply in larger lots. Production was also improved by specialization of labour, such as by limiting each worker to a few specific tasks in the production process.

Because of these events in England, Canadian businesses also began a time of rapid industrialization. Agriculture became mechanized, and factories set up in cities. During the mid-1800s, the pace of the revolution increased as newly built railroad systems provided fast, economical transportation. The railroads opened up the West and transported people and the agricultural products they grew, the timber they felled, and the furs they trapped to markets back east and on to Europe.

The Age of Industrial Entrepreneurs

The Industrial Revolution created opportunities, and those opportunities increased entrepreneurship in Canada.

Inventors created new production methods and a virtually endless number of commercially useful products. Many of these products are famous today.

Alexander Graham Bell, his father, Alexander Melville Bell, and friend Reverend Thomas Henderson started basic short-distance telephone service between office buildings and warehouses in 1877 (see [Figure 1.6](#)). The company later became Bell Canada Inc.

In the United States, Eli Whitney introduced the idea of interchangeable parts, which later led the way to mass production on a previously impossible scale.

The entrepreneurial spirit of this golden age in business advanced the Canadian business system and increased the overall standard of living for Canadians. That market transformation, in turn, created new demand for manufactured goods.

The Production Era

Demand for manufactured goods continued to increase in the 1920s. Businesses focused even more attention on the activities needed to produce those goods. Work became more specialized, and huge, labour-intensive factories were common in North America. Henry Ford started using assembly lines, which later became commonplace in major industries. Business owners turned over their responsibilities to a new group of managers who had been trained in operating companies. These new managers were able to produce even more goods by using quicker methods.



FIGURE 1.6 Alexander Graham Bell opening a long-distance phone line from New York to Chicago in 1892. In 1877, Alexander Graham Bell assigned 75 percent of the Canadian telephone patent rights to his father, Alexander Melville Bell. He and his friend Reverend Thomas Henderson then began leasing out pairs of wooden hand telephones for use on private lines. These lines were constructed by their clients between close locations, such as between a store and a warehouse.

During the production era, businesses focused their attention on internal processes instead of external influences. Marketing was rare and was used only to distribute a business's products. Little attention was paid to what the consumer wanted or needed. Instead, businesses decided what products were available to purchase. If you wanted to buy a Ford Model T automobile, your choice was black—the only colour the company made.

The Marketing Era

The Great Depression of the early 1930s changed Canadian businesses yet again. When most people's incomes dropped, businesses could no longer count on selling everything they produced. Managers began to pay more attention to the markets for their goods and services, and sales and advertising became important activities. During this period, selling often meant the same as marketing.

After World War II, demand increased for all kinds of consumer goods. After nearly five years without new automobiles, appliances, and other items, consumers were buying again. At the same time, competition was also increasing. Businesses soon began to think of marketing as more than just selling; managers thought about a process of deciding what consumers wanted and needed first, and then designing products to meet those needs. In short, they developed a **consumer orientation**.

Businesses began to analyze consumer desires before beginning any production. Consumer choices skyrocketed. Automobiles were sold in a wide variety of styles, and car buyers could choose their favourite colour. Companies also learned how important it was for their goods and services to stand out from those of competitors. **Branding** is the process of creating in consumers' minds an identity for a good, service, or company. Branding is an important marketing tool in contemporary business. A **brand** can be a name, term, sign, symbol, design, or some combination that identifies the products of one firm and shows how they differ from competitors' offerings.

The Home Depot, the world's largest home improvement specialty retailer, operates more than 2,300 retail stores in countries around the world, including the United States, Canada, Mexico, and China. It also exports products around the world. Its carefully guarded brand name stands for excellent customer service, an entrepreneurial spirit, and the desire to give back to the communities where it operates. The company sells thousands of products, including RIDGID tools, Behr paint, LG appliances, and Toro lawn equipment, as well as many of its own sub-brands.¹⁷

The marketing era has had a huge impact on the way business is conducted today. Even owners of the smallest businesses recognize the importance of understanding what customers want and the reasons they buy.

The Relationship Era

In the twenty-first century, a major change is taking place in the ways companies relate with their customers. Since the Industrial Revolution, most businesses have concentrated on building and promoting products in the hope that enough customers will buy the products to cover costs and earn acceptable profits. This approach is called **transaction management**.

In contrast, in the **relationship era** businesses are taking a different, longer-term approach to how they relate with customers. Firms now look for ways to actively promote customer loyalty by carefully managing every interaction. These firms earn huge paybacks for their efforts. A company that keeps its customers over the long term reduces its advertising and sales costs. Because customer spending tends to increase over time, the firm's revenues also grow. Companies with long-term customers often find they no longer need to offer price discounts to attract new business. Instead, they find that many new customers are referred by their loyal customers.

Business owners gain several advantages when they develop ongoing relationships with customers. Serving existing customers is less costly than trying to attract new customers. Thus, businesses that develop long-term customer relationships can reduce their overall costs. Long-term relationships with customers mean that businesses can improve their understanding

consumer orientation a business philosophy that focuses first on consumers' unmet wants and needs, and then designs products to meet those needs.

branding the process of creating in consumers' minds an identity for a good, service, or company; a major marketing tool in contemporary business.

brand a name, term, sign, symbol, design, or some combination that identifies the products of one firm and shows how they differ from competitors' offerings.

transaction management building and promoting products in the hope that enough customers will buy them to cover costs and earn profits.

relationship era the business era where firms seek to actively promote customer loyalty by carefully managing every interaction.

of what customers want and prefer from the company. As a result, these businesses increase their chances of holding on to real advantages through competitive differentiation.

The relationship era is an age of connections—between businesses and customers, employers and employees, technology and manufacturing, and even between separate companies. More and more, the world economy is interconnected as businesses expand beyond their national boundaries. In this new environment, techniques for managing networks of people, businesses, information, and technology are critically important to contemporary business success. See the “[Job Description](#)” feature to learn more about what it takes to be a business operations associate in a technology company.

The Social Era

The **social era** of business can be described as a new approach to the way businesses and individuals interact, connect, communicate, share, and exchange information with each other in virtual communities and networks around the world.

The social era, based on the premise that organizations create value through connections with groups or networks of people with similar goals and interests, offers businesses immense opportunities, particularly through the use of technology and **relationship management**—the collection of activities that build and maintain ongoing, mutually beneficial ties with customers and other parties.

Social media tools and technologies come in various shapes and sizes. They include blogs, podcasts, and microblogs (such as Twitter/X); social and professional networks (such as Facebook and LinkedIn); picture-sharing platforms (such as Instagram and Tumblr); and content communities (such as YouTube), to name a few.¹⁸

As consumers continue to log fewer hours on computers and more time on mobile devices, companies have implemented mobile strategies using real-time data and location-based technology. Businesses use mobile social media applications to engage in marketing research, communications, sales promotions, loyalty programs, and other processes. In the social era, businesses tailor specific promotions to specific users in specific locations at specific times to build customer loyalty and long-term relationships. For example, Facebook offers free Wi-Fi to users in exchange for checking in at select retailers, hotels, and restaurants.¹⁹

social era the business era in which firms seek ways to connect and interact with customers using technology.

relationship management the collection of activities that build and maintain ongoing, mutually beneficial ties with customers and other parties.

Job Description

“BizOps” Associate

Overview The business operations team at a technology company—also called BizOps for short—coordinates and aligns organization-wide operations and strategies. Team members, who gain a holistic view of an organization, are charged with defining and leading strategic, operational, and organizational improvements across a company’s product, sales, marketing, and engineering teams.

Responsibilities As a member of a BizOps team, you might work on growth strategies for a variety of goods and services. You might also provide insight to company managers on initiatives for decision making, operations, investments, and acquisitions. In addition, planning and goal setting are integral parts of the daily job activities for a BizOps associate.

Requirements Typically, a business degree with an emphasis in finance or management is preferred. Some BizOps professionals also have a few years of experience at management consulting firms where they developed strategies and solutions for clients. Attention to detail, as well as strong organization and communication skills, are essential for a successful career in BizOps. A keen

interest in innovation as well as a knack for implementing ideas quickly as part of ongoing business opportunities can be helpful skills.

Outlook Opportunities for BizOps professionals will continue to grow and be strong over the next several years, as more technology start-up businesses come on line and other companies expand their operations. Professionals with a proven track record—typically five years of solid BizOps experience—will continue to be in high demand and have significant opportunities at the senior management level. If you like being part of an innovative team that gets involved and executes a technology company’s fast-moving strategic priorities, this may be the career for you.

Sources: Tammy Everts, “What Do We Mean When We Talk about BizOps?” SOASTA, <https://www.soasta.com/>, accessed February 7, 2018; Jordan Kong, “Why Your Startup Also Needs a BizOps Team,” *Medium*, <https://medium.com>, accessed February 7, 2018; Dan Yoo, “Why BizOps Is the Hottest Team in Tech,” *LinkedIn Pulse*, <https://www.linkedin.com>, accessed February 7, 2018; Google company website, “Google Careers—Business Strategy,” www.google.com, accessed February 7, 2018; Dan Yoo, “How BizOps Adapts to You and Your Company,” *LinkedIn Pulse*, <https://www.linkedin.com>, accessed February 7, 2018.

Assessment Check

- 1.4.1 What was the Industrial Revolution?
- 1.4.2 During which era was the idea of branding developed?
- 1.4.3 What is the difference between transaction management and relationship management?

1.5 Current Trends Related to Business

Planning and strategizing for the future requires a knowledge of the past, but perhaps more importantly it requires an understanding of trends that will determine the future business environment. In this section, we will examine a few significant current trends.

Digital Transformation and Artificial Intelligence

Businesses are presently amidst a period of generational change at the confluence of digital transformation and artificial intelligence (AI). This combination is revolutionizing various aspects of business operations and strategies. Digital transformation, which we will explore further in Chapter 11, encompasses the adoption of digital technology to transform services or businesses. AI plays a crucial role in this transformation with its ability to analyze vast amounts of data, learn from patterns, and make decisions with minimal human intervention. In November of 2022, the release of ChatGPT, a generative AI model developed by OpenAI, took the world by storm, marking a significant milestone in the field of artificial intelligence. The conversational web application can answer questions, analyze data, and assist with a variety of tasks by understanding and generating text based on a user's input.

Seen as the fastest-growing internet application to date, it reached 100 million monthly users two months after its launch.²⁰ For comparison, Facebook took over four years to reach the same milestone; Instagram took two years.²¹ ChatGPT has served as a gateway for many to the realm of generative AI, showcasing the technology's ability to understand and generate human-like text responses.

Businesses quickly recognized its potential, adapting it for various applications like customer service automation, content creation, and enhancing decision-making.²² This widespread adoption of ChatGPT not only demonstrated the practical utility of generative AI in the business world but also signals a shift toward more AI-driven interactions and operations across industries in the future.

As generative AI continues to evolve, its impact on businesses is expected to grow, potentially reshaping industries, the workforce, jobs, and even society.

COVID-19

The global impact of COVID-19 will be studied for years into the future, but already we can recognize several trends that have emerged due to disruptions caused by the pandemic. There has been an increase in the rate of adoption of digital technologies by consumers and businesses. Purchasing online became more familiar to customers seeking convenience, safety, and other benefits provided by e-commerce. Firms like Amazon benefited dramatically from the seismic shift to more online purchasing, as indicated by its stock market share price, which nearly doubled in value between March 2020, when the pandemic broke out, and August 2020.²³

Employees learned to work remotely and, like consumers, communicated using digital conferencing software like Zoom, which skyrocketed in popularity with both business and consumer customers. As an indication of Zoom's growth in popularity, its share price increased fivefold between March and October 2020.²⁴

Employers recognized an increase in employee empathy for one another as individuals shared the stress of dealing with COVID-19 in their own unique situations. Employees also grew more concerned with personal and family wellness, diversity, and inclusivity in the workplace environment. Isolation from traditional workplaces has generated research into how attitudes toward work and the development of co-worker networks might be affected.

This is an important concern for future management development, as so many of our skills are due to our interactions with co-workers in social settings on the job. Without those traditional interactions and meetings with mentors and coaches at work, some are questioning how future development will take place and how employees will learn when those who guide them are not physically present.²⁵

Evolution of Work Models

Accelerated by the pandemic, many companies, recognizing the benefits of increased employee autonomy and productivity, continue to embrace flexible work policies. Others are charting a different course. Driven by concerns about maintaining company culture, fostering collaboration, and ensuring smooth knowledge transfer, particularly in fields like finance and technology, these companies are mandating a return to the office. In 2023, JPMorgan Chase ended its hybrid attendance policy that it created during the pandemic, and mandated employees return to the office.²⁶ Similarly, employees at Apple were told they needed to return to the office at least three days per week.²⁷ Tim Cook, Apple's CEO, called remote work the "mother of all experiments" and said the decision was meant to restore in-person collaboration that was largely lost across the pandemic.²⁸

The debate over working models is dependent on factors like industry, company size, and individual preferences. Ultimately the challenge lies in balancing flexibility and autonomy with the collaboration and community of in-person environments. This balancing act affects organizational culture, employee engagement, recruitment strategies, and the use of digital collaboration tools.

Growing Partnerships and Relationships

Businesses are finding that they must form partnerships with other organizations to take full advantage of available opportunities. One form of partnership between organizations is a **strategic alliance**, a partnership formed to create a competitive advantage for the businesses involved.

For example, the strategic alliance between the American pharmaceutical giant Pfizer and the German biotechnology company BioNTech brought together the production and global distribution capability of Pfizer and the leading-edge development of a vaccine against COVID-19. Working together, the firms could deliver a vaccine to the world by bringing their respective capabilities to the task.²⁹

The voice of Amazon's voice-enabled intelligent personal assistant, Alexa, will soon be heard outside the home. In fact, major automobile companies, including Ford, Toyota, Hyundai, and Volkswagen, plan to include Amazon's voice-controlled digital assistant in their cars. This is just one example of how automobile companies are forming strategic alliances with technology companies—all in an effort to make safer cars and to embrace emerging technologies.

strategic alliance a partnership formed to create a competitive advantage for the businesses involved; in international business, a business strategy in which a company finds a partner in the country where it wants to do business.

Changes in the Workforce

A skilled and knowledgeable workforce is an essential resource for keeping pace with the rapid rate of change in today's business world. Employers need reliable workers who are dedicated to promoting strong ties with customers and partners. Employers need to build workforces that are capable of efficient, high-quality production, which is needed to compete in global markets. Smart business leaders also realize that the brainpower of employees plays a vital role in a firm staying on top of new technologies and innovations. In short, a first-class workforce can be the foundation of a firm's competitive differentiation, providing important advantages over competing businesses. See how McDonald's is using intelligent decision making when it comes to packaging in the "**Clean & Green Business**" feature.

Companies face several trends that challenge their skills for managing and developing human resources. These challenges include the aging population and a shrinking labour pool, the growing diversity of the workforce, the changing nature of work, the need for flexibility and mobility, and the need to work with others to innovate.

The Aging Population and a Shrinking Labour Pool As people retire from the workforce, they take their experience and expertise with them. As **Figure 1.7** shows, the Canadian population as a whole is aging. Today, though, many of those from the baby boom generation, the huge number of people born between 1946 and 1964, are still hitting the peaks of their careers. At the same time, members of so-called Generation X (born from 1965 to 1981) and Generation

Clean & Green Business

Happy Meal Packaging Not All Happy

After enjoying a Happy Meal at McDonald's, one thought that is probably not top of mind for kids and parents alike is the impact of the meal's packaging on the planet's forests. In a typical Happy Meal, in addition to the paper cup and napkins, the burger is wrapped in paper, as is the plastic straw; the fries arrive in a paper sleeve; ketchup packets, made from a thin plastic film, are also supplied—and of course, there's the plastic toy. At the world's largest restaurant chain, serving over 69 million people daily with 37,000 locations in over 100 countries, all of this packaging, made primarily from trees, goes straight into the trash and, subsequently, a landfill.

In an effort to reduce waste, McDonald's is working on improving its sourcing, transportation, and packaging. The company recently announced that by 2025, all packaging, including single-use plastic straws, on customer products will come from “renewable or recycled sources” or sources with a preference for certification by environmental organizations such as the Forest Stewardship Council or the Programme for the Endorsement of Forest Certification. Both not-for-profit organizations have a goal to protect forests for future generations by setting standards for responsible forest management. Additionally, by 2025, McDonald's has also said that it will make recycling an option at all global locations. To date, only 10 percent of its 37,000 locations offer recycling.

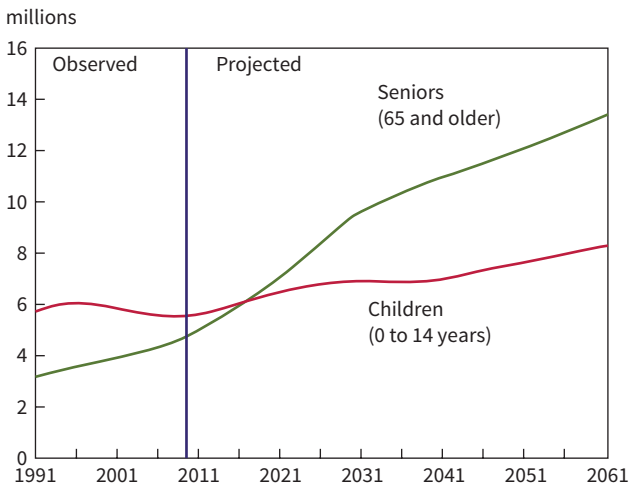
McDonald's customers continue to express concern over the company's green image. The company acknowledges that it has a long road ahead to accomplish its goal of recycling 100 percent of

guest packaging at all of its restaurants. Recycling infrastructure, regulations, and consumer behaviours differ from city to city and country to country. However, the burger giant believes that even small changes can and will make a difference.

Questions for Critical Thinking

1. **The average American uses six trees worth of paper each year. In reality, forest products like toilet paper, napkins, tissues, and paper towels are used by people every day. What solutions exist to lessen or prevent clearing the earth's forests to produce these products?**
2. **McDonald's has also committed to place recycling bins within its stores and to do away with eco-unfriendly and nearly impossible-to-recycle plastic (polystyrene) foam cups. Research the status and results of its initiatives.**

Sources: Forest Stewardship Council, “About Us,” <https://us.fsc.org/en-us>, accessed February 11, 2018; McDonald's, “Thinking Circular with More Sustainable Packaging and Recycling,” <http://corporate.mcdonalds.com>, accessed February 11, 2018; Melissa Locker, “If McDonald's Keeps Its Promise, Your Happy Meal Could Be Green within Seven Years,” *Fast Company*, January 16, 2018, <http://fastcompany.com>, accessed February 11, 2018; Robert Reed, *Chicago Tribune*, “McDonald's to Drop Foam Packaging by Year End,” January 11, 2018, <http://www.chicagotribune.com>, accessed February 11, 2018; Ben Geier, “McDonald's Promises to Become More Eco-friendly,” *ABC Action News*, January 30, 2018, <https://www.abcactionnews.com>, accessed February 11, 2018.



1. Medium-growth scenario.

FIGURE 1.7 Population Projections, Children and Seniors

Source: Adapted from Statistics Canada, CANSIM Tables 051-001 and 052-005.

Y (born from 1982 to 2005) are building their careers. As a result, employers are finding more people from different generations together in the workforce than ever before. This broad age diversity brings management challenges, such as the need to accept a variety of work–life styles, the changing expectations of work, and varying levels of technological expertise. Still, despite the wide range of ages in the workforce today, some economists predict the Canadian labour pool could soon fall short as the baby boomers retire.

Technology has intensified the hiring challenge by requiring workers to have ever-more advanced skills. Although the number of university-educated workers has increased, the demand for these workers is still greater than the supply. Because of these changes, companies are increasingly seeking—and finding—talent at the extreme ends of the working-age spectrum. Teenagers are entering the workforce sooner, and some seniors are working longer—or seeking new careers after retiring from their primary careers. Many older workers work part-time or flexible hours. Meanwhile, for those older employees who do retire, employers must look after a variety of retirement planning and disability programs, retraining, and insurance benefits.

Increasingly Diverse Workforce The Canadian workforce is growing more diverse, in age and in other ways, too. Two-thirds of Canada's population growth is due to international immigration, particularly from Asia. As illustrated in **Figure 1.8**, immigration from India is followed by immigration from China and various Asian and African countries.

Diversity—blending individuals of different genders, ethnic backgrounds, cultures, religions, ages, and physical and mental abilities—can enhance a firm's chances of success. Studies have shown that diverse employee teams and workforces with varied perspectives and experience

tend to perform tasks more effectively and develop better solutions to business problems than homogeneous groups. According to recent research by the World Economic Forum, companies are expected to spend over \$15 billion on diversity programs annually.³⁰

Practical managers also know that attention to diversity issues can help them avoid damaging legal battles. Losing a discrimination lawsuit can be very costly, yet, in a recent survey, a majority of executives from racial and cultural minorities said they had experienced racism in their jobs and seen discrimination in work assignments.³¹

Outsourcing and the Changing Nature of Work

The Canadian workforce is changing, but so is the nature of work. Manufacturing once accounted for most of Canada's annual output, but most Canadian employment has now shifted to services, such as financial management and communications. Because of this change, firms must now rely on well-trained service workers who have knowledge, technical skills, the ability to communicate and deal with people, and a talent for creative thinking. The internet offers another business tool for increasing employment flexibility.

Outsourcing is the use of outside vendors to produce goods or fulfill services and functions that were previously handled in-house or in-country. In the best situation, outsourcing can reduce costs and allow a firm to concentrate on what it does best while also accessing expertise it may not have. But outsourcing also creates its own challenges, such as differences in language or culture.

Offshoring is the relocation of business processes to lower-cost locations overseas. Offshoring can involve both production and services. In recent years, China has emerged as a prime location for production offshoring, whereas India has become the key player in offshoring services. Some companies are now structured so that entire divisions or functions are developed and staffed overseas—the jobs were never in Canada to start with. Another trend in some industries is **nearshoring**, outsourcing production or services to nations near a firm's home base.

Flexibility and Mobility Millennials, the largest demographic group in today's workforce, care less about money and the work-comes-first lifestyle, and more about training, flexibility, diversity and inclusion, and getting along with co-workers. Millennials want different things than baby boomers, and they also bring a different set of skills to the workplace. Millennials, who are more open to freelancing or working on contract over traditional full-time employment, expect flexible work hours along with mobility to work at home, a café, or the office. Many prefer to use technology (including their personal smartphones) to collaborate online, where they can share knowledge, a sense of purpose or mission, and a free flow of ideas across any geographical distance or time zone.³²

To retain valued employees, managers of global workforces need to present exciting work opportunities, build and earn trust, and ensure that all members are acting ethically and contributing their share without the day-to-day supervision of a more traditional work environment. Such managers and their employees need to be flexible and responsive to change while work, technology, and the relationships between them continue to evolve.

Innovation through Collaboration Some observers also see a trend toward more collaborative work in the future, as opposed to individuals working alone. Businesses that use teamwork hope to build a creative setting where all members contribute their knowledge and skills to solve problems or seize opportunities.

Technology continues to break down the physical barriers that once existed in a workplace setting where workers arrived at the office primarily for face-to-face collaboration. To achieve high levels of productivity, employees have become increasingly dependent on technology—including messaging apps, video conferencing, collaboration platforms, and digital devices like smartphones and laptops. Using technology, global teams are able to collaborate from all corners of the world, and physical office presence seems far less important. This has contributed to a new way of working called **crowdsourcing**, enlisting the talent of many people to get work done. Crowdsourcing allows companies to find workers for a specific task

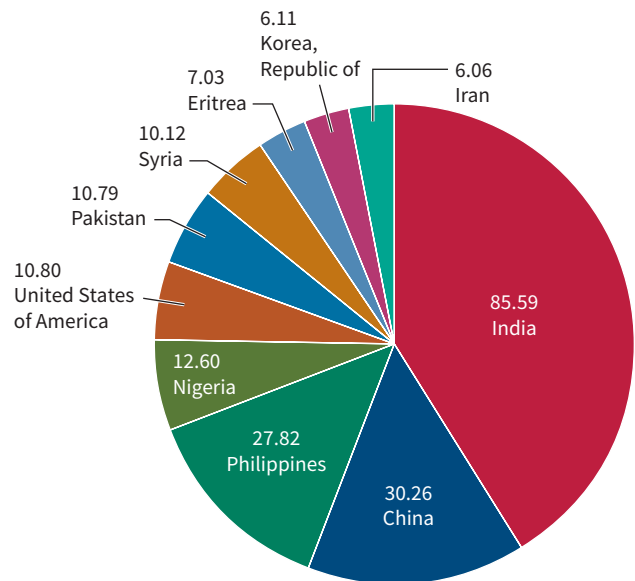


FIGURE 1.8 Number of new immigrants (in 00s) arriving in Canada in 2019 by country of origin.

Source: Adapted from number of new immigrants arriving in Canada in 2019 by country of origin.

outsourcing using outside vendors to produce goods or fulfill services and functions that were previously handled in-house or in-country.

offshoring the relocation of business processes to lower-cost locations overseas.

nearshoring the outsourcing of production or services to locations near a firm's home base.

or project in a more efficient and cost-effective way—using online marketplaces to hire global talent beyond their own workforce.³³

The old relationship between employers and employees was simple: workers arrived at a certain hour, worked at their jobs, and went home every day at the same time. Companies rarely laid off workers, and employees rarely left for a job at another firm. But all that—and more—has changed. Employees are no longer likely to remain with a single company throughout their entire careers. Employees do not expect lifetime loyalty from the companies they work for, and they do not expect to give that loyalty to any company either. Instead, today's employees build their own careers however and wherever they can. These changes mean that many firms now recognize the value of partnering with employees to encourage creative thinking and problem solving and to reward risk taking and innovation.

Assessment Check

1.5.1 Define *outsourcing*, *offshoring*, and *nearshoring*.

1.5.2 Describe the importance of collaboration and employee partnership.

1.6 Skills and Attributes Needed by Today's Managers

Today's companies look for managers who are intelligent, highly motivated people who can create and sustain a vision of how an organization can succeed. The twenty-first-century manager must apply critical thinking skills and creativity to business challenges and lead change.

Importance of Vision

To thrive in the twenty-first century, businesspeople need **vision**, the ability to perceive marketplace needs and what an organization must do to satisfy them. Canadian James Cameron, shown in **Figure 1.9**, is the Oscar-winning writer and director of such blockbuster sci-fi films as *The Terminator*, *Aliens*, *The Abyss*, and the most successful film of all time, *Avatar*. Cameron has an uncanny ability to know what audiences want and how to produce it. After he exceeded the budget for *Titanic*, Cameron persuaded his financial backers to continue funding the project. To show his confidence that *Titanic* would succeed, he offered to give up his fees for writing the screenplay and directing in exchange for receiving a percentage

vision the ability to perceive marketplace needs and what an organization must do to satisfy them.



FIGURE 1.9 Film director, writer, and inventor James Cameron (left) knows how to entertain audiences.

of box office sales. His financial backers recognized his motivation to complete the film, and their funding of the film proved to be a good decision. *Titanic* earned more than \$25 million the first weekend of its release and went on to replace George Lucas's *Star Wars* as the biggest money-making film to date. Cameron's futuristic 3D creation *Avatar* broke through that milestone and won 11 Oscars. And to help with budgeting costs for four sequels, Cameron is producing all of the expensive underwater scenes at one time. *Avatar 2, The Way of Water* was released in 2022. The plan is to release *Avatar 3, Fire and Ash*, in 2025, and then *Avatar 4* and *5* in 2029 and 2031, respectively. The estimated budget for *Avatar 3* is \$250 million.³⁴

Another leader with a definite vision is Shake Shack's Danny Meyer. See the "**Business Model**" feature for his story.

Importance of Critical Thinking and Creativity

Critical thinking and creativity are essential characteristics of workers in the twenty-first century. Today's businesspeople need to look at a wide variety of situations, draw connections between dissimilar information, and develop future-oriented solutions. This need applies to top executives, mid-level managers, and entry-level workers.

Critical thinking is the ability to analyze and assess information to pinpoint problems or opportunities. The critical thinking process includes activities such as determining the authenticity, accuracy, and worth of information, knowledge, and arguments. It involves looking beneath the surface for deeper meaning and connections that can help identify critical issues and solutions. Without critical thinking, a firm may encounter serious problems.

critical thinking the ability to analyze and assess information to pinpoint problems or opportunities.

Business Model

Shake Shack Blends Up "Enlightened Hospitality"

Apparently, lots of Torontonians are familiar with Shake Shack and its business model. In 2017, hundreds of fans lined up at a temporary pop-up Shake Shack set up inside another trendy restaurant in the downtown financial district. No doubt this market test for a future fully operational franchise was deemed a resounding success.

If you've been to New York City recently, you may have seen that one of its many tourist attractions is a burger joint with a never-ending line out the door. Based in New York, Shake Shack is a regional "fast-casual" restaurant known for its high-quality, sustainably sourced food offerings, which include its signature "ShackBurger," hot dogs, crinkle fries, and, of course, milkshakes. The quickly growing fast-casual restaurant segment, which includes Chipotle and Panera, is a hybrid of fast food and casual dining. Compared with fast food restaurants, Shake Shack offers healthier, higher-quality, and specially prepared food in an upscale setting with top-notch service.

Shake Shack's owner, restaurateur Danny Meyer, is an example of someone who has reaped significant rewards operating within the private enterprise system. By successfully identifying and serving the needs and demands of customers who think nothing of standing in long lines to experience all-natural menu items and great customer service, Meyer has created somewhat of a cult following for his Shake Shack dining experience.

Also coveted for its frozen custard, Shake Shack's core philosophy is based on the simple mantra of "enlightened hospitality," which translates to a warmer, friendlier, and more engaging customer service experience for its burger-loving clientele. Known affectionately as the "Shack Team," employees are expected to embody the "5 tenets of enlightened hospitality": "taking care of each other, our guests, our community, our suppliers, and our stockholders." With its IPO in 2015, the Shack Team has more

than just a few shareholders to consider and has expanded beyond the Big Apple to locations including Miami, Chicago, Atlanta, and Austin. Globally the company has more than 30 franchises outside the United States in Japan, the Middle East, Turkey, and the United Kingdom. With a vision of "stand for something good," Meyer's Shack Team seems to be serving up its unique dining experience to an increasing number of satisfied customers.

Questions for Critical Thinking

1. **Shake Shack plans to continue its global expansion. Critics are concerned that Shake Shack's regional strength in its New York hub may not translate to other countries like Canada. Do you agree? Why or why not?**
2. **In regard to sustainability, many consumers believe that ethically raised animals are not just better for their diets but also better for the overall community and the global supply chain. Research fast-casual dining and provide examples of how, in addition to using hormone- and antibiotic-free beef, for example, this restaurant sector has gained traction among millennials.**

Sources: Amy Grief, "Huge Crowd Shows Up for Shake Shack in Toronto," *blogTO*, January 18, 2017, www.blogto.com/eat_drink/2017/01/shake-shack-crowds-toronto/, accessed January 4, 2018; www.shakeshack.com, accessed January 20, 2016; Melody Hahm, "Why Shake Shack Won't Be the Next Chipotle," *Yahoo Finance*, August 19, 2015, <http://finance.yahoo.com>, accessed January 20, 2016; Leslie Picker and Craig Giammona, "For Shake Shack and Box, a Harsh Post-IPO Reality Sets In," *Bloomberg Business*, March 11, 2015, www.bloomberg.com, accessed January 20, 2016; Roberto A. Ferdman, "The Chipotle Effect: Why America Is Obsessed with Fast Casual Food," *Washington Post*, February 2, 2015, www.washingtonpost.com, accessed January 20, 2016; Trefis Team, "How the Fast Casual Segment Is Gaining Market Share in the Restaurant Industry," *Forbes*, June 23, 2014, www.forbes.com, accessed January 20, 2016.

creativity the capacity to develop novel solutions to perceived organizational problems.

Creativity is the capacity to develop novel solutions to perceived organizational problems. Most people think of creativity in terms of writers, artists, musicians, and inventors, but that definition is very limited. In business, creativity refers to being able to see better and different ways of doing business. A computer engineer who solves a glitch in a software program is performing a creative act, as is a shipping clerk who finds a way to speed up the delivery of the company's overnight packages. Sometimes a crisis calls for creative leadership. For example, Captain Chesley Sullenberger famously guided US Airways Flight 1549 to a safe landing in New York's Hudson River. In doing so, he had already made immediate and critical decisions when both his plane's engines quit after hitting birds upon takeoff. Sullenberger's quick thinking and years of training saved the lives of his passengers and crew members and the people on the ground. "Losing thrust on both engines, at low speed, at a low altitude, over one of the most densely populated areas on the planet. Yes, I knew it was a very challenging situation," he said. As the plane lost altitude, Sullenberger ruled out returning to LaGuardia Airport or attempting to land at a nearby New Jersey airport. Instead, he opted to splash down in the river, close to a ferry terminal. "I needed to touch down with the wings exactly level . . . the nose slightly up . . . [and] just above our minimum flying speed, but not below it." He accomplished those seemingly impossible feats and saved all 155 people on board.³⁵

Some practice and mental exercise can cultivate your own ability to think creatively. See **Figure 1.10** for some exercises and guidelines to improve your creativity.

Creativity and critical thinking must do more than generate new ideas. They must lead to action. In addition to creating an environment in which employees can nurture ideas, managers must give employees opportunities to take risks and try new solutions.

Ability to Lead Change

Today's business leaders must guide their employees and organizations through the changes brought about by technology, marketplace demands, and global competition. Managers must be skilled at recognizing employee strengths and motivating people to move toward common goals as members of a team. Throughout this book, real-world examples show how companies have initiated major change initiatives. Most, if not all, of these companies have been led by managers who are comfortable with making the tough decisions that are needed in today's fluctuating conditions.

Factors that require organizational change can come from both external and internal sources; successful managers must be aware of both types of factors. External forces might include feedback from customers, developments in the international marketplace, economic trends, and new technologies. Internal factors might arise from new company goals, emerging employee needs, labour union demands, or production problems.

- In a group, brainstorm by listing ideas as they come to mind. Don't criticize other people's ideas, but build on them. Wait until later to evaluate and organize the ideas.
- Think about how to make familiar concepts unfamiliar. A glue that doesn't stick very well? That was the basis for 3M's popular Post-it Notes.
- Plan ways to rearrange your thinking by asking simple questions, such as "What features can we leave out?" or by imagining what it feels like to be the customer.
- Cultivate curiosity, openness, risk, and energy as you meet people and encounter new situations. View these encounters as opportunities to learn.
- Treat failures as additional opportunities to learn.
- Get regular physical exercise. When you work out, your brain releases endorphins, and these chemicals stimulate creative thinking.
- Pay attention to your dreams and daydreams. You might find that you already know the answer to a problem.

FIGURE 1.10 Exercises and Guidelines to Promote Creative Thinking

Assessment Check

1.6.1 Why is vision an important managerial quality?

1.6.2 What is the difference between creativity and critical thinking?

1.7 What Makes for a Successful and Admired Company?

How do we measure business success? What makes a company and its management successful depends on the criteria used. As illustrated in Figure 1.1 presented at the start of this chapter, the goals businesspeople set for themselves and their organizations are at the centre of all activity. Whether a company is successful has much to do with achieving those goals and the actions taken by the organization's management.

We admire and celebrate the success of people and firms who not only achieve desirable goals set by the organization but are also consistent with our concept of fair play and contribution to the greater good of society. So, it follows that businesses that bring to market products and services that satisfy customer needs in a socially responsible manner will be admired while those that are perceived to be conducting themselves unethically and possibly harming society will not. Every year, business magazines and organizations publish lists of companies that they consider to be “most admired.” Companies, like individuals, may be admired for many reasons. Some of these reasons might include solid profits, stable growth, a safe and challenging work environment, high-quality goods and services, and business ethics and social responsibility. *Business ethics* are the standards of conduct and moral values involved in decisions made in the work environment. *Social responsibility* is a management philosophy that includes contributing resources to the community, preserving the natural environment, and developing or participating in not-for-profit programs designed to promote the well-being of the general public. We explore these topics more deeply in Chapter 4. You'll also find business ethics and social responsibility examples throughout this text. For businesses to behave ethically and responsibly, their employees need to have strong moral compasses that guide them. The “**Judgement Call**” feature demonstrates some of the challenges of defining what is ethical.

Judgement Call

Volkswagen Fails the Emissions Test

Established in 1937, German giant Volkswagen is the second-largest automobile manufacturer in the world behind Toyota. With three cars in the top 10 list of the best-selling cars of all time—the Golf, the Beetle, and the Passat—Volkswagen recently celebrated a record year, surpassing sales of 10 million cars. Despite its success as an iconic brand with car models that span multiple revisions and generations, cheating on an emissions test landed the company in a shocking situation.

How did this happen? Volkswagen knowingly placed in cars software that turns emissions control systems on and off. This type of software is commonly called “defeat software,” which turns off emissions controls when driving normally and turns them on when the car is undergoing an emissions test. The U.S. Environmental Protection Agency (EPA) first discovered the device in diesel engines. The software detects when engines are being tested—and when Volkswagen's four-cylinder cars weren't hooked up to emissions testing equipment, they did, in fact, emit

up to 40 times more pollution than allowed under U.S. standards. When the car recognizes that it is being tested, it communicates with the car's computer to adjust how the car is running, thereby reducing emissions to legal levels. The result: inaccurate emissions tests on diesel vehicles fitted with the device.

Volkswagen Group of America admitted it was totally at fault over the vehicle emissions issue, which led to an investigation of the German carmaker for deliberately cheating on U.S. emissions tests. Volkswagen was remorseful, and its CEO abruptly resigned. The company wanted nothing more than to gain back the trust of its coveted customers—many of whom felt betrayed.

According to the EPA, using a defeat device in cars to evade clean air standards is illegal and a threat to public health. Fallout from the emissions scandal continues, with \$18 billion in penalties from the EPA, criminal prosecutions, and 11 million loyal customers possibly looking elsewhere for their next car purchase. If that isn't enough, within the first four weeks after the emissions scandal hit, the company's stock price slid by 20 percent.

Recently, Volkswagen agreed to spend more than \$25 billion in North America to address claims from owners, environmental regulators, U.S. states, and car dealers and to make buyback offers. The company said it had set aside \$30 billion to address the scandal. The agreement provides for cash payments to owners of about 20,000 3.0-litre Volkswagen, Audi, and Porsche diesel vehicles in Canada, subject to court approval. The German automaker also agreed to pay a C\$2.5-million civil penalty for violating Canadian consumer protection laws.

Questions for Critical Thinking

1. What impact do you think the emissions scandal will have on future sales of Volkswagen cars in North America?
2. Knowing that the company acknowledged its wrongdoing, would you purchase a car from Volkswagen in the near future? Why or why not?

Sources: David Shepardson, “Volkswagen Agrees to \$232 Million 3.0-Liter Canadian Emissions Settlement,” *Reuters*, January 12, 2018, <https://ca.reuters.com/article/businessNews/zidCAKBN1F12LC-OCABS>; Karl Russell, Guilbert Gates, Josh Keller, and Derek Watkins, “How Volkswagen Got Away with Diesel Deception,” *New York Times*, January 5, 2016, www.nytimes.com, accessed January 21, 2016; Dan Neil, “VW Lost Its Moral Compass in Quest for Growth,” *Wall Street Journal*, September 24, 2015, www.wsj.com, accessed January 21, 2016; Alfred Joyner, “VW Emissions Scandal Explained in 60 Seconds,” *International Business Times*, September 23, 2015, www.ibtimes.co.uk, accessed January 21, 2016; Bill Chappell, “Volkswagen CEO Resigns, Saying He’s ‘Shocked’ by Emissions Scandal,” *National Public Radio*, September 23, 2015, www.npr.org, accessed January 21, 2016; Timothy Gardner and Bernie Woodall, “Volkswagen Could Face \$18 Billion Penalties from EPA,” *Reuters*, September 18, 2015, <http://in.reuters.com>, accessed January 21, 2016; Andrea Murphy, “2015 Global 2000: The World’s Biggest Auto Companies,” *Forbes*, March 6, 2015, www.forbes.com, accessed January 21, 2016.

As you read this text, you’ll be able to make up your mind about why companies should—or should not—be admired. *Fortune* publishes two lists of most-admired companies each year, one for U.S.-based firms and one for the world. The list is compiled from surveys and other research conducted by the Hay Group, a global human resources and organizational consulting firm. Criteria for making the list include innovation, people management, use of corporate assets, social responsibility, quality of management, and quality of products and services. *Fortune* ranked Apple as the number-one most-admired company in 2024. Its complete “Top Ten” list can be found online. Interestingly, four other technology companies Microsoft, Amazon, Alphabet, and Nvidia, made the list too.³⁶

Assessment Check

- 1.7.1 Define *business ethics* and *social responsibility*.
- 1.7.2 Identify three criteria used to judge whether a company might be considered admirable.

What’s Ahead

As business speeds along in the twenty-first century, new technologies, population shifts, and shrinking global barriers will alter the world at a frantic pace. Businesspeople trigger many of these changes by creating new opportunities for individuals who are prepared to take action. Studying contemporary business will help you prepare for the future.

Throughout this text, you’ll be exposed to the real-life stories of many businesspeople. You’ll learn about a range of business careers and the daily decisions, tasks, and challenges that businesspeople face. By the end of the course, you’ll understand how marketing, production, accounting, finance, and management work together to provide competitive advantages for firms. This knowledge can help you become a more capable employee and enhance your career potential.

Now that this chapter has introduced a conceptual map to guide your study and some basic terms and issues in the business environment, Chapter 2 deals with economic challenges facing businesses today. Chapter 3 focuses on international business and the challenges and opportunities faced by companies competing in world markets, and Chapter 4 takes a detailed look at the ethical and social responsibility issues facing businesses today.

Chapter in Review

Summary of Learning Objectives

LEARNING OBJECTIVE 1.1 Define business.

Business consists of all profit-seeking activities that provide goods and services necessary to an economic system. Not-for-profit organizations are business-like establishments whose primary objectives involve social, political, governmental, educational, or similar functions instead of profits.

Assessment Check Answers

1.1.1 What activity lies at the heart of every business endeavour? At the heart of every business endeavour is an exchange between a buyer and a seller.

1.1.2 What are the primary objectives of a not-for-profit organization? Not-for-profit organizations place public service above profits, although they need to raise money to operate and achieve their social goals.

LEARNING OBJECTIVE 1.2 Identify and describe the economic factors of production.

The factors of production have four basic inputs: natural resources, capital, human resources, and entrepreneurship. Natural resources include all productive inputs that are useful in their natural states. Capital includes technology, tools, information, and physical facilities. Human resources include anyone who works for the firm. Entrepreneurship is the willingness to take risks to create and operate a business.

Assessment Check Answers

1.2.1 Identify the four basic inputs to an economic system. The four basic inputs are natural resources, capital, human resources, and entrepreneurship.

1.2.2 List four types of capital. Four types of capital are technology, tools, information, and physical facilities.

LEARNING OBJECTIVE 1.3 Describe the private enterprise system.

The private enterprise system is an economic system that rewards firms for being able to perceive and serve the needs and demands of consumers. Competition in the private enterprise system means success for firms that satisfy consumer demands. Citizens in a private enterprise economy enjoy rights to private property, profits, freedom of choice, and competition. Entrepreneurship drives economic growth.

Assessment Check Answers

1.3.1 What is an alternative term for the private enterprise system? *Capitalism* is an alternative term for the private enterprise system.

1.3.2 What is the most basic freedom under the private enterprise system? The most basic freedom is the right to private property.

1.3.3 What is an entrepreneur? An entrepreneur is a risk taker who is willing to start, own, and operate a business.

LEARNING OBJECTIVE 1.4 Identify the seven eras in the history of business.

The seven historical eras are the colonial period, the Industrial Revolution, the age of industrial entrepreneurs, the production era, the marketing era, the relationship era, and the social era. In the colonial period, businesses were small and rural, emphasizing agricultural production. The Industrial Revolution brought factories and mass production to business. The age of industrial entrepreneurs built on the Industrial Revolution through an expansion in the number and size of firms. The production era focused on the growth of factory operations through assembly lines and other efficient internal processes. During and following the Great Depression, businesses concentrated on finding markets for their products through advertising and selling, giving rise to the marketing era. In the relationship era, businesspeople focus on developing and sustaining long-term relationships with customers and other businesses. The social era of business can be described as a new approach to the way businesses and individuals interact, connect, communicate, share, and exchange information with each other in virtual communities and networks around the world. Technology promotes innovation and communication, while alliances create a competitive advantage through partnerships.

Assessment Check Answers

1.4.1 What was the Industrial Revolution? The Industrial Revolution began around 1750 in England. It moved business operations from an emphasis on independent, skilled workers to a factory system that mass produced items.

1.4.2 During which era was the idea of branding developed? The idea of branding began in the marketing era.

1.4.3 What is the difference between transaction management and relationship management? Transaction management focuses on building, promoting, and selling enough products to cover costs and earn profits. Relationship management is the collection of activities that build and maintain ongoing ties with customers and other parties.

LEARNING OBJECTIVE 1.5 Explain current trends in business.

The workforce is changing in two significant ways: (1) it is aging and the labour pool is shrinking and (2) it is becoming increasingly diverse. The nature of work has shifted toward services and a focus on information. More firms now rely on outsourcing, offshoring, and nearshoring to produce goods or to fulfill services and functions that were previously handled in-house or in-country. Today's workplaces are also becoming increasingly flexible, allowing employees to work from different locations and through different relationships. Companies promote innovation through teamwork and collaboration.

Assessment Check Answers

1.5.1 Define outsourcing, offshoring, and nearshoring. Outsourcing involves using outside vendors to produce goods or to fulfill services and functions that were once handled in-house. Offshoring is the relocation of business processes to lower-cost

locations overseas. Nearshoring is the outsourcing of production or services to nations near a firm's home base.

1.5.2 Describe the importance of collaboration and employee partnership. Businesses are increasingly focusing on collaboration, rather than on individuals working alone. No longer do employees just put in their time at a job they hold their entire career. The new employer–employee partnership encourages teamwork, creative thinking, problem solving, and innovation. Managers are trained to listen to and respect employees.

LEARNING OBJECTIVE 1.6 Identify the skills and attributes needed for today's manager.

Today's managers need vision, which is the ability to perceive both marketplace needs and the way their firm can satisfy those needs. Critical thinking skills and creativity allow managers to pinpoint problems and opportunities and plan novel solutions. Finally, managers are dealing with rapid change, and they need skills to help lead their organizations through shifts in external and internal conditions.

Assessment Check Answers

1.6.1 Why is vision an important managerial quality? Managerial vision allows a firm to innovate and adapt to meet changes in the marketplace.

1.6.2 What is the difference between creativity and critical thinking? Critical thinking is the ability to analyze and assess information to pinpoint problems or opportunities. Creativity is the capacity to develop novel solutions to perceived organizational problems.

LEARNING OBJECTIVE 1.7 Outline the characteristics that make for a successful and admired company.

A company is usually admired for its solid profits, stable growth, a safe and challenging work environment, high-quality goods and services, and business ethics and social responsibility.

Assessment Check Answers

1.7.1 Define business ethics and social responsibility. Business ethics are the standards of conduct and moral values involved in decisions made in the work environment. Social responsibility is a management philosophy that includes contributing resources to the community, preserving the natural environment, and developing or participating in not-for-profit programs designed to promote the well-being of the general public.

1.7.2 Identify three criteria used to judge whether a company might be considered admirable. Criteria used in judging whether companies are admirable include solid profits, stable growth, a safe and challenging work environment, high-quality goods and services, and business ethics and social responsibility.

Business Terms You Need to Know

brand a name, term, sign, symbol, design, or some combination that identifies the products of one firm and shows how they differ from competitors' offerings.

branding the process of creating in consumers' minds an identity for a good, service, or company; a major marketing tool in contemporary business.

business all profit-seeking activities and enterprises that provide goods and services necessary to an economic system.

capital production inputs consisting of technology, tools, information, and physical facilities.

capitalism an economic system that rewards firms for their ability to perceive and serve the needs and demands of consumers; also called the private enterprise system.

competition the battle among businesses for consumer acceptance.

competitive differentiation the unique combination of organizational abilities, products, and approaches that sets one company apart from its competitors in the minds of customers.

consumer orientation a business philosophy that focuses first on consumers' unmet wants and needs, and then designs products to meet those needs.

creativity the capacity to develop novel solutions to perceived organizational problems.

critical thinking the ability to analyze and assess information to pinpoint problems or opportunities.

diversity the blending of individuals of different genders, ethnic backgrounds, cultures, religions, ages, and physical and mental abilities to enhance a firm's chances of success.

entrepreneur a person who seeks a profitable opportunity and takes the necessary risks to set up and operate a business.

entrepreneurship the willingness to take risks to create and operate a business.

factors of production four basic inputs for effective economic operation: natural resources, capital, human resources, and entrepreneurship.

human resources production inputs consisting of anyone who works, including both the physical labour and the intellectual inputs contributed by workers.

natural resources all production inputs that are useful in their natural states, including agricultural land, building sites, forests, and mineral deposits.

nearshoring the outsourcing of production or services to locations near a firm's home base.

not-for-profit organizations organizations whose primary aims are public service, not returning a profit to their owners.

offshoring the relocation of business processes to lower-cost locations overseas.

outsourcing using outside vendors to produce goods or fulfill services and functions that were previously handled in-house or in-country.

private enterprise system an economic system that rewards firms for their ability to

identify and serve the needs and demands of customers.

private property the most basic freedom under the private enterprise system; the right to own, use, buy, sell, and hand down land, buildings, machinery, equipment, patents, individual possessions, and various intangible kinds of property.

profits rewards for businesspeople who take the risks involved in offering goods and services to customers.

relationship era the business era where firms seek to actively promote customer loyalty by carefully managing every interaction.

relationship management the collection of activities that build and maintain ongoing, mutually beneficial ties with customers and other parties.

social era the business era in which firms seek ways to connect and interact with customers using technology.

strategic alliance a partnership formed to create a competitive advantage for the businesses involved; in international business, a business strategy in which a company finds a partner in the country where it wants to do business.

transaction management building and promoting products in the hope that enough customers will buy them to cover costs and earn profits.

vision the ability to perceive marketplace needs and what an organization must do to satisfy them.

Review Questions

1. Why is business so important to a country's economy?
2. In what ways are not-for-profit organizations a substantial part of the Canadian economy? What challenges do not-for-profits face?
3. Identify and describe the four basic inputs that make up the factors of production. Give an example of each factor of production that an auto manufacturer might use.
4. What is a private enterprise system? What four rights are critical to the operation of capitalism? Why would capitalism function poorly in a society that does not ensure these rights for its citizens?
5. In what ways is entrepreneurship vital to the private enterprise system?
6. Identify the seven eras of business in North America. How were businesses changed during each era?
7. Describe the focus of the most recent era of business. How is this era different from previous eras?
8. Define *partnership* and *strategic alliance*. How might a motorcycle dealer and a local radio station benefit from an alliance?
9. Identify the major changes in the workforce that will affect the way managers build a world-class workforce in the twenty-first century. Why is brainpower so important?
10. Identify four qualities required by the “new” managers of the twenty-first century. Why are these qualities important in a competitive business environment?

Projects and Teamwork Applications

The entrepreneurial spirit fuels growth in the Canadian economy. Choose a company that interests you—one you have worked for or dealt with as a customer—and read about the company in the library or visit its website. Learn what you can about the company's early history: Who founded it and why? Is the founder still with the organization? Do you think the founder's original vision is still embraced by the company? If not, how has the vision changed?

Brands distinguish one company's goods or services from its competitors'. Each company you purchase from hopes that you will become loyal to its brand. Some well-known brands are Tim Hortons, Burger King, Coca-Cola, Hilton, and Old Navy. Choose a type of good or service you use regularly and identify the major brands associated with it. Are you loyal to a particular brand? Why or why not?

More and more businesses are forming strategic alliances to become more competitive. Sometimes, businesses pair up with not-for-profit organizations in a relationship that is beneficial to both. Choose a company whose goods or services interest you, such as lululemon athletica, Timberland, FedEx, General Mills, or Canadian Tire. On your own or with a classmate, research the firm on the internet to learn about its alliances with not-for-profit organizations. Describe one of the alliances, including the goals and benefits to both parties. Create a presentation for your class.

This chapter describes how the nature of the workforce is changing: the population is aging, the labour pool is shrinking, the workforce is becoming more diverse, the nature of work is changing, the workplace is becoming more flexible and mobile, and employers are promoting innovation and collaboration among their employees. Form teams of two to three students. Select a company and research how that company is responding to changes in the workforce. When you have completed your research, be prepared to present it to your class. Choose one of the following companies or select your own: BCE, TELUS, 3M, Marriott, or Dell.

Many successful companies today use technology to help them improve their relationship management. Suppose a major grocery store chain's management team has asked you to assess its use of technology for this purpose. On your own or with a classmate, visit one or two local grocery stores and explore their corporate websites. Note the ways in which firms in this industry already use technology to connect with their customers. List at least three new ways these firms can use technology to connect with their customers, or list three improvements to their existing methods. Present your findings to the class as if you were presenting to the management team.

Cases

Case 1A Canadian Entertainers Are Cultivating Global Audiences Online

Since its commercial debut in the mid-1990s, the internet has evolved into an integral communications tool for the entertainment industry. Artists and audiences can easily experience two-way communication through software tools designed to create a sense of familiarity and relationship. Besides having websites where samples of their music can be tested out with audiences, artists can ask for feedback and create a

dialogue through YouTube, Instagram, Facebook, Twitter/X, and other social media. The internet has democratized the industry by allowing any artist to develop a relationship with audiences online. Bypassing the traditional barriers to entry has meant many artists have been discovered who might have followed a different path to success if the internet were not available.

Drake and Bieber

Aubrey Drake Graham is better known to his fans by his stage name—Drake. The Toronto native was a child actor on the television series *Degrassi: The Next Generation*, but he always loved music. He released a demo that eventually found its way into the hands of rap star Lil Wayne, who became Drake’s mentor. Drake signed with Lil Wayne’s record label, Young Money Entertainment, in 2009, but it was his 2004 YouTube postings that helped him develop his music career. By the age of 25 he had made over \$25 million as a rapper—far more than the \$40,000 annual salary he earned starring on *Degrassi*! Like many in his industry, Drake regularly uses social media to connect with fans and keep them up to date on his career.

Similarly, Justin Bieber, whose public image some might think of as “good boy turned bad boy turning good boy again,” has made good use of the internet to interact with his fans. Love him or hate him, no one can deny that his rise to fame was meteoric. In 2007 he had a modest fan base who watched him on YouTube. Eventually these “Mom-produced” videos came to the attention of talent agent Scooter Braun, who became Bieber’s agent and introduced him to the many industry insiders who would make his dream of a music career a reality.

It is an understatement to say that YouTube and social media led to Bieber’s discovery and career development. Social media has made it easier for talented young artists such as Bieber and Drake to get recognized and have their chance at stardom. Agents like Braun use the internet regularly to search for new talent. Online popularity and an online fan base can be early signs of likely success.

The internet also plays a major role in linking the various players in the music industry. A close connection with fans is made easier by posting personal comments, articles, interviews, television shows, music videos, and other content. Such posts help to build “buzz,” which is critical to drawing the attention of agents like Braun.

Disrupting the Old Music Model

The internet has become a showplace for musical entertainment and a disruptor of the old ways of doing business. Traditional media such as radio, television, and magazines give artists exposure to large audiences, such as lovers of a particular music genre. Social media sites provide content to much smaller niche markets—fans of a particular artist. For example, when viewers want to see Drake or Justin Bieber perform, they can log on to their dedicated YouTube channels, which are also available on mobile devices. And, unlike television or radio, YouTube allows

customers to not only listen to songs but also purchase the songs through sites such as Apple’s iTunes store or stream them over Spotify or Apple Music.

Today, the internet delivers samples of an artist’s work to fans, links to buy their products, and a way to develop a relationship with fans. In 2018, Drake released his *Scorpion* double album digitally first via music streaming services. But it can also put the artists in the social media spotlight, subjecting them to constant scrutiny. Some of Drake’s tracks on *Scorpion* lament how being under the constant spotlight of social media—his Instagram account has more than 50 million followers—can eat away at him. Bieber also feels the heat of being in the media, including when he faced backlash from some of his 100 million followers on Instagram who thought that his April Fools’ joke posting in 2019 that he and his wife Hailey Baldwin were expecting a baby was insensitive to people with fertility problems.

The internet has changed the way many artists like Drake and Bieber communicate and develop their relationships with their fan base using social media. Drake and Bieber use a variety of tools, such as blogs, Tweets, and videos, to develop and maintain their connection with fans.

Questions for Critical Thinking

1. How would you improve Drake’s or Justin Bieber’s web presence?
2. What is another type of business that could use the internet to improve communications between participants?

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Case 1B Vancity: On Top of Its Game

What makes a great organization? Well, if winning multiple national awards is a positive signal, Vancity Credit Union is definitely on the right path! In 2018, Vancity was named one of Canada’s top 100 employers, top family-friendly employers, and greenest employers. What does Vancity do right to deserve all this external recognition?

Keeping Employees Happy and Healthy

This Vancouver-based cooperative was founded in 1946; it began with only \$22 in total assets, aiming to lend money to those the banks ignored. Today it is Canada’s largest credit union, with over 600,000 clients, 2,627 employees, and more than \$36 billion in assets.

As a member-owned credit union, it provides a complete range of financial services to its 525,000 members. Vancity continues to be committed to its original purpose and values: working with people and communities to help them thrive and prosper, all the while operating with integrity, innovation, and responsibility.

Vancity acknowledges that a healthy and committed workforce is the reason it is able to sustain productivity and financial success within a competitive industry. Vancity provides its employees with the opportunity to help set corporate policies and procedures that impact both their work and home life. At work, employees enjoy business casual dress, listening to music while they work, participating on Vancity sports teams, and attending a host of social events.

Vancity has other family-friendly programs as well. For example, the cooperative understands that if an employee has a young child, it may be necessary to build a workday that allows for flexibility. This positive approach recognizes the challenges of balancing work and life commitments and empowers employees to create the right environment to thrive at both.

The organization offers several alternative work options, including telecommuting, flexible hours, shortened workweeks (fewer hours with less pay), and compressed workweeks. Employees are given full pay for working 35 hours a week.

Over the years and primarily driven by employees' desire for personal development, Vancity has initiated a number of programs to help employees adopt a plan for a healthier life. Programs have included opportunities to work with employee assistance program providers to develop personal plans for health and wellness.

Vancity offers a competitive pay and benefits program that includes dental and life insurance, three to six weeks of annual vacation, maternity and paternity leave top-ups, and care days that can be used for personal and family illness or injury. Other rewards include tuition reimbursement, retirement planning, and reduced rates on personal financial services such as mortgages and loans. Employees also have a chance to attend Vancity's cooperative studies program in Italy, where co-ops are well established.

Vancity has a young corporate culture—the average age of its employees is 40, and 94 percent of its new recruits are under 40. Even its former CEO, Tamara Vrooman, was only 39 when she took the helm in 2007 (she served until July 2020, after which Christine Bergeron took over). The cooperative once threw a party for 2,200 employees and guests, and hip-hop dancers and a slam poet entertained the crowd until 3 a.m. Young employees organized the event for their peers. “We’re interested in creating energy, we’re interested in having people connect,” Vrooman says. “And young people tell us that’s an important part of the entire employee experience that they come to Vancity to enjoy.”

There are some challenges in human resources, too. Every year the cooperative surveys employees, and it did not meet its targets for employee engagement for three years in a row, which it blamed partly on workforce and budgetary reductions. The employee engagement target is set at 75 percent, but in those years it did not reach beyond 64 percent. “The Executive Leadership Team’s compensation is tied to achieving this significant stretch target, reflecting how important it is we improve employee engagement and their pivotal role and responsibility in making this happen,” Vancity said in its annual accountability report to members.

In response to the first disappointing employee survey, the cooperative held focus groups with 120 employees, who said

they were concerned, among other things, that individual goals were not aligned with those of the organization; that work processes, tools, and resources were not streamlined to improve efficiency; and that managers lacked support to manage performance effectively. To re-engage employees, Vrooman said Vancity would increase investment in training and development, renew the organization’s IT infrastructure, and provide employees with growth opportunities by focusing on new areas. Among other things, the organization examined its process for conducting employee performance reviews; as a result, it clarified the process, told managers to focus on ongoing employee coaching, and provided employees with online training and support materials to help them improve in areas identified during their performance reviews. It then planned on examining its monetary and nonmonetary compensation strategies.

Keeping the Organization Healthy

Vancity uses a triple-bottom-line business model; it is driven to achieve financial success but also focuses on environmental and social sustainability. Vancity is in a healthy financial position with rising membership because it takes an innovative approach in serving the financial needs of its members. It was the first Canadian financial institution to offer mortgages to women, the first to use traditional media to market directly to the LGBTQ+ community, the first North American credit union to receive an R1 rating from DBRS Morningstar, and the first financial institution to offer its own socially responsible mutual fund.

Vancity’s vision to achieve positive social change has succeeded through a number of programs, such as one called Shared Success. Through this program, Vancity gives back a significant portion of net profits (generally 30 percent) each year to members and to communities. Since the program was introduced, a total of \$221 million has been shared with members and redistributed as community grants and other funding initiatives. Among the grant recipients was Just Beginnings Flowers, a not-for-profit florist that provides jobs to people with barriers to employment, which was selected to provide victory ceremony bouquets for the 2010 Winter Olympics in Vancouver. Other successful Vancity programs include its Pigeon Park Savings program, which provides banking services to the poor, and Each One, Teach One, which trains selected employees to teach basic financial literacy skills to newcomers to Canada.

A focus on giving back to the community makes decision making in a credit union more challenging, since maximizing shareholder profit is not the only goal. Vancity managers take leadership training in values-based decision making. An employee survey found that 95 percent said they feel great about the organization’s corporate social responsibility approach.

“What makes a credit union is that we are community-based,” Vrooman says. “We make decisions locally, we get to know our members, we live and work where they live and work, and when you start to expand beyond that we need to make sure that we keep the key thing that differentiates us from a large bank, which is the local decision-making. That’s the biggest challenge: how to keep the credit union niche while you grow.”

Starting in 1995, before doing so was popular, Vancity focused on its own environmental performance. Vancity achieved its target of being the first carbon-neutral North American-based

financial institution. Through its climate change strategy, Vancity has supported innovative partnerships involving public transportation and green building projects. It also invests in organizations doing climate change work.

The organization is also a strong supporter of women. For example, among its 2024 board of directors, six of nine directors, including the chair, were women.

Banking on the unbankable is one of the cornerstones of the Vancity story, and today this financial institution continues to look for ways to improve. Vrooman, who was given an accolade herself by being named by the *Vancouver Sun* as one of British Columbia's most influential women in business, says, "We're owned by our members, who have a say in the way our organization is run and a vested interest in how we do things, and we're accountable to them to deliver positive financial, social and environmental returns." And deliver they do—that and win awards!

Questions for Critical Thinking

1. What is Vancity's competitive advantage over other types of financial institutions?
2. Who are Vancity's stakeholders, and what value does the organization create for them?

3. Vancity's financial position allows it to take innovative approaches to meeting the needs of its members. If you were a competitor, would you try to emulate Vancity's innovative approach? Why or why not?

4. What new initiatives is Vancity Credit Union undertaking right now for its employees and members?

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