

# 200911 Enterprise Innovation & Markets

---

## Chapter 1 – Business Markets and Enterprise

### WHAT IS BUSINESS?

- Business consists of profit-seeking activities and enterprises that provide goods and services necessary to an economic system.
- **Profits:** rewards earned by business people who take risks to create and market want-satisfying goods and services. To accountants, it is the differences between revenue and expenses.
- NFP Organisations place public service above profits; commonly exempt from taxes.
- At the heart of every business endeavor is an exchange between a buyer and a seller.

### FACTORS OF PRODUCTION

- Four basic inputs for successful operation of an economic system:
  1. Natural resources
  2. Capital - technology, tools, information, and physical facilities
  3. Human resources - physical labour and intellectual inputs
  4. Entrepreneurship - willingness to take risks to create and operate a business

FACTOR OF PRODUCTION	CORRESPONDING FACTOR PAYMENT
Natural resources	Rent
Capital	Interest
Human resources	Wages
Entrepreneurship	Profit

### THE PRIVATE ENTERPRISE SYSTEM

- Case Study: Live Nation Entertainment
- [US] Businesses function within the **private enterprise system**: economic system that rewards firms for their ability to identify/serve the needs and demands of customers. It minimizes government interference in economic activity.
- Another name for the PES is **capitalism**. Adam Smith, identified as the father of capitalism, first described the concept in his book in 1776. Smith believed an economy is best regulated by the "invisible hand" of **competition**. He thought 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.