



# Corporate Economics

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**Organization as a part of  
national economy**



## **Content:**

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- **Economy and economic principles**
- **Concept of organization**
- **Organization and economical system**
- **Typology of organization**



# *1. Economy and economic principles*

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Corporate economics = constituent part of economical science

**The common object of research and description of economic science is economy.**

Economy = the area of human activity which concerns the satisfaction of human needs.

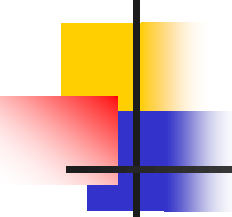
**Human needs** are nearly unlimited.

X

**GOODS** (the means by which it is possible to meet these needs)

are fundamentally scarce and limited.

The difference between unlimited needs and limited goods forces a person to behave economically.



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**Economic activity = the using of available resources to achieve the greatest possible satisfaction.**

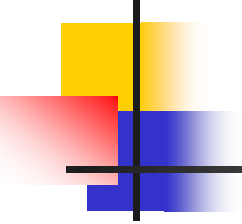
Need to make decisions:

- Production of goods
- consumption of goods.

The object of production:

material goods (products)

immaterial goods (services).



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Economic behavior is subject to general  
the **principle of rationality**:

„Particular benefit (aim) must be achieved with  
the least number of offer (with minimum  
spending).“

The economy has the principle of rationality  
form of economic principle, respectively,  
the principle of economy.

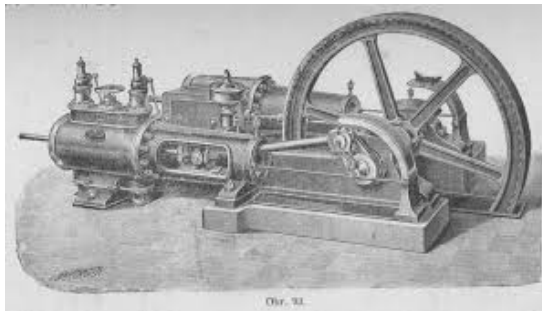
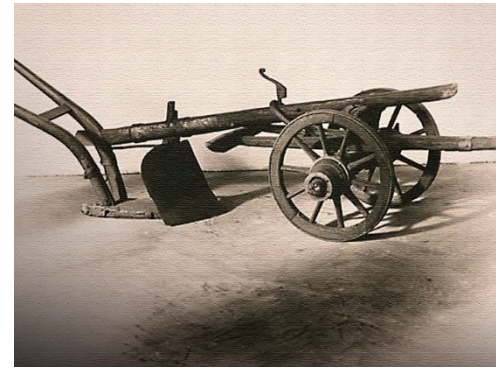


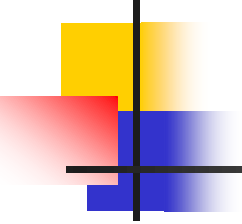
# Factors of production

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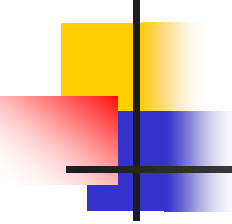
- Basic factors of production : Land, labor, capital.
  - *Primary factors*: land, labor, and capital goods
  - *Secondary factors*: material and energy ( are obtained from land, labor and capital)
- The number and definition of factors varies, depending on theoretical purpose or economic school.
- Recent authors add the list of factors of production with - knowledge, information, human capital, skills etc.
- Productivity - is expressed as the ratio of output to inputs (factors of production) used in a production process, i.e. output per unit of input

# Productivity



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- How is the productivity connected with organisation?
  - <https://www.youtube.com/watch?v=r211u89eUaY>





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**The principle of economy** (the economic principle) is a **purely formal principle** - it does not indicate anything about the aims and motives of the action.

The business entity can not only seek profit, but for example:  
improving the supply of goods to the customers  
gaining economic power or political influence  
increasing market share, ...

*"The economy is a sum of all planned human activities that are carried out on an economic principle (the principle of economy) and whose purpose is to satisfy (unlimited) human needs with limited goods."*



## *2. The concept of organization*

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The process of producing goods and providing services, selling goods and services and consuming them takes place in organized economic units - **self-management units** (stand-alone economies).

Self-managed units

**production units**

(companies)

**consumer units**

(private households and public budgets)

**Consumer units**

generate demand for goods and services -> provide an important basis for marketing decision-making (eg decision-making on sales quantities or types of distributed goods).

## Princip racionality

Obecná formulace	Princip hospodárnosti (ekonomický princip)		Optimalizace rentability		
	Produktivita (kvantitativní nebo technická hospodárnost).	Hospodárnost (hodnotově vyjádřená hospodárnost).	Maximalizace rentability celkového kapitálu.	Maximalizace rentability vlastního kapitálu.	Minimalizace nákladů cizího kapitálu.
$\frac{\text{cíl}}{\text{prostředky}} = \frac{\text{užitek}}{\text{obět'}}$	$\frac{\text{kvantitativní výnos (získané množství)}}{\text{kvantitativní vklad (množství použitých faktorů)}}$	$\frac{\text{hodnotový výnos}}{\text{hodnotový vklad (prostředky)}}$	$\frac{\text{zisk} + \text{úrok} = \text{cizího kapitálu}}{\text{celkový kapitál}}$	$\frac{\text{zisk}}{\text{vlastní kapitál}}$	$\frac{\text{úrok} = \text{cizího kapitálu}}{\text{cizí kapitál}}$
Optimálního cíle má být dosaženo daným vkladem prostředků.	Maximálního kvantitativního výnosu má být dosaženo daným množstvím faktorů.	Maximálního hodnotového výnosu má být dosaženo daným vkladem.	Maximálního celkového výnosu (zisk+úrok z cizího kap.) má být dosaženo daným vkladem celkového kapitálu (vl. kap. + cizí kap.)	Maximálního zisku má být dosaženo daným vkladem vlastního kapitálu.	Minimální výše úroku z cizího kap. má být dosaženo při daném vkladu cizího kapitálu.
Stanoveného cíle má být dosaženo minimálním vkladem prostředků.	Stanoveného kvantitativního výnosu má být dosaženo minimálním množstvím faktorů.	Stanoveného hodnotového výnosu má být dosaženo minimálním vkladem.	Stanoveného celkového výnosu (zisk + úrok z cizího kap.) má být dosaženo s minimálním celkovým kapitálem (vlastní + cizí kapitál)	Stanoveného zisku má být dosaženo s nejnižším možným vkladem vlastního kapitálu.	Stanovené sumy úroků z cizího kapitálu má být dosaženo z co největší výpůjčky cizího kapitálu.



# Organisations

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= **Planningly organized economic unit in which goods and services are produced and distributed (consuming, selling).**

These organizations are divided into:

**businesses** (both private and public);

**consumer economies** (private households and public budgets).

**The corporate economy** is the behavior and therefore the decision-making process in the enterprise. This includes deciding on:

business objectives

construction of a business

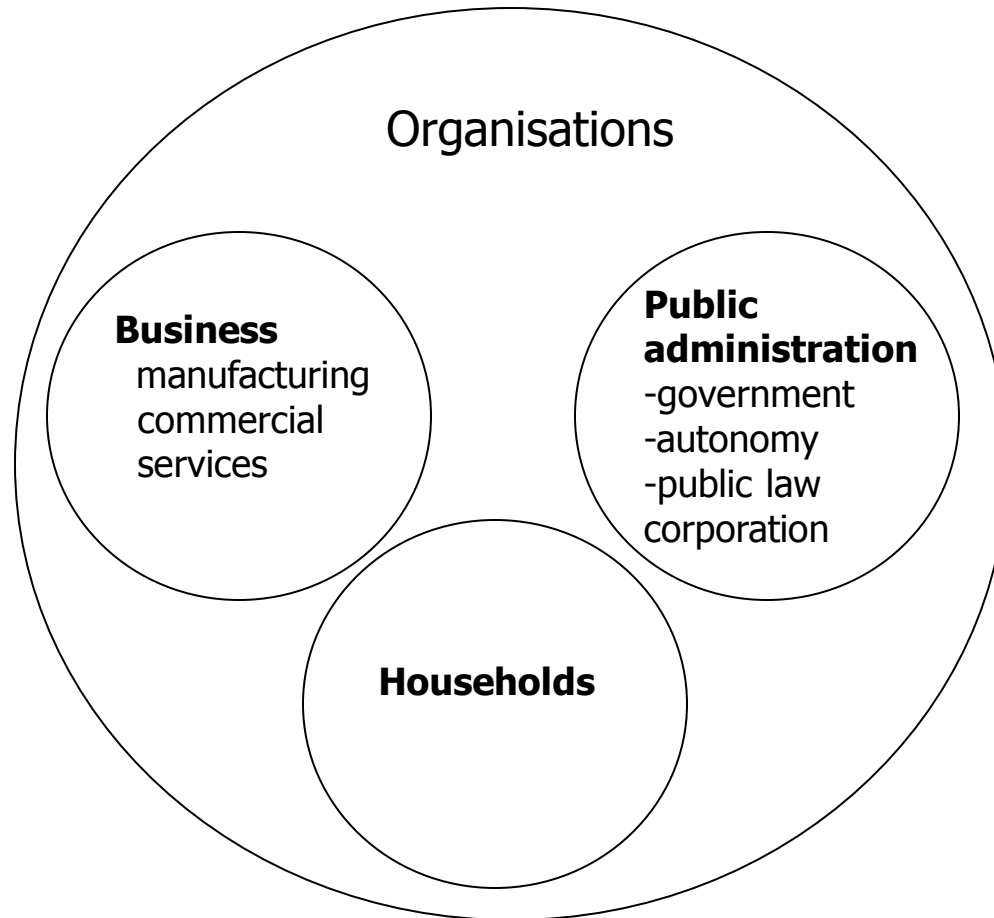
how to make and enhance performance.

=> all decisions on the use of factories in an enterprise to achieve the goals set

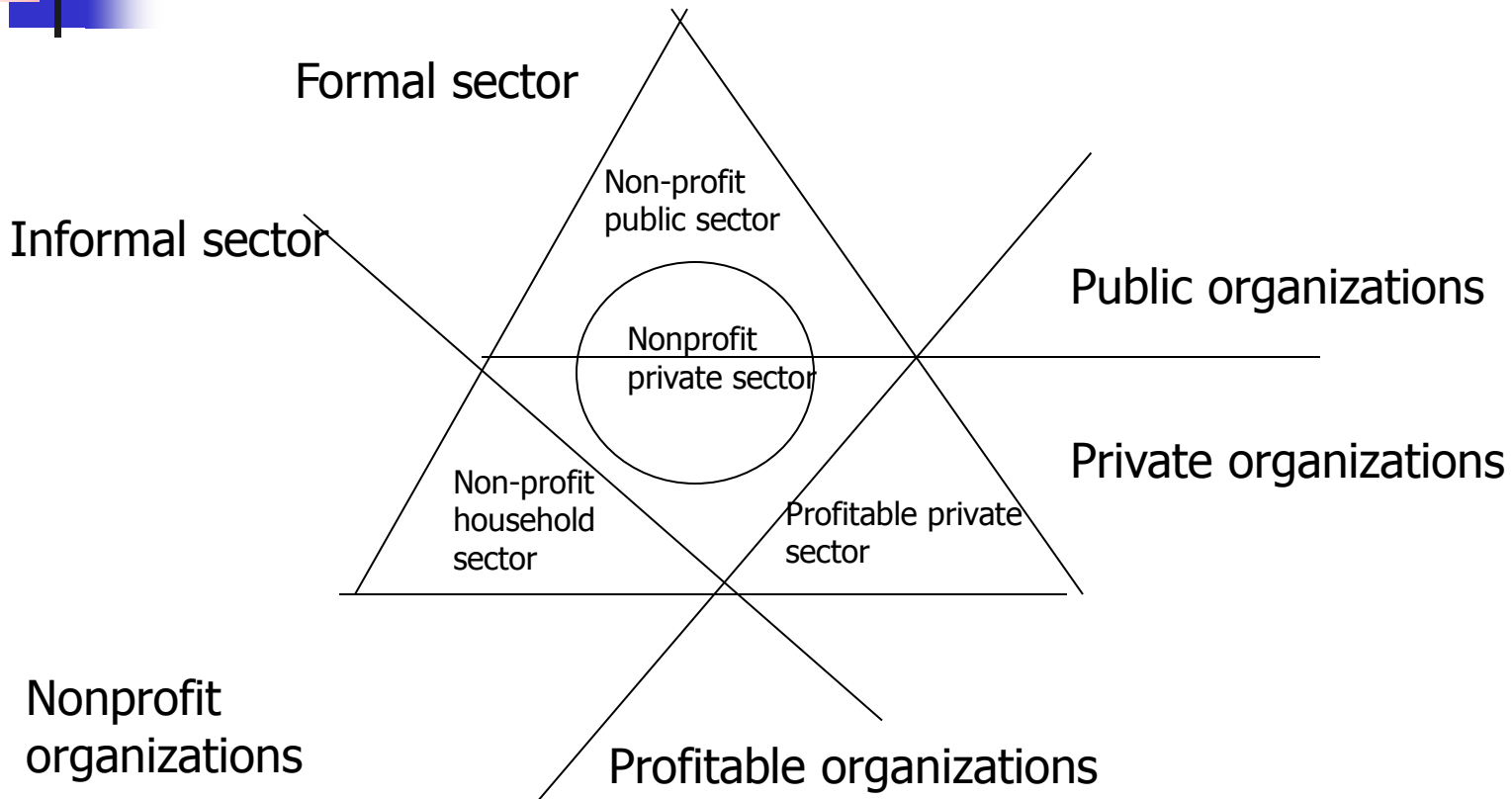


# Organisations - Typology

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# Organisations – other typology





## *3. Organization and Economic System*

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### **Organization**

- in the central planning system
- in the market system.

### **Business characters**



#### **Systemically indifferent**

- ✓ **Combination of factors of production**
- ✓ **The principle of economy**
- ✓ **The principle of financial equilibrium**

#### **System-based**

- **Principle of autonomy**
- **Earnings principle**
- **The principle of private ownership**



# Central planning vs free market economy

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- [https://www.youtube.com/watch?v=Ve6K10-Yx\\_M](https://www.youtube.com/watch?v=Ve6K10-Yx_M)



Faktory nezávislé na  
hospodářském systému

Faktory závislé na  
hospodářském systému

Výrobní  
faktory (práce  
- hmotný  
investiční  
majetek -  
materiál)

Princip  
hospodárnosti

Finanční  
rovnováha

Podnik

A.  
Tržní  
hospodářství  
(autonomní  
podnik)

B.  
Plánované  
hospodářství  
(podnik =  
výkonný orgán  
národního  
hospodářství)

Autonomní určová-  
ní hospodářského  
plánu  
(princip autonomie)

Výdělečný princip  
(maximalizace  
zisku)

Princip soukromého  
vlastnictví

Centrální  
národohospodářský  
plán

Princip plnění  
plánu

Princip  
společenského  
vlastnictví



# System-indifferent characters

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## **1. Combination of Factors of Production** - Manufacturing Factors (Manufacturing)

Factors:

- Executive work
- dispositive work
- tangible fixed assets
- material

**2. The principle of economy** - resource limitation and unlimited needs => the organization must submit its actions to the economic principle, respectively, the principle of the minimum or principle of maxima.

**3. Principal of financial equilibrium** - An organization may only exist for a long time if it is able to meet its payment obligations within the specified deadlines.



# System-based features (for market economy)

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## **1. Principality of autonomy:**

- The organization determines its production and sales plans itself, based on the market situation, without any interference from the state.
- It is governed by the factors of production factors, event. the prices at which the goods can be sold on the sales market.
- These prices express in the market system the limitation of production factors and manufactured goods.

## **2. The principle of profitability:**

- The reason for doing business = to maximize profit by producing and selling performances (not necessarily for public enterprises or organizations).
- The organization is based on applicable law and information on purchasing and sales markets.



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### **3. Principle of private ownership (applies to businesses):**

- The means of production belong to the persons who provided their own capital
- Entitlement to exclusive decision-making is immediate (executive entrepreneur) or mediated.
- Managing decisions may be taken by owners not by their owners (such as the board of directors of the joint stock company) or by senior executives on behalf of owners under statutory or contractual arrangements.

#### **The advantages of the market economy system**

- personal liberty given by the guarantee of private property, private inheritance law and the autonomy of the enterprise.
- technical progress is being used immediately
- profit principle increases motivation and efficiency



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## **Public enterprises** (enterprises of the state or municipalities)

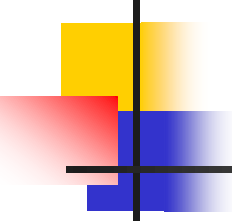
- the principle of the autonomy of the economic plan and the principle of profitability are often abolished, or restricted and replaced by:
  - an effort to achieve a **reasonable profit**,
  - efforts to cover the costs with income.



# Weaknesses of the market system

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- 1. Tendency to concentration** - The company successful in market competition is growing and pushing its less successful competitors. The process of concentration limits the market competition to eliminate it.
- 2. Trends in unequal distribution** - The market system is based on the differentiation of income from work by performance and income from the invested own capital, according to the rate of profit. It allows large income differences between individuals that lead to unequal distribution of property
- 3. Trends in cyclical fluctuations** - Differences between supply and demand are offset by cyclical fluctuations - boom in surplus, price increases, over-employment and inflation, and in the period of recession of production decline, rising unemployment, decreasing living standards, ...



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**Removing the weaknesses of the market economy - system-conforming (system-adapted) legislative intervention by the state**

- ensure the functioning of the market competition
- remove the system's immanent (system-specific) weakness. Eg: the law on the protection of competition
- Legislative adjustments to income distribution and guarantees (eg income tax, labor protection, asset management, etc.) correct the unequal distribution of income and wealth



## *4. Typology of organizations*

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### **The most important sorting characteristics:**

- By sectors and economic sectors
- Depending on the type of performance
- Depending on the way of performance (only businesses)
- According to the predominant factor of production
- The size of the organization

### **Other sorting points:**

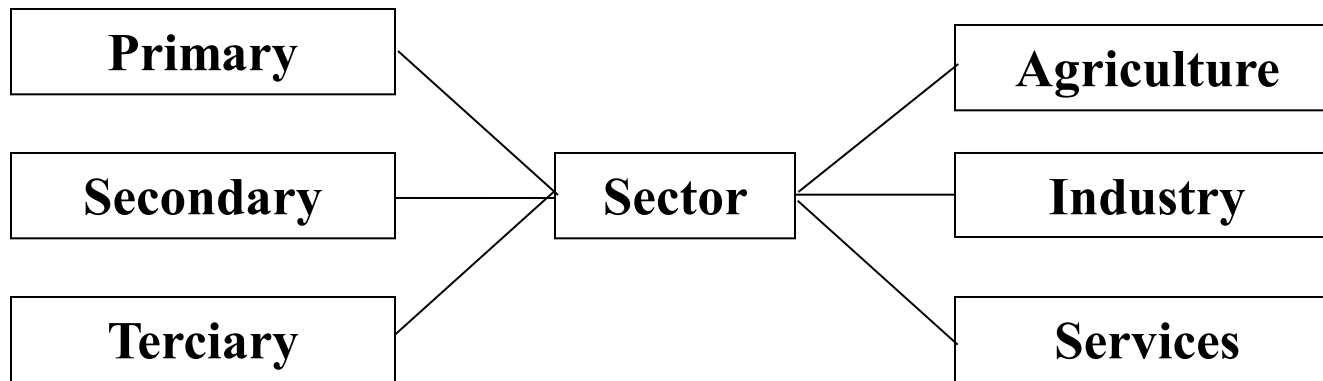
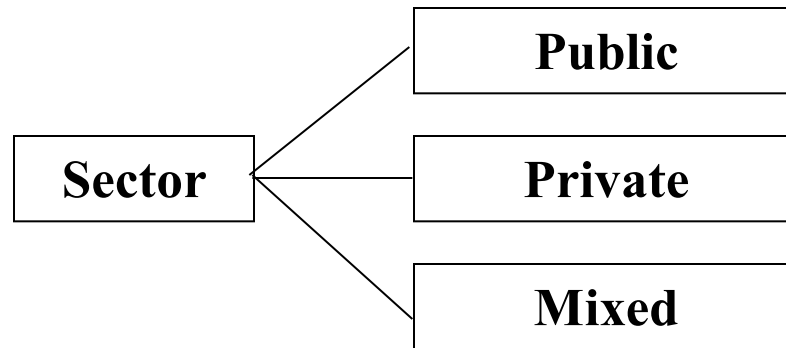
- dependency on the site
- mobility
- organizational legal form of business (enterprises only)





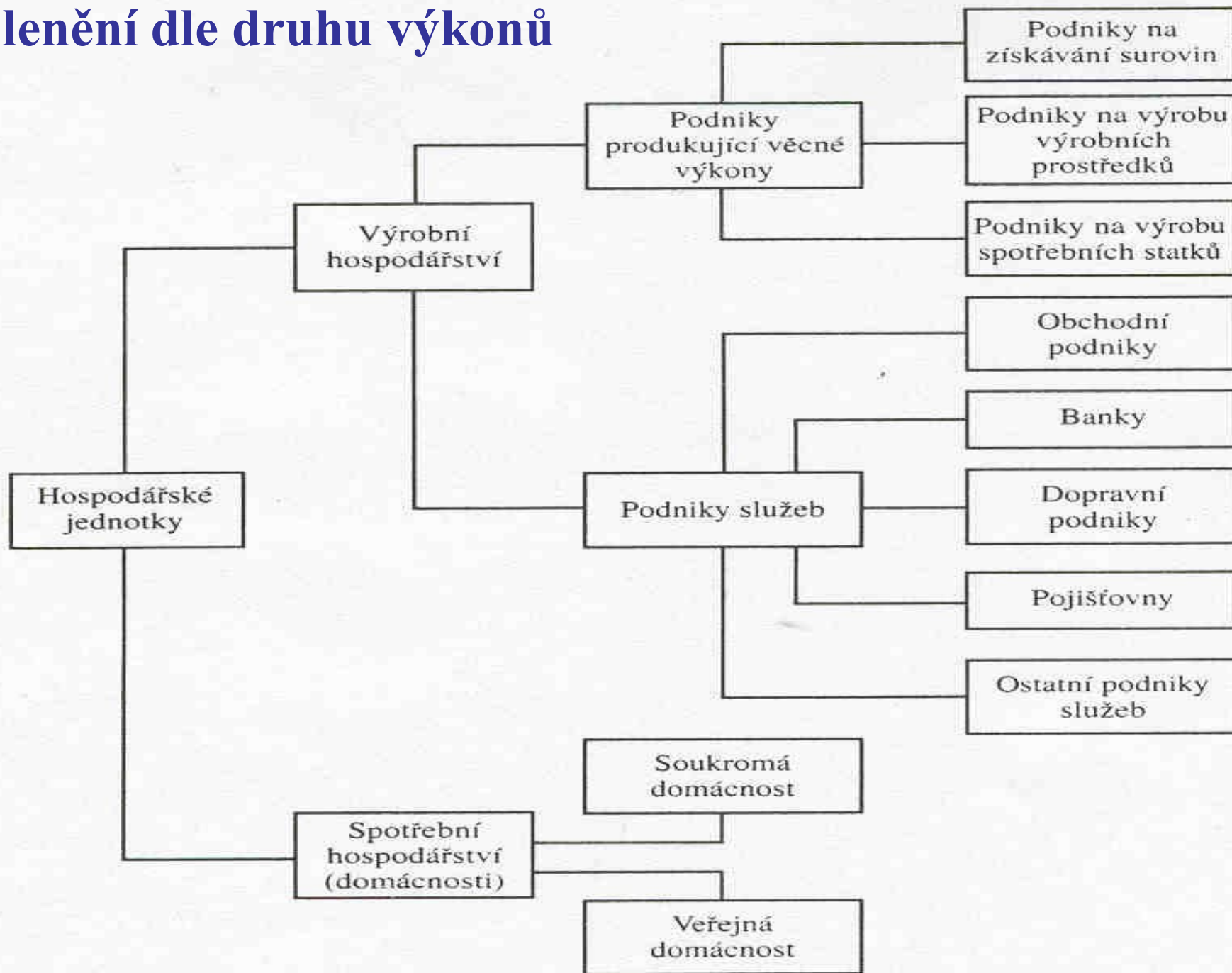
## Breakdown by sectors and economic sectors

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In CZ the breakdown of industry, agriculture and services by CZ-NACE - sectoral classification of economic activities

# Členění dle druhu výkonů





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## **Segmentation according to the manufacturing method of performance**

- according to production principles (production types)
  - Based on repeatability of production
- according to production methods (organizational types of production)
  - Based on the differences in the way the machines are placed, respectively. of the differences in the organization of workplaces.

## **Breakdown by dominant production factor**

- **labor intensive**
- **investment-intensive**
- **material intensive**

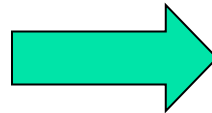


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## Breakdown by size

Breakdown criteria:

- Number of employees
- turnover
- size of property, ...



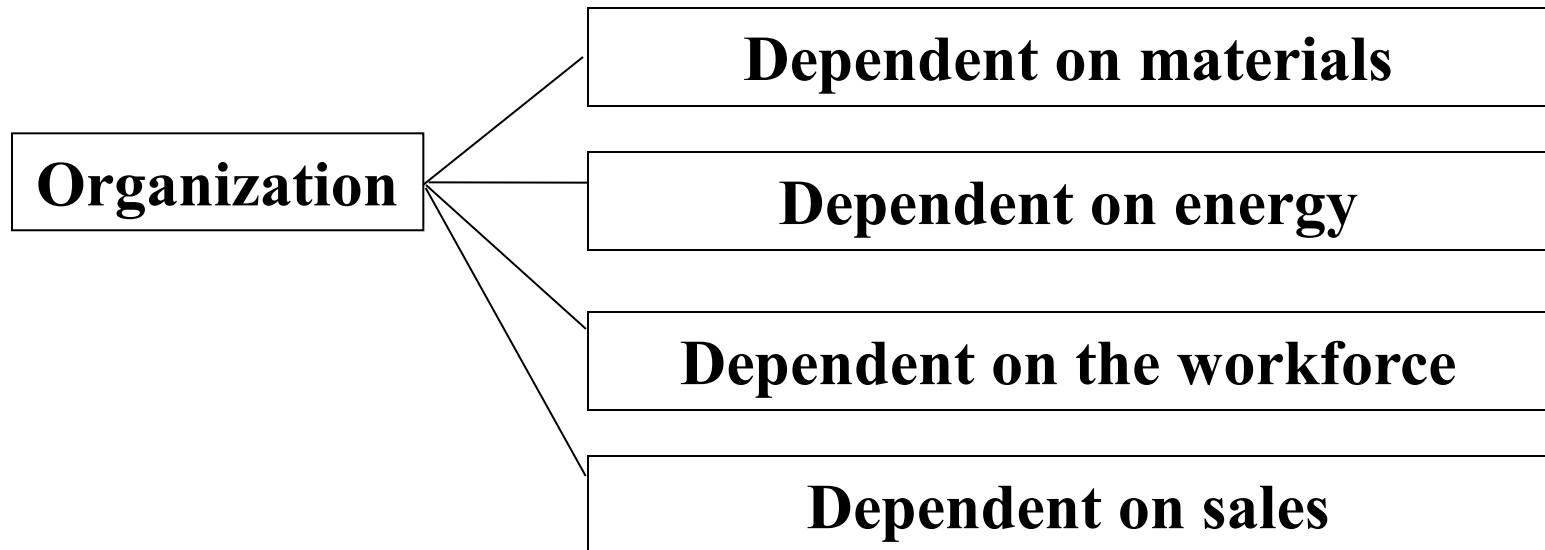
Organization:

- small
- medium
- large



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## Breakdown by site dependence



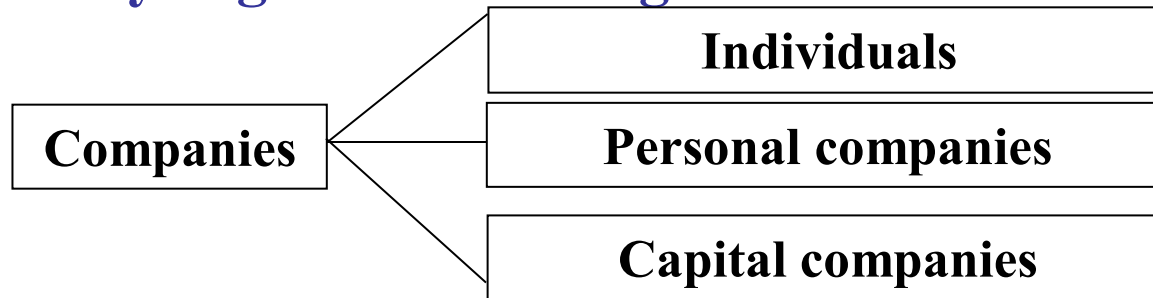


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## Breakdown by mobility

- companies wholly or partly linked to the site
- mobile companies.

## Breakdown by organizational-legal form



### Criteria:

- Liability - Limited x Unlimited
- the tax burden
- funding opportunities



# Breakdown of public sector organizations

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## **Criteria used:**

- Character of goods (private, public, mixed)
- Financial flows (to institutions, to population)
- Founder (municipality, state administration, statutory)
- Functions (economic, social, political, ethical)
- Share of property ownership (private, municipal, state)
- Requirements (production, final - social or individual)