

# [Factors of production land labor capital and entrepreneur](https://assignbuster.com/factors-of-production-land-labor-capital-and-entrepreneur/)

The science of business activity says that there are four major factors of production: Land, Labor, Capital and Entrepreneur. The entrepreneur is ultimately responsible for organizing and allocating all other factors of production. When a business activity is set up, the resources are generally allocated according to functional departments namely Production, Marketing, Accounting and Finance, and Human Resource. The larger a firm, the more functional departments it is likely to have. What needs to be noted here is that the objective behind dividing the whole organization into departments is to ensure the efficient utilization of resources. In the older times, there was little concept of having a Human Resource department in organizations. However, as the field of management sciences evolved, the function of Human Resource began to attract attention and importance. This is because, a human resource, or employees in simple words, are as much of an important asset to an organization, as any other fixed resource. It is these human resources that come together to work and contribute towards the efficient management and utilization of all other resources and thus the efficiency of overall organization.

While larger firms have began to recognize the importance of it human resources, smaller firms still tend to ignore the fact that the efficiency if their human resource is an ultimate contributor to the efficiency of their organization. They tend to ignore the fact that the efficiency of human resource is directly related to human mind, which needs to be motivated in order to give the required results.

As the field of human resources began to gain importance, the subject began an important academic discipline and consequently attracted attention from academic researchers. This led to the emergence of a whole new discipline of organizational behavior. As simple as it seems, the field of organizational behavior involves many complexities and highlights how people, individual and groups act within an organization. It takes into account several factors that might affect that efficiency of the workforce, such as motivation, leadership, communication, managerial skills, conflict management, and most importantly, the overall organizational structure. When it comes to workforce management, out of all elements of organizational behavior, leadership has emerged as the most important one. This does not mean that all other elements have little importance. The reason why leadership is given more importance is that it is the leader who supervises, manages and deals with all other behavioral elements pertaining to his workforce.

While in larger organizations, the role of leadership can be taken up by departmental heads, supervisors and project heads, however, in smaller firms, the entrepreneur himself takes the role of a leader. It is his leadership skill that directly contributes to how motivated and efficient his workforce is going to be. Generally, despite of a much smaller workforce, the employees in smaller firms are found to be more mismanaged, inefficient and demotivated than those in larger firms. This is because the entrepreneur ignores the need of giving his workers, a sense of importance, and he tends to maintain a more autocratic leadership style. This often leads to demotivation and thus, inefficiency of work force. The same problem was faced by JayDee Consultancy, an accounting firm located in Nashville, TN.