

Cheat Sheet: Business in Society

Essential Concepts

What Is Business?

We defined business as any kind of organization or action that creates goods or provides services. While it is usually undertaken with making a profit as the main goal, this isn't always the case.

For-profit businesses focus on earning a profit. They are concerned with the company's well-being and success above all else. Non-profit organizations, on the other hand, are more goal-oriented. They are concerned with communities or members. Instead of focusing on earning money, non-profit organizations (NPOs) focus on their customers and their needs (e.g., credit unions, sports clubs, human service programs, aid, and development programs).

Factors of Production

In order to produce services or goods, a business needs four resources: land (or other natural resources), labor, capital, and entrepreneurship. Natural resources are defined as resources found in nature unaltered by man; these include oil, wind, trees, and so on. Labor can be divided into two general categories: physical labor and mental labor. Both kinds of work are necessary for success. Capital includes things created by human beings that are used to make other goods: power tools, computers, and even art (which can be used to create museums or art shows). Money is not considered to be capital. An entrepreneur is the person who starts the company or business—without them, the business would not exist to begin with.

Who is Involved in a Business?

Businesses are made up of functional areas—different activities that need to be done to maintain the business. These include management, operations, marketing, accounting, and finance. Management ensures employees are on task and that each employee is being leveraged in the way that makes the business most efficient. Operations watches over production and ensures quality of product. Marketing brings in customers, both by making the business look appealing to customers and by taking customer feedback to improve the business. Accounting keeps track of the money currently coming in and the money currently being spent. Finance plans for future expenses and income.

There are two kinds of stakeholders (individuals who have a vested interest in a company): internal stakeholders and external stakeholders. Internal stakeholders include employees, managers, and owners. These individuals are vested in the company, because they directly depend on it for income. External stakeholders include customers, shareholders, creditors, suppliers, and others. These people have a legitimate interest in the company for various reasons and can all be affected by actions that the business takes.

External Forces Affecting Business

A business is not just influenced by itself—everything in the world around it can impact a business. A business may create a fun new toy, but if the economy is suffering, and consumers aren't buying a lot of things they do not need, then the business most likely won't succeed. Business can be affected by the economy, consumer trends, government regulations, and many other things.

Career Connection: Hard vs. Soft Skills

Career skills for business involves two categories: hard skills, which are job-specific skills acquired through education or experience, and soft skills, which are personal attributes like interpersonal skills and problem-solving abilities that are valuable in any job setting.

Glossary

accounting

responsible for accurately representing the financial transactions of a business to internal and external parties, government agencies, and owners/investors; provide managers with information needed to make decisions about the allocation of company resources

business

any activity that provides goods or services to consumers for the purpose of making a profit

capital

a resource that has been produced but is also used to produce other goods and services; money is not capital because money by itself does not produce an output the way that a machine can

career competencies

skills that are important for the job market

controlling

ensuring activities within the business are on track to achieve its goals

corporate social responsibility

a commitment by businesses to behave in an ethical way by supporting charitable causes and contributing to local communities, adhering to ethical standards in their treatment of workers and others, and adopting environmentally responsible practices

creditor

supplies financial capital, raw materials, and services to the business and wants to be paid on time and in full

customer

want the business to produce quality products at reasonable prices

demography

the study of people's vital statistics, such as their age, gender, race and ethnicity, and location; helps companies define the markets for their products and also determine the size and composition of the workforce

economic factors

include factors such as growth of the economy, recession, inflation, real estate prices, unemployment, and economic conditions in other countries

entrepreneurship

a special form of labor provided by a person who is willing to risk his or her time and money to start or run a business

environmental factors

changes to the physical environment

external stakeholder or interested party

groups outside a business or people who don't work inside the business but are affected in some way by the decisions and actions of the business such as customers, suppliers, creditors, the local community, society, and the government

factors of production

resources used to produce goods and services

finance

planning for, obtaining, and managing a company's funds

for-profit business

a business that provides goods or services to consumers and its primary goal is to return a profit to the owners of the business

free trade

allows goods and services to flow across international borders more efficiently and cheaply

goods

tangible items

hard skills

job-related skills that you acquire through education or experience.

inputs

another word to describe resources used in production

internal stakeholder or interested party

groups or people who work directly within the business, such as managers, employees, and owners

labor

any human input (paid or unpaid) involved in the production of a good or service; can be physical or intellectual

leading

managers take charge in practical ways like leading teams or groups but may also serve in symbolic ways in representing the organization when interacting with the community, customers, and suppliers

legal factors

regulations, laws, and liabilities that companies must navigate in order to stay in business

loss

the condition that happens if the expenses of the business are greater than the revenue or income generated from operations

management

primary role of managers in business is to supervise other people's performance

marketing

everything that a company does to identify customers' needs and design products and services that meet those needs; also includes promotion and developing pricing strategies

natural resources

resources that are found in nature and can be used to produce goods and services; people can use them but not make them

nonprofit or not-for-profit business

a business that provides goods or services to consumers, but its primary goal is not to return profit to the owners of the business

operations

inputs (factors of production) are converted into outputs (goods and services); operations controls the supply chain, including procurement and logistics

organizing

arranging the operations of a business in the most efficient way to enable the business to use its resources effectively

outputs

goods or services that are produced

planning

setting long-term goals for the business, as well as short-term strategies needed to execute those goals

political factors

include government policies that affect businesses

profit

the amount of revenue or income that a business owner retains after paying all the expenses associated with the operation of the business

research and development

scientists, thought leaders, subject matter experts, and industry analysts provide the organization with knowledge and ideas to keep up with, and ahead of, the competition

sales

finalizing transactions with customers that create revenue coming into the business that is necessary to operate profitably

service

an action or work performed

shareholder

have invested in the business and want the business to remain profitable and provide a return on their investment

social factors

encompasses the values, attitudes, beliefs, wants, and desires of the consuming public as well as demographics

soft skills

personal attributes or character traits that can help you at any job.

stakeholder or interested party

an individual or group that has a legitimate interest in a company, organization, or business

suppliers

need the business to continue to buy their products in order to maintain their own profitability

technological factors

businesses must constantly reconsider the tools they use to reach customers, produce their products, and provide their services; includes factors a business must consider to do better than competitors such as the development of new technologies

value

the relationship between the price a customer pays for the good or service and the perceived benefits the customer receives in exchange for their time and money