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chapter

Business Basics

Better Business

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Basic Business Definitions

- Businesses: sell goods and services to earn profit
- Profit
= Revenue – expenses
- Nonprofit organizations
- Good
- Service



Benefits of Businesses

- The proprietor benefits from earned profits.
- Society benefits from goods and services provided.
- Communities benefit from the employment opportunities.
- Businesses contribute to the quality of life by creating higher standards of living for society.

The Factors of Production

- Labor
- Natural resources
- Capital
 - Real
 - Financial
- Entrepreneurs
- Technology



How Does Competition Influence Business?

Competition forces companies to

- Improve their product offerings
- Lower their prices
- Promote their brands
- Focus on customer satisfaction
- Seek workers with interpersonal, communication, and decision-making skills

How Does the Social Environment Affect Businesses?

An aging population

- Business opportunities
- Providing for retirees

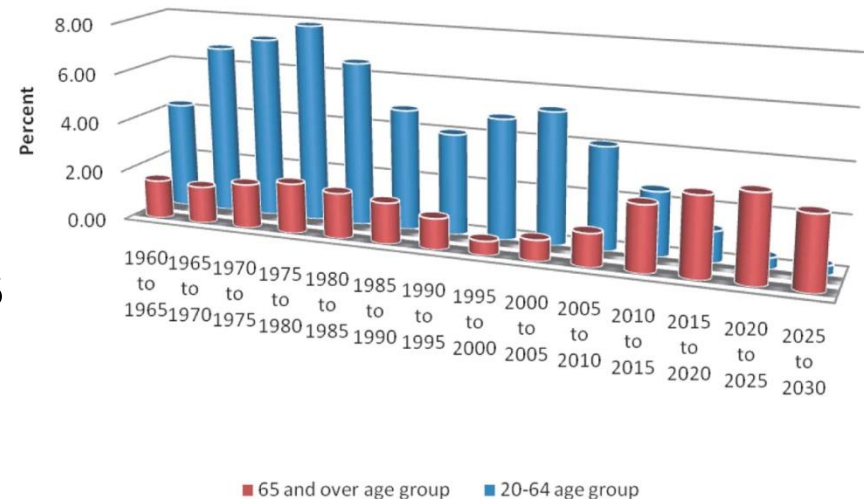
Increasing diversity

- Workforce development
- Consumer demographics

The Green Movement

- Environmental concerns
- New product opportunities

Change in Workforce and Retired Age Groups



Globalization

- Multinational enterprises
- Off shoring
- Benefits to the U.S. economy
 - Lower prices for goods
 - Increased competition stimulates innovation
- Risks to the U.S. economy
 - U.S. jobs lost to overseas workers
 - Increased competition
 - Fluctuation in the dollar value
 - Security and patent protection concerns
 - Unstable political climates in foreign countries

Technological Changes

- Technology is expensive and time-consuming.
- Benefits include lower costs and improved productivity, security, and communications.
- Telecommuting, teleconferencing and other tools help human relations and globalization.
- The Internet aids company operations.
 - E-commerce (B2B and B2C) streamline sales.
 - Businesses must provide online security and privacy

Types of Businesses: Local and Regional

- Managing money is the most significant special challenge of these businesses
 - Poor financial planning
 - Undercapitalization
 - Taxes and insurance costs



Types of Businesses: National

- A national business has several outlets throughout the country
- Special challenges
 - Finances
 - Laws that vary from state to state
 - Supply chain management



Types of Businesses: Multinational

- Special challenges
 - Different countries' laws
 - Cultural differences
 - Business hours
 - Workweek schedules
 - Values and customs
 - Wage differences
 - Language barriers
 - Economic differences



Types of Business Ownership

Comparisons of Business Ownership Forms				
	Sole Proprietorship	Partnership	Corporation	Limited Liability Company
Business Documentation	None	Written or oral agreement	Articles of incorporation	Articles of organization
Risk	Unlimited liability	Unlimited liability	Limited liability	Limited liability
Taxes	Taxed as personal income	Taxed as personal income	Separate filing, double taxed	Taxed as personal income (can vary)
Management	Owner manages all business	Partners share management	Managed by owners and shareholders	Managed by members

The Players in Business Ownership

Corporate stakeholders include employees, shareholders, investors, suppliers, and society at large

- Some stakeholders are only remotely affected by the business

Sole proprietorships usually have fewer stakeholders than large corporations

Taking Business Personally

- Are you a sole proprietorship or a partnership?
- How do you receive funding?
- What are your expenses?
- How does the social environment affect your life?
- How does globalization affect your life?
- How do you keep up with new technology?
- What sort of e-commerce do you use?
- How do you keep your “business” secure
- What types of goals do you have?

Chapter Summary

1. What are **profits**, and how do **businesses** and **not-for-profit organizations** compare?
2. What is the difference between a **good** and a **service**, and what are the **factors of production**?
3. How do **competition**, the **social environment**, **globalization**, and technological growth challenge provide opportunities to business owners?
4. What are the four types of businesses?
5. How do **sole proprietorships**, **partnerships**, **corporations**, and **LLCs** differ from one another as forms of business?
6. How do life skills translate to the business environment?

Beyond the Book

Providers of Goods, Services, or Both?

- What do these companies provide to their customers?

Company	Good	Service	Both
M & M / Mars			
H & R Block			
Ford Motor Company			
IBM			
TGI Fridays			
A local landscape contractor			

The Two Largest Publicly Held Corporations

Wal-Mart

- Revenue: \$408.2 billion
- Profit: \$14.3billion
- Industry: Retail
- Founded: 1962 by Sam Walton
- Headquarters: Bentonville, AK
- Employees: 2,100,000
- Web site: www.walmartstores.com

Exxon-Mobil

- Revenue: \$284.6 billion
- Profit: \$19.2 billion
- Industry: Oil and gas
- Founded: Exxon and Mobil merged in 1999
- Headquarters: Irving, TX
- Employees: 102,700
- Web site: www.exxonmobil.com

Sustainable Business

“If today is a typical day on planet Earth, we will lose 116 square miles of rainforest, or about an acre a second. We will lose another 72 square miles to encroaching deserts as a result of human mismanagement and overpopulation. ... Tonight the Earth will be a little hotter, its waters more acidic, and the fabric of life more threadbare.”

—Rona Fried Ph.D., President and CEO
SustainableBusiness.com

How to Run Your Life Like a Business

1. Discipline
2. Decisiveness
3. Action
4. Perseverance
5. Integrity
6. Time management
7. Organization