

# Essay on the business environment and its role in the economy

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Economists have proved that capital and labor are not sufficient of themselves to stimulate growth in an economy. In fact, many experts now believe that the vital determining factor in economic growth is knowledge. It is generally presumed that larger firms have an advantage when it comes to producing and capitalizing upon knowledge. Large businesses are in a better position than most businesses in terms for paying for R&D, human capital and patenting inventions. However, although the factors of capital and unskilled labor are sources of competitive advantage in an economy characterized by large scale production, an entrepreneurial economy based upon the production of knowledge and capacity to engage in and generate entrepreneurial activity depends upon the small businesses (Buultjens, 2004).

Businesses are an important component of an economy. Businesses are concerned with producing goods and services which they sell in order to make a profit. They will produce goods and services which satisfy the needs and wants of the consumers. Businesses in today's context are majorly classified as of two types viz. large or medium scale enterprises and small scale enterprises. Each and every business that exists in the economy does make an impact on the overall economy of the country in which it operates (McEachern, 2009).

As discussed above, the for-profit organizations are those firms that exist and operate to earn profits whilst selling their products and services. Their true motive is to make their profit-earning capacity greater and greater. All the activities that a for-profit organization undertakes is done keeping in mind the profitability of their business. Whether it be selling their products or

services, managing a team of workforce, research and development activities, preparing their annual income statements or playing their social corporate roles all have the primary objective of maximizing the profits and minimizing losses.

On the contrary, there exist some organizations in the economy which do not exist just to earn profits and maximize profitability. They are named as Not-for-Profit organizations and they primarily engage in charitable, educational, humanitarian, cultural, professional, and other activities often with a social purpose. One of the major distinctions that they have compared to for-profit organizations are that any revenue that is exceeding costs is plowed back into the organization. Even government agencies do not have profit as a goal, still governmental organizations are not included in its scope. Similar to business or for-profit organizations, not-for-profit organizations evolved to help people accomplish their goals. Examples of such organizations include non-profit hospitals, private schools and colleges, religious organizations, the Red Cross, Greenpeace, charitable foundations, soup kitchens, orchestras, museums, labor unions and professional organizations. Unlike the business organizations which exist and operate to earn profits, the non-profit organizations' revenues comes from a combination of voluntary contributions and service charges, such as college tuition and hospital charges. In some countries, including the United States the non-profit organizations are exempt from paying taxes.

Monetary policy and fiscal policy are the main macro-economic tools by which government can influence the performance of an economy. If the aggregate output is too low and unemployment is too high, the traditional

policy solution for the government is to increase aggregate demand for real output through expansionary monetary or fiscal policies. This results in an increase in the country's real GDP. On the contrary, if the inflation is difficult its source tends to be a level of aggregate demand that exceeds the rate of output that can be supported by the economy's resources at constant prices. The solution in this situation is for the government to reduce the level of aggregate demand through contractionary monetary or fiscal policy. As the aggregate demand curve decreases, the upward pressure on the prices caused by excess aggregate demand is softened and inflation moderates. This is the modern age of marketing. Social media has brought people closer and together and businesses have turned to online mode. Individual consumers and business customers have far more options than before and they can now compare prices or product specifications in a just a few minutes. Customers are now the motivating strength behind businesses because of the enormous increase in product variety. Economic hardships and other reasons have forced consumers and businesses to rethink value schemes and focus on the importance of stinginess. Shifting demand models have caused changes in the technology that has shifted consumer demand for specific product class (Carbaugh, 2010).

Suppose I am very familiar with the fast food business especially, burgers. I would now require it to expand globally so that I have a bigger market to cater to. This will grow my business by leaps and bounds and I would be able to earn more profits, thereby expand globally. To successfully, undertake my plans I need to carefully do a SWOT analysis of my product and business and also a feasibility analysis of the conditions and country which I want my

product to enter into. If my strengths are more than weaknesses and the foreign investment conditions of the target economy is favorable than I would enter into that particular country to do business. Similar policy would apply to any or all of the economies I wish to start my business.

The organization which I am familiar with is Coca-Cola. Coca-Cola being a large FMCG company situated and headquartered in Atlanta, USA is also a global giant when it comes to FMCG products. It has over 1148000 customers and has operations in over 89 countries. Since, Coca-Cola is such a large business organization it also has some social and ethical responsibilities towards its stakeholders especially, the customers. According to recent reports Coca-Cola is amongst the ten most aware brands when it comes to corporate social responsibility and it takes special care in manufacturing and distributing its products to different countries especially beverages and food items. Majority of Coca-Cola's customers are satisfied with the hygiene and product's quality. Therefore it can be said that Coca-Cola is a brand aware of its social duties and takes every care to satisfy its customers.

## **References**

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