

# Introduction to business essay



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## Introduction to Business

Business plays a major role within our society. It is a creative and competitive activity that continuously contributes to the shaping of our society.

By satisfying the needs and wants people cannot satisfy themselves, businesses

improve the quality of life for people and create a higher standard of living.

It is a way for individuals to provide goods and services to consumers, and at the same time, produce a profit for themselves. Businesses are not only important because they provide goods and services for consumers, but they also

improve the economy and increase jobs for people within society which is an additional fact producing a higher standard of living. To measure our societies

standard of living, we must look to our “Gross National Product”, which is the

complete measure of our nation's output. Unfortunately, inflation is a major problem in our nation which often reduces the Gross National Product.

### Inflation

occurs when the goods become too high within society and spending decreases.

A central function within our economic system is satisfying the needs of the consumers with the use of limited supplies. The purpose of a business is to

combine resources such as land, labor, and capital in a way that will make them

more valuable. Operating in a political and economic climate that supports

individual rights, American business has as its guiding principle the right to

private ownership and profit. The amount of goods produced depends upon the

number of resources available for use. This idea is commonly known as “

Supply

and Demand”. Businesses must attempt to reach an equilibrium between the

two

which will directly impact the price of the products produced. If something is

heavily demanded and at the same time, it's resources are limited, the price of

the product will rise. This idea of course works both ways. The easier it is

to produce something, the cheaper it will be. All economic systems begin with

the same resources including land, labor, capital and technology. These resources may be limited at any given time, varying within the world at large,

from country to country. This business cycle explains how business fluctuates

from high to low prosperity, recession, depression and recovery over time. The

major challenges faced by our nation today are the Federal Budget Deficit, international trade deficit, the Decline of Smokestack America, and the conservation of energy. The Federal Budget Deficit occurs when our expenditures

are greater than our revenues. International trade deficits occur when a nation

imports more than it exports. The Decline of Smokestack America is when there

is a change from an industrial to a post-industrial economy. Finally, the conservation of energy is so that there are a sufficient amount of natural

resources necessary to produce goods. General economic growth or stagnation

also has an important influence on business within our society. Many factors can affect it's condition, such as war, new inventions and technology, political

assassinations, the discovery of physical and natural resources, labor negotiations, government action, and many others. When the economy is strong

and the demand is high, businesses can prosper. Regardless of how great the

economy may become, businesses still must compete with other firms for scarce

raw materials and labor.

A businesses environment creates many opportunities as well as problems for prospering businesses. The environment determines what a business can do by

shaping and channeling its development. Businesses function within an environment by allowing entrepreneurs to raise capital and create profits freely.

The supply of money available within a business as well as the economic

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stability through times of growth and recession have strong effects on businesses. Not only is the physical environment, including natural resources,

pollution and energy as discussed previously, important, but many other aspects

within the environment influence business. A business must adapt and overcome

consumerism and ecology, and it has a social responsibility to do so. Cultures

surrounding businesses also play a major role. A business must adapt to a

changing society with age, lifestyle, culture and location. When a business

learns to adapt to these changes, it will be profitable for both the business

and consumers. Economic systems can be classified into three categories.

These

include capitalism, socialism and communism. Pure capitalism is an unrestrained

freedom to buy, sell and compete. Private enterprises allow entrepreneurs to

run businesses without central government control and can operate within a free

market. Capitalism is a system of true private enterprise. Some aspects of

capitalism are free choice, private ownership, private profit and free competition. The only drawback of this type of system is that a company can operate with no competition thereby creating a monopoly unfavorable for consumers. Socialism, on the other hand, is a system where the production and

distribution of industries are owned and operated by the government.

Officials

directly manage some or all of the extraction of raw materials, manufacturing,

communication and transportation. This system is loosely regulated by the government. Finally, communism replaces the operation of a free market almost

entirely. Most of the rights enjoyed within the capitalist system are denied and private ownership is prohibited. Business are controlled by state planners

and competition is almost completely eliminated. Today our economy is made up

of a mixed economic system with each one contributing but no one dominating.

Communist and socialist systems seem to be adopting many capitalists views and

ideas. It is up to you to decide which system you prefer, but the United States' system of capitalism seems to be working adequately and positively. It

is based on the principles of private enterprise and modified capitalism.

There are many forms of business within our economic system but they are all arranged in three major categories. These three categories are sole proprietorships, partnerships and corporations. Within a sole proprietorship, one entrepreneur assumes all the risks of the business, but at the same time,

keeps all of the profits. In just this one simple sentence we become aware of the obvious fact that along with it's advantages come many disadvantages.

A

sole proprietor, on one hand, makes his own decisions and pays only one tax for

himself and the business. In addition, setting up a business for a sole

proprietor is much simpler under the law compared to the other two types of businesses. However, the sole proprietor has unlimited liability and complete



responsibility to the business. He or she must assume all of the risks and often must contribute from his own savings in order to prosper or just simply exist. A sole proprietor must also bring the natural resources, human resources

and capital together by himself in order to run the business and produce goods

and services. Because of it's difficulty to raise funds and grow, sole proprietorships very often suffer from impermanence. A partnership can also start with little difficulty under the law. They have a greater chance of growing and existing because partners can pool their assets, talents, funds and

borrowing power. Similar to sole proprietorships, partnerships also pay only one tax and create a high degree of satisfaction for the partners stemming from

them being their own boss. Unfortunately, however, with a partnership comes

unlimited liability and personal disagreements between the partners. In addition, because of this single taxation, the personal assets of the partners are frozen which often creates major problems. As a result, partnerships also

suffer from impermanence. A corporation, in my opinion, is the best option.

Although filing for a corporation can become expensive and they are heavily regulated by the state, they have the ability to raise large amounts of capital.

They have a long term existence, continuing to exist even when one of it's officers dies or resigns, large investment possibilities, easy withdrawal power and a specialized management making production easier and quicker. Best of all,

corporations have limited liability, holding only the corporation itself liable to any debts or obligations and freeing all officers and their personal assets from blame and liability. Although this may all be true, owners within a corporation, that being the shareholders, must share the total investment and

divide all profits made. Because of the generally large number of owners, job satisfaction also decreases along with strong personal motivation.

Shareholders

have almost no privacy when it comes to their financial affairs. There is a higher taxation for corporations and the shareholders are taxed twice, once for

the corporations assets and a second time for personal assets. The role of the

government in authorizing the operations of corporations creates still another

disadvantage. They are often expensive to establish and complex to run because

they are strictly regulated by the government. More government regulations are

applied to corporations than any other form of business ownership. Just simply

reporting to the government so that they know all regulations are being followed

can be timely and complicated. Strict and detailed records and statements must

always be kept for the government as well as for the shareholders of the corporation. It is obvious, everything that comes with advantages must also come with disadvantages, this is why the type of business ownership that is right for a person varies, depending on the detailed aspects of each particular

business. The advantages and disadvantages must be weighed within each

situation. While the main forms of business ownership include the three subsequently discussed, there are many other variations that can be used, depending upon each situation. These include limited partnerships, joint ventures, joint stock companies, cooperatives and franchises.

Small business are also widespread in our nation and are growing rapidly.

They provide the most employment to teenagers, immigrants and the elderly,

thereby employing a large percentage of the population. This fact is true

because small business are more willing to adjust to their employees needs and

responsibilities. The services industry is dominated by small businesses which

require limited capital in order to establish them and run successfully. They

have greater flexibility, provide greater personal attention to consumers, have

lower, fixed costs, high innovation and greater motivation. Unfortunately, the failure rate of small businesses is high due to poor management and inadequate

financing. Therefore, small business owners accept many benefits as well as

burdens. The benefit of being your own boss and gaining greater work satisfaction is accompanied by the burden of working long hours and dealing with high amounts of stress. However, these burdens are generally a result of many occupations, regardless of whether or not you are your own boss. This is why small businesses are on the rise. There are many aspects that go along with creating a successful business, regardless of it's size. These include networking, planning, environmental examinations, internal control and resources.

The problem is, however, that it is up to the sole proprietor of the business to bring all of these aspects together in working order which is harder for a small business than it is for a larger business or corporation. However, there are several agencies of the federal government whose primary purpose is to offer support and guidance to small businesses. A major agency among these is the

Small Business Administration. Specifically, the Small Business Administration

provides guidance in the form of special courses and workshops in management

problems and skills. It publishes information on how to prepare a business plan,

start up and operate a business, and helps a business obtain their fair share of

governmental contracts. Of major importance to small business owners is the

fact that the Small Business Administration assists sole proprietors in

obtaining loans and capital necessary in order to create a business. While they

can neither guarantee nor provide these funds, they can be of great assistance.

People obtaining small businesses through franchising have a much higher success rates, for obvious reasons. They are a good choice in order to avoid the many problems of creating a small business on your own. A franchise permits

an individual to own his or her own business while benefiting from a trademark,

know-how and the reputation of an established firm. This enables an individual

to acquire a business more quickly and receive profits rapidly. However, the individual owner must pay the parent corporation a portion of the businesses'

profits. This often becomes a problem because in some instances the financial

rewards for the individual are sometimes low in relation to the time an effort that they put in to running the business. Therefore, this a major disadvantage

and often makes the idea unattractive to small business owners.

Since the government plays a major role in the operation of a business, the two must learn to coexist. The main role of government has traditionally been to protect the rights of the country's citizens. They follow this role by providing for the people police protection, a judicial system and a national defense system. The government protects individuals within our economy by protecting fair competition, consumer investments and general welfare, promotes

property rights, and oversees certain administrations and industries. During

the nineteenth century many businesses' strategy was to reach a monopoly position, and many were successful. Finally the government stepped in and regulation has been a rule ever since. The right to own property is basic to a private enterprise and it is the ultimate responsibility of the government to enforce this right. The government must also enforce limitations on property rights, one important limitation being taxation, in order to benefit the public. It is responsible for establishing many agencies to protect consumers' health and safety. This, of course, being another benefit of taxation. Taxation is done in order to provide public service and promote the general well being for the people. The most important source of revenue for the federal government is a tax on personal and corporate incomes. Many states and some cities depend heavily on income taxes.

Nothing gets done without management. Business management is central to running a business by handling resources and activities and accomplishing work



through other people within the firm. A business can be looked at as a system

of related parts working together, and management is what integrates these parts

to make up the system. Small firms usually have only one or two managers, but

large corporations have a staff of managers all working on different levels.

The level of the manager is how he or she is ranked within the company. The top

level consists of executives, the middle level are known as the middle managers,

and finally the lower level are commonly known as the first-level supervisors.

This is what I mean by the managers being ranked in the company. An executive

will be known to have much more responsibility, plan and implement strengths and

have more control of the business than the lower level managers do.

However,

all managers are trying to achieve the same goal regardless of the size of the

company, this goal being to work effectively with the employees and consumers

in order to achieve the company's objectives. Managers have four basic responsibilities; planning, organizing and staffing, directing and coordinating, and evaluating and controlling. Managers make plans to solve problems and take

advantage of opportunities that come their way in order to help the business run

successfully and profitably. They must recruit qualified workers to carry out this plan, workers who work well with others and are hard working and innovative.

Some kind of organization is needed to arrange each worker's position within the

company. A supervisor must also be selected so that each employee will know to

whom they will be directly working for. All of these tasks must be brought together by the manager. The manager must constantly evaluate the workers and

coordinate the work being completed. The evaluation of results leads to control,

which influences other functions within the company. One important aspect that

makes a successful manager is his degree of sensitivity. Since a manager must

work through people, personal interaction skills are of utmost importance. All

managers use different approaches to dealing with people but it is important to

treat employees with respect, flexibility, recognition, and room for ideas. You

will only get back what you give, and this is where many business fail. No

matter how intelligent or business minded you may be, if your employees or

consumers don't like or respect you as a person, you will get no where.

Managers must also be innovative in order to find better ways to get the job

done, good decision makers so that they may take risks in order to solve

problems, good leaders in order to bind and organize the company, have good

communication skills with employees and bosses so as to promote a free flowing

exchange of information, and finally, have good motivational skills so as to

motivate employees to add incentive and meaning to the work. Obviously,

management is a difficult job. All of the functions that a manager must perform

require dedication, intelligence, the ability to deal with stress and diverse people, and most of all, the ability to deal with and accept responsibility.

Today, producers must make an effort to find out what kinds of products consumers want and to make these products available for sale. They must also

make an effort through advertising to inform consumers of the goods and services

that are available to them. Lets face it, all businesses have the same goal, to make consumers happy and make a profit. The marketing concept builds profits

for the consumers' needs and interests. Marketing requires as mixture of production, development, pricing, placement and promotion. All of these functions must be implemented on a continuous basis in order to improve sales.

Product planning concentrates on determining which goods and services consumers want to design them and meet their needs. Pricing is an important

aspect of production because it ultimately determines whether a product will be

purchased and if, at the same time, it will be profitable to the company.

Product distribution involves decisions about warehousing and transportation

that will be cost effective, timely and safe. At this point, the company will

also determine whether they will be selling products directly to the public or

to an intermediary. Finally, product promotion includes personal selling and

promoting the products available, advertising, and direct sales promotion,

such

as free samples and discount coupons.

Business income depends entirely upon the sale of products, including

goods or services. Successful companies must introduce their products in a

way

that works consistently with the changing market, economic conditions,

competition, and changing company goals so as to benefit both the

consumers and

the company through a high percentage of sales.

The main role of marketing managers is to insure to the best of their

ability that the product will be sold in quantities necessary to benefit the

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company. This role entails expert knowledge about the product and knowledge of

consumers' wants and needs. It will almost always include designing the specifications of the product in order to produce its precise functions and abilities. An important aspect of planning and designing a new product is differentiating it from other similar products on the market. Packaging and presentation can help to achieve this goal in some ways, however, specific features must be present within the products themselves in order to achieve this

differentiation. A trademark or brand name is an important way of differentiating products by creating buyer loyalty. Brands are important in production because they make it easy for consumers to distinguish one product

from another. Buyers feel confident buying certain brands that they feel they can trust and are assured of consistent quality. Brands are normally at the center of advertising. Even if a consumer is convinced about buying a product,

they would be more able to identify and more apt to purchase it if it had a brand. Advertising is an important aspect of marketing. It provides the

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presentation of good available to the consumer through communications vehicles

such as the media. It present informative and persuasive sales messages through

the newspapers, television, magazines, etc. Advertising stimulates interest in and demand for specific products, and thus supports sales promotion and personal

selling. It is often used to create a favorable public view toward a company,

industry or other institution. The main purpose of advertising is to help sell

goods and/or services. It supports personal selling by informing the potential

buyer of a products features and encouraging a favorable attitude towards it

before the product has actually reached the selling stage. It reaches people

sales personnel cannot since it rarely possible to have a sales force large

enough to reach every potential consumer and will sometimes motivate

people to

seek out representatives on their own. Advertising improves personal

relationships with dealers by increasing demand and sales. And finally,

advertising promotes goodwill by proving to be reliable, interested in the

public good and a good citizen. This advertisement will do this by

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concentrating on the business itself rather than the product so that consumers

trust it and feel safe by using the companies products. Setting the

right price for a product is essential to it's success. The major factors that

affect product pricing are demand and competition. Demand is closely linked to

price. If the supply of a product is constant, greater demand will allow higher

prices. At the same time, however, higher prices will tend to reduce demand.

Competition also affects pricing. Free competition tends to drive prices down

because competitors will increase the supply of the product in the market and

new competitors often purposely sell at lower prices in an effort to cut into

the sales of an established producer. Therefore, marketers have an important

choice to make when pricing a product. They can establish high prices with the

expectation of selling fewer units with higher profits on each unit, or set low

prices in an effort to achieve voluminous sales even though the profit on each



unit may be small. They must then attempt to find the right price in order to maximize profits by balancing a sales volume with profit per unit. Federal and state governments have passed laws influencing the fair pricing of goods by companies. These Fair Trade Laws prohibit retailers from selling goods at a price lower than that set by the producer, so as to prevent unfair competition.

They are supposed to protect small retailers from the competition of large stores who can afford to set lower prices because of their voluminous sales.

Marketing management includes more than just buying and selling. It includes a wide range of activities and duties, all being of great importance to the business. Nearly every firm is concerned with buying, selling, transporting, storing, risk bearing, standardizing, grading and labeling, financing, and gathering and using information. What all of these aspects have in common is that they must all be done with enough appeal and innovation necessary in order

to sell products and at the same time make a profit for the company.

Running a

business is costly, therefore every idea must be carefully thought out and implemented so as to satisfy consumers, while at the sale time, satisfying the

business by creating a profit.

Market research is of equal importance to a business. As discussed previously, our economy is very diverse and constantly changing. A business must study the environment and population so as to comply with the consumers

buying patterns, needs and wants. A company can do this through market segmentation, demography, and by the use of questionnaires and surveys.

Market

research can be carried out by the use of market segmentation, which is the dividing up of the market into similar groups so that each group may be studied

and carefully examined. Demography is the study of the population as a whole

through the use of statistics. Finally, questionnaires, surveys, consumer test

panels, and the observation of shopper behavior in stores can also aid in identifying and characterizing a market within the economy. This will surely keep a business up to par on the changing economy in the present, as well as forecasting future trends which has also proven to be necessary in order to operate as a successful business.

In conclusion, it is obvious from my brief discussion that the term “ Business” is very complex. When discussing it, one must consider many important sub-categories such as economic systems, the business cycle, business environments, types of businesses, government, management, marketing and advertising, each of which in and of itself is also very complex.

Business