

Business reading chapter 1- 1/8/14

Factors of production- three kinds of resources required to produce goods and services we need to survive and thrive

1. Raw materials or natural resources
2. Tools and machinery
3. Labor or human resources

Economics- “a social science that deals with the production, distribution, and consumption of goods and services with the theory and management of economics or economic systems”

Economics is a study of distributing resources for the production of goods and services within a social system

- What goods and services and how much of each will be produced
- How will the goods and services be produced
- Who will produce them and with what resources
- How will the goods and services be distributed

One view of economics is to categorize jobs into four sectors

- Agriculture (primary)
- Manufacturing (secondary)
- Service (tertiary)
- Intellectual and information services (education, research, and other knowledge based activities)

Private enterprise system (capitalist)- individual citizens own and operate the majority of businesses and the market determines the distribution of resources. Individuals act on own self-interest and compete to participate in transactions in the markets available to them

Requires:

1. Private property
2. Freedom of choice
3. The right to keep profits
4. An environment where fair competition can occur

Demand- quantity of goods and services that consumers are willing to buy at different prices

Supply- quantity of goods and services that businesses are willing to provide at those prices

Specialization- measure of how broadly or narrowly defined the range of individual activities are

Markets are also characterized by uncertainty and risk

Uncertainty- having a lack of knowledge of what will happen- the unpredictability about the consequences of your choice, the greater the uncertainty, the less you know about the results of a choice

Risk- associated with the consequences of choice, measures significance of decisions

Economic cost- money spent implementing decisions

Opportunity cost- cost of what you gave up doing when you committed to course of action chosen

Business- an organization or individual that seeks profit by providing products that satisfy people's needs

Product- a good, service, or idea that has both tangible and intangible characteristics that provide the satisfaction or benefits

Profit- basic goal of business and is the difference between what it costs to make and sell a product and what the customer pays for it

Stakeholders- groups of people who have vested interest (stake) in the actions a business takes, four major groups of stakeholder:

1. Owners
2. Employees
3. Customers
4. Citizens

Activities of Business

- Marketing- refers to the activities designed to provide goods and services that satisfy customers. These activities include market research, development of products, pricing, promotion, and distribution
- Accounting- refers to the process that tracks, summarizes, and analyzes a firm's financial position
- Production- refers to the activities and processes used in making products. These activities involve designing the production process (investments in facilities and equipment) and the efficient management and operation of those processes
- Finance- refers to the activities concerned with funding business and using resources effectively

Managing a Business

- Planning- determining what the organization needs to do and how to get it done
- Organizing- Arranging the organization's resources and activities in such a way as to make it possible to accomplish the plan
- Operating- Enacting the plan, including guiding and motivating employees to work toward accomplishing the necessary tasks

- Controlling- Measuring and comparing performance to expectations established in the planning process, and adjusting either the performance or the plan

Achieving organizational goals- Managers need to be both effective and efficient to achieve the goals and objectives of an organization

Effective- doing the right thing

Efficient- doing things right

Innovation- motivates businesses to price their products and services attractively to position themselves for further success