

MGMT105: 1.15.14

THE CONCEPT OF BUSINESS AND THE CONCEPT OF PROFIT

- **BUSINESS** - Organization that provides goods or services to consumers to earn profits
- **PROFITS** - Difference between a business's revenues and its expenses

How many businesses damage their services trying to make a profit?

THE EXTERNAL ENVIRONMENTS OF BUSINESS

- This external environment consists of everything outside an organization's boundaries that might affect it. Not surprisingly, the external environment plays a major role in determining the success or failure of any organization

• ECONOMIC SYSTEM

- A nation's system for allocating its resources among its citizens, both individuals and organization

• PLANNED ECONOMY

- Economy that relies on a centralized government to control all or most factors of production and to make all or most production and allocation decisions
 - Communism, Socialism
 - Country of Peru, took over the milk industry because of shortage of milk, under socialism the country owns most factors of production

• FACTORS OF PRODUCTION

- The resources that a country's businesses use to produce goods and services

- o 5 things that impact a business's successful operation: Labor, Capital, Entrepreneurs, Physical Resources, Information Resources

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- MARKET ECONOMY
 - o Individual producers and consumers control production and allocation by creating combinations of supply and demand
- MIXED MARKET ECONOMY
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