

Introduction to Business

AAT Level I

BEN - Business Environment

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INTRODUCTION TO BUSINESS

“The regular production or purchase and sale of goods undertaken with an objective of earning profit and acquiring wealth through the satisfaction of human wants” (Stephenson).

It is an economic activity which involves in continuous and regular production and distribution of goods and services in order to satisfying the human needs and wants. Business can have an impact on day to day activities directly or indirectly and it obviously a part of people’s lives.

The business operations functions within a company focuses on improving the bottom line to deliver goods and services for target markets. It also share the ideas across the organization on how to enhance the efficiency or reduce the cost of production.

However, a nonprofit organization’s purpose of existence is to provide a particular service to the community. They may have surpluses which they will retain for its future plans.

1. Classification of Business
2. Development of the Business

- i. Self Sufficiency System (Agriculture stage)

The production of goods and services to fulfill own needs and wants.

- ii. Barter System

People started to exchange production that resulted due to people’s specialization. Therefore, the ownership of goods was changed due to barter system.

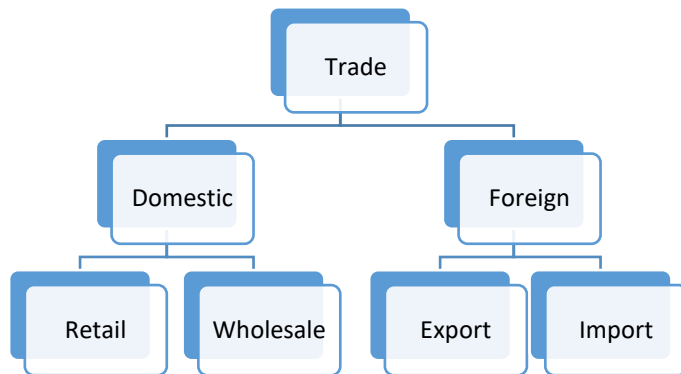
Ex: a person who wanted rice, but who produces only flour went and exchange flour with rice with a person who was in need of flour.

- iii. Trade

Used an agreed-upon form of paper or coin money as an exchange system rather than directly trading goods and services.

It was expanded to wholesale, domestic sales, export and import.

Chart 1



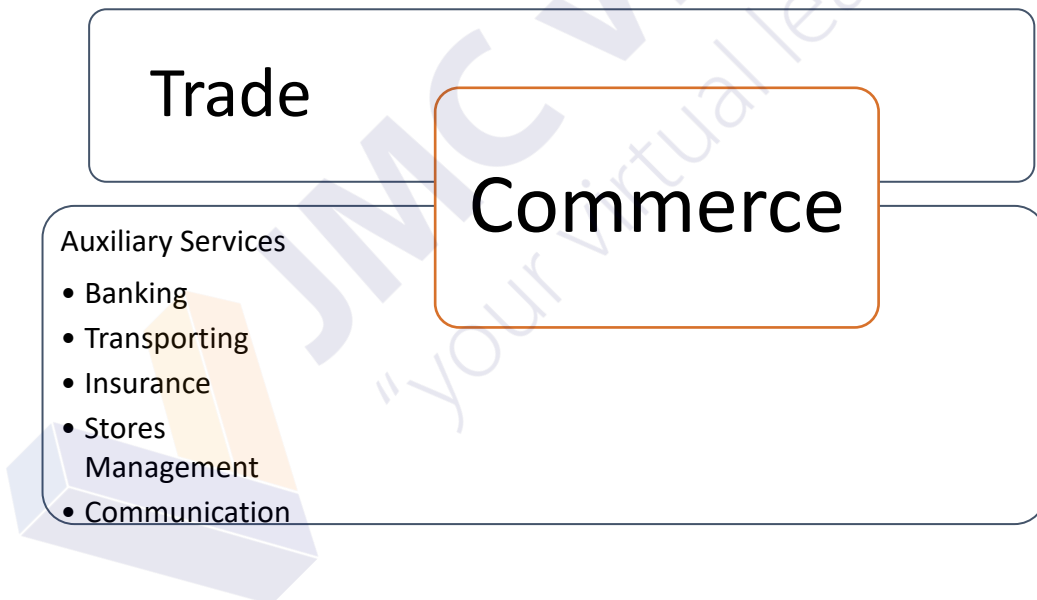
iv. **Commerce**

The traders was to provide goods and services for customers at required time and required place.

However, traders and customers both had face difficulties without the auxiliary services such as banking, insurance, transportation, warehousing and communication.

The combination of auxiliary services and trading is known as ‘Commerce’.

Chart 2



v. **Industrial Development**

There was a massive development in European countries in late 18th Century. There were a considerable amount of new invention and a significant increase in production technology. As a result, the factory system had been started.

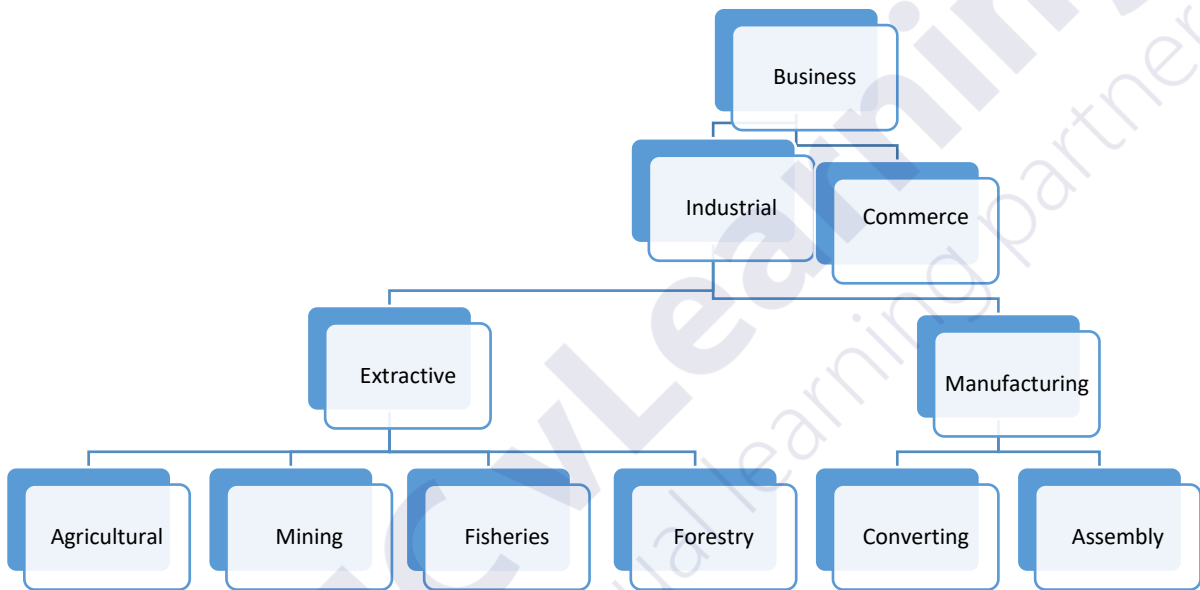
Large scale production had been expanded and production based on market demand (Indirect production).

➤ **Impact of technology towards business**

Technology has significantly developed from where it was and today. Specially, the information and digital technology resulted to the changes in human activities and consumption. Production, distribution, marketing have become easy and fast. Geographic business translated to global business.

The auxiliary services have been expanded and seller and buyer become close to each other due to website using internet at present. New concept e-commerce and e-business came to paly and market place has been transformed to market space.

Chart 3



➤ **Needs and Wants**

Needs

A human need is a state of deprivation some basic satisfaction (P. Kottler).Needs are derived in the human body and included as a human nature and derived in the body.

Wants

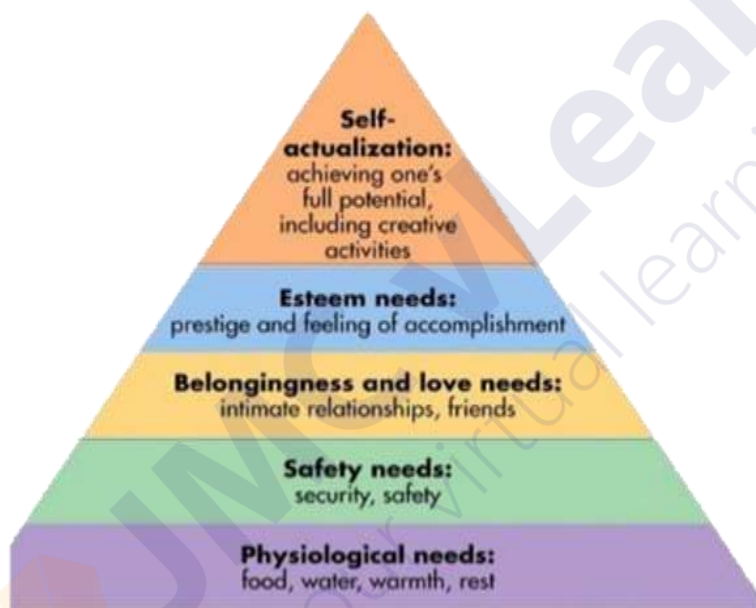
Wants are the desires and willingness, and they are not necessary to live. ‘The desires for special satisfaction of these deepen needs’ (P.Kottler)

Table 1

Needs	Wants
Foods	Rice, Bread, Noodles
Cloths	Shirts, Sarees, Frocks, Sarong
Safety	Job Security, Parents, Ownership, Insurance Policy
Houses	Flats, Bungalow, Single story house, huts

Draft 1

Hierarchy of Needs



➤ **Demand**

Demand in economics is the consumer's desire and ability to purchase a good or service. Without demand, no business would ever bother producing anything. There are three main factors should be fulfilled to demand to arise,

- The willingness to buy a product
- The ability to buy a product (Purchasing Power)
- Desire to purchase

It is a combination of wants and purchasing power Then,

$$\text{Wants} + \text{Purchasing Power} = \text{Demand}$$

➤ **Product and classifications in product**

A set of benefits offer to customers to satisfy their needs and wants. Products can be divided into two types called tangible and intangible. Further, products can be classified based on the features such as durability, tangibility and use.

Based on the Usage

1. Consumer Goods
2. Industrial Goods



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- **Consumer Goods**

Products that are visible and tangible are known as goods

- 1) Consumer Goods

A goods used by people for their consumption

- i. Convenient Goods
- ii. Shopping Goods
- iii. Specialty Goods
- iv. Unsought Goods

- i) Convenient Goods

Goods that are purchased by consumers on regular basis are consumer goods.

Example- soap, Toothpaste, Newspaper

- ii) Shopping Goods

Goods that are purchased after comparing similar products on features such as price, Quality, Appropriateness.

Example – Clothes, Electronic Items, Footwear

- iii) Specialty Goods

Goods that requires a special effort to buy

- Generally these goods are very expensive
- There are no alternatives for such goods Example – Automobiles, Jewellery, Computers

- iv) Unsought Goods

Goods that are available in the market but of which the consumer is not aware

Example – Newly introduced Insurance Policy, New Book, fire extinguishers

- **Business Goods/ Industrial Goods**

Goods that are bought for manufacturing other Goods and services by manufacturers.

1. Material & Parts

Example – Iron, Wood

2. Capital Items

Example – Machineries, Equipment

3. Supplies & Business Services

Examples- Electricity, Water, Maintenance

➤ **Services**

Services are the business processes that aim to satisfy the consumers' needs and wants Characteristics of a service

- Intangibility - you cannot see or touch a service
- Inseparability - the production and consumption of a service can't be separated from each other.
- Variability- lack of consistency or fixed pattern
- Cannot be Stored

Difference between Goods and Services

Given below are the fundamental differences between physical goods and services.

Goods	Services
A physical commodity	A process or activity
Tangible	Intangible
Homogenous	Heterogeneous
Production and distribution are separation from their consumption	Production, distribution and consumption are simultaneous processes
Can be stored	Cannot be stored
Transfer of ownership is possible	Transfer of ownership is not possible

3. Business Organizations

It is two or more people who work together in a structured way to achieve a specific goal or set of goals. There various classifications based on the objective, ownership, nature, scale and operational activates.

The Features of a Business Organization

- A group of people comes together to achieve a common goal
- Organizations have a vision and mission
- It has a culture followed by organizational values
- Develop strategies to achieve goals and objectives.
- It has a formal structure and systems
- Input and output Process

4. Future Directions of Business

1. What the organizations want to achieve – reflected by Vision, Mission and Objectives
2. And how they are going to achieve the above “what”: reflected by the Strategies and Tactics as these are long term and short term implementation plans respectively.

Vision

A vision is a Big Picture Idea of “What” the organization wants to achieve. What you want to achieve, something in future. Vision is a clear, comprehensive photograph of an organization at some point in the future.

It is intended to serves as a clear guide for choosing and future courses of actions.

- McDonald's® Brand vision is "To be the best quick service restaurant experience".

Being the best means providing outstanding quality, service, cleanliness, and value, so that we make every customer in every restaurant smile.

- Brandix: To be the inspired solution for branded clothing John Keels Group: Building business that are leaders in the region
- Facebook: To give people the power to share and make the world more open and connected.
- MICROSOFT: Empower people through great software anytime, anyplace, and on any device.

Mission

A Mission is about what the organization does to achieve the vision. Mission is the purpose or reason for the organization’s existence. It also includes the firm’s values and philosophy about how it does business and treats its employees.

A well conceived mission statement defines the fundamental, unique purpose that sets a company’s operations in terms of products offered and market served.

It puts in to words not only what company is now but what it wants to become.

Here is how the Disney Company describes its mission:

The mission of The Walt Disney Company is to be one of the world’s leading producers and providers of entertainment and information.

Using our portfolio of brands to differentiate our content, services and consumer products, we seek to develop the most creative, innovative and profitable entertainment experiences and related products in the world.

Table 2

	Vision	Mission
About	Outline where the firm want to be and communicate both the purpose and values of the business	About how the firm will get to where they want to be. Defines the purpose and primary objectives related to target market and team values.
Answer	Where do we aim to be?	What do we do?
Time	Organization's future	The present leading to its future
Function	It lists where firm see itself some years from now. Inspire them to give the best and shape their understanding of why they are working here.	It list the broad goals and define the key measures of the organization's success and its prime audience is the leadership, team and stockholders.
Development	Where does the company want to be going forward? When does the company want to reach that stage? How does the company want to do it?	What does the company do today? For whom does the company do it? What is the benefit?
Features	Clarity, Describing a bright future, Memorable and engaging expression, realistic aspirations, achievable, alignment with organizational values and culture.	Purpose and values of the organization: who are the organization's stakeholders and what the responsibilities of the organization towards the clients?

➤ **Objectives**

A specific result that a person or system aims to achieve within a time frame and with available resources. An objective is time sensitive statement to achieve the goals of the organization and defined in measurable terms.

- Ex - To gain 25% of the market for sports shoes by September 2018
 - to increase the firms profitability in 2018 by 16% over 2017

SMART Criteria in setting objectives

- Specific – target a specific area for improvement.
- Measurable – quantify or at least suggest an indicator of progress.
- Assignable – specify who will do it.
- Realistic – state what results can realistically be achieved, given available resources.
- Time-related – specify when the result(s) can be achieved.

➤ **Strategies and types of strategies**

Strategies are long term implementation plans to achieve the goals and objectives. These statements define how you can succeed in achieving your mission and stay along in the completion.

Three type of strategy

Table 3

Corporate Strategy	The overall scope and direction of a corporation and the way in which its various business operations work together to achieve particular goals.
Business Strategy	This usually at the business unit or production level and it emphasizes improvements of the competitive position of corporate products or services in the specific industry or market segment.
Functional Strategy	It is the approach taken by a functional area to achieve corporate and business unit objectives and strategies maximizing resource productivity .

➤ **Tactics**

Tactics are short term implementation or action plan to deliver the long term strategy. A grass root level action plans are defined to ensure daily activities are in line with achieving the relevant strategy(s).

Tactics like, a sales staff member is expected to do 10 social media activity daily, could be an example to deliver a long term strategy.



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