

The background is a light blue gradient with several realistic water droplets of various sizes scattered across it. The droplets have highlights and shadows, giving them a three-dimensional appearance.

Chapter 1: What is a Business?

INTRODUCTION TO BUSINESS MANAGEMENT (SL/HL)

THE MAIN BUSINESS FUNCTIONS AND THEIR ROLES

☐ KEY TERMS

✓ **GOODS:** physical products that are 'tangible. Goods include items like computers, TV, clothing, furniture, vehicles and industrial equipment.

- CONSUMER GOODS: goods that are bought and used in satisfaction of human wants and are not utilized in any further production. It includes (i) consumer durable goods * that last a long time * can be used repeatedly. Example :clothes, home furniture or electronic gadgets. (ii) non durable goods* that needs to be consumed shortly * cant be reused. examples: beverages, fresh food or medicines.
- CAPITAL GOODS: goods that are bought by businesses to produce other goods. Example building, machinery, tools or equipment.

✓ **SERVICES:** intangible products provided by businesses . Services include a wide array of things like hairdressing, tutoring, accounting and car repair.

THE PRODUCTION PROCESS

- Inputs like raw materials, machines, labor and building
- Processed to convert hem into finished goods
- Output of final goods and services



The resources used by businesses can be categorized as physical, financial, and human.

BUSINESS ACTIVITIES DIVIDED INTO FOUR MAIN FUNCTIONS

HRM



MARKETING



OPERATIONS



**FINANCE AND
ACCOUNTS**



BUSINESS ACTIVITIES DIVIDED INTO FOUR MAIN FUNCTIONS

- **HUMAN RESOURCES**

- ✓ Employing the correct number of appropriately skilled employees
- ✓ Compensating them correctly
- ✓ Training of employees
- ✓ Dismissal (terminating)
- ✓ Redundancies (work is no longer available)
- ✓ Fair treatment of employees

BUSINESS ACTIVITIES DIVIDED INTO FOUR MAIN FUNCTIONS

- **FINANCE AND ACCOUNTS**

- ✓ managing money of the organization-sufficient funds to carry out business activity
- ✓ maintaining accurate records of business activity
- ✓ Forecasting financial requirement
- ✓ Payment to creditors in timely fashion
- ✓ determining pricing strategy for a profitable business
- ✓ Reporting of financial documents for shareholders and potential investors

BUSINESS ACTIVITIES DIVIDED INTO FOUR MAIN FUNCTIONS

- **MARKETING**

- ✓ identifying and satisfying the needs and wants of group of customers
- ✓ selling the right product, at the right price, at the right time, to the right customers.
- ✓ It includes activities such as research, advertising, branding, test marketing

BUSINESS ACTIVITIES DIVIDED INTO FOUR MAIN FUNCTIONS

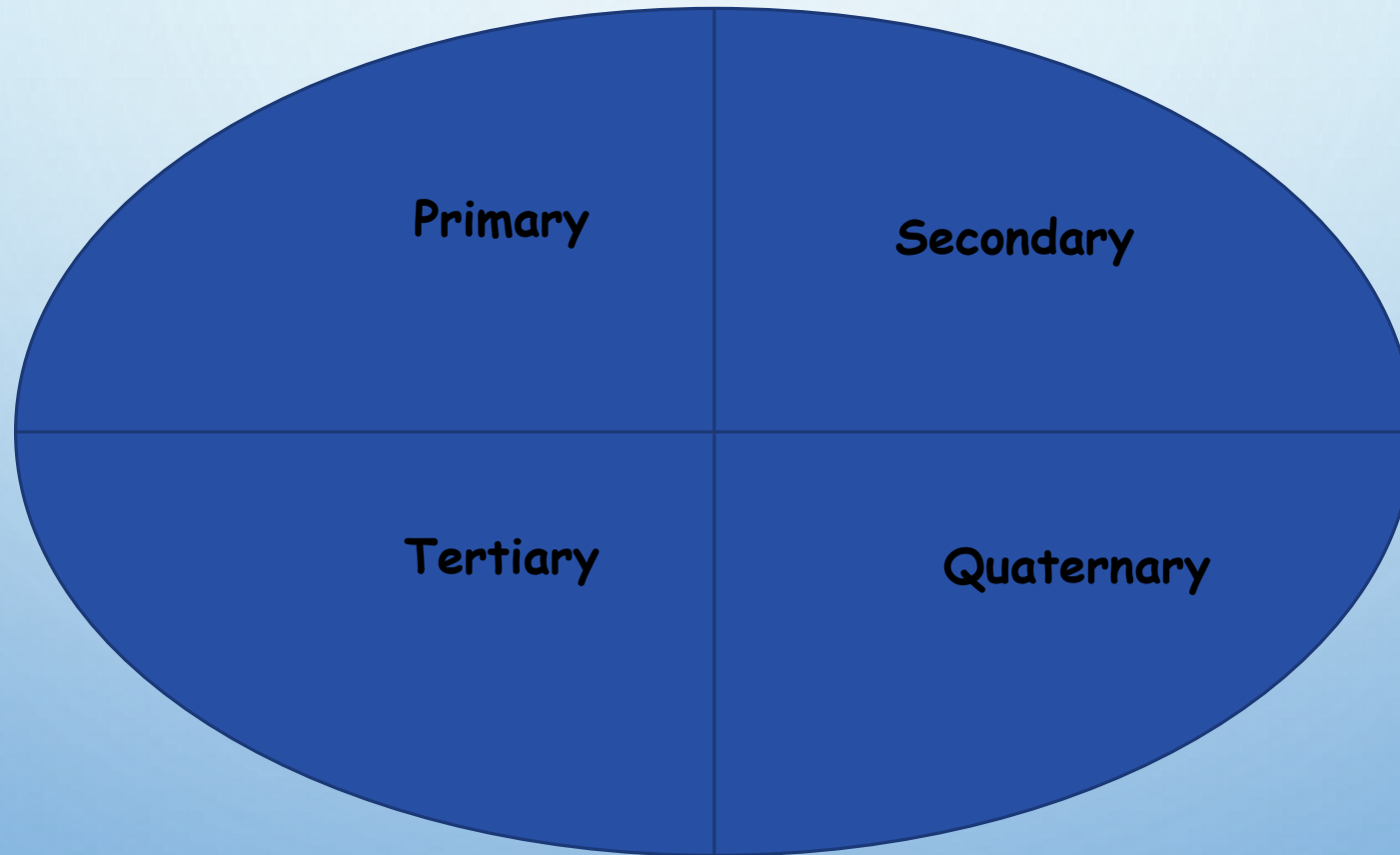
- **OPERATIONS OR PRODUCTION**

- ✓ responsible for the process of converting raw material into finished goods, ready for sale and delivery to customers.
- ✓ Examples: car manufacturing and restaurants
- ✓ Producing the correct quantity
- ✓ good and services are delivered at the lowest cost possible given the standards of quality expected by customers
- ✓ large organisations can easily organise all these functions through various departments as Head of marketing, Chief financial officer. Whereas in small organisations, all four activities are carried out by an entrepreneur, sole trader or the owner.

FOUR FUNCTIONS ARE INTERRELATED ??

- THE MARKETING DEPARTMENT, AFTER DETERMINING THAT CHANGES SHOULD BE MADE IN A PRODUCT, MUST THEN CONSULT WITH??
 - ✓ Operations to determine whether and at what cost changes in production can be made
 - ✓ Finance and accounts to determine how much finance will be required to implement the changes, and
 - ✓ HR to determine if new or differently skilled workers will be required and how they can be recruited or trained.

BUSINESS SECTORS



The primary sector refers to business activity involved with the extraction of natural resources. For example, metal ores and coal have to be mined, oil and natural gas have to be drilled from the ground, rubber needs to be extracted from trees

Agriculture, mining, forestry and logging

Secondary sector refers to manufacturing and processing, where raw materials are converted into products for sale

Secondary sector businesses can sell directly to consumers or to other businesses

Construction, food processing companies, car makers, chemical and pharmaceutical companies

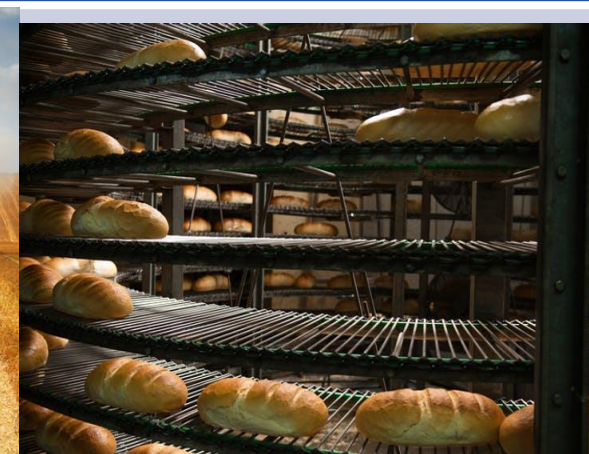
The tertiary sector refers to business activity that involves providing services to customers, i.e., consumers and business clients. The tertiary sector includes retail stores, as well as education, healthcare, travel and transportation, and accounting and legal services, to name a few

giant retailers like Walmart, fast food companies like McDonald's, and banks.

The quaternary sector refers to business activity involving the creation or sharing of knowledge and information

It is a part of tertiary sector

Research and development, consultancy services, ICT, Online educational providers, such as InThinking, Pamoja Education, and Level7Education, that rely on digital communications technologies



LINK BETWEEN BUSINESS SECTORS-CHAIN OF PRODUCTION

- the chain of production for producing a chair would, for example, include harvesting the timber (primary sector), turning the wood into the chair (secondary sector) and selling the chair in a shop (tertiary sector).



CHARACTERISTICS OF ENTREPRENEURS

Risk takers	Above all, entrepreneurs are willing to take on the risk of starting a new organization. They may have had to give up secure jobs and put up personal funds in order to get started.
Self-motivated	Starting up a new business takes discipline. Many entrepreneurs begin their companies alone. Working long hours without a boss and an existing structure requires a strong will and commitment to purpose.
Confident	All start-ups face obstacles that require confidence and optimism to overcome.
Innovative	Most businesses begin with an idea for a new good or service that will serve unmet demand in the marketplace. Even opening a new coffee shop requires developing an offering that is different from those already in the neighborhood.

Entrepreneurs are the owners of an organization who plan, organize and manage the other three factors of production. They are the risk takers who exploit business opportunities in return for profits. **Entrepreneurship** is the process of setting up a new business.



- ❑ **Lack of finance**: small owners of business may not have sufficient funding
- ❑ **Unestablished customer base**: attracting customers and building loyal customers
- ❑ **Cash flow problems** : working capital needed to run day to day activities of the business
- ❑ **People management problems**: lack of experience in hiring the right staff, poor customer service, unawareness of Organisational structure
- ❑ **Marketing problems**: meet customer needs, selling right product at the right price, creating customer base
- ❑ **Legalities**: business registration, benefits for staff, consumer protection laws , copyright.
- ❑ **Production problems**: forecasting accurate levels of demand, Overproduction can lead to stockpiling , wastage and increased costs.
- ❑ **High production costs**: purchase of fixed Assets, stocks, rent, advertising etc.
- ❑ **Economies of scale** is not achieved for small organizations
- ❑ **Poor Locaton**
- ❑ **Lack of knowledge, skills, and experiences**
- ❑ **Strong competition**



All start-ups face challenges ****

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