**Course Learning Outcomes for Unit I**

Upon completion of this unit, students should be able to:

1. Identify basic business concepts.
   1.1 Identify the core components of business.
   1.2 Describe the major goal and responsibilities for each of the core components of business.
   1.3 List typical job titles and a cost associated with each of the core components of business.

**Reading Assignment**

*In order to access the following resource(s), click the link(s) below:*


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Click [here](https://libraryresources.columbiasouthern.edu/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=100447486&site=ehost-live&scope=site) to access an interactive tutorial about the marketing process.


**Unit Lesson**

**Introduction**

Prior to beginning to understand the basic concepts of business, one must be able to understand exactly what a business is. According to Kelly, McGowen, and Williams (2014), a business is any type of firm or organization that provides goods and/or services to others in an attempt to generate a profit. While this definition may make it sound easy, running a business requires a great deal of behind-the-scenes components. These components of business will be the topic of this unit and are described throughout the remainder of this lesson.
In no certain order, the basic components of business are strategic management, finance and accounting, human resource management, marketing, sales, and operations management. While most large businesses have separate departments and sections that perform the aforementioned functions and many small businesses may have only one person or a few people performing all of these functions, the fact remains that all businesses perform these functions at some level in order to operate effectively. Let us begin our discussion of the basic business components by examining strategic management.

**Strategic Management**

*Strategic management* can be described as both an art and a science that deals with the formulation, implementation, and evaluation of cross-functional decisions and actions that allow a business to reach its goals and objectives (David, 2011). This means that strategic management is the area of the business that concentrates on making sure that all other functions of the business—to include management, marketing, finance and accounting, production and operations, research and development, and information systems—are working together as one large body so that an organization can reach its goals and objectives. Sometimes, it is best to think of strategic management in business as the coach of a football team. A successful football team is comprised of many individuals, all of whom possess certain specialties (e.g., kicking, blocking, rushing, and passing). Separately, they are good at their positions and specialties, but they could not win games by working alone. A good coach (i.e., strategic manager) knows how to put all of the individual specialties together, all working in harmony, to achieve the team goal of winning a game. Now, let us examine the next component of business, which is finance and accounting.

**Finance and Accounting**

One of the main goals of a business is to make a profit. Before a profit actually occurs, businesses typically spend and earn various amounts of money throughout the year. To maintain some sort of healthy stability with the money that comes and goes, it is vital for a business to include the components of *finance and accounting*. Van Horne (1974) states that the finance and accounting functions of business deal primarily with the investment, financing, and dividend decisions of a business. Because all aspects of a business are interrelated, and all work together, the functions of finance and accounting can show management which areas of the business are getting the most out of the money that they use. Through these functions, business managers/leaders can see what is being spent in the various areas of the firm, as well as what, if anything, they are getting in return for the money being spent. The information here can then be shared with others (e.g., shareholders, lenders, and investors) to signal the overall strengths and weaknesses of the organization.

**Human Resource Management**

The third component of business is *human resource management* (HRM). According to Dessler (2005), human resource management involves the policies and practices that are used to manage the human resource aspects of an organization. This includes recruiting, screening, training, appraising, and rewarding. Because people are performing the work that helps the firm achieve its goals, HRM plays an extremely vital role in any business. From going out and recruiting people to work for the business to making sure that new employees are properly trained and placed in the right positions within the firm, HRM can really make or break an organization. Sometimes, a business that is large enough will have an entire department devoted solely to performing HRM functions. However, many times, especially in small organizations, HRM functions may be performed by a department manager or the business owners themselves.

**Marketing**

*Marketing* is the fourth basic component of business; it is the process of determining, defining, anticipating, and fulfilling the needs of the customers so that it can help the business provide goods and services that are best suited to meet those needs. David (2011) advises that there are seven functions to marketing:

1. **Customer analysis:** This is where the customers’ needs and wants are examined and evaluated so the business can offer the best products, at the best prices, to suit the needs of its consumers.
2. **Selling products/services:** Here, functions such as advertising, sales promotions, and customer and dealer relations are performed. They are all designed with the goal of effectively reaching a particular group of individuals (called a target market or market segment) so they will buy and use the products of the business.
3. **Product and service planning**: This is where activities such as determining what type of packaging to use for various goods, creating product warranties, determining which types of product options to make available for various markets, and removing or phasing out of old products all take place.

4. **Pricing**: As the name implies, this is the function of marketing that sets or determines what prices or pricing options to assign to the various goods and services that the business offers.

5. **Distribution**: Here, decisions regarding product warehousing, distribution channels and coverage, sites of retail locations and retail sales territories or districts, and other functions related to getting products to market are made and carried out.

6. **Marketing research**: This deals with the collecting and analyzing of information about products on the market to determine what the future needs of customers will be, as well as what products the firm should offer to customers in the future to meet their ever-changing needs.

7. **Cost/benefit analysis**: This is the function of marketing that determines whether or not the risks involved with various marketing decisions are worth the costs of those decisions.

**Sales**

The next component of business is *sales*. Sales generates revenue for the organization. Any business can have the best management, plans, and locations, but if it does not sell any of its goods and services, then it will not be successful. Unlike the marketing component, which is supposed to draw people toward goods and services offered by a business, sales actually receives the money for the organization from its customers (McClintock, n.d.). Sales in business can be achieved in several ways. One way involves having a dedicated group of people or sales force to go out and sell goods and services to other entities or people. Another way involves an associate in a physical location who assists customers with their purchases and then collects money from them once they have made up their mind to buy something from the business.

**Operations Management**

The final component of business is *operations management*. Here is where a person or people administer the practices of the business so they can create the most efficient methods of operation possible. This aspect of a business is most concerned with taking the goods, services, and people of an organization and converting them into profits for the firm while balancing the costs and revenue of the organization. One reason operations management is so concerned with balancing costs is so the business not only saves money (a penny saved is a penny earned), but also keeps product costs low for the customers.

Now that we have addressed the basic components of business, we can further understand how businesses operate and why they do what they do. While each component has its own methods and best practices, they are parts of a whole that must all work in conjunction to ensure that the business reaches its goals and objectives, which ultimately best serves its customers.

**References**


