

6.1: Reading- Getting Down to Business

The Business World Today

Now is an interesting time to study business. Advances in technology are bringing rapid changes in the ways we produce and deliver goods and services. The Internet and other improvements in communication (such as smartphones, video conferencing, and social networking) have had a huge effect on the way we do business. Companies are expanding international operations, and the workforce is more diverse than ever. Corporations are being held responsible for the behavior of their executives, and more people share the opinion that companies should be good corporate citizens. Plus—and this is a big plus—businesses today are facing the lingering effects of what many economists believe is the worst financial crisis since the Great Depression.

The economic turmoil began in the housing and mortgage industries as a result of troubled subprime mortgages and quickly spread to the rest of the economy. In 2008, credit markets froze up and banks stopped making loans. Lawmakers tried to get money flowing again by passing a \$700 billion Wall Street bailout, yet businesses and individuals were still denied access to needed credit. Without money or credit, consumer confidence in the economy dropped and consumers cut back their spending. Businesses responded by producing fewer products, and their sales and profits dropped. Unemployment rose as troubled companies shed the most jobs in five years, and 760,000 Americans marched to the unemployment lines. The stock market reacted to the financial crisis and its stock prices dropped by 44 percent while millions of Americans watched in shock as their savings and retirement accounts took a nose dive. Things have turned around for some businesses, but not all companies or individuals are doing so well. The economy is still struggling, unemployment is high (particularly for those ages 16 to 24), and home prices remain low. These conditions make it all the more important that we understand business and the challenges and opportunities it affords.

Defining Business

So, what is this thing we call “business”? We can apply a broad approach that defines a **business** is any activity that provides goods or services to consumers for the purpose of making a profit. When Steve Jobs and Steve Wozniak created Apple Computer in Jobs’s family garage, they started a business. The product was the Apple I, and the company’s founders hoped to sell their computers to customers for more than it cost to make and market them. If they were successful (which they were), they’d make a **profit**. Later in this outcome we will add another type of organization to our definition of business: a **nonprofit business**, which provides goods or services to consumers but whose primary goal is not profit.

Before we go on, let’s make a couple of important distinctions concerning the terms in our definitions. Whereas Apple produces and sells **goods** (iPhone, iPod, Mac), many businesses provide **services**. Your bank is a service company, as is your Internet provider. Airlines, law firms, movie theaters, and hospitals are also service companies. Many companies provide both goods and services. For example, your local car dealership sells goods (cars) and also provides services (automobile repairs).

As you go through this course, you’ll explore the exciting world of business. We’ll introduce you to the various activities business people engage in—accounting, finance, information technology, management, marketing, and operations. We’ll help you understand the roles that these activities play in an organization, and we’ll show you how they work together. We hope that by exposing you to the things that businesspeople do, we’ll help you decide whether business is right for you and, if so, what areas of business you’d like to study further.

Check Your Understanding

Answer the question(s) below to see how well you understand the topics covered above. This short quiz does **not** count toward your grade in the class, and you can retake it an unlimited number of times.

Use this quiz to check your understanding and decide whether to (1) study the previous section further or (2) move on to the next section.

<https://assessments.lumenlearning.com/assessments/149>

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