

## 5.14: Putting It Together- Role of Business

### Synthesis

Now that you have been exposed to some of the terms and definitions we use in business, have you been able to find something that doesn't have a link back to business? Let's go back to where we started.



Figure 5.14.1: Question Marks.

If you were in your living room, then everything in your surroundings was most likely manufactured by a business for your use—chairs, television, computer, pens, pencils.

What if you had been at the coffee shop? Well, this one is easy because you were doing your studying in a business, surrounded by people working for a business who were serving the customers of the business.

The last possibility we suggested was the beach. Well, the ocean doesn't have anything to do with business, does it? Remember in the module we talked about nonprofit organizations as business entities. Aren't there organizations that use their profits to support clean water and preservation of the coastline? What about the lifeguards at the beach who are paid by a business to keep swimmers safe? Where did the children get the shovels and pails they were using to play in the sand?

By this time you should begin to see that even though you may not think of business as you go about your daily routine, it is always there, like the air we breathe. Throughout this text you will learn about how businesses operate, why they engage in the activities they do, and numerous other components that go into this thing we call "business."

In the meantime, don't stop looking for something that qualifies as "non-business related"—you might find something after all.

### Summary

This module covered the role of business. Below is a summary of the topics covered in this module.

#### What Is Business?

We defined business as *any* kind of organization or action that creates goods or provides services. While this is usually undertaken with making a profit as the main goal, though this isn't always the case.

#### For-Profit vs. Non-Profit

For-profit businesses focus on earning a profit. They are concerned with the company's well-being and success above all else. Non-profit organizations, on the other hand, are more goal-oriented. They are concerned with communities or members. Instead of focusing on earning money, NPOs focus on their customers and their needs (e.g., credit unions, sports clubs, human service programs, aid and development programs).

#### Factors of Production

In order to produce services or goods, a business needs four resources: land (or other natural resources), labor, capital, and entrepreneurship. Natural resources are defined as resources found in nature unaltered by man; these include oil, wind, trees, and so on. Labor can be divided into two general categories: physical labor and mental labor. Both kinds of work are necessary for success. Capital includes things created by human beings that are used to make other goods: power tools, computers, and even art (which can be used to create museums or art shows). Money is not considered to be capital. An entrepreneur is the person who starts the company or business—without him or her, the business would not exist to begin with.

#### Functional Areas

Businesses are made up of functional areas—different activities that need to be done to maintain the business. These include management, operations, marketing, accounting, and finance. Management ensures employees are on task and that each employee

is being leveraged in the way that makes the business most efficient. Operations watches over production and ensures quality of product. Marketing brings in customers, both by making the business look appealing to customers and by taking customer feedback to improve the business. Accounting keeps track of the money currently coming in and the money currently being spent. Finance plans for future expenses and income.

### Stakeholders

There are two kinds of stakeholders (individuals who have a vested interest in a company): internal stakeholder and external stakeholders. Internal stakeholders include employees, managers, and owners. These individuals are vested in the company because they directly depend on it for income. External stakeholders include customers, shareholders, creditors, suppliers, and others. These people have a legitimate interest in the company for various reasons and can all be affected by actions the business takes.

### External Forces

A business is not just influenced by itself—everything in the world around it can impact a business. A business may create a fun new toy, but if the economy is suffering and consumers aren't buying a lot of things they do not need, the business most likely won't succeed. Business can be affected by the economy, consumer trends, government regulations, and many other things.

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