Chapter 01: Introduction To Business

The Foundations of Business **Why Is Apple Successful?**

In 1976 Steve Jobs and Steve Wozniak created their first computer, the Apple I. They invested a mere $1,300 and set up business in Jobs's garage. Three decades later, their business—Apple Inc.—has become one of the world's most influential and successful companies. Did you ever wonder why Apple flourished while so many other young companies failed? How did it grow from a garage start-up to a company generating $24 billion in sales? How was it able to transform itself from a nearly bankrupt firm to a multinational corporation with locations all around the world? You might conclude that it was the company's products, such as the Apple I and II, the Macintosh, or more recently its wildly popular iPod and iPhone. Or you might decide that it was its people: its dedicated employees and loyal customers. Perhaps you will decide it was luck—Apple simply was in the right place at the right time. Or maybe you will attribute the company's success to management's willingness to take calculated risks. Perhaps you will attribute Apple's initial accomplishments and reemergence to its cofounder, Steve Jobs. After all, Jobs was instrumental in the original design of the Apple I and, after being ousted from his position with the company, returned to save the firm from destruction and lead it onto its current path.

Before we decide what made Apple what it is today and what will propel it into a successful future, let's see if you have all the facts about the possible choices: its products, its customers, luck, willingness to take risks, or Steve Jobs. We're confident that you're aware of Apple's products and understand that "Apple customers are a loyal bunch. Though they're only a small percentage of all computer users, they make up for it with their passion and outspokenness." Ellen Lee, "Faithful, sometimes fanatical Apple customers continue to push the boundaries of loyalty,". We believe you can understand the role that luck or risk taking could play in Apple's success. But you might like to learn more about Steve Jobs, the company's cofounder and CEO, before arriving at your final decision.

Not everyone at Apple appreciated Jobs's brilliance and ability to motivate. Nor did they all go along with his willingness to spend whatever it took to produce an innovative, attractive, high-quality product. So at age thirty, Jobs found himself ousted from Apple by John Sculley, whom Jobs himself had hired as president of the company several years earlier. It seems that Sculley wanted to cut costs and thought it would be easier to do so without Jobs around. Jobs sold $20 million of his stock and went on a two- month vacation to figure out what he would do for the rest of his life. His solution: start a new personal computer company called NextStep. In 1993, he was invited back to Apple (a good thing, because neither his new company nor Apple was doing well).

Steve Jobs is definitely not humble, but he is a visionary and has a right to be proud of his accomplishments. Some have commented that "Apple's most successful days have occurred with Steve Jobs at the helm, both in the early days with the original Macintosh and more recently with the first iMac and the iPod." So now you know the history. Here's a multiple-choice question that you can't get wrong: Apple's success is due to

a) its products,

b) its customers,
c) luck,
d) willingness to take risks,
e) Steve Jobs
f) some combination of these options.

1. What is Business?

A **business**[1] is any activity that provides needed 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**[2].

The definition above states that a business engages in selling "needed" goods to society. Is this always true? Is there a difference between something needed and something wanted? Do people need and want things based on their own value system or do businesses create needs and wants through advertising? Are cigarettes a need, a want, or a business created desire? Or is Iphone 8 a need after Iphone 7? Do we really need the new one?

What about illegal goods? Society in general doesn't want marijuana to exist yet we have people that sell it at a profit to a segment or target group in our society who desire it. Is something not a business because it sells illegal goods?

Before we go on, let's make a couple of important distinctions concerning the terms in our definitions. First, whereas Apple produces and sells *goods* (iPhone, iPod, iPad, Mac), many businesses provide *services*. Your insurance company or 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).

Second, some organizations are not set up to make profits. Many are established to provide social or educational services. Such **not-for-profit (or nonprofit) organizations**[3] include the Red Cross, Red Crescent, UNICEF, Habitat for Humanity, local or global help foundations, and educational schools provided by governments or people. Most of these organizations, however, function in much the same

[1] Activity that provides goods or services to consumers for the purpose of making a profit.
[2] Difference between the revenue that a company brings in from selling goods and services and the costs of generating this revenue.
[3] Organisation that has a purpose other than returning profits to owners.

way as a business. They establish goals and work to meet them in an effective, efficient manner. Thus, most of the business principles introduced in this text also apply to nonprofits.

1.1. Business Participants and Activities

Participants

Every business must have one or more *owners (employers)* whose primary role is to invest money in the business. When a business is being started, it's generally the owners who polish the business idea and bring together the resources (money and people) needed to turn the idea into a business. The owners also hire *employees* to work for the company and help it reach its goals. Owners and employees depend on a third group of participants—*customers*. Ultimately, the goal of any business is to satisfy the needs of its customers. The other element of business environment is suppliers, which they provide goods or services for the main product/service. Regulations and law ,set by government or universal constitutions (i. e. EU regulations for product) are the other element of business. A product/service has to be convenient for regulations and corporate law. The next element of business environment is people (ethics, culture, trends). A product/service has to be accepted by the people. Economics is the final element. The economic status of country/people affect the business. If economy is strong in a country this means people are willing to spend money for P/S, on the contrary, in a bad economic situation, people will be careful in spending.

Employer: Owner, Founder
Employee : Worker, engineers, sales representatives, company lawyers etc.
Customers: the target of product/service, the main character of business
Suppliers: Under or independent business which provide goods or services for company's P/S.
Regulations and law: Health code for P/S, suitability etc.
People: Global or local people who buy/use P/S. Should not be offensive, graphic or against culture, race etc. Business has to be aware of trends of customer lifestyles.
Economics: Strong economy led people spend easily due to secure economics. In weak economy people spend cautiously.

Business Activities

The activities needed to operate a business can be divided into a number of *functional areas*: management, operations, marketing, accounting, and finance. Let's briefly explore each of these areas.

Management

Managers are responsible for the work performance of other people. Management involves planning for, organizing, staffing, directing, and controlling a company's resources so that it can achieve its goals. Managers plan by setting goals and developing strategies for achieving them. They organize activities and resources to ensure that company goals are met. They staff the organization with qualified employees and direct them to accomplish organizational goals. Finally, managers design controls for assessing the success of plans and decisions and take corrective action when needed.

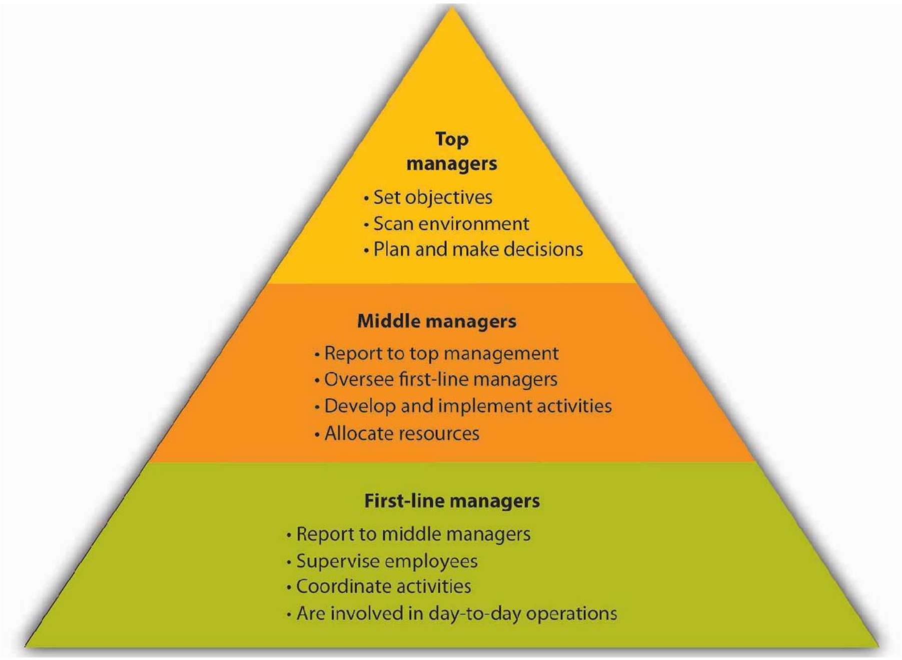
There are different types of management positions designed to handle all aspects of business. The perspective from which you consider management will produce different interpretations of who and what managers do. One perspective is to consider management from a control point of view; "Who has the power to boss who around?" This perspective looks at the "chain of command" or who has what authority in the firm. One method of categorizing levels of command in business is as follows:

- Top Management
- Middle Management
- And no, it is not called Bottom Management. It is called, First Line Management.

- Top Management is focused on design and implementation of the firm's overall strategy. At this level, management must constantly be aware of the firm's external threats and opportunities.(SWOT Analysis) Top management assumes responsibility for analyzing current information and planning for the future. Management at this level is guided by the vision set for the firm. The vision is a clear statement of where the firm is going and what it will be like when it arrives. The vision statement is generally a carefully worded statement about top management's dream for the future expressed in measurable objectives, and may include references to time horizons. The vision is a strategic statement and is often kept very confidential.

As part of the planning process to achieve the vision, top management usually creates a mission statement. The mission statement is a public statement about issues that the firm feels are very important as it goes about its vision quest. It often suggests limits and conditions that the firm must strive to maintain. Examples of content would be, "...provide quality products to ...", "... respect all employees ...", "... be a member of the community ...", "... our stockholders will earn ... ". The mission expresses management's fundamental principles and/or philosophy of how a business should be run.

- Middle Managers are directly involved in the implementation of strategic initiatives developed by top management to the first line management.
- They bridge the gap between management and the non-management labor force is the first line managers. Such as office manager, floor supervisor and foreman.



Operations

All companies must convert resources (labor, materials, money, information, and so forth) into goods or services. Some companies, such as Apple, convert resources into *tangible* products—iPhones, iPods, Macs. Others, such as hospitals, convert resources into *intangible* products—health care. The person who designs and oversees the transformation of resources into goods or services is called an **operations manager**. This individual is also responsible for ensuring that products are of high quality.

Marketing

Marketing consists of everything that a company does to identify customers' needs and design products to meet those needs. Marketers develop the benefits and features of products, including price and quality. They also decide on the best method of delivering products and the best means of promoting them to attract and keep customers. They manage relationships with customers and make them aware of the organization's desire and ability to satisfy their needs.

Accounting and Finance

Managers need accurate, relevant, timely financial information, and accountants provide it. Accountants measure, summarize, and communicate financial and managerial information and advise other managers on financial matters. There are two fields of accounting. Financial accountants prepare financial statements to help users, both inside and outside the organization, assess the financial strength of the company. Managerial accountants prepare information, such as reports on the cost of materials used in the production process, for internal use only.

Finance involves planning for, obtaining, and managing a company's funds. Finance managers address such questions as the following: How much money does the company need? How and where will it get the necessary money? How and when will it pay the money back? What should it do with its funds? What investments should be made in plant and equipment? How much should be spent on research and development? How should excess funds be invested? Good financial management is particularly important when a company is first formed, because new business owners usually need to borrow money to get started.

Accounting is the practice of preparing accounting records, including measuring, preparation, analyzing, and the interpretation of financial statements. These records are used to develop and provide data measuring the performance of the firm, assessing its financial position, and paying taxes.

Finance, on the other hand, is the efficient and productive management of assets and liabilities based on existing information.

The difference

Accounting is the recording and reporting financial transactions
Finance is the planning the distribution of a business' assets.

	Accounting	**Finance**
Definition	Preparation of accounting records	Efficient and productive management of assets and liabilities based on existing information
Purpose	Measuring, preparation, analyzing, and interpretation of financial statements. To collect and present financial information.	Decision making regarding working capital issues such as level of inventory, cash holding, credit levels, financial strategy, managing and controlling cash flow.
Goal	To see how the company is performing, to monitor day to day accounting operations, and for taxing.	To forecast the future performance of the business.
Tools	Balance sheets, profit and loss ledgers, positional declarations, and cash flow statements.	Performance reports, ratio analysis, risk analysis, estimating break evens, returns on investment, etc.
Determination of funds	Revenue is acknowledged at the point of sale and not when it was collected. Expenses are acknowledged when they are incurred than when they are paid.	Revenues are acknowledged during the actual receipt in cash as in cash flow and the expenses are acknowledged when the actual payment is made as in cash outflow.

Summary for business activities

1. ***Management*** involves planning, organizing, staffing, directing, and controlling resources to achieve organizational goals.

2. ***Operations*** transforms resources (labor, materials, money, and so on) into products.

3. ***Marketing*** works to identify and satisfy customers' needs.

4. ***Finance*** involves planning for, obtaining, and managing company funds.

5. ***Accounting*** entails measuring, summarizing, and communicating financial and managerial information.