People and Business Environment

What is business?

Business is an economic activity, which is related with continuous and regular production and distribution of goods and services for satisfying human needs and wants.

What is business?

An organization or economic system where goods and services are exchanged for one another or for money.

Every business requires some form of investment and enough customers to whom its output can be sold on a consistent basis in order to make a profit.

Businesses can be privately owned, not-for-profit or state-owned.

An example of a corporate business is PepsiCo, while a mom-and-pop catering business is a private enterprise.

Features of Business

1. Exchange of goods and services
2. Deals in numerous transactions
3. Profit is the main Objective
4. Business skills for economic success
5. Risks and Uncertainties
6. Buyer and Seller
7. Connected with production
8. Marketing and Distribution of goods
9. Deals in goods and services
10. Satisfaction of human needs and wants
11. Social obligations

Stakeholders

A stakeholder is anyone with an interest in a business.

Stakeholders are
- individuals,
- groups or
- organisations

that are affected by the activity of the business.

Stakeholders

Internal stakeholders

Groups within a business

- Owners
- Managers
- Workers

External stakeholders

Groups outside a business

- Customers
- Suppliers
- Lenders
- The community

Stakeholders' interests

- **Owners** are interested in how much profit the business makes.
- **Managers** are concerned about their salary.
- **Workers** want to earn high wages and keep their jobs.
- **Customers** want the business to produce quality products at reasonable prices.
- **Suppliers** want the business to continue to buy their products.
- **Lenders** want to be repaid on time and in full.
- **The community** which has a stake in the business as employers of local people. Business activity also affects the local environment.

Influence of stakeholders on business objectives

In a small business,
the most important or primary stakeholders are the owners, staff and customers.

In a large company,
shareholders are the primary stakeholders

Less influential stakeholders are called secondary stakeholders.

Owners have a big say in how the aims of the business are decided.

The directors who manage the day-to-day affairs of a company may decide to make higher sales a top priority rather than profits.

Customers are also key stakeholders. Businesses that ignore the concerns of customers find themselves losing sales to rivals.

Shareholders are the primary stakeholders as they can vote out directors if they believe they are running the business badly.

Assessing business performance using accounts

Information published by a business helps stakeholders to judge how well it is performing.

- **Owners can judge** how well the business is performing. Increased profits improve the chances of directors being re-elected at the next annual general meeting (AGM).

- **Rivals can compare** the amount of profit they are making with the business.

- **Pressure groups can find out** about the environmental policy of the business.

Conflicting stakeholder objectives

Different stakeholders have different objectives.

The interests of different stakeholder groups can conflict.

For example:

Owners generally seek high profits and so may be reluctant to see the business pay high wages to staff.

A business decision to move production overseas may reduce staff costs.

It will therefore benefit owners but work against the interests of existing staff who will lose their jobs.

Customers also suffer if they receive a poorer service.

Business Environment

1) What is business environment?
2) What factors determine business environment?
3) What is meant by “employee engagement”?
4) What can influence the high turnover and low engagement of employees?