What is a Business?

An organization that provides a product and/or a service that satisfies a need for which people are willing to pay money.

Makes money if revenues exceed costs.

Why Does a Company Need to Make a Profit?

- An obligation to owners/shareholders
  - Owners and shareholders have invested money and time. They expect to see something in return.
- Survival requires continued investments
  - new product development.
  - facilities and equipment.
  - acquiring other companies.
  - Invest in employees (training and salary increases)
- Stakeholders want to see performance before investing in a company’s future.

Recall: What is a System?

System Definition: A group of interrelated components working toward the attainment of a common goal by accepting inputs and producing outputs in an organized transformation process

- Input
- Processing
- Output
- Feedback
- Control

Business as a system

A business is an organizational system where economic resources (input) are transformed by various organizational processes (processing) into goods and services (output).
**A Business is a System**

Helps to remember and to tie together:

- Some business basics while remembering the importance of making a profit.
- The understanding of business functions.
- The appreciation for the importance of business processes.

**Business as a System**

A business is an organizational system where economic resources (input) are transformed by various organizational processes (processing) into goods and services (output).

Information systems provide information (feedback) on the operations of the system to management for the direction and maintenance of the system as it exchanges inputs and outputs within its environment.

**Important Things to Understand**

Two terms:

1) business functions
2) business processes

Will be frequently used throughout this course.

It would be a good idea to make absolutely sure that you know what they are.

**Business Functions**

Function: A group of people with related skills (specialized) seems to be a good starting point in understanding functions but this is a fairly loose definition.

**What prompts the creation and justification of business functions?**

- Specialization
- Size
- Efficiency
- More cost effective

**Examples**

- Design
- Engineering
- Sales
- Finance
- Marketing
- Etc...
Business Processes

What is a business process?
- A designed succession of actions to the accomplish of some result in a business.
- Example
  - Order Fulfillment

Cross Functional Process
- A business process that crosses over multiple functions
- Are all business processes cross functional?

Processes tend to be more simple at smaller organizations

Enrollment Process at a small, fictitious university...

Enrollment Process at UCSC...
Similarly, at small companies

Example: Capital Equipment Purchase Business Process...

Similarly, at small companies

Example: Capital Equipment Purchase Business Process...

Big company

Capital Equipment Purchase Business Process

So where do Information Systems Fit into this Story??

- Coordinates flow of information between functional departments carrying out a business process.
  - Increase Speed
  - Reduce Errors
- May reduce number of steps in a business process.
- May even allow new processes that would not have been feasible before...

Information System Roles

Transaction Processing Systems

- Record and Process data resulting from business transactions
- Example: Credit card trans. processing
- 2 types
  - Real-time
  - Batch-Processing
An example: Process Control Systems
- Monitor and control physical processes
- Example:

An example decision support systems

What is Business Process Reengineering?
- A fundamental rethinking and redesign of business processes
- Minor improvement to a business process is often called streamlining the business process

Business Process Example

A Streamlined Business Process

A Reengineered Business Process
Role of Information Systems in Business Process Reengineering?

- IS often enables complicated business processes to be made more simple.
- IS doesn't always drive business process reengineering though...

Porter Competitive Model?

- What is it?
  - A model to help understand the competitive environment in which a company operates.
- What are the "5 forces"?
  - Intra-Industry Competition
  - Bargaining Power of Suppliers
  - Bargaining Power of Customers
  - Substitutes
  - Threat of New Entrants.

Porter Competitive Model
(Identify the Industry and the Specific Market Being Evaluated)

Porter Competitive Model in Business Paper

- You must include a Porter Model in your Business Paper
  - Figure
    - Make it look nice!
  - Narrative analysis of the five forces
    - Identify the industry.
    - Identify the major buyers, suppliers, potential new entrants, substitutes, and intra-industry rivals.
    - Discuss if and why these players put strong or weak competitive pressures on your business.

Example: Usefulness of Porter Model

Bob wants to start a dentist office
- However, Bob did not go to dental school
- Bob will hire the dentist and other staff
- Is this a good model?

![Diagram of Porter Model for Bob's Dentist Office]
Example: Usefulness of Porter Model

- Suppose Alice, who is a dentist, opens an office

<table>
<thead>
<tr>
<th>Suppliers</th>
<th>New Entrants</th>
<th>Intra-industry rivals</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Staff</td>
<td>- School graduates</td>
<td>- SBU: Alice's Dentist Office</td>
</tr>
<tr>
<td>- Hygienists</td>
<td>- Dentists moving in from other regions</td>
<td>- Other local dentist offices</td>
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<table>
<thead>
<tr>
<th>Substitutes</th>
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<tr>
<td>- Alternative Medicine?</td>
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<tr>
<td>- Public in general</td>
<td></td>
<td>- Insurance companies</td>
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<tr>
<td>- Those wanting cosmetic dentistry</td>
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