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.

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**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.

- Examples
  - Design
  - Engineering
  - Sales
  - Finance
  - Marketing
  - Etc...

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

- Specialization
- Size
- Efficiency
- More cost effective

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**Business Processes**

What is a business process?

- A designed **succession of actions** to the accomplish of some result in a business.

- Example
  - Order Fulfillment
A Business Process

Customer
  Sales
    Take Order
      Enter Order
        Credit Check
          Check Stock
            Print Invoice
              Print Packing List
                Find Goods
                  Ship
                    Tell Mfg. to make order

Finance
  Inventory Control
    Print Stock
      Find Goods
        Ship
          Tell Mfg. to make order

Warehousing

Cross Functional Process

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

A business process within a function

Example: Channel Selection Process within Marketing function

New Product idea
  Find sales by channel data for similar products
    Conduct Focus Group Studies
      Mine Demographic data
        Combine information
          Make decision

Processes tend to be more simple at smaller organizations

Enrollment Process at a small, fictitious university...

Processes tend to be more simple at smaller organizations

Enrollment Process at UCSC...

Similarly, at small companies

Example: Capital Equipment Purchase Business Process...
Big company

Capital Equipment Purchase
Business Process

finance
accounting
manager
IT Dept