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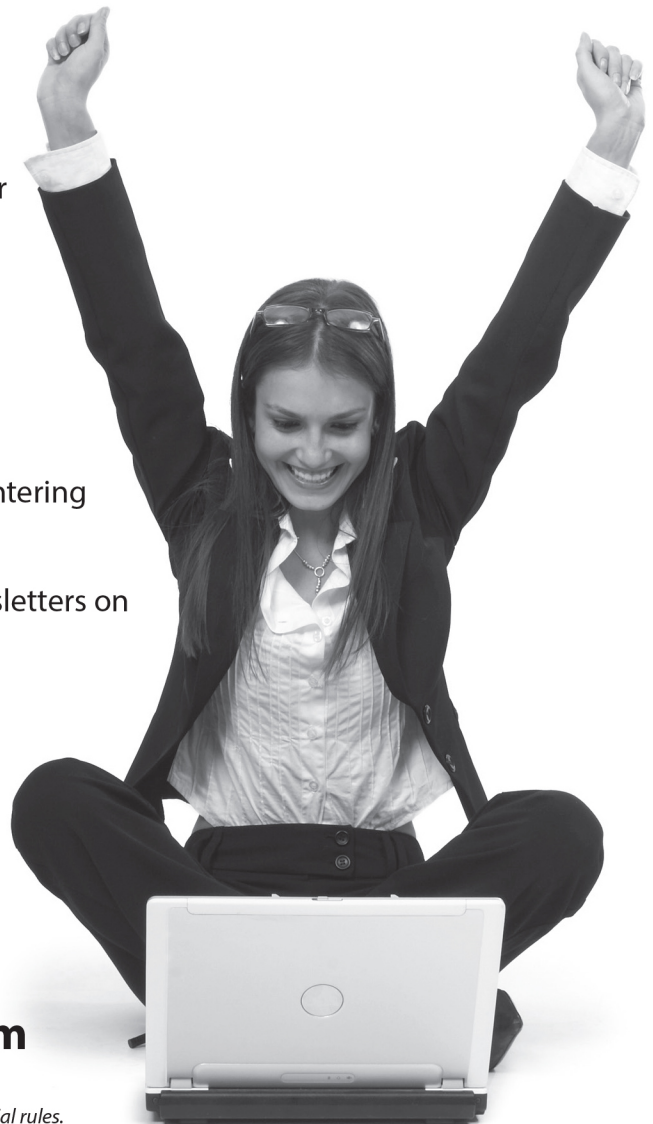
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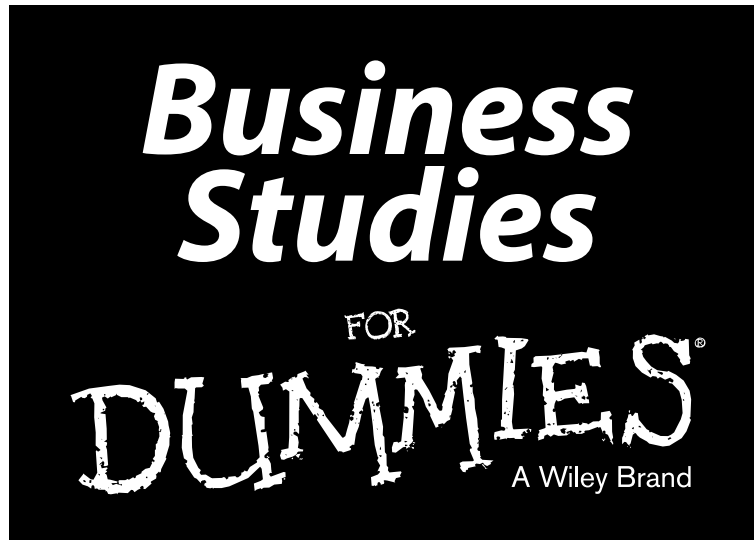
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by Richard Pettinger, MBA

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Business Studies For Dummies®

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Introduction

There's never been a more important, exciting or vital time to be studying business. So much has happened in the past: achievements and successes, but also mistakes and business conduct that, excellent though it may have been then, is no longer suitable or effective. And so much is going to change in the years to come, such as increased competition in a world that's electronically charged and linked; industrial and commercial revolutions in countries such as Brazil, Russia, India and China; and the commercialisation of public services like health, education and security.

So it's clearly time to take a step back and think about just what business is, how it's conducted and how it should be conducted, and the benefits that it should be delivering for society at large, as well as for companies and organisations. And that's where *Business Studies For Dummies* comes in: it's a concise point of reference for everyone who wants to know and understand what business is and what it ought to be, and how to succeed in business now and in the future.

About This Book

This book provides the basis for acquiring and developing the substantial body of knowledge, skills and understanding that's required of anyone who comes to study business. This knowledge forms the base upon which you can build practical excellence and expertise, and relate the lessons learned to what goes on in the world.

This book is full of vital and useful information. Everything included in the book is tried and tested. Of course, I introduce organisation and management theories, and I also introduce the distinctive disciplines of business – marketing, finance, numeracy and the understanding of people and their behaviour. I concentrate on what's useful and valuable. All these aspects give you a firm foundation on which to build your professional knowledge, understanding and expertise.

I also include lots of real-world examples that I hope inspire you to understand the expertise and principles on which they're based, and learn from the failures also, so that you can make sure you never make these mistakes yourself.

I also place an emphasis on providing practical information – so you'll find lots of tips and guidance you can apply to your own career in business. Becoming fully professional and expert in business is terrifically rewarding and fulfilling, whatever sector you go on to work in.

Always put in your best effort! Remember that the best directors and managers in the world have reached their positions because of their personal and professional commitment, as well as their expertise. In addition to working very hard, they have read books like this and many others so that they know as much as they possibly can about everything to do with business.

Foolish Assumptions

In my line of work, everyone I meet has an active interest in business, companies and organisations, how they work, and what causes some of them to be profitable and effective, while others fail. In this book, therefore, I assume that you're studying business on a course, or else actively interested and/or involved in business – what it is, how it works and how it can be improved.

I assume that you need and want comprehensive basic information about every aspect of what business is and the different elements – organisation, people, marketing, sales, accounts and finance – that together make up the whole.

I also assume that, whatever your occupation, rank or level of qualification, you can get something out of this book – just a few insights, or a pearl of wisdom, or a different approach to reviewing those things with which you're familiar. As you work your way through this book, you're able to access both the whole of what business is, and also those specific parts that are of greatest value to you (feel free to browse the table of contents if you're looking for a particular topic to dive into).

Icons Used in This Book



We use icons next to blocks of text to draw your attention to particular nuggets of information throughout the book.

The bull's-eye highlights a good idea or shortcut that can save you time or trouble.



This icon draws your attention to a piece of information about business that you shouldn't forget.



This icon indicates information that can help you to avoid disasters.



The world of business is full of inspirational stories of business successes and failures, and this icon highlights them.



This icon shows vital lessons to learn, based on the experiences of others.



This icon draws your attention to the main things that you'll likely learn and apply as you study business and develop your knowledge and expertise.



Everyone in business has their own point of view on all aspects of what is good and best practice, and this icon highlights the best of these.

Beyond The Book

As you make your journey into the world of business studies, you can supplement what you discover in this book by checking out some of the bonus content available to you at Dummies.com.

You can locate the book's e-cheat sheet at www.dummies.com/cheat-sheet/businessstudies. Here you can find handy hints about the importance of people in everyday business, identifying and assessing risk, and relating your studies to real-life business.

Be sure to visit the book's extras page at www.dummies.com/extras/businessstudies for an extra Part of Tens chapter and many other interesting articles.

Where to Go from Here

The beauty of a book broken up into easily identifiable and manageable chunks is that you can start anywhere in your reading. Being new to business studies, you may want to start at the beginning and work your way through to the end. Then, later on, you can delve into the book, finding topics that are useful at different stages. A wealth of information and practical advice is waiting for you. Simply turn the page and begin!

Part I

What Is Business?



For Dummies can help you get started with lots of subjects. Visit www.dummies.com to learn more and do more with *For Dummies*.

In this part . . .

- ✓ Get to grips with business. Identify whether studying business is for you and get advice on exactly how to go about doing this.
- ✓ Apply a business-like approach to all business activity in order to improve the running of your commercial, public sector or not-for-profit business.
- ✓ Acclimatize yourself to your business's environment by learning about the internal and external influences on your business.
- ✓ Optimize your business analyses skills to evaluate opportunities, constraints, drives and pressures from all parts of your business environment.

Chapter 1

Understanding Business and Business Studies

In This Chapter

- ▶ Understanding why and how people study business
 - ▶ Thinking about the part that business plays socially and economically
 - ▶ Considering the risks facing businesses
 - ▶ Looking at the bigger picture: the business environment
 - ▶ Seeing what pressures businesses contend with
-

Welcome to the world of business and business studies!

The world of business is truly exciting. It provides everything that you need, want, consume and use in every part of your life. But the world of business can also be a scary one – times are uncertain, and this uncertainty is causing great changes in how companies and organisations conduct their affairs, how people organise their working and domestic lives, and how essential services (such as housing, energy and transport) are provided, delivered and paid for.

So, people knowing as much as possible about business is vital – how business is organised and structured, and how it goes about delivering what it's supposed to produce.

That's where you come in! Whether you're studying business in order to get qualifications, or whether you're doing so purely out of interest, you will acquire much greater knowledge, insight, understanding – and, ultimately, expertise – in everything to do with business and how business is conducted by reading this book!

In this chapter, I start you off on your business studies path by laying down the basics of this field of study, from defining business and understanding why people study it and how, to looking at the role of businesses, risks, the business environment, beneficiaries and stakeholders and, finally, the pressures that businesses face.

Defining Business

Business students must know the answers to two key questions:

- ✓ **What is *business*?** Answer: the provision of products and services for consumption, in return for an agreed-upon price, charge or fee, or for having paid taxes and charges at some point (usually for public services – this also applies to direct debit payments for electricity, gas and water).
- ✓ **What is *a business*?** Answer: an entity – an organisation – that conducts a particular set of activities, the purpose of which is to provide something – products, services or both – that's of value to all or part of the community.



Ultimately, think of all organisations as businesses, whether they work on purely commercial lines, or whether they're government departments, public service providers or charities. This makes studying business much more straightforward. Besides, all public service and charitable organisations are now run very much on 'business lines', with the kinds of pressures on their resources that have always occurred in commercial activities.

Why Study Business?

Business provides a fundamental structure for every part of society, affecting every walk of life and part of life. Most of what you do relates to businesses of one sort or another.

Obviously, businesses provide work, but they also provide plenty of other things that people need, such as holidays, cars, clothes, food and furniture. If you need healthcare, or want an education, or even water, gas or electricity, then schools and hospitals and the utility companies – *businesses* by any other name – exist to provide these services. And, of course, you expect businesses to be business-like – professional and expert. For example, you want healthcare or education to be delivered by experts, not just by people who fancy the job.

So you have an immediate rationale for studying business – without business, you'd have a hugely different life. People depend on businesses of all kinds for every part of their daily lives. Business delivers work, income, energy, transport, communications, food and drink, leisure activities and more. Organisations run along business lines deliver healthcare, education, security and defence. So business really is at the core of everything people do and are.

You study business, then, because you need to understand the following:

- ✓ How everything about the world that you live in operates and the position business has in making sure that the world works as well as possible
- ✓ How organisations can be improved for the benefit of everyone, and how those improvements can best be made
- ✓ Whether people are getting the best possible services from public businesses like utility companies, and the best possible value from the taxes and charges that they pay to support the public businesses

You also study business because businesses directly affect your quality of life and your ability to do the things that you need and want to do. For example, think of your reaction

- ✓ To increases in car parking charges.
- ✓ When you read of waste in government circles – for example, when it overspends by \$40 billion on defence contracts, or writes off \$14 billion on computer projects for the UK National Health Service (NHS).

Happy? No! It is, after all, your money that's been increased or written off, so you have a vested interest in how businesses operate.



Business studies is about:

- ✓ Looking after money
- ✓ Making progress as an individual and for everyone
- ✓ Organisations, and creating the conditions in which you can be business-like
- ✓ People – in their roles as workers, customers and clients, and as they go about their daily lives
- ✓ Products, services and service
- ✓ Resources and their usage
- ✓ The law

Knowing How to Study Business

If you want to study medicine, you go to medical school. And so the superficial answer to the question 'How to study business?' is 'Go to business school.'

Well, business school can teach you a lot, but to really find out about business, you need to take a wider view. Business is all-pervasive (much more so than medicine, which, although critical, is only one part of life and, therefore, only one part of business life). You observe business all the time, and so you have the opportunity to make up your own mind and begin to form your own opinions, whether you go to business school or not. And as with the study of medicine, studying in a school, college or university isn't enough! How you *apply* your knowledge and, therefore, build your expertise, is crucial.



Tom Peters, one of the great business gurus, said in a televised lecture on Channel 4:

'The number of business school graduates has been rising at exactly the same time that the country's real-world share of goods and services has been falling. So something is going wrong at business school. You need practical experience as well as theoretical knowledge, and the two have to go together.'

Thinking for yourself

You need to study and observe how organisations conduct themselves. In doing so, you form your own opinions that you apply in all your business dealings. So, you ask:

- ✓ Why is company X so successful, but company Y isn't?
- ✓ Why do I always use one supermarket but not the others?
- ✓ Why do I like (or hate) working here?

... and so on. In this way, you begin to develop an enquiring mind. You build knowledge and understanding of your own behaviour, attitudes, values, prejudices and preconceptions that you have about businesses overall, how they conduct themselves and what you expect from them. And you then use this knowledge, understanding and insight to form the basis of your own expertise.

Putting theory into practice

The study of business is full of theories – this book contains plenty of theories – and the test of theories is what they contribute to practice.



Heathrow Terminal 5 in practice

When Heathrow Airport's Terminal 5 opened in 2007, it was equipped with technology that could handle 250,000 passengers and one million pieces of luggage per day (in theory). Nothing could go wrong (in theory). In practice, the outcome has been different. The technology can't handle what actually happens:

- ✓ People arrive in parties and groups, and then the system faces a huge demand.
- ✓ Quiet periods occur.
- ✓ Luggage is loaded and unloaded according to what the actual demands are.

- ✓ Some planes are late, others are early and others still are diverted or re-routed.
- ✓ Some passengers have connections to and from the airport.

Under perfect conditions, everything was fine with the systems; in practice, it wasn't. And effective practice is what lies at the core of all successful business. This is the same for all businesses – everything you try to implement has to work in as many sets of practical circumstances as possible.



When it comes to theories, you need to bear in mind two key points:

- ✓ **A theory doesn't work in every single set of circumstances.** If something works well in most sets of circumstances, you've a clear guide, of course. However, always be aware that a theory may not work, or work fully, all the time.
- ✓ **If something isn't working, you should probably change the theory, not the practice.** For example, if you've bet everything on an Internet marketing campaign for your new product because you can theoretically reach half the world's population, and yet the campaign has no effect on sales, you should probably try (or at least consider) something else. After all, you don't want to reach half the world's population; you want to reach that (probably tiny) part of the world's population that will buy and consume your products.

Theory never makes life predictable or certain. People have never before had greater access to information and data, and so, theoretically, creating business and businesses with a great deal more certainty of success than in previous times should be possible. But the international, economic, political, financial and business crises of the early part of the 21st century show clearly that success isn't assured, whatever the availability of data.



When studying business – theory and practice – remember that business is:

- ✓ A huge and complex subject, consisting of many different subjects and facets, and with an awful lot of information on which to base your knowledge and understanding
- ✓ Ever-changing, as people come up with new ideas and inventions, and new ways of doing things
- ✓ Unpredictable – you can't always state that something in business is going to work perfectly in all circumstances
- ✓ Bounded by people and how they behave, and needs to recognise that their behaviour (collective and individual) changes according to whether they're being customers, staff, tradespeople, managers, car drivers, public transport passengers or clients of healthcare and other public services

Keep these four bullet points in mind when reading all the books, papers, news media, journals and website articles that come your way. And if you're studying at business school, approach the syllabus armed with this knowledge and it will help you get the most from your education.

Considering the Role of Business

To study business, you have to form your own opinion of what business and businesses are for. In the earlier section 'Why Study Business?', I indicate just how big a part of daily life businesses are. You can split their role into two key areas: economic and social.

Seeing the economic side of business

The economic role of business and businesses reflects the fact that everything that people do has a cost, price or value. However, these economic aspects sit in a wider context:

- ✓ **Costs:** The costs incurred relate to everything that any business has to pay in order to be able to operate. Costs exist to the environment in terms of energy and other resources used and consumed. *Opportunity costs* also come into play – if you choose to do one thing, you forego the opportunity to do something else (at the same time at least). Finally, a business has direct or indirect costs to do with waste and effluent management and disposal, a necessary consequence of being in business.

✓ **Prices and charges:** Companies and organisations place prices and charges on all goods and services, and these prices reflect the value (see the following bullet point) that they're deemed to carry. Some companies and organisations are able to charge high prices because of the value that they deliver; others charge high prices because they have captive markets. Customers have to pay for most products and services at the point of order or delivery, but some (especially those provided by public services) are free at the point of order or delivery. (These kinds of products or services are usually paid for through taxation.)

✓ **Value:** A reflection of the utility that particular products and services have. Note the following two extremes:

- If something has no usefulness or value at all, there won't be a price low enough that you can sell it for.
- Nothing is absolutely perfect, which means that, ultimately, everything has its price – a price above which people aren't willing to pay.



The following examples are worth noting in support of understanding the economic point of view:

- ✓ A huge demand for housing – bought and rented – exists in the UK at present, but not at the prices, charges and rents currently on offer.
- ✓ The success of Ryanair and easyJet proved that huge demand (and, therefore, value) exists for air travel, but not at the prices that were being charged before these companies started up.

Understanding the social perspective

The economic perspective that I explain in the previous section also indicates the social side to business. In particular, the prices paid and the value ascribed to business, products and services are matters of collective and individual (that is, social) choice. No linear or one-dimensional economic rule or theory exists that states 'Because product X or service Y is only price £Z, I will buy it', and works in every set of circumstances.

Prices charged and paid also reflect personal and collective value. For example:

- ✓ If you're offered a Rolls-Royce for £3,000, you'll probably turn it down because you think something must be wrong with it (a social, not economic judgement).
- ✓ If a company is offering consultancy services for £10,000 a day, clients have absolute faith (a social judgement) that the services are excellent because of the high prices charged (a social judgement). If the services were no good, the consultancy couldn't charge these prices (also a social judgement).

Council taxes

Not long ago, one of the larger UK local government authorities paid a consultancy firm £2.5 million. The local government authority had decided that it needed to restructure itself as an organisation and also the ways in which it delivered its services. When the news broke of this exercise and the huge fees attached, a public outcry occurred. The local government authority defended its position by stating that because

it was responsible for 2.5 million people, the cost was only £1 per person.

And the lesson? The economic is nearly always justified by the social. You can make up your own mind whether the consultancy was genuine value for money!

Understanding Business Risks

Nothing in business is certain, and risk exists when you can't know everything about a situation. In business, things go wrong:

- ✓ You lose money.
- ✓ Your products, services and customer service lose their competitive edge.
- ✓ Your technology crashes.
- ✓ You're attacked and/or defrauded.
- ✓ Your costs rise and/or your income falls.

The above are all risks that businesses face. Businesses have to recognise the risks and be prepared to deal with them.

When it comes to identifying risks, businesses need to understand:

- ✓ The ins and outs of the business
 - The company's products and services, the service that's delivered and the risks of product and service faults and shortcomings
 - How reliable their suppliers and supplies are, and the risks of the loss of a key supplier or supply
 - The loyalty of customers, and the risks of losing a particular customer base or group
 - The loyalty, expertise and conduct of staff and their collective and individual attitudes, values and behaviour, and the risks to your performance of the loss of key staff or the inability to source good staff for the future