

## WHAT IS BUSINESS?

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### A. ABSTRACT

All of people know about business. A business is defined as an organization or enterprising entity engaged in commercial, industrial, or professional activities. Businesses can be for-profit entities or they can be non-profit organizations that operate to fulfill a charitable mission or further a social cause.

The term "business" also refers to the organized efforts and activities of individuals to produce and sell goods and services for profit. Businesses range in scale from a sole proprietorship to an international corporation. Several lines of theory are engaged with understanding business administration including organizational behavior, organization theory, and strategic management.

**Keywords:** Business, Business Structures, Business Strategy

### B. INTRODUCTION

Historical studies of the evolution of different management functions have often emphasized a process of professionalization (Calvert, 1967; Layton, 1971; Willmott, 1986). As Armstrong (1986:

25) has argued, while traditional accounts of professionalism emphasize collegiate control of independent ethical and technical standards, the managerial professions are 'relatively self-conscious specialisms which compete at a group level for access to the key positions of command'. These managerial professions have not only sought to monopolize a chosen area of expertise through conventional accreditation mechanisms, but also emphasize their unique skills in resolving the central problems of the business organization.

Developments in the global economy have changed the traditional balance between customer and supplier. New communications and computing technology, and the establishment of reasonably open global trading regimes, mean that customers have

more choices, variegated customer needs can find expression, and supply alternatives are more transparent. Businesses therefore need to be more customer-centric, especially since technology has evolved to allow the lower cost provision of information and customer solutions. These developments in turn require businesses to re-evaluate the value propositions they present to customers. In many sectors, the supply side driven logic of the industrial era has become no longer viable. A business model articulates the logic and provides data and other evidence that demonstrates how a business creates and delivers value to customers. It also outlines the architecture of revenues, costs, and profits associated with the business enterprise delivering that value.

## **C. METHOD**

### **1. Business**

What is business? Business is the activity of making one's living or making money by producing or buying and selling products (such as goods and services). We can say that business is any activity or enterprise entered into for profit.

Generally, a business begins with a business concept (the idea) and a name. Depending on the nature of the business, extensive market research may be necessary to determine whether turning the idea into a business is feasible and if the business can deliver value to consumers. The business name can be one of the most valuable assets of a firm; careful consideration should thus be given when choosing it. Businesses operating under fictitious names must be registered with the state.

Businesses most often form after the development of a business plan, which is a formal document detailing a business's goals and objectives, and its strategies of how it will achieve the goals and objectives. Business plans are almost essential when borrowing capital to begin operations.

It is also important to determine the legal structure of the business. Depending on the type of business, it may need to secure permits, adhere to registration requirements, and obtain licenses to legally operate. In many countries, corporations are considered to be juridical persons, meaning that the business can own property, take on debt, and be sued in court. There are 3 types for business structures such as:

- Business models
- Business size
- Business industries

- **Business Models**

A business model is an organization's approach to generating revenue at a reasonable cost, and incorporates assumptions about how it will both create and capture value. Teece identifies a business model as reflecting 'management's hypothesis about what customers want, how they want it, and how an enterprise can best meet those needs, and get paid for doing so'. Whenever a business model generates profit, it is because the firm has developed activities and accumulated resources that drive a wedge between operating costs and revenues by making the firm more efficient than rivals (thus lowering total costs) and/or more effective than rivals at raising revenues either through higher prices or greater volumes.

The asset or resource base and activity profile of the firm is integrally tied to its business model, and the success of a business model in generating profit at driving the wedge between costs and revenues depends on the accumulation within the organization of strategically important resources. In today's economy these are increasingly grounded in intangibles such as scientific knowledge and intellectual property. In this conceptualization, business-model innovation occurs when a firm adopts a novel approach to commercializing its underlying assets. One arena in which many firms with important knowledge assets are currently innovating is in the rising 'markets for technology', where firms sell rights to their intellectual property rather than themselves directly commercializing products and services based on their knowledge capital. While markets for technology have grown in recent years.

- **Business Size**

Business sizes range from small owner-operated companies, such as family restaurants, to multinational conglomerates such as General Electric. Larger businesses may issue corporate stock to finance operations. In this case, the company is publicly traded and has reporting and operating restrictions. Alternatively, smaller businesses may operate more independently of regulators. Small and medium-sized enterprises (SMEs) or small and medium-sized businesses (SMBs) are businesses whose personnel numbers fall below certain limits. The abbreviation "SME" is used by international organizations such as the World Bank, the European Union, the United Nations and the World Trade Organization (WTO).

SMEs outnumber large companies by a wide margin and also employ many more people. For example, Australian SMEs make up 98% of all Australian businesses, produce one-third of the total GDP and employ 4.7 million people. In Chile, in the commercial year 2014, 98.5% of the firms were classified as SMEs. In Tunisia, the self-employed workers alone account for about 28% of the total non-farm employment and firms with fewer than 100 employees account for about 62% of

total employment. In developing countries, smaller (micro) and informal firms, have a larger share than in developed countries. SMEs are also said to be responsible for driving innovation and competition in many economic sectors. Although they create more new jobs than large firms, they also suffer the majority of job destruction/contraction.

- **Business Industries**

A company may describe its business by communicating the industry in which it operates. For example, the real estate business, advertising business, or mattress production business are industries in which a business can exist. Because the term “business” can be interchanged with day-to-day operations as well as the overall formation of a company, the term is often used to indicate transactions regarding an underlying product or service. For example, ExxonMobil transacts business by providing oil. Therefore, this business would be classified as belonging to the car manufacturing industry, and not financial services.

Economists often distinguish three broad sectors of the economy:

- The primary sector involves extracting and harvesting natural products from the earth (for example, agriculture, fishing and mining).
- The secondary sector consists of processing (for example, the processing of food stuffs produced by agriculture), manufacturing and construction. That is to say, the secondary sector takes the products from the primary sector and does something more with them.
- The tertiary sector provides services, such as retail services, entertainment or financial services.

Some people also distinguish a fourth sector, which is made up of intellectual activities, such as education.

## **2. Business Structures**

Many businesses organize themselves around some sort of hierarchy or bureaucracy, where positions in a company have established roles and responsibilities. The most common structures include sole proprietorships, partnerships, corporations, and limited liability companies (LLC), with sole proprietorships being the most prevalent. A sole proprietorship, as its name suggests, is a business owned and operated by a single natural person. There is no legal separation between the business and the owner; the tax and legal liabilities of the business are thus that of the owner.

A partnership is a business relationship between two or more people who join to conduct business. Each partner contributes resources and money to the business and shares in the profits and losses of the business. The shared profits and losses are recorded on each partner's tax return. A corporation is a business in which a group of people acts together as a single entity; most commonly, owners of a corporation

are shareholders who exchange consideration for the corporation's common stock. Incorporating a business releases owner of the financial liability of business obligations; however, a corporation has unfavorable taxation rules for the owners of the business.

When beginning a business, you must decide what form of business entity to establish. Your form of business determines which income tax return form you have to file. The most common forms of business are the **sole proprietorship, partnership, corporation, S corporation, and Limited Liability Company (LLC)** is a business structure allowed by state statute. Legal and tax considerations enter into selecting a business structure.

*I. Sole Proprietorship*

A sole proprietor is someone who owns an unincorporated business by himself or herself. However, if you are the sole member of a domestic limited liability company (LLC), you are not a sole proprietor if you elect to treat the LLC as a corporation.

*II. Partnership*

A partnership is the relationship between two or more people to do trade or business. Each person contributes money, property, labor or skill, and shares in the profits and losses of the business. A partnership must file an annual information return to report the income, deductions, gains, losses, etc., from its operations, but it does not pay income tax. Instead, it "passes through" profits or losses to its partners. Each partner reports their share of the partnership's income or loss on their personal tax return.

*III. Corporation*

In forming a corporation, prospective shareholders exchange money, property, or both, for the corporation's capital stock. A corporation generally takes the same deductions as a sole proprietorship to figure its taxable income. A corporation can also take special deductions. For federal income tax purposes, a C corporation is recognized as a separate taxpaying entity. A corporation conducts business, realizes net income or loss, pays taxes and distributes profits to shareholders.

The profit of a corporation is taxed to the corporation when earned, and then is taxed to the shareholders when distributed as dividends. This creates a double tax. The corporation does not get a tax deduction when it distributes dividends to shareholders. Shareholders cannot deduct any loss of the corporation.

#### IV. *S Corporation*

S corporations are corporations that elect to pass corporate income, losses, deductions, and credits through to their shareholders for federal tax purposes. Shareholders of S corporations report the flow-through of income and losses on their personal tax returns and are assessed tax at their individual income tax rates. This allows S corporations to avoid double taxation on the corporate income. S corporations are responsible for tax on certain built-in gains and passive income at the entity level.

To qualify for S corporation status, the corporation must meet the following requirements:

- Be a domestic corporation
- Have only allowable shareholders
  - May be individuals, certain trusts, and estates and
  - May not be partnerships, corporations or non-resident alien shareholders
- Have no more than 100 shareholders
- Have only one class of stock
- Not be an ineligible corporation (i.e. certain financial institutions, insurance companies, and domestic international sales corporations).

#### V. *Limited Liability Company (LLC)*

A Limited Liability Company (LLC) is a business structure allowed by state statute. Each state may use different regulations, you should check with your state if you are interested in starting a Limited Liability Company.

Owners of an LLC are called members. Most states do not restrict ownership, so members may include individuals, corporations, other LLCs and foreign entities. There is no maximum number of members. Most states also permit “single-member” LLCs, those having only one owner.

A few types of businesses generally cannot be LLCs, such as banks and insurance companies. Check your state’s requirements and the federal tax regulations for further information. There are special rules for foreign LLCs.

### 3. **Business Strategy**

What is business strategy? a business strategy refers to the actions and decisions that a company takes to reach its business goals and be competitive in its industry. It defines what the business needs to do to reach its goals, which can help guide the decision-making process for hiring and resource allocation. A business strategy helps different departments work together, ensuring departmental decisions support the overall direction of the company. There are several reasons why a business strategy is important for organizations including **planning, strengths and weaknesses, efficiency, control, and competitive advantage**. But there are six key components of business strategy such as:

- a. Vision and business objectives  
The business strategy is intended to help you reach your business objectives. With a vision for the direction of the business, you can create clear instructions in the business strategy for what needs to be done and who is responsible for it.
- b. Core values  
The business strategy guides top-level executives as well as departments about what should and should not be done, according to the organization's core values.
- c. SWOT analysis  
SWOT stands for strengths, weaknesses, opportunities and threats. This analysis is included in every business strategy, as it allows the company to rely upon its strengths and use them as an advantage. It also makes the company aware of any weaknesses or threats.
- d. Tactics  
Many business strategies articulate the operational details for how the work should be done in order to maximize efficiency. People who are responsible for tactics understand what needs to be done, saving time and effort.
- e. Resources allocation plan  
A business strategy includes where you will find the required resources to complete the plan, how the resources will be allocated and who is responsible for doing so.
- f. Measurement  
The business strategy also includes a way to track the company's output, evaluating how it is performing in relation to the targets that were set prior to launching the strategy.

The six key components of business strategy it is good enough to make plan for the future. But we must know there are ten examples to make key components work. The 10 examples are:

- Cross sale more products
- Most innovative product or service
- Grow sales from new products
- Improve customer service
- Cornering a young market
- Product differentiation
- Pricing strategies
- Technological advantage
- Improve customer retention
- Sustainability

## D. CONCLUSION

All businesses, either explicitly or implicitly employ a particular in business. The essence of a business is that it crystallizes customer needs and ability to pay, defines the manner by which the business enterprise responds to and delivers value to customers, entices customers to pay for value, and converts those payments to profit and operation of the various elements of the value chain. For business structures we know how to manage our business because there are many ways to make a goal or to make the business success. If we have created the plan for our business, we know three until five years our business will grow more and more. That is why we call the business structures because they have the structure to make the business from small business to become big business or many people will be known our business. The last one is the strategy business. The strategy business it will help all of you to make a great plan from open until the next three years or five years later. So, it really helpful if you are beginner to make a plan it is the first step from your business and the next step is how you manage your business and keep up your business to make your new brand or idea so the public will be like your things or your brands. Hopefully this article will help you if you are the beginner you can do it with your business and do not give up and always improving. Good luck.

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