

Economics of Technology and Management

Introduction to Business



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What is a Business?

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Business is an **Organization** (or **Economic System**) that uses **resources** to **meet the needs of customers** by providing **products** (also goods) or **services** that they demand.

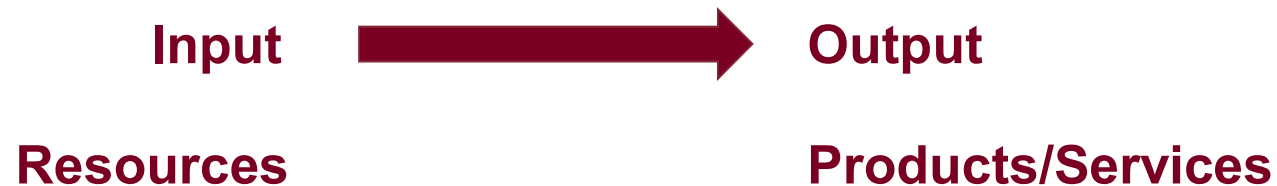
Goods and services are exchanged for one another or for money.

Every Business requires some form of **investment** and enough customers (= **customer base**), to which a good/service can be sold, in order to make a **profit**.

What does Business do?

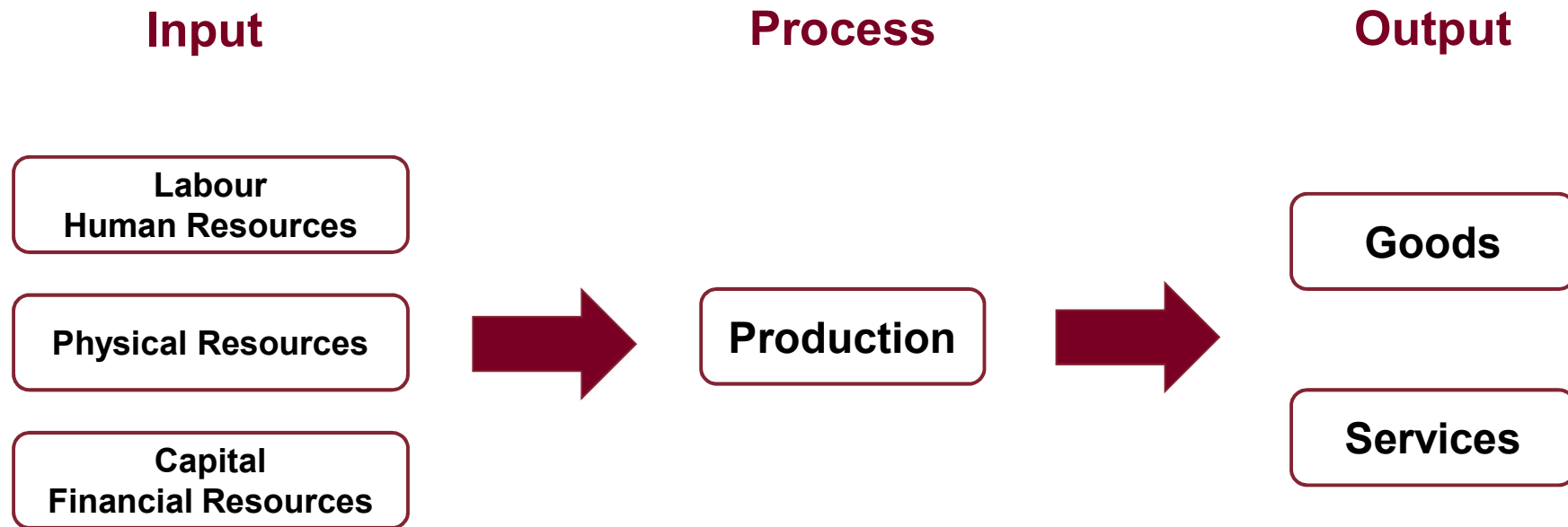
What does Business do?

A Business can be seen as a **Process**:



- Organizations identify the needs of **customers**
- Then they supply **resources**, or **production factors**, to produce one or more outputs
- **Outputs** of a business are goods and services that **satisfy** the identified **needs**, and are usually sold to make a profit

Business activity

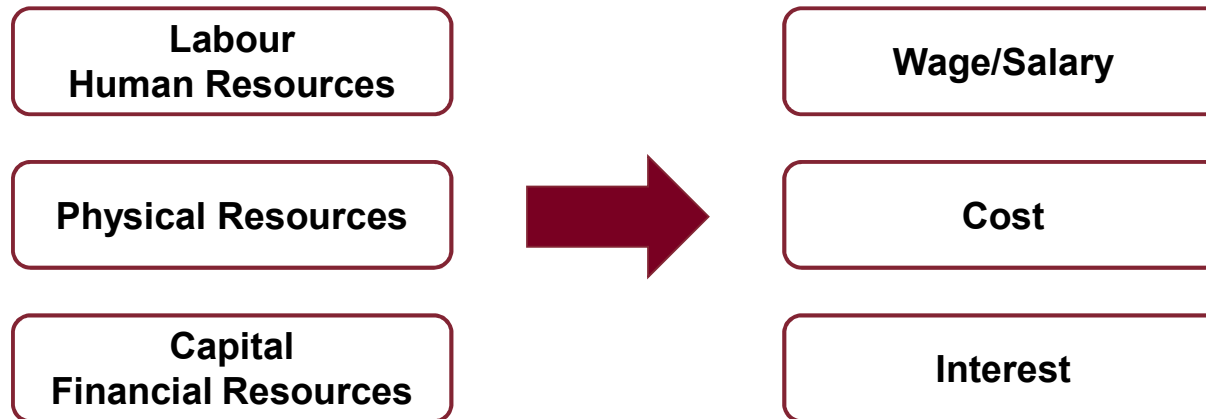


The Production Process is usually distinguished in

- Capital Intensive
- Labour Intensive

Inputs

Each input needs to be **supplied/purchased** or, to better say, **remunerated**



Outputs

Products and services have different **characteristics**

Goods

- **Tangibility:** products can be inventoried, display, functions can be communicated
- **Standardization:** products can be realised with a predefined series of functions/features
- **Separation:** between production, purchase, and usage phases
- **Durability:** products can be stored, returned, resold

Services

- **Intangibility:** services cannot be inventoried, display, communicated
- **Heterogeneity:** service delivery and customer satisfaction depend on the behaviour of employees and customers
- **Inseparability:** customers participate in and affect the creation and delivery of the service
- **Perishability:** services cannot be stored, returned, resold

Business Size

Organizations can be classified and distinguished in different categories. The most adopted one is their **size**, very often measured with the **number of employees**.

- **Small and Medium Enterprises (SMEs):** companies with less than 250 employees
 - **Micro Enterprises:** from 1 to 9 employees
 - **Small Enterprises:** from 10 to 49 employees
 - **Medium Enterprises:** from 50 to 250 employees
- **Large Enterprises:** more than 250 employees

Business Functions

Organizations, independently from their size, are organized typically in 6 macro-areas or **Functions**.



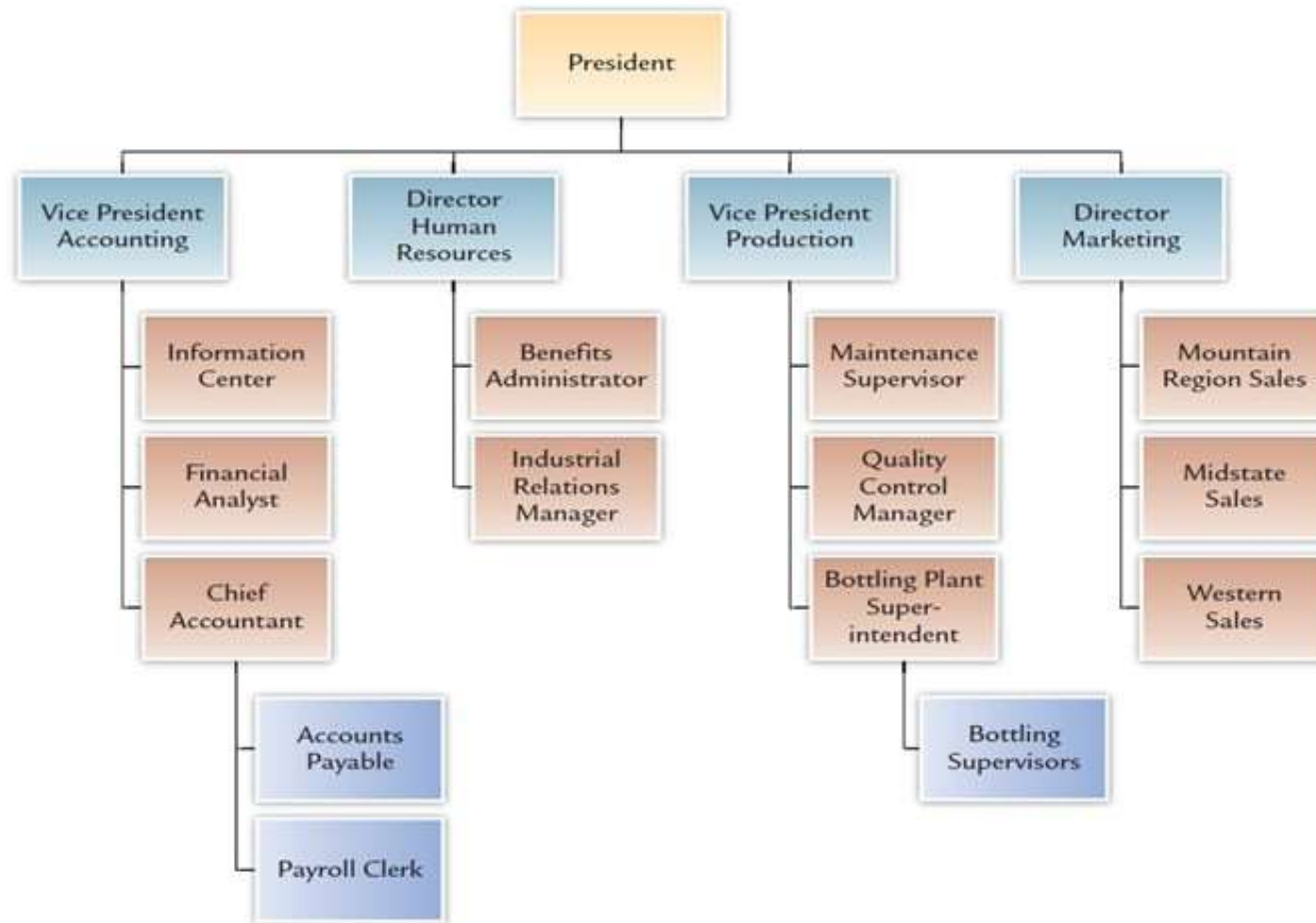
Business Functions

- **Marketing and Sales**
 - Defines Products and Services
 - Defines price strategies for products/services (Pricing)
 - Defines and manages Distribution (Place)
 - Defines strategies to promote products/services (Promotion)
 - Packaging
- **Finance and Administration**
 - Ensures availability of financial resources (capital)
 - Deals with administrative tasks
- **Human Resources**
 - Recruit and Training of employees
 - Compensation of employees
 - “Job assignment”

Business Functions

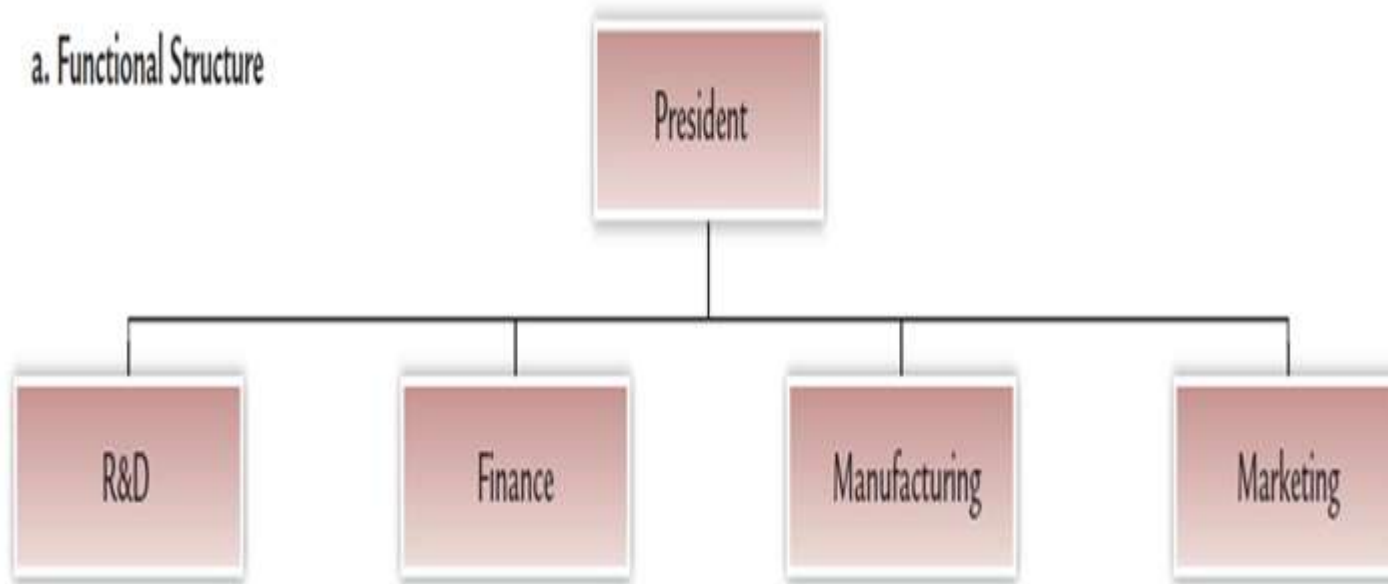
- **Logistics and Operations Management**
 - Management of production processes
 - Quality control
 - Management of logistics flows and warehouses
- **Research and Development**
 - New Product/Service Research
 - New Product/Service Development
 - Upgrade of existing Products
- **IT**
 - Management of IT infrastructures

Organizational chart

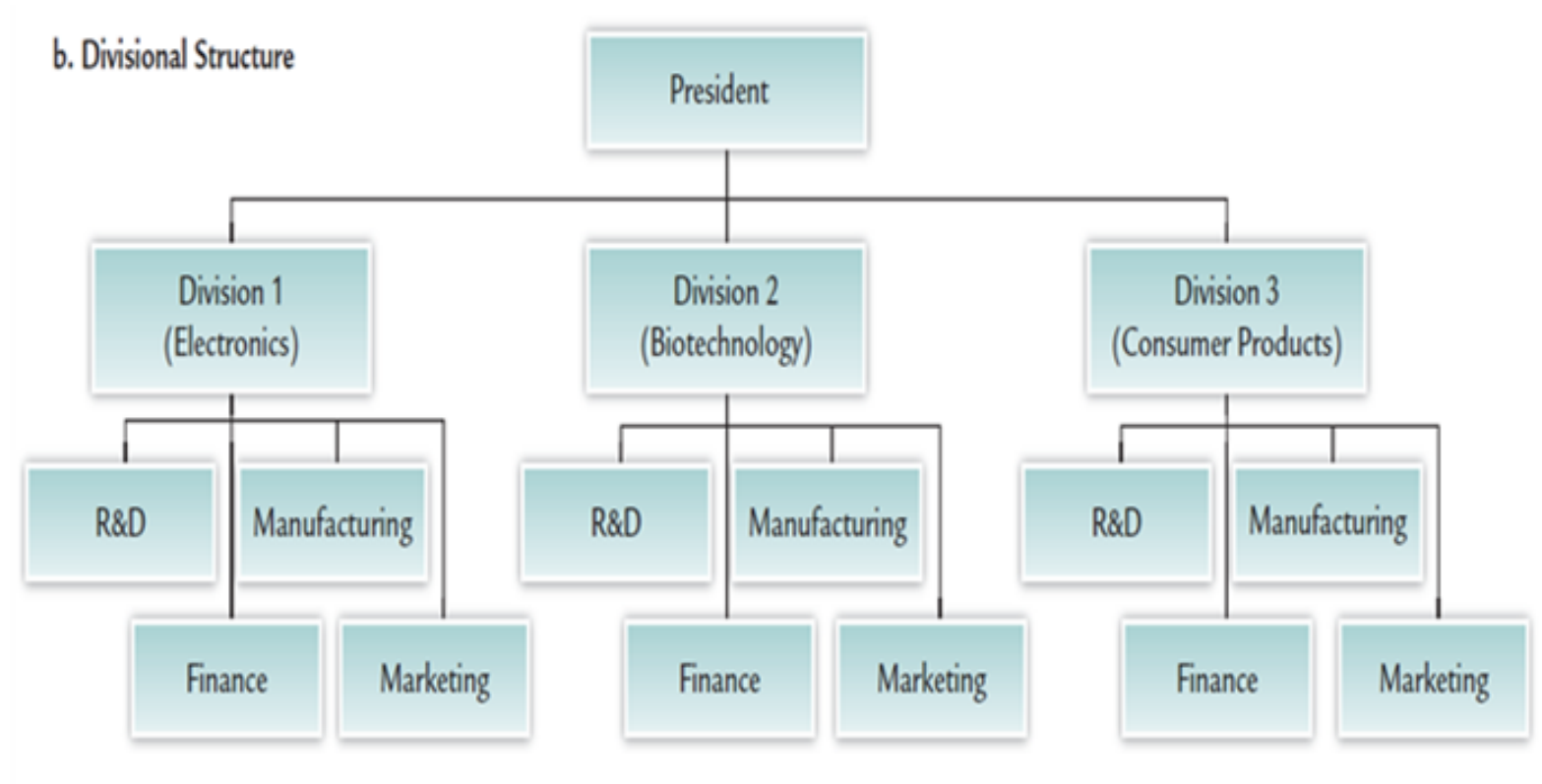


Organizational structures

a. Functional Structure

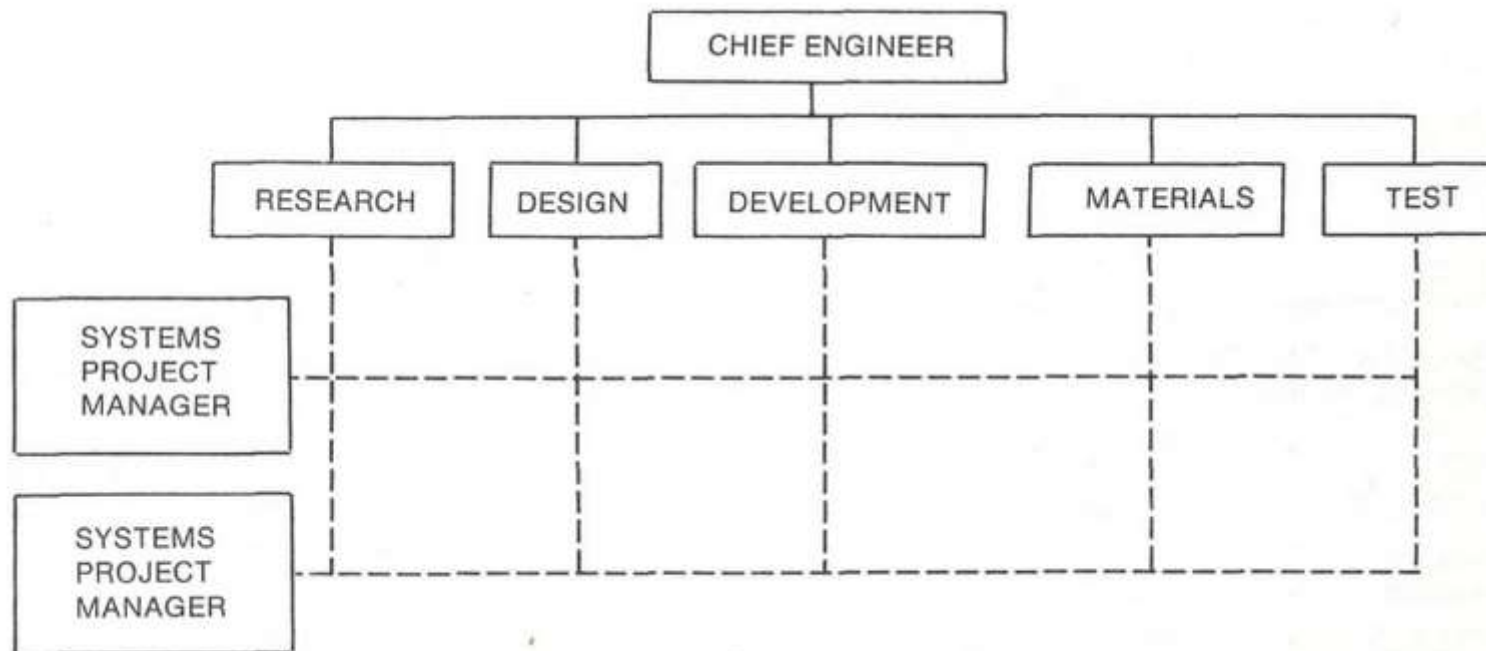


Organizational structures



Organizational structures

c. Matrix Structure



Competition

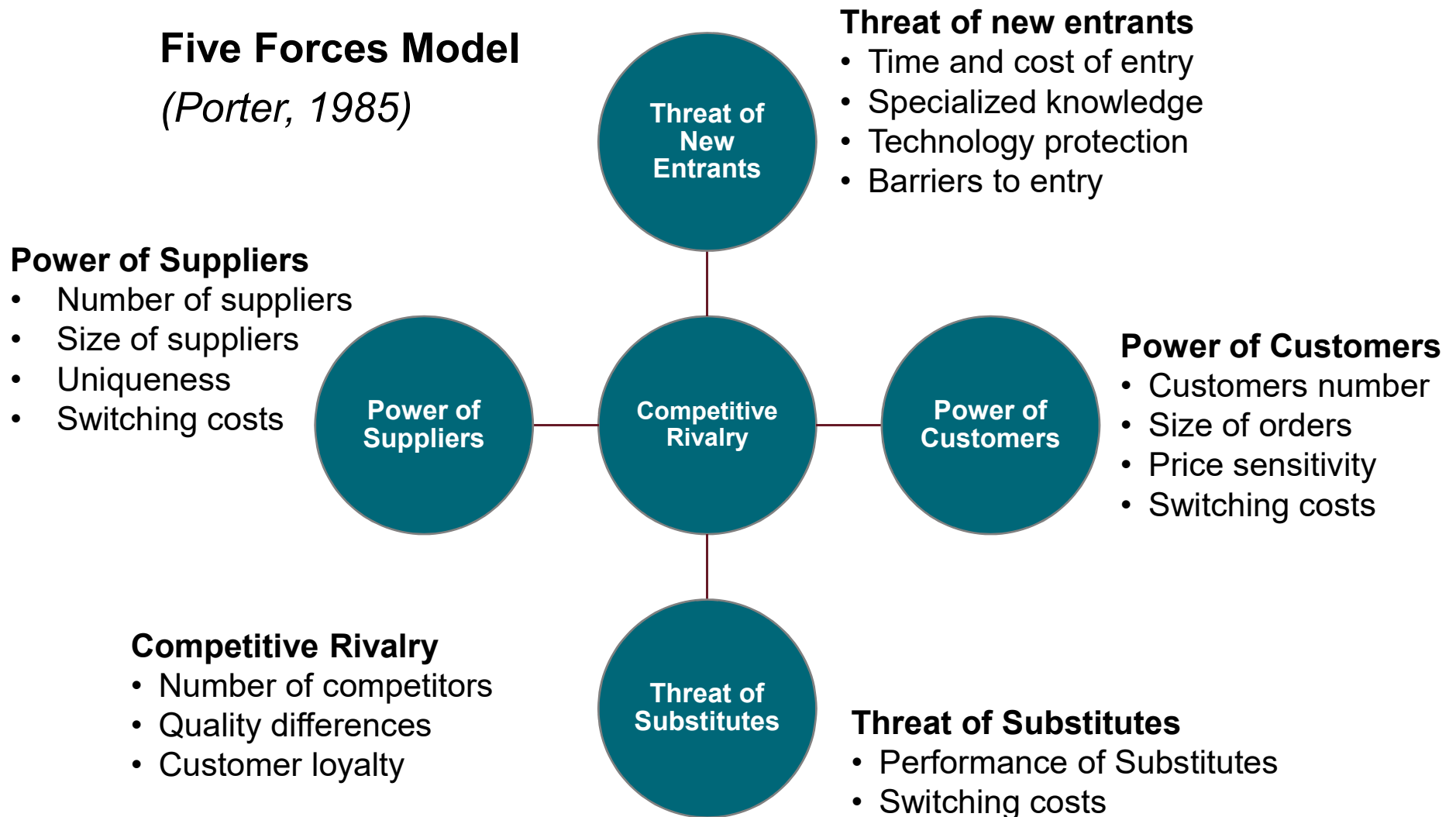
Organizations operate in **industries** (or **sectors**) that can be seen as groups of companies that operate in the same **segment of economy** and/or share a **similar business type**.

Each industry is categorized by the presence of one or more **markets**, where **products/services are sold** and where **organizations compete**.

Companies compete in a market to reach a **competitive position**, which is determined and characterized by a series of factors.

Competition

Five Forces Model (Porter, 1985)



Competitive Advantage

Competitive strategy is the search for a **favourable competitive position** in an industry.

It aims to establish a **profitable and sustainable position** against competitors.

The **competitive advantage** is an **attribute**, or a series of attributes, that **allows a company to outperform** its competitors and **gain a favourable competitive position** and competitive strength.