BUS 1003: Introduction to Business — Key Study Notes

John Brown University | Soderquist College of Business | 3 Credit Hours

Course Overview

BUS 1003 introduces business and the private enterprise system from the perspective of the Christian worldview, building foundational skills critical for further business studies and a successful career launch . It is the gateway course to the Business Core, typically taken in the freshman year.

UNIT 1: Foundations of Business & Economics

1.1 The Private Enterprise System & Free-Market Capitalism

Definition

The **private enterprise system** (capitalism) is an economic system in which individuals and businesses—not government—own the factors of production and make economic decisions. Resources flow to their most valued uses through voluntary exchange.

The Five Pillars of Capitalism

1. **Private Property** — individuals have the right to own, use, and dispose of property. This creates incentive to invest and improve.
2. **Profit Motive** — the pursuit of profit drives innovation, efficiency, and risk-taking. Profit = revenue minus expenses; it signals where resources are most needed.
3. **Competition** — rival firms compete for customers, which drives down prices, improves quality, and spurs innovation.
4. **Consumer Sovereignty** — consumers "vote with their dollars"; their choices determine what gets produced. Businesses that ignore consumer preferences fail.
5. **Freedom of Choice** — individuals choose their occupation, what to buy, and where to invest.

The Circular Flow Model

- **Households** supply labor and capital to businesses; receive wages, rent, interest, and profit.
- **Businesses** produce goods and services; receive revenue from households.
- **Government** collects taxes and provides public goods and regulation.
- **Financial markets** channel savings into investment.

Economic Systems Spectrum

System	Ownership	Coordination	Example
Traditional	Community/custom	Tradition, barter	Subsistence economies
Command	State	Central planning	North Korea, former USSR
Market	Private	Price signals	United States (mostly)
Mixed	Both	Markets + government	Most modern economies

The U.S. is a **mixed economy**—predominantly market-based but with significant government regulation, public goods, and social safety nets.

Christian Worldview Integration

- **Stewardship** (Genesis 1:28): Humans are entrusted to manage resources responsibly.
- **Vocation**: Business is a legitimate calling; work has dignity and purpose beyond profit.
- **Ethical wealth creation**: Profit is not inherently evil, but must be pursued honestly and used generously.
- **Love of neighbor**: Business serves the common good by providing goods, services, and employment.

1.2 Supply, Demand & Market-Clearing Pricing

The Law of Demand

As price **rises**, quantity demanded **falls** (inverse relationship), all else equal. The demand curve slopes downward.

- **Shifts in demand** (not movements along the curve): changes in income, tastes, prices of substitutes/complements, expectations, number of buyers.

The Law of Supply

As price **rises**, quantity supplied **rises** (direct relationship). The supply curve slopes upward.

- **Shifts in supply**: changes in input costs, technology, taxes/subsidies, number of sellers, expectations.

Market Equilibrium

The point where the supply and demand curves intersect. At this **market-clearing price**:

- Quantity demanded = Quantity supplied
- No shortage, no surplus
- The market "clears"

Disequilibrium

- **Surplus** (price too high): quantity supplied > quantity demanded → downward pressure on price.
- **Shortage** (price too low): quantity demanded > quantity supplied → upward pressure on price.

Elasticity (Brief)

- **Elastic demand**: quantity responds strongly to price changes (luxury goods, goods with many substitutes).
- **Inelastic demand**: quantity responds weakly (necessities, addictive goods, few substitutes).

Price as Information

Prices transmit information about scarcity and value. They coordinate behavior without central direction—this is the "invisible hand" (Adam Smith) at work.

1.3 Entrepreneurship & Small Business Scaling

What Is Entrepreneurship?

The process of identifying opportunities, mobilizing resources, and creating value through new ventures. Entrepreneurs bear risk and pursue innovation.

Traits of Successful Entrepreneurs

- Opportunity recognition
- Risk tolerance (calculated, not reckless)
- Persistence and resilience
- Creativity and problem-solving
- Resourcefulness (doing more with less)
- Leadership and communication

The Entrepreneurial Process

1. **Idea generation** — identify a problem or unmet need.
2. **Feasibility analysis** — market size, competition, resources, break-even.
3. **Business plan** — written roadmap: value proposition, target market, operations, financials.
4. **Funding** — bootstrapping, friends/family, bank loans, angel investors, venture capital.
5. **Launch and iterate** — start small, learn, adjust.

6. **Scale** — grow revenue, expand markets, build systems.

Small Business Basics

- **Small business** (U.S. SBA definition varies by industry; generally <500 employees).
- Small businesses create the majority of net new jobs in the U.S.
- Common failure causes: undercapitalization, poor management, lack of market demand, cash flow problems.

Scaling

- **Organic growth**: reinvest profits, expand product lines, new markets.
- **Franchising**: replicate a proven model.
- **Strategic alliances**: partner for distribution or capabilities.
- **Scaling challenges**: maintaining culture, cash flow strain, systems and processes, hiring.

Forms of Ownership (Preview)

Form	Liability	Taxation	Best For
Sole proprietorship	Unlimited	Pass-through	Solo, low-risk ventures
Partnership	Unlimited (general)	Pass-through	Complementary skills
LLC	Limited	Pass-through	Flexibility + protection
Corporation	Limited	Double	Raising capital, growth

UNIT 2: Business Management, Leadership & Human Resources

2.1 The Four Pillars of Management

Definition of Management

The process of **planning, organizing, leading, and controlling** resources to achieve organizational goals efficiently and effectively.

- **Efficiency**: doing things right (resource use).
- **Effectiveness**: doing the right things (goal attainment).

The Four Functions

Function	Definition	Key Activities	Example
Planning	Setting goals and deciding how to achieve them	Vision, mission, SWOT, forecasting, budgeting	A retailer sets a goal to open 5 new stores in 2 years
Organizing	Arranging resources and tasks	Division of labor, departmentalization, authority, delegation	Creating a marketing department and defining roles
Leading	Motivating and directing people	Communication, motivation, team-building, conflict resolution	A manager coaches a struggling employee
Controlling	Monitoring and correcting	Performance standards, measurement, corrective action	Comparing monthly sales to targets and adjusting

Levels of Management

- **Top managers** (CEO, CFO): strategic, long-term, whole organization.

- **Middle managers**: translate strategy into departmental plans.
- **First-line managers** (supervisors): day-to-day operations, direct supervision.
- **Team leaders**: peer leadership within work teams.

Managerial Skills (Katz)

- **Technical skills**: specific expertise (accounting, coding, machine operation).
- **Human/Interpersonal skills**: working with and through people.
- **Conceptual skills**: big-picture thinking, seeing the organization as a whole.

2.2 Organizational Structures

Key Concepts

- **Division of labor**: breaking work into specialized tasks.
- **Departmentalization**: grouping tasks by function, product, customer, or geography.
- **Chain of command**: line of authority from top to bottom.
- **Span of control**: number of subordinates a manager oversees (narrow vs. wide).
- **Centralization vs. decentralization**: where decision authority resides.
- **Formalization**: degree of written rules and procedures.

Common Structures

Structure	Description	Advantage	Disadvantage
Functional	Grouped by function (marketing, finance, ops)	Efficiency, expertise	Silos, slow cross-functional work
Divisional	Grouped by product, customer, or region	Focus, accountability	Duplication of resources
Matrix	Dual reporting (function	Flexibility,	Confusion, power

Structure	Description	Advantage	Disadvantage
	+ project)	resource sharing	struggles
Flat/Team-based	Few management layers, empowered teams	Speed, engagement	Role ambiguity

Behavioral Management

- **Hawthorne Studies** (Elton Mayo): workers' productivity increased when they felt observed and valued—human factors matter.
- **Theory X vs. Theory Y** (McGregor):
  - Theory X: employees dislike work, need close supervision.
  - Theory Y: employees are motivated, seek responsibility, thrive with autonomy.

2.3 Motivation Frameworks

Maslow's Hierarchy of Needs

Five levels, from bottom to top:

1. **Physiological** (food, shelter, water)
2. **Safety** (security, stability, health)
3. **Social/Belonging** (friendship, love, team)
4. **Esteem** (recognition, status, achievement)
5. **Self-actualization** (reaching full potential)

Business application: Employers address lower needs (fair pay, safe workplace) before higher needs (recognition, growth opportunities) can motivate.

Herzberg's Two-Factor Theory

Factor Type	Examples	Effect
Hygiene factors	Salary, working conditions, company policy, job security	Prevent dissatisfaction but do not motivate
Motivators	Achievement, recognition, responsibility, advancement, meaningful work	Create genuine satisfaction a motivation

Key insight: Fixing hygiene factors (higher pay, nicer office) only stops dissatisfaction—it does not motivate. Motivation requires enriching the work itself.

Other Motivation Theories (Brief)

- **Equity Theory** (Adams): Employees compare their input/output ratio to others; perceived inequity motivates corrective action.
- **Expectancy Theory** (Vroom): Motivation = Expectancy × Instrumentality × Valence. People are motivated when they believe effort leads to performance, performance leads to outcomes, and outcomes are valued.

2.4 Operations Management & Supply Chain

Operations Management

The design, operation, and improvement of the systems that create and deliver products and services.

Production Life Cycle

1. **Introduction** — new product, low volume, high cost, uncertain demand.
2. **Growth** — increasing sales, competitors enter, economies of scale.
3. **Maturity** — sales plateau, intense competition, focus on efficiency.
4. **Decline** — sales fall, decisions about discontinuing or reinventing.

Production Methods

- **Job shop**: custom, low-volume (e.g., custom furniture).
- **Batch production**: groups of identical items (e.g., bakery batches).
- **Assembly line / mass production**: high-volume, standardized (e.g., automobiles).
- **Continuous flow**: non-stop production (e.g., oil refining).

Quality Management

- **Total Quality Management (TQM)**: continuous improvement, customer focus, employee involvement.
- **Six Sigma**: reduce defects to near-zero through statistical methods.
- **Lean production**: eliminate waste (overproduction, waiting, defects, excess inventory).

Supply Chain Fundamentals

The network of organizations, people, activities, information, and resources involved in moving a product from supplier to customer.

Key components:

- **Procurement** (sourcing raw materials)
- **Production** (manufacturing)
- **Logistics** (transportation, warehousing)
- **Distribution** (delivery to customers)

Key concepts:

- **Supply chain management (SCM)**: coordinating all parties to minimize cost and maximize responsiveness.
- **Just-in-Time (JIT)**: minimize inventory by receiving goods only as needed—reduces carrying costs but increases vulnerability to disruptions.
- **Bullwhip effect**: small demand fluctuations amplify up the supply chain.
- **Risk management**: diversification of suppliers, buffer stock, contingency planning.

UNIT 3: Principles of Marketing

3.1 Target Markets & Market Segmentation

Core Marketing Concept

Marketing is the process of creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society.

The Marketing Concept

Customer needs and wants come first; the organization satisfies them profitably. This replaced earlier orientations (production, product, selling orientations).

Market Segmentation

Dividing a broad market into smaller, more homogeneous groups with similar needs or characteristics.

Four bases of segmentation:

Base	Description	Examples
Demographic	Age, gender, income, education, occupation, family life cycle	Marketing a minivan to families witl young children
Geographic	Region, climate, urban/rural, population density	Selling winter coats in northern stat
Psychographic	Lifestyle, values, personality, interests	Marketing outdoor gear to adventu seekers
Behavioral	Purchase occasion, benefits sought, usage rate, loyalty	Rewarding frequent flyers

Target Market Selection

After segmentation, the firm evaluates segments and chooses which to serve:

- **Undifferentiated (mass) marketing**: one offer for everyone.
- **Differentiated marketing**: separate offers for several segments.
- **Concentrated (niche) marketing**: one segment only.
- **Micromarketing**: tailored to individuals or local markets.

Positioning

Creating a distinct image in the customer's mind relative to competitors. A **positioning statement** captures: "For [target], [brand] is the [category] that [benefit] because [reason to believe]."

3.2 The Marketing Mix (The 4 Ps)

P	Definition	Key Decisions
Product	What the firm offers	Features, quality, design, branding, packaging, warranties, product line breadth
Price	What the customer pays	Pricing strategy (cost-plus, value-based, penetration, skimming), discounts, credit terms
Place	How the product reaches the customer	Channels (direct, retail, wholesale, e-commerce), logistics, coverage (intensive, selective, exclusive)
Promotion	How the firm communicates value	Advertising, sales promotion, public relations, personal selling, digital marketing

Product Decisions

- **Product levels**: core benefit, actual product, augmented product.
- **Product life cycle**: introduction → growth → maturity → decline.

- **Branding**: name, logo, brand equity (value of the brand in the customer's mind).
- **New product development**: idea → screening → concept testing → business analysis → development → test marketing → commercialization.

Pricing Decisions

- **Cost-plus**: add markup to cost.
- **Value-based**: set price based on perceived value.
- **Penetration**: low initial price to gain market share.
- **Skimming**: high initial price to capture early adopters.
- **Psychological pricing**: $9.99 instead of $10.00.

Place (Distribution) Decisions

- **Channel levels**: producer → consumer (direct); producer → retailer → consumer; producer → wholesaler → retailer → consumer.
- **Channel strategy**: intensive (convenience goods), selective (shopping goods), exclusive (luxury).
- **Retail vs. e-commerce**: physical stores, online, omnichannel.

Promotion Decisions

- **Promotional mix**: advertising, sales promotion, public relations, personal selling, direct/digital marketing.
- **Push vs. pull strategy**: push = incentivize channel members; pull = build consumer demand.
- **Integrated Marketing Communications (IMC)**: consistent message across all channels.

3.3 Digital Landscapes & Consumer Behavior

The Digital Transformation of Marketing

- **E-commerce**: online buying and selling; mobile commerce (m-commerce) growing rapidly.

- **Social media marketing**: platforms (Instagram, TikTok, LinkedIn) for brand building and direct engagement.
- **Search engine optimization (SEO)** and **pay-per-click (PPC)** advertising.
- **Content marketing**: creating valuable content to attract and retain customers.
- **Data analytics**: using customer data to personalize offers and measure ROI.
- **Influencer marketing**: partnering with social media personalities.

Consumer Behavior

The consumer decision-making process:

1. **Need recognition** — the buyer identifies a problem or need.
2. **Information search** — internal (memory) and external (reviews, friends, ads).
3. **Evaluation of alternatives** — comparing options on attributes.
4. **Purchase decision** — choosing and buying.
5. **Post-purchase behavior** — satisfaction/dissatisfaction, repeat purchase, word-of-mouth.

Factors influencing consumer behavior:

- **Cultural**: values, subcultures, social class.
- **Social**: family, reference groups, opinion leaders.
- **Personal**: age, occupation, income, lifestyle, personality.
- **Psychological**: motivation, perception, learning, beliefs and attitudes.

Digital Consumer Trends

- **Personalization**: tailored recommendations (Amazon, Netflix).
- **Omnichannel shopping**: seamless experience across online and physical stores.
- **Social commerce**: buying directly through social media.
- **Sustainability consciousness**: consumers favoring ethically sourced products.
- **Privacy concerns**: balancing personalization with data protection.

UNIT 4: Accounting & Corporate Finance

4.1 The Financial Accounting Cycle & Financial Statements

Purpose of Accounting

Accounting is the "language of business"—it records, classifies, and summarizes financial transactions to provide information for decision-making.

The Accounting Equation

Assets = Liabilities + Equity

- **Assets**: resources owned (cash, inventory, equipment).
- **Liabilities**: obligations owed (accounts payable, loans).
- **Equity**: owners' residual interest (common stock, retained earnings).

The Accounting Cycle (Basics)

1. **Identify transactions** from source documents.
2. **Record in the journal** (double-entry: every debit has a credit).
3. **Post to the ledger** (accounts).
4. **Prepare a trial balance** (debits = credits).
5. **Record adjusting entries** (accruals, deferrals, depreciation).
6. **Prepare financial statements**.
7. **Close temporary accounts** (revenues, expenses, dividends to retained earnings).

Debits and Credits (Essential Rules)

Account Type	Increase	Decrease	Normal Balance
Assets	Debit	Credit	Debit
Liabilities	Credit	Debit	Credit
Equity	Credit	Debit	Credit

Account Type	Increase	Decrease	Normal Balance
Revenues	Credit	Debit	Credit
Expenses	Debit	Credit	Debit

Key Financial Statements

Statement	What It Shows	Key Equation
Income Statement	Profitability over a period	Revenues – Expenses = Net Income
Balance Sheet	Financial position at a point in time	Assets = Liabilities + Equity
Statement of Cash Flows	Cash inflows and outflows	Operating ± Investing ± Financing = Net Change in Cash
Statement of Retained Earnings	Changes in retained earnings	Beginning RE + Net Income – Dividends = Ending RE

Interpreting the Statements

- **Income statement**: Is the company profitable? What are the major expense drivers?
- **Balance sheet**: What does the company own and owe? Is it solvent? How much debt vs. equity?
- **Cash flow statement**: Is the company generating cash from operations? Can it fund growth?

Key Financial Ratios (Brief Introduction)

- **Profit margin** = Net Income / Revenue (profitability).
- **Current ratio** = Current Assets / Current Liabilities (liquidity).
- **Debt-to-equity** = Total Liabilities / Total Equity (leverage).

4.2 Capital Markets, Commercial Banking & the Federal Reserve

Capital Markets

Markets where long-term financial instruments (stocks, bonds) are bought and sold, channeling savings into investment.

- **Primary market**: where new securities are issued (IPO—Initial Public Offering).
- **Secondary market**: where existing securities trade (NYSE, NASDAQ).
- **Stock market**: equity ownership; shareholders own a portion of the company.
- **Bond market**: debt securities; bondholders lend money to issuers (government, corporations).

Commercial Banking

Banks serve as intermediaries between savers and borrowers:

- **Accept deposits** (checking, savings).
- **Make loans** (mortgages, business loans, consumer credit).
- **Provide payment services**.
- **Create money** through the fractional reserve system (lending out a portion of deposits).

The Federal Reserve System

The **central bank of the United States**, created in 1913.

Roles of the Fed:

1. **Conduct monetary policy** — control money supply and credit to promote maximum employment, stable prices, and moderate long-term interest rates.
2. **Supervise and regulate banks** — ensure safety and soundness.
3. **Maintain financial stability** — prevent and contain financial crises.
4. **Provide financial services** — operate the payment system, act as lender of last resort.

Monetary policy tools:

- **Open market operations**: buying/selling government securities (the primary tool).
- **Discount rate**: interest rate the Fed charges banks.
- **Reserve requirements**: how much banks must hold in reserve.

  Easy money (expansionary): lower rates, buy securities → stimulates economy.
  Tight money (contractionary): raise rates, sell securities → fights inflation.

The Fed's Protective Role

- Prevents bank runs (deposit insurance via FDIC, though FDIC is separate from the Fed).
- Acts as **lender of last resort** during liquidity crises.
- Sets capital and liquidity requirements.
- Conducts stress tests on large banks.

Study Checklist (Exam Preparation)

Unit 1:

- □

  List and explain the five pillars of capitalism.
- □

  Draw and explain the circular flow model.
- □

  Distinguish between a shift in demand and a movement along the demand curve.
- □

  Define market equilibrium and explain what happens during a shortage or surplus.
- □

  Outline the entrepreneurial process from idea to scale.
- □

  Compare forms of business ownership on liability and taxation.

Unit 2:

- □

  Define the four functions of management and give an example of each.
- □

  Compare functional, divisional, and matrix structures.
- □

  Explain Maslow's hierarchy and Herzberg's two-factor theory with business examples.
- □

  Describe the product life cycle stages.
- □

  Explain JIT and the bullwhip effect.

  Unit 3:

- □

  List the four bases of market segmentation.
- □

  Define each of the 4 Ps and give a decision example for each.
- □

  Explain the consumer decision-making process.
- □

  Identify three digital marketing trends and their business implications.

  Unit 4:

- □

  State the accounting equation and classify accounts as assets, liabilities, or equity.
- □

  Explain the purpose of the income statement, balance sheet, and cash flow statement.
- □

  Distinguish between the primary and secondary markets.

- □

  List the four roles of the Federal Reserve.
- □

  Explain how open market operations work to stimulate or slow the economy.

Note: JBU's public catalog provides only a brief description of BUS 1003 (private enterprise, Christian worldview, career foundations) . The unit structure above follows the four-unit framework you supplied. Verify specific textbook chapters, exam emphasis, and any additional topics against your current syllabus.