

SUBJECT-: BUSINESS ORGANISATION

TOPIC-: INTRODUCTION OF BUSINESS

DEFINITION OF BUSINESS-:

Business means producing or purchasing goods and services and selling them for profit. In other words, business denote group of economic activities which are focussed towards earning profits and thus increasing wealth.

According to Koontz & O' Donnel, "Any activity concerned with production (purchase) for sale of scarce goods and services".

According to Haney, "Business may be defined as human activity directed towards producing or acquiring wealth through buying and selling goods".

Thus, business is a regular process of earning a profit by satisfying consumer's needs through the manufacturing of goods, reselling of products, providing services or carrying out all three together. It is an occupation which requires a particular set of skills and expertise to derive maximum profit out of it.

Business activities are concerned with three kinds of utilities as follows-:

- **Form Utility-: Processing/Manufacturing**
- **Time Utility-: Storage**
- **Place Utility-:Transportation**

FEATURES/NATURE/CHARACTERSTICS OF BUSINESS-:

To have a better understanding of what a business is, we must go through the following points-:



1. **Regular Process:** Business is not a single time activity. It is a continuous process of production and distribution of goods and services. A single transaction of trade cannot be termed as a business. A business should be conducted regularly in order to grow and gain regular returns.
2. **Economic Activity:** Business is an economic activity of production and distribution of goods and services. Business results into generation of employment opportunities thereby leading to growth of the economy. It brings about industrial and economic development of the country.
3. **Creates Utility:** The goods or service must be such that it creates form utility – conversion of products in a consumable form, time utility – making the goods and services available when needed; and place utility – availability of goods or services wherever required, for the consumers.
4. **Capital Requirement:** Any venture requires fund depending on the size and its type. Capital forms most essential component in the business without which a business cycle has no existence. Two types of capital are used in business i.e. fixed capital and working capital.
5. **Deals in Goods and Services:** All business entities are involved in offering goods and services to the end customers. It is related to manufacturing and offering goods for sale or catering services.
6. **Risk:** All businesses have a risk factor or uncertainties of failure and loss. Risk is defined as the effect of uncertainty arising on the objectives of the business. Risk is associated with every business. Business is exposed to two types of risk, Insurable and Non-insurable. Insurable risk is predictable.
7. **Profit Earning Motive:** The initial motive of a businessman is making a profit out of his venture. Profit is an indicator of success and failure of business. Profit is required

for survival, growth and expansion of the business. It is clear that every business operates to earn profit. Business has many goals but profit making is the primary goal of every business. It is required to create economic growth.

8. **Satisfaction of Consumer's Need:** Customer satisfaction is the ultimate aim of all economic activities. Modern business believes in satisfying the customers by providing quality product at a reasonable price. It emphasize not only on profit but also on customer satisfaction. Consumers are satisfied only when they get real value for their purchase. The purpose of the business is to create and retain the customers. The ability to identify and satisfy the customers is the prime ingredient for the business success.
9. **Involves Buyer and Seller:** There are majorly two parties involved, the customer and the merchandise.
10. **Social Obligations:** Business is a socio-economic activity. Both business and society are interdependent. Business has some responsibility towards the society and in turn it needs the support of various social groups like investors, employees, customers, creditors etc. by making goods available to various sections of the society, business performs an important social function and meets social needs.

COMPARISON OF BUSINESS, PROFESSION AND EMPLOYMENT

Basic	Business	Profession	Employment
1. Mode of establishment	Entrepreneur's decision and other legal formalities, if necessary	Membership of a professional body and certificate of practice	Appointment letter and service agreement
2. Nature of work	Provision of goods and services to the public	Rendering of personalised, expert services	Performing work as per service contract or rules of service
3. Qualification	No minimum qualification is necessary	Expertise and training in a specific field is a must	Qualification and training as prescribed by the employer
4. Reward or return	Profit earned	Professional fee	Salary or wages
5. Capital investment	Capital investment required as per size and nature of business	Limited capital needed for establishment	No capital required
6. Risk	Profits are uncertain and irregular; risk is present	Fee is generally regular and certain; some risk	Fixed and regular pay; no risk
7. Transfer of interest	Transfer possible with some formalities	Not possible	Not possible
8. Code of conduct	No code of conduct is prescribed	Professional code of conduct is to be followed	Norms of behaviour laid down by the employer are to be followed.

OBJECTIVES OF BUSINESS-:

Every business enterprise has certain objectives which regulate and generate its activities.

Objectives are needed in every area where performance and results directly affect survival and prosperity of a business. Various objectives of business may be classified into five broad categories as follows:

Types of Business Objectives



1. ECONOMIC OBJECTIVES:-

Business is basically an economic activity. Therefore, its primary objectives are economic in nature. The main economic objectives of business are as follows:

(i) Earning profits:- Profit is essential for the survival of every business unit. Profit is also necessary for the expansion and growth of business. Profit also serves as the barometer of stability, efficiency and progress of a business enterprise.

(ii) Creating customers:- A businessman can earn profits only when there are enough customers to buy and pay for his goods and services. The customer is the foundation of business and keeps it in existence.

iii) Innovations:- Business is an organ of dynamism and change. In these days of competition a business can be successful only when it creates new designs, better machines, improved techniques, new varieties, etc.

2. SOCIAL OBJECTIVES:-

Business does not exist in a vacuum. It is a part of society. It cannot survive and grow without the support of society. Business must therefore discharge social responsibilities in addition to earning profits. The social objectives of business are as follows:

(i) Supplying desired goods at reasonable prices:- Business is expected to supply the goods and services required by the society and it should be of good quality and supplied at reasonable prices.

(ii) Fair Remuneration to employees:- Employees must be given fair compensation for their work. In addition to wages and salary a reasonable part of profits should be distributed among employees in recognition of their contributions. Such sharing of profits will help to increase the motivation and efficiency of employees.

(iii) Employment Generation:-Business should provide opportunities for gainful employment to members of the society. If unemployment problem increases, the socioeconomic environment cannot be congenial for the growth of business activities.

(iv) Fair return to investor:-Business is expected to pay fair return to shareholders and creditors in the form of dividend and interest. Investors should be kept informed about the financial health and future prospects of business.

(v) Social welfare:-Business should provide support to social, cultural and religious organisations. Business enterprises can build schools, colleges, libraries, dharam shalas, hospitals, sports etc and can help non-government organisations (NGOs) like CRY, Help Age

(vi) Payment of Government Dues:-Every business enterprise should pay tax dues (income tax, sales tax, excise duty, customs duty, etc.) to the government honestly and at the right time. These direct and indirect taxes provide revenue to the Government for spending on public welfare.

3. HUMAN OBJECTIVES:-

Business is run by people and for people. Labour is a valuable human element in business.

Human objectives of business are concerned with the well-being of labour. These objectives

help in achieving economic and social objectives of business. Human objectives of business

are given below:

i. Labour welfare:-Business must recognise the dignity of labour and human factor should be given due recognition. Proper opportunities should be provided for utilising individual talents and satisfying aspirations of workers.

ii. Developing human resources:-Employees must be provided the opportunities for developing new skills and attitudes by encouraging creativity and innovation among them. Human resources are the most valuable asset of business and their development will help in the growth of business.

ii. Participative management:-Employees should be allowed to take part in decision making process of business. Such participation will also provide valuable information to management for improving the quality of decisions. Workers' participation in management will usher in industrial democracy.

iv. Labour management cooperation:-Business should strive for creating and maintaining cordial employer employee relations so as to ensure peace and progress in industry. Employees should be treated as honorable individuals and should be kept informed.

4. NATIONAL OBJECTIVES:-

National objectives of business are as follows:

(i) Optimum utilization of resources:-Business should use the nation's resources in the best possible manner. Judicious allocation and optimum utilization of scarce resources is essential for rapid and balanced economic growth of the country.

(ii) National self-reliance:-It is the duty of business to help the government in increasing exports and in reducing dependence on imports. This will help a country to achieve economic independence.

(iii) Development of small scale Industries:-Big business firms are expected to encourage growth of small scale industries which are necessary for generating employment. Small scale firms can be developed as ancillaries, which provide inputs to large scale industries.

(iv) Development of backward areas:-Business is expected to give preference to the industrialization of backward regions of the country. Balanced regional development is necessary for peace and progress in the country.

5. GLOBAL OBJECTIVES:-

Whole world has emerged as one single market due to globalization. Products of one country can easily be availed by another country. In this new era of globalization and increasing competitions in global markets, every business has come up with certain global objectives:-

- (i) **Raise General Standard of Living:-** Global objective of business is to set an appropriate standard of living for its people by making them available with global quality products/services at reasonable rates.

- (ii) **Reduce Disparities Among Nations-**: Disparities among nations is reduced by expanding the business operations to different countries of the world.
- (iii) **Offer Globally Competitive Goods & Services-**: By offering globally competitive goods and services business aims to improve the image of the home country and earn more foreign capital.

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