

# **Unit – 1**

**POM**

# Business?

- **Business is an Economic activity which involves regular production and or exchange of goods and services with the main purpose of earning profits through the satisfaction of human wants.**

# Familiar the meaning OF Business?

- 1.business involves production and exchange of goods.
  - 2.It's main aim is to earn profit.
  - 3.It must satisfy human wants.
- “ These activities are organised and performed under the framework of an institution known as business organisation /firm/enterprise.”

“According to B.O Wheeler, Business is an institution organised and operated to provide goods and services to society under the incentive of private gain.”

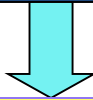
# Business ?

- Business pervades all human activities directed towards earning profits or economic gains.

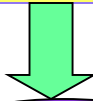
**Industry,trade,Banking,Transport,Insurance,warehousing,advertising etc are integral part of modern business.**

# TYPES OF ECONOMIC ACTIVITY

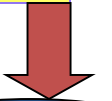
ECONOMIC ACTIVITIES



BUSINESS



PROFESSION



EMPLOYMENT

TRADE  
INDUSTRY  
BANKING  
TRANSPORTATION  
INSURANCE  
WAREHOUSING  
ADVERTISING ETC.

MEDICAL  
LEGAL  
CHARTERED ACCOUNTANT.

MANAGER  
FOREMAN  
CLERK  
SALESPERSON  
WORKER, ETC...

# Definition of Business

- Business refers to all those activities which are concerned with the production and /or purchase and sale of goods or services with the purpose of selling them at a profit.

# Characteristics of business

- **Economic Activity**
- **Production or procurement** (acquisition of goods for the purpose of sale)
- **Dealing in goods and services;**( goods are consumer goods and capital goods)
- **Satisfaction of consumer wants**
- **Regular dealings** (continuous supply of goods and services)
- **Profit motive**
- **Uncertainty.**
- **Risk element**
- **Creation of utility**



# Objectives Of Business

- Business objectives as the purpose or the reason for the existence of the business in the society.

# Business activities

Business activities broadly divided in to three;  
They are,

- a) Economic objectives,
- b) social objectives
- c) Human objectives

# TYPES OF BUSINESS ACTIVITY

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graph TD; A[TYPES OF BUSINESS ACTIVITY] --> B[ECONOMIC OBJECTIVES]; A --> C[SOCIAL OBJECTIVES]; A --> D[HUMAN OBJECTIVES]; B --> B1[1)EARNING OF PROFIT]; B --> B2[2)CREATION OF CUSTOMERS]; B --> B3[3)INNOVATION]; B --> B4[4)EFFECTIVE UTILISATION OF RESOURCE]; C --> C1[1)BETTER QUALITY PRODUCTS]; C --> C2[2)FAIR TRADE PRACTICES]; C --> C3[3)GENERATION OF EMPLOYMENT]; C --> C4[EMPLOYEES WELFARE]; C --> C5[4)COMMUNITY SERVICE]; C --> C6[5)PROTECTION OF EMPLOYMENT]; D --> D1[1)GOOD SERVICE AND FAIR DEALINGS]; D --> D2[2)TREATING EMPLOYEES AS PARTNERS]; D --> D3[3) DEVELOPMENT OF EMPLOYEES SKILLS]; D --> D4[4) JOB SATISFACTION OF EMPLOYEES];
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## ECONOMIC OBJECTIVES

- 1)EARNING OF PROFIT
- 2)CREATION OF CUSTOMERS
- 3)INNOVATION
- 4)EFFECTIVE UTILISATION OF RESOURCE

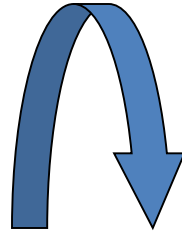
## SOCIAL OBJECTIVES

- 1)BETTER QUALITY PRODUCTS
- 2)FAIR TRADE PRACTICES
- 3)GENERATION OF EMPLOYMENT
- EMPLOYEES WELFARE
- 4)COMMUNITY SERVICE
- 5)PROTECTION OF EMPLOYMENT

## HUMAN OBJECTIVES

- 1)GOOD SERVICE AND FAIR DEALINGS
- 2)TREATING EMPLOYEES AS PARTNERS
- 3) DEVELOPMENT OF EMPLOYEES SKILLS
- 4) JOB SATISFACTION OF EMPLOYEES

# NECESSITY OF PROFITABILITY OBJECTIVE



**“A BUSINESS MUST ACHIEVE SUFFICIENT PROFITS TO COVER THE RISKS OF ECONOMIC ACTIVITY AND THUS TO AVOID LOSS”**

# **A BUSINESS MUST EARN ADEQUATE PROFITS BECAUSE OF THE FOLLOWING REASONS;**

- MEANS OF LIVELY HOOD
- RETURN TO INVESTORS
- REWARD FOR RISKS
- SOURCE OF FINANCE FOR GROWTH AND EXPANSION
- INDICATOR OF EFFICIENT WORKING
- GOODWILL OR REPUTATION

# Can profit be the sole objective of a Business

- A lay man may say that business is carried on for profit only. But a good business man cannot afford to keep profits as his sole objective.
- “earning of profits cannot be the objective of a business any more than eating is the objective of living”

# The argument against the profit maximisation are;

- Profit maximization ignores the interests of labour, customers, and the society.
- Unfair means such as hoarding, black marketing or adulteration may be followed to maximize profits.
- Long term interest of the business may be ignored to maximize profits in the short run.
- In the present day environment, a business can't be effective with the sole objective of profit maximisation. It must also set objectives in areas like customer satisfaction, employee welfare, community development, environment protection etc..

# Multiplicity objectives of a Business

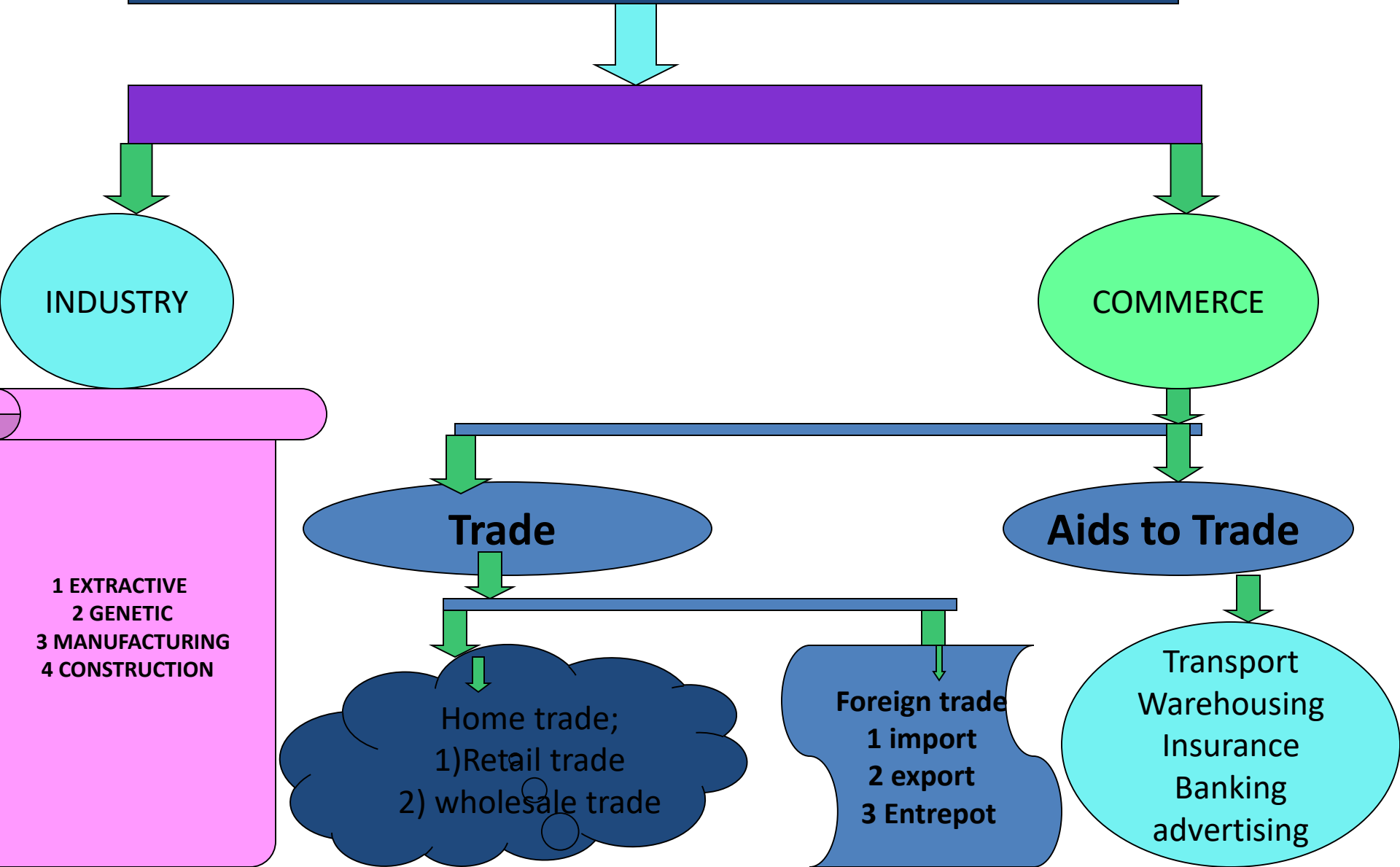
- According to Peter F. Drucker remarked “To manage a business is to balance a variety of needs and goals. And this requires multiple objectives”
- He suggests 8 areas where objectives must be set.



# Multiplicity objectives of a Business

- 1 market standing (eg; Bata)
- 2 Innovation (eg; Hero Honda)
- 3 productivity( It is the ratio b/w output and inputs in production process. it is considered as the efficiency of the enterprises.)
- 4 Human organization-workers attitude and performance
- 5 Physical and financial resources
- 6 managerial performance
- 7 social responsibility
- 8 profitability-reasonable rate.

# BUSINESS ACTIVITIES



# Differentiate between industry, trade and commerce

	industry	commerce	Trade

# Management

Definition, Nature,  
Importance And Functions  
of Management



# Concept of Management

“ Management is the art of getting things done through and with the people in formally organized groups.”

— Koontz H.

Management is the process of Planning, Organizing, Staffing, Directing and Controlling to accomplish organizational objectives through the coordinated use of human and material resources.

# Nature of Management

- Universality of Management
- Dynamic nature of Principles
- Social Process
- Multidisciplinary
- Management: Science as well as an Art

# 1. Universality of Management

Principles of management are universal in the sense that these can be applied in different situations e.g. business, government, military, hospitals.

## 2. Dynamic Nature of Principles

Principles of management are not rigid or static. Rather they change with environment. These are diagnostic and flexible guidelines and are not absolute truth. Continuous research is modifying many golden principles by developing new principles. Nothing is permanent in management.



### 3. Social Process

Management is done by people, through people and for people. It is social process because it is concerned with interpersonal relations.

## 4. Multidisciplinary

Management has to deal with human behavior under dynamic conditions. Therefore, it depends upon wide knowledge derived from several disciplines like engineering, sociology, psychology, economics etc.

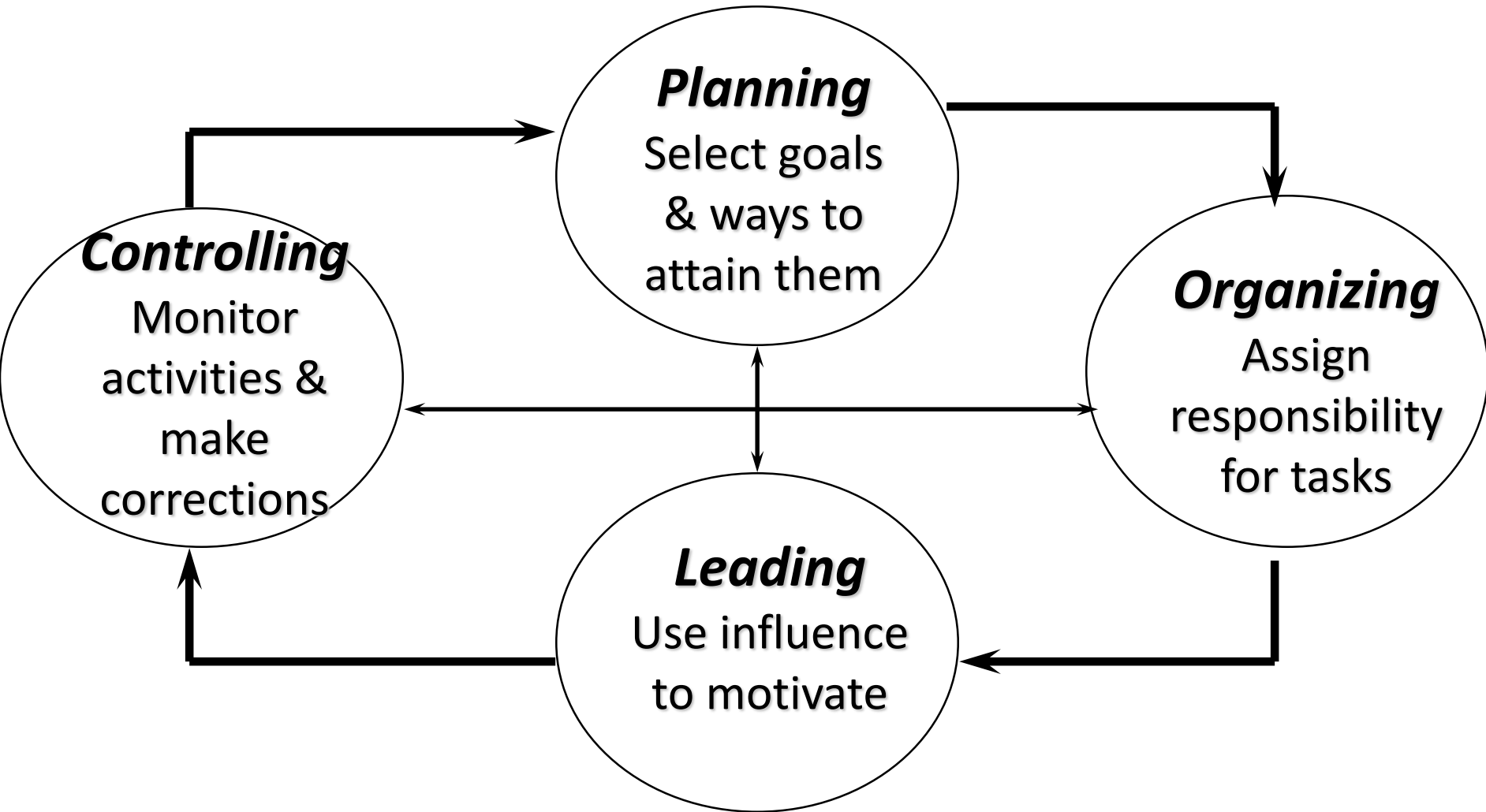
## 5. Management: Science as well as an Art

Management contains a systematic body of theoretical knowledge as well as the practical application of such knowledge.

# Importance of Management

- Achievement of Group Goals
- Optimum Utilization of Resources
- Fulfillment of Social Obligations
- Stability
- Human Development

# The Four Functions of Management



# 1. Planning

Planning is the most basic or primary function of management. It is basically deciding in advance, what is to be done; when is to be done and by whom it is to be done.

## 2. Organizing

After planning, next step is organizing. The process of organizing consists of following steps:

1. Determining and defining activities to achieve goal.
2. Grouping of activities into convenient and logical group.
3. Assigning duties to people at various levels.

# Contd.

4. Delegating authority to people at different level
5. Defining and fixing responsibility for performance



# 3. Leading

It consists of :

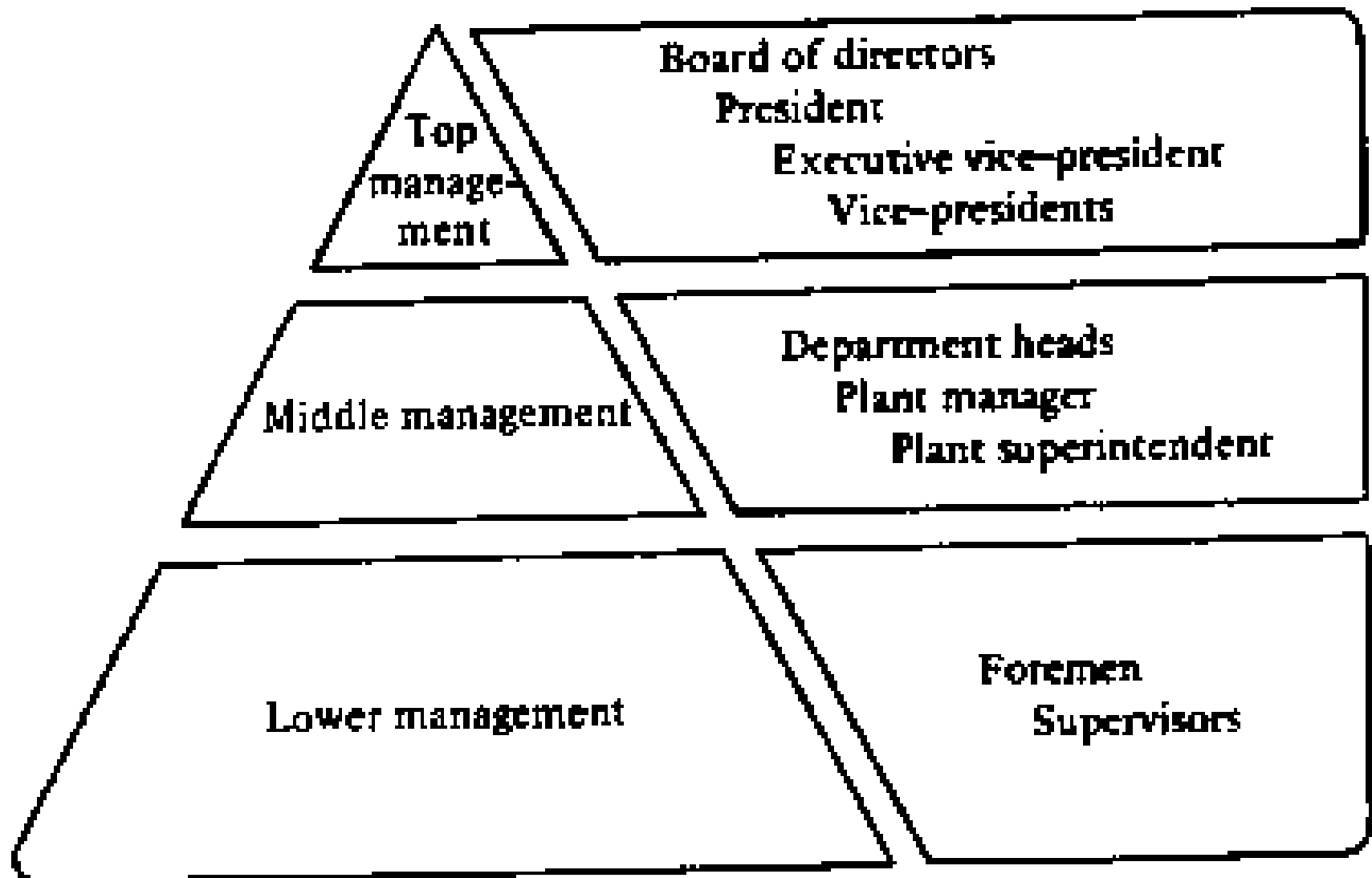
1. Issuing orders and instructions
2. Supervision of Work
3. Motivation i.e. creating willingness to work
4. Communication with employees
5. Leadership or influencing the behavior of employees.

# 4. Controlling

It consists of:

1. Establishing standards for measurement of performance
2. Measuring performance and comparing with standard
3. Finding reasons for variation among different employee's performance
4. Taking corrective action for attainment of goal

# THE MANAGEMENT PYRAMID



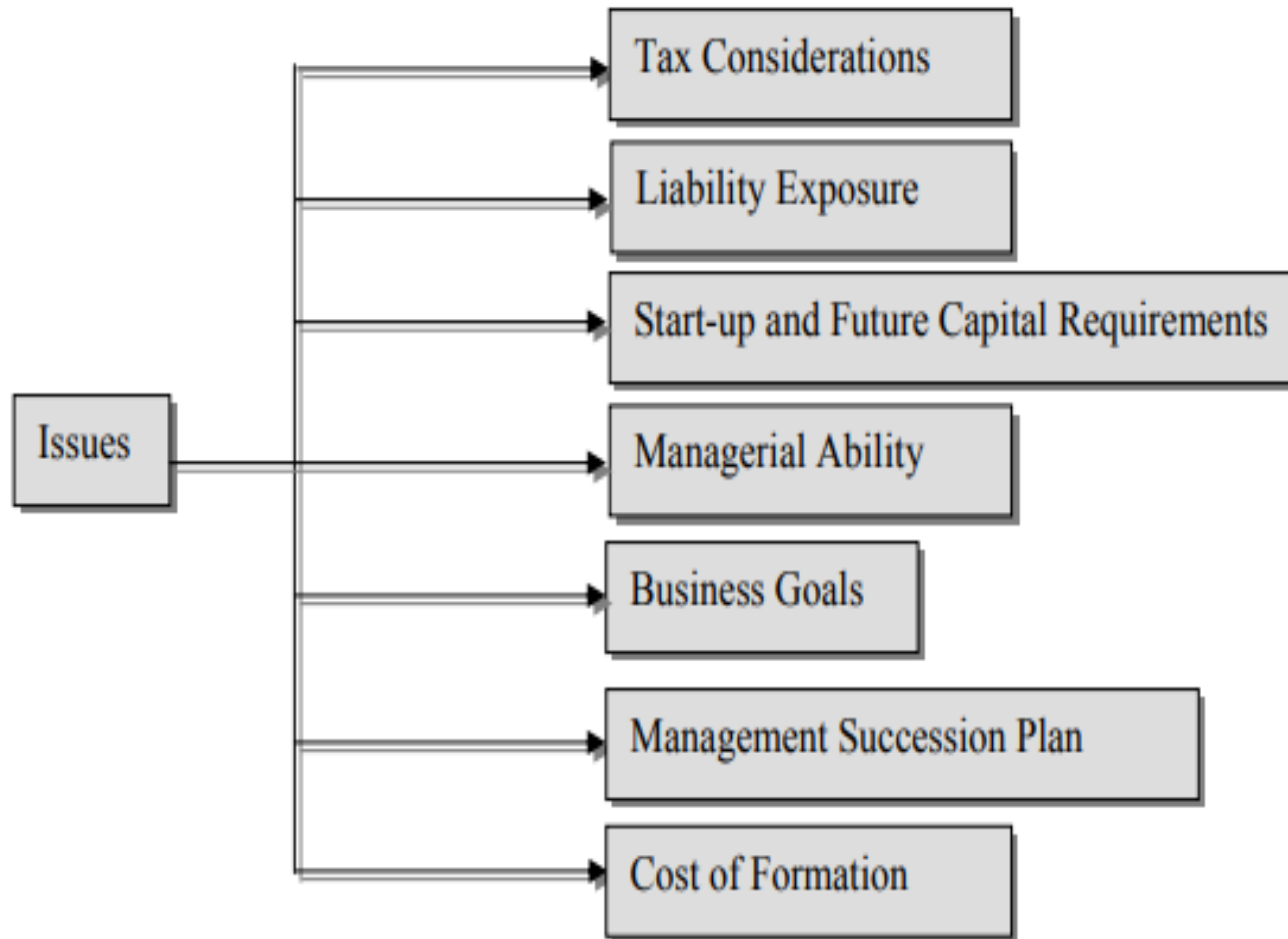
# Basic types of Management Skills

1. **Technical Skill** – ability to use tools, procedures & techniques in a specialized area.
2. **Human Skill** – ability to work with, understand & motivate people as individual or groups.
3. **Conceptual Skill** – mental ability to coordinate & integrate all of an organization's activities, especially in the long-term decisions affecting the organization. It is needed to see the organization as a whole & recognize how the various factors in a situation are interrelated so actions taken are in the best interests of the organization.

# MCPUNIT 1 Module 2

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# Issues in Business formation



# Forms of Business

Once an entrepreneur makes a decision to launch a business, one of the first issues he or she faces is choosing a form of ownership. Most of them have a tough time figuring out the right type of business entity for their business.

## Forms of Business Ownership

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graph TD; A[Forms of Business Ownership] --> B[Sole Proprietorship]; A --> C[Partnership]; A --> D[Company]; A --> E[Franchising];
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Sole

Proprietorship

Partnership

Company

Franchising



# **1. Sole Proprietorship**

- A sole proprietorship is owned by only one person. This is the most common form of business ownership. It can include small retail stores, mechanic services and even inventors or musicians seeking to sell their products online. It is fairly easy to establish a sole proprietorship, and the process of running them is fairly simple.

## 2. Partnership

- A partnership is similar to sole proprietorship, except more than one person is involved. Two or more people come together to work at a given business and share in the profits (or losses) of that business.
- Like sole proprietorship, a partnership is relatively easy to set up and doesn't have to pay the sort of taxes that larger corporations do. However, the partners themselves are responsible for business losses and liabilities, and partnerships founded on informal agreements may run into interpersonal problems when the company struggles.

### **3. Company**

- A company is a business, which is considered a separate entity from owner; even having the legal rights of a person.

## **4. Franchising**

- Franchising is a business arrangement in which the owner of a trademark, trade name, or copyright has licensed others to use it in selling goods or services. It can be sole proprietorship, partnership or company form.

# Lease

- A Lease is a transfer of right to enjoyment (exclusive possession) of that property by the lessor the lessee, made for a certain term in consideration of a fee subject to the terms set out in the lease agreement.
- A lease grants exclusive possession for a fixed period (term).
- A lease creates an interest in the land which can be transferred to the lessee for the period of the lease.
- A lease can be transferred (assigned) to another party and if registered on the title is binding on a new owner of the land.
- A lease is not revocable (other than subject to any conditions set out in the lease (e.g. a redevelopment clause)).

# Licence

- A Licence is the granting of a permission to use the land in consideration of a fee subject to the conditions set out in the licence [?]
- A licence does not grant exclusive possession.
- A licence does not create or transfer an interest in the land.
- A licence is not transferable
- A licence is revocable