

UNIT 1 INTRODUCTION TO BUSINESS - OVERVIEW

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LESSON 1 INTRODUCTION TO BUSINESS

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1. INTRODUCTION TO BUSINESS

1.0 Objectives

By the end of this lesson, you will be able to understand and learn about:

- Business: Introduction, Characteristics & Scope.
- Difference between Business, Profession & Employment.
- Role of Commerce in Business.

1.1 Introduction to Business

The theme of "business" relates to the state of being busy either as an individual or society as a whole in order to do commercially viable and profitable work. The term "business" has at least three applications, depending on the scope — the singular usage to mean a particular company, the generalized usage to refer to a market sector or industry such as telecom or the broadest meaning to include all activity by the community of suppliers of goods and services.

As in the case of micro application of business, a business (also called business firm or an enterprise) is a legally recognized organizational entity conceived to provide goods and/or services to consumers or corporate entities such as governments, charities or other businesses. Businesses are predominant in capitalist economies, most being privately owned and formed to earn profit to increase the wealth of owners. The owners and operators of a business have as one of their main objectives the receipt or generation of a financial return in exchange for work and acceptance of risk. Notable exceptions include cooperative businesses and public sector or state-owned enterprises. Socialistic systems involve government, public, or worker ownership of most sizable businesses.

Business Studies include the study of the management of individuals to maintain collective productivity in order to accomplish particular creative and productive goals (usually to generate profit).

1.1.1 Types of Businesses

There are many types of businesses, and, as a result, businesses are classified in many ways.

- Manufacturers produce products, from raw materials or component parts, which they then sell at a profit. Companies that make physical goods, such as cars or pipes, are considered manufacturers.

- Service businesses offer intangible goods or services and typically generate a profit by charging for labour or other services provided to government, other businesses or consumers. Organizations ranging from house decorators to consulting firms to restaurants and even to entertainers are types of service businesses.
- Retailers and Distributors act as middle-men in getting goods produced by manufacturers to the intended consumer, generating a profit as a result of providing sales or distribution services. Most consumer-oriented stores and catalogue companies are distributors or retailers.
- Agriculture and mining businesses are concerned with the production of raw material, such as plants or minerals.
- Financial businesses include banks and other companies that generate profit through investment and management of capital.
- Information businesses generate profits primarily from the resale of intellectual property and include movie studios, novels, publishers and software services companies.
- Utilities produce public services, such as public transportation, essential goods distribution, electricity or sewage treatment, and are usually government chartered.
- Real estate businesses generate profit from the selling, renting, and development of properties, homes, and buildings.
- Transportation businesses deliver goods and individuals from location to location, generating a profit on the transportation costs.

1.2 Difference between Business, Profession and Employment

Human beings undertake economic activities to earn their livelihood. Economic activities are of different shapes to attain and use the material resource of life. Economic activities are mainly categorized as profession, business and as employment. Where, profession relates to the personal services of special and expert nature, business is connected to commercial enterprise of Industry and Commerce. Employment is an agreement between the employee and employer where the employee has to render his services in return of compensation or incentives.

1.3 Characteristics of Business

The characteristics of business can be classified as follows:

i) Sale and transfer of goods and services

Business activities are connected directly or indirectly to transfer or exchange of goods and services for value or price but cannot be offered as gift to others.

ii) Dealing in goods and services

Goods produced or acquired for business purposes i.e. consumer goods like bread, rice, cloth, crockery etc. or producer goods like raw material, machines, tools etc. comes under this category.

iii) Regularity in dealing

Services undertaken continuously, unlike a single transaction like sale of scooter which does not relate to business because business is not setup for liquidation after a single transaction.

iv) Profit- motive

The purpose of business is earning money and acquiring wealth for its stakeholders. Survival of any business depends upon earning sufficient profit through legal and fair means by serving society and not by exploiting it through black marketing, smuggling and exploitation.

v) Risk

Risk factor implies uncertainty of reward or probability of loss. Business risk depends upon different factors like change in fashion, demand and taste of users or consumers, continuous change in technology, which generally require change in plant, machinery and also modification in product., utilization of capital and other resources, raw material and power that are not available on time, industrial unrest resulting in strikes and lock- outs and even competitions in the market. There is short term, as well as long term uncertainty which generally affect business activities or potential.

Self-check Questions

State whether the following statements are True or False:

- | | |
|--|--------------|
| 1. Retailers increase the price of the product. | True / False |
| 2. Mining is called an extractive Industry. | True / False |
| 3. There is no contract between employer and employee. | True / False |
| 4. Sale and transfer of goods and services is there in profession. | True / False |
| 5. The main motive of any business organization is to make profit. | True / False |
-

1.4 Scope of Business

Business is mainly categorized as:

- Industry
- Commerce

Industry is generally concerned with production of goods and material whereas commerce relates to the proper marketing and distribution at affordable prices and to maximize profits. On one hand business rests on the technical process of manufacture, on the other hand it looks to the market, which is the area of potential exchange and transaction.

- **Industry**

Industry relates to the basic part of business activity, which is generally concerned with the process of primary materials, extracted from different natural environment and then transformed, processed, fabricated and multiplied into other products carrying utility value.

Examples of Primary Production are –

- (i) Extractive Production
- (ii) Genetic Production

Extractive Industries basically extract material from natural resources to divert the goods to the manufacturing Industries and construction Industries for further process.

Genetic Industries generally involve in breeding of plants and animals, their products are consumed by manufacturing or secondary industries.

Examples of **Secondary Industries**

- (i) Manufacturing Industries
- (ii) Construction Industries

Manufacturing industries create 'form utility' i.e. these are concerned with conversion or transformation of raw material and semi finished products into finished products.

These industries are of different types-

- a) **Analytical:** Analytical industries analyse raw material into number of products and by-products.
- b) **Synthetical:** Synthetical industries produce new product after a combination of two or more materials.

- c) **Processing:** Processing industries generally process raw material in different stages of production.
- d) **Assembling:** Assembling industries generally connect two or more parts to a finished product.

- **Commerce**

Commerce activities ensure the smooth flow of goods and services from producer to consumer. This activity consists of trade and facility to trade. Commerce is linked in buying and selling goods. It covers important services in course of exchange of goods, finance, warehouse, transport, insurance, banking etc. It is a system that exchanges goods and services amongst industrialists and buyers.

- **Role of Commerce in Business**

Commerce generally establishes a link between producers and consumers. It plays a significant role to remove hindrances or barriers that occur in the process of exchange and it eliminates a gap between producers and consumers. Activities of traders are most essential to bridge the gap between manufacturers and end users or consumers who can be situated at any farthest place and often unknown to each other.

- **Transportation, Storage, Insurance, Banking, Advertising**

In other situation, to remove the distance when points of goods produced are far away from the point of consumption, transportation provides facility to link both the ends. Store facility maintains a balance between time lag of production and consumption if production of any thing takes time and its consumption is beyond manufacturing limit in a short space of time. In modern times, risk is involved in all business during transportation or storage of goods, whether it is damaged or stolen. Insurance generally provides confidence in case of safe transportation and storage of goods. At present rendering credit facility is also desirable in all types of business; especially, large scale exchange requires economic agreement for payment of cost of product. Bank and financial institutions deal in providing credit facilities in different forms. Lastly, in the competitive market businessman also focuses on the ideas to adopt suitable advertising and other communication or promotional media to convey information about his products and services to prospective buyers or end users.

1.5 Trade

Trade is a focal nucleus part of business activities for sale, transfer and exchange of goods and services. Trade is not involved in the auxiliary industries, as all auxiliary industries revolve around trade like transportation, warehousing, banking insurance, advertising, promotion etc. Trade is categorized into two aspects – **International and Internal**.

Internal covers direct and indirect domestic trade involving wholesale or retail whereas international covers import, export and entrepot activities.

1.6 Assignments

1.6.1 Class assignments

- i) Describe the types of Businesses.
- ii) What is the difference between profession business and employment?

1.6.2 Home assignments

- i) Industry cannot work without commerce. Explain the role of commerce with examples

1.7 Possible Answers to Self-check Questions

- 1. True
- 2. True
- 3. False
- 4. False
- 5. True

1.8 References and Suggested Further Reading

- 1. Basu C.R. 2000. Fundamentals of Higher Secondary Business Organization. Macmillan Publishers India, New Delhi.
- 2. Mahesh M.P. and Oth. Commerce. Tamil Nadu Text Book Corporation, Chennai.
- 3. <http://www.smallindustryindia.com/publications/ecom.htm>
- 4. www.dirsense.com

1.9 Glossary

- 1. Goods Merchandise
- 2. Transaction deal
- 3. Liquidation Bankruptcy
- 4. Capital Assets, resources, fund, wealth, money
- 5. Auxiliary Secondary
- 6. Entrepot Entry permit (Import for re-export)

LESSON 2 BUSINESS ENVIRONMENT

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2. BUSINESS ENVIRONMENT

2.0 Objectives

At the end of this lesson, you will be able to understand and learn about:

- Business Environment
- Levels of Organizational Environment
- Business as a 'system'
- Utility of 'Systems Approach' in Business Analysis
- Classification of Business Sectors.

2.1 Business Environment

An environment can be defined as anything which surrounds a system. Therefore, the business environment is anything which surrounds the business organization or business system. It affects the decisions, strategies, processes and performance of the business. Environmental analysis is the study of the organizational environment to pinpoint environmental factors that can significantly influence organizational operations. It will help understand what is occurring, both inside and outside an organization and to increase the probability that the organizational strategies developed will appropriately reflect the organizational environment.

2.1.1 Three Levels of Organizational Environment

In order to perform an environmental analysis, one must thoroughly understand how organizational environments are structured. For purposes of environmental analysis, one can divide the environment of the organization into three distinct levels: *Internal environment*, *operating environment (Micro)*, and *general environment (Macro)*.

- The internal environment consists of organisational strategies, resources (HR, Capital, Technological, marketing etc.) policies and structure.
- The micro environment consists of different types of stakeholders - customers, suppliers, creditors, Intermediaries, Media, Social groups, Competitors.

- The macro environment consists of factors which are beyond the control of the business STEP – (Social, Technological, Economical and Political), demographical, natural and international.

Changes in the micro environment will directly affect and impinge on the firm's activities. Changes in the macro environment will indirectly affect the business but will nonetheless affect it. For example, a change in legislation such as the smoking ban indirectly affects pubs and restaurants.

2.2 Business as a 'System'

2.2.1 External Environment & Influences

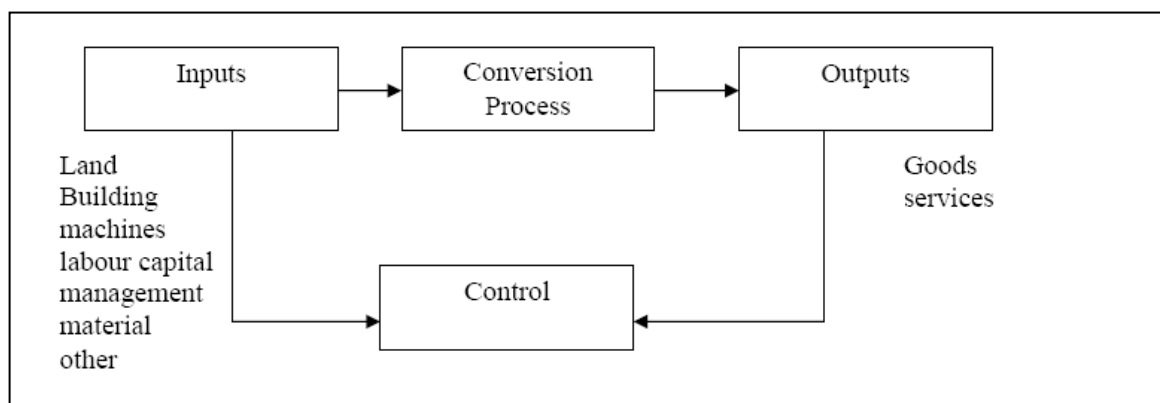


Fig. 2.1 Business as a transformational-interactive system

System generally relates to a set of interrelated parts i.e. association of sub-system where parts are integrated and interrelated which coordinates all functioning as a business. System recognizes that every part of organization has its unique properties and capabilities. They generally link together the functioning of one part and its far reaching effect on other parts i.e. a complete picture of the organization.

Business counts as a system, as its functioning relates to social, economic, political and cultural environment of a country or the world. So its structure consists of the sub unit of industry and commerce, where the business and its sub system relates to production and supply of goods and services to the community. In this connection, system gets inputs from its environment and supplies its output to the environment.

Inputs include material, machinery or equipment, manpower, money, information, where physical and financial resources of man are generally converted into goods and services which constitute output of business system. In addition to goods and services, system also provides profit, employment and tax revenue. In this regard, business system obtains feedback from Supra System which conveys the future operation of system i.e. supply of input to business system either

increased or reduced percentage generally depends upon the satisfaction provided by business output. So every business firm is itself a system which generally consists of different sub-systems, for example –

- (a) Production system
- (b) Marketing System
- (c) Research and development system
- (d) Finance system
- (e) Personnel system

Each system turns into sub system; for instance production system relates to sub systems like:

- (a) Purchasing and inventory control
- (b) Plant location and layout
- (c) Plant buildings and equipments
- (d) Quality control
- (e) Production planning and control
- (f) Repairs and maintenance

Self-check Questions

1. State the three main elements of a system.
-

2.2.2 Utility of 'Systems Approach' in Business Analysis

In order to achieve business Integration, management must conceive of any business as a 'system' that coordinates the components of the external environmental system (Social, Technological, Demographics, International, Natural) with that of the internal business systems (Internal processes, resources and strategies). Once such a system integration is accomplished, one can be rest assured of sailing smoothly along and amidst the dynamic changes of business environment. Hence, there is a greater need of looking at 'Business' or for that matter any socio-economic system from a systems-perspective. As it can be easily realized that improving the efficiency of individual components such as material inputs, conversion process or even external variables is useless if the efficiency of the individual function throws the total system out of balance. The systems thinking

thus helps decision makers to take a holistic view of the business problem and situation in order to arrive at effective set of probable solutions.

2.3 Classification of Business Sectors

A nation's economy can be divided into various sectors to define the proportion of the population engaged in the activity sector. This categorization is seen as a continuum of distance from the natural environment. The continuum starts with the primary sector, which concerns itself with the utilization of raw materials from the earth such as agriculture and mining. From there, the distance from the raw materials of the earth increases.

2.3.1 Primary Sector

The primary sector of the economy extracts or harvests products from the earth. The primary sector includes the production of raw material and basic foods. Activities associated with the primary sector include agriculture (both subsistence and commercial), mining, forestry, farming, grazing, hunting and gathering, fishing, and quarrying. The packaging and processing of the raw material associated with this sector is also considered to be part of this sector and are known as allied sectors though they are partially related to manufacturing as well.

2.3.2 Secondary Sector

The secondary sector of the economy manufactures finished goods. All of manufacturing, processing, and construction lies within the secondary sector. Activities associated with the secondary sector include metal working and smelting, automobile production, textile production, chemical and engineering industries, aerospace manufacturing, energy utilities, engineering, construction etc.

2.3.3 Tertiary Sector

The tertiary sector of the economy is the service industry. This sector provides services to the general population and to businesses. Activities associated with this sector include retail and wholesale sales, transportation and distribution, entertainment (movies, television, radio, music, theater etc.), restaurants, clerical services, media, tourism, insurance, banking, healthcare, and law. In most developed and developing countries, a growing proportion of workers are devoted to the tertiary sector. For instance, in developed nations like United States, more than 80% of the labor force is tertiary workers.

2.4 Other forms

2.4.1 Quaternary Sector

The quaternary sector of the economy consists of intellectual activities. Activities associated with this sector include government, culture, libraries, scientific research, education, and information technology.

2.4.2 Quinary Sector

Some consider there to be a branch of the quaternary sector called the quinary sector, which includes the highest levels of decision making in a society or economy. This sector would include the top executives or officials in such fields as government, science, universities, nonprofit, healthcare, culture, and the media.

An Australian source relates that the quinary sector in Australia refers to domestic activities such as those performed by stay-at-home parents or homemakers. These activities are typically not measured by monetary amounts but it is important to recognize these activities in contribution to the economy.

2.5 Assignments

2.5.1 Class assignments

- i) What is the importance of system's approach in business analysis?

2.5.2 Home assignments

- i) Explain the concept of business as system by taking a business organization as an example.

2.6 Possible Answers to Self-check Questions

1. Inputs – Process – Output

2.7 References and Suggested Further Reading

1. Telsang, M.T. 2002. Industrial Business Management, 1st Ed. Sultan Chand & Sons, New Delhi.
2. Bhushan, Y.K. 2000. Business Organization. Sultan Chand & Sons, New Delhi.
3. Basu C.R. 2000. Fundamentals of Higher Secondary Business Organization. Macmillan Publishers India, New Delhi.

4. Gulshan S.S. 2006. Business System - Business organization as a system - systems approach applied business law, 3rd Ed. Excel Books, New Delhi.
5. www.helium.com
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2.8 Glossary

- | | | | |
|----|-------------------------------|-----------------|-----------------|
| 1. | Operating Working | | |
| 2. | Transformational | Transferring | |
| 3. | Interaction | Intercept | |
| 4. | Integrated | Included | |
| 5. | Interrelated
Interactional | Interconnected/ | Interdependent/ |

LESSON 3 BUSINESS OBJECTIVES

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3. BUSINESS OBJECTIVES

3.0 Objectives

At the end of this lesson, you will be able to understand and learn about:

- Fundamental Business objectives.
- Changing view of Business objectives.
- Business Functionaries.
- Industrial revolution & its impact.

3.1 Introduction

3.1.1 Business objectives

Business relates to economic institution where its activities are not conceivable and possible in isolation from the society. Objective of the business relates to the multidimensional ideas in nature which business has to observe in the light of prevailing environment. In modern times, business usually targets the survival and growth as its basic requirement rather than just profit making. Environment, internal or external, highlights certain objectives to the business firm; on the other hand enterprise generally turns its ideas and influence according to the environment.

For example – environment may require that the enterprise should provide quality products at reasonable affordable prices to the people. With this expectation business enterprise may create products and services for their marketing and distribution where facilities may have to be provided in the economy. Objectives of business generally setup through the interaction between enterprise and its activities with the surrounding environment. Prevailing environment advises that profit motive may not be considered as primary sole objective of business. Adoption of multidimensional objective justifies the existence of business which may be in different forms like- organic, economic, social, human and national.

On the other side, business objectives are specific statements that give projections about growth or development to companies. For example, a business objective could be, “We must enhance the sales to double its previous value by next fiscal.”

It can be classified as economic and social both.

- **Economic:** Growth, Expansion, Innovation, Market share, Return on Investments.

- **Social:** Internal–External stakeholders Eg: Employees, customers, shareholders, bankers, suppliers, community, nation, International, global, natural environmental etc.

3.2 Some Fundamental Business Objectives

(a) Organic objective

This object reflects the behavior of an enterprise as similar to an individual. This object relates to direct and immediate help to business and conveys “business as an entity” which normally covers the stages as “Infancy”, “Childhood”, “Maturity” and even “Decline” like human beings, although no organization ever wishes to go for the decline phase.

In the first stage, business tries to ensure its survival i.e. the continuity of business activities. When these activities are assured, business follows the second stage for its growth and diversification. To achieve the same, business adopts the third stage, to win prestige and recognition from society where its functions are normally carried on. If the business is unable to form goodwill in the market, then it has to go for growth and expansion again. To achieve this, business adopts methods such as, to reinvest or plough back a part of its project and profits and attain optimum size to avail all economies.

Survival of business relates to the existence of business enterprise which implies the maintenance of the firm’s competitive position, growth and diversification of business; identify new customers, new products, increase market share in present market etc. Prestige and recognition always communicate and reflect in the growth and diversifications of business.

(b) Economic objective

This objective indicates the end point usually determines a person’s conduct in the business part of life. Economic objective generally highlights three important points as profit making, creation of customer and innovation.

- Profit making relates to rewards for undertaking risk, stay in business or growth and expansion of business activity. This indicates “profit through service” rather than maximization of profit as the real aim of business. It is to ensure that the business functions may be continued through the achievement of sufficient profit at expected service level.
- In creation of customer, business generally finds out people who are able and willing to buy the enterprise goods and services. Survival of any business enterprise depends upon the sufficient people to buy products and services offered by it. Customer is identified as generator of revenue for business where business earns profit by satisfying the needs of the customers.
- Innovation is a tool, adopted by business to change over in business environment. Where business itself adjusts with the environment whether the

object is earning profit or expanding the market. Innovation adopts new and improved products, latest ideas of production, marketing and distribution, up-to-date technologies even concerning other management processes.

(c) Social objective

This relates to the obligation and service towards the society. Business is an inseparable and invariable part of society that draws out required resources from society where its progressive operation depends upon the levels of satisfaction of the society. For this purpose business focuses its ideas to the foundation of social service which relates to the obligation towards the groups of society like customers, employees, inventors, suppliers & general public.

- (i) **Customer satisfaction:** Business fixes its aim for continuous supply of required goods and service with standard quality & proper quality at reasonable price. The idea of this object is likely to incur the wrath of society.
- (ii) **Employees' point of view:** Business fixes its target to provide different levels of opportunities for gainful employment to industrial society & to the public.
- (iii) **Investor point of view:** Business generally diverts a part of surplus as proper return on investment to maintain reputation in market.
- (iv) **Supplier point of view:** The aim of business is to clear all payments related to supplier in time. The aim is to maintain future business relations.
- (v) **Society point of view:** Aim of business is to get legitimate profit in business enterprise, oblige society by avoiding black-marketing, smuggling, adulteration & ensure fair distribution.

(d) Human objective

This objective identifies and relates to the category of persons who are directly & indirectly involved in business. In fact smooth functioning of business depends on the persons who manage all the affairs of business, the persons (employees) through which the activities of business are carried out and the next category of persons (customers) who help to consume business products.

Business provides welfare to workers & employees through fair wages, salaries & incentives at different levels of work and competencies. In addition to this, business also envisages to create favorable working and living environment and culture for the employees. Apart from this, business also provides stability in jobs & ensures the satisfaction of employees for effective contribution towards the organization.

(e) National objective

This object relates to the obligation of business towards fulfillment of national developmental and progressive requirements where business contributes itself as a

means for aspiration & implementation of national plan & policies for society on priority basis. Here business functions count as important to remove inequalities & support the weaker sections of the society in all aspects as it is for the government or other social organizations.

In other fields, business generally takes initiative to protect small enterprises and ensure growth and development of society. It also fixes targets to boost export units to increase foreign exchange reserve of the country. As a matter of economic growth of the country, it helps to develop human skills or HR productivity by providing training & development programmes at managerial as well as operational or technical levels.

3.3 Utility of Setting Business Objectives

Business objectives are important to give direction to a business. If you are running a business without any business objectives, you shall not be able to grow successfully in any proper direction. Having business objectives, gives you a much better understanding of where you stand, how to improve and what changes in your current method of working will be required to reach your objectives. Lack of business objectives leads to an un-coordinated and poorly synchronized business that has a very low probability of being successful and prosperous.

When setting business objectives, one must ensure the following parameters of business decisions:

- **Quantitative:** The business objectives should be expressed in terms of measurable numbers. It should not be expressed vaguely.
- **Time-frame specific:** Time frames should be specified in the business objectives. This assists to understand where one stands with respect to the completion of the current objective.
- **Flexible:** It is very important that the business objectives are adaptable to change. If the situation in which the business is working changes, the business objectives should change to reflect these changes and environmental dynamics.
- **Simplified and Understandable:** The business objectives should be made and expressed in an understandable way. This helps in communicating objectives to investors, employees, partners etc. Without this communication of business objectives, it becomes very difficult to reach them.
- **Realistic:** It is important that the business objectives are realistic, or one may end up disappointing investors and other stakeholders.

Examples of business objectives

- “Sell 1000 units of product A and 500 of product B by December 31, 2010”

OR

- “Maintain a minimum of 35% market share in the soft drinks segment in Honolulu City during the whole of 2011”

3.4 Changing View of Business Objectives

Business relates to the socio-economic institution and its operation generally links to the socio-economic and political environment. It generally relates to the new ideas of business in its prevailing dynamic environment. Earlier the main objective of business was to earn profit, either the business activities identified in the areas of manufacturing or in proper distribution of things. So on the basis of overall environmental situation business had two basic objectives and responsibilities i.e.

(a) Provision of goods and services to meet end users’ needs & desires

(b) Securing of profits as a result of customer satisfaction.

With these targets businesses are supposed to focus and produce better products at competitive prices to achieve the customers’ satisfaction level. It also aimed to serve profit to the inventors i.e. shareholders.

This also implies that the goal of traditional business existed earlier only on profit. But with the continuous changes that took place in business environment, it was observed that true success of business cannot offer only profit as a sole objective of business i.e. earning of profit cannot be presumed as the only objective of business. Money chasing is also not business, but business relates to those manufacturing goods that are easily accepted by community at acceptable price i.e. true business can only survive in prevailing environment if business continuously focuses its attention towards” service to society”.

So earning of profit cannot be presumed as sole objective but survival and growth are also required for prevailing environment. To justify its existence in its environment the traditional concept “profit” has been replaced by the concept of ” profit-cum-service or ‘Profit through Service.’”

3.5 Business Functionaries

- Human Resources
- Marketing
- Production
- Finance

3.5.1 Human Resources

This function relates to the function of the organization that is responsible for the management and motivation of people in the workplace. Increasingly, today the term Human Resource Management has come to replace personnel - because personnel management is seen as a traditional and old fashioned way of managing people, giving priority to organizational rather than individual development needs.

Basic Functions

- Recruitment and selection of new employees, e.g. helping to prepare job advertisements and job descriptions for new posts, and helping to organize the interview process.
- Placement, Induction or orientation of new employees where they are introduced to the company, and aspects of the job they will be doing as well as essential requirements such as health and safety training and sensitization.
- Training and development. Training focuses on the needs of the organization whereas development is more concerned with identifying and meeting the needs of individual employees.
- Organizing the performance appraisal process to identify development needs of employees in his career span.
- Managing payment or compensation systems.
- Motivation of employees by outlining motivational work practices.
- Organizing the termination (Exit interview) of service and retirement of employees, as well as job redundancies.

3.5.2 Marketing

"Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others." (Philip Kotler & Armstrong)

The mission of marketing is to satisfy customer needs that take place in a social context. In developed societies marketing is needed in order to satisfy the needs of society's members. Industry is the tool of society to produce products for the satisfaction of needs.

A) Marketing Management involves the activities of:

- Understanding the economic structure and potential of industry
- Identify segments within the market
- Identify the marketing plan or strategy which best fits a company using the marketing mix variables of price, product, distribution, and promotion

- Identifying target end user market
- Marketing research to develop profiles (demographic, psychographic, and behavioral) of core customers
- Understand competitors and their products
- Develop or innovate new products and applications.
- Continuous environmental scanning (Internal as well as external) mechanisms to detect and respond opportunities and threats
- Create a sustainable competitive advantage

B) Marketing-mix:

Marketing is an ongoing process of planning and executing the marketing mix (Product, Price, Place, Promotion often referred to as the 4 Ps) for products, services or ideas to create exchange between individuals and organizations.

Table 3.1: Marketing Mix

Product	The product management and product marketing aspects of marketing deal with the specifications of the actual goods or services and how it relates to the end-user's needs and wants.
Pricing	The process of setting a price for a product including discount
Promotion	Refers to the various methods of promoting the product/service, brand or company which includes advertising, sales promotion, publicity and personal selling.
Placement	The locations for distribution, which explains how the products get to the customer

Self-check Questions

Fill in the Blanks

1. _____ objective which relates to the category of persons who are directly & indirectly involved in business.
 2. _____ are important to give direction to a business
 3. _____ focuses on the needs of the organization whereas _____ is more concerned with identifying and meeting the needs of individual employees.
 4. 4Ps of Marketing mix are (i) _____ (ii) _____ (iii) _____ (iv) _____
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3.6 Production

A production function can be expressed as:

$$Q = f(X_1, X_2, X_3, \dots, X_n)$$

Where: Q = quantity of output

$X_1, X_2, X_3, \dots, X_n$ = factor inputs (such as capital, labour, land or raw materials).

Production is a transformation process whereby the raw material is converted into semi finished and then finished product (Goods or services) and thereby adds to the value of utility of products, which can be measured as the difference between the value of inputs and value of outputs. However, in order to facilitate this transformation other system inputs like land, labor, capital, machines, management together plays a very critical role.

- Production function encompasses the activities of procurement, allocation and utilization of resources. The main objective of production function is to produce the goods and services demanded by the customers in the most efficient and economical way.

Production system is the framework within which the production activities of an enterprise take place. An appropriate designing of production system ensures the coordination of various production operations. There is no single pattern of production system which is universally applicable to all types of production system. It varies from one organization or enterprise to another. However, broadly there are four types of Production Systems-

- Mass/ flow / line production
- Batch / intermittent production
- Job / unit production
- Continuous/ process production

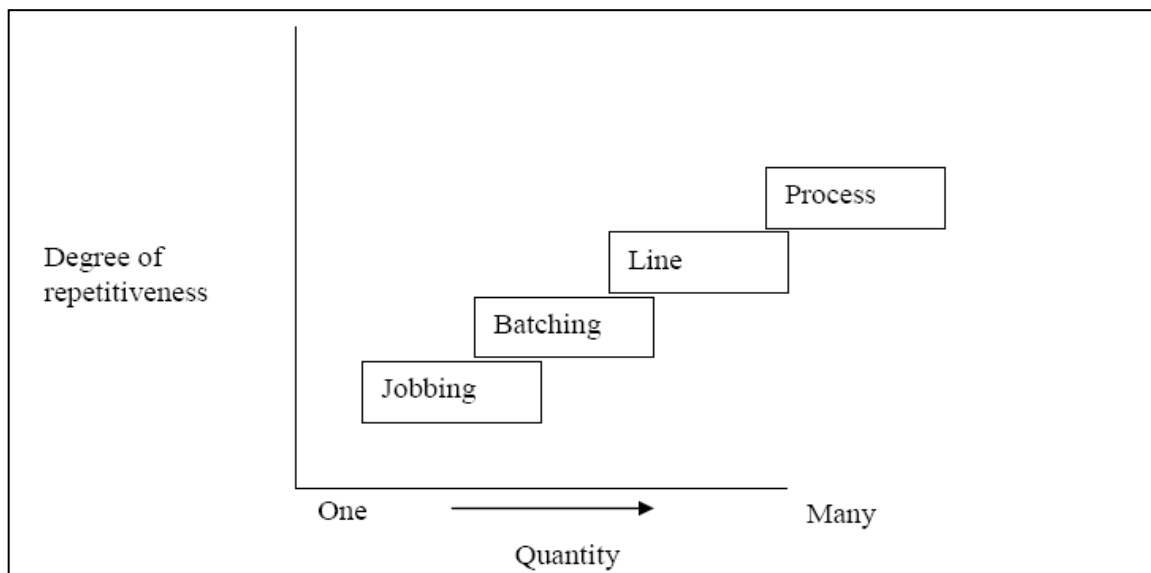


Fig. 3.1 Types of Production Systems

3.7 Finance

Finance is the set of activities dealing with the management and optimum utilisation of funds. More specifically, it is the decision of procurement or collection and use or application of funds. It is a branch of economics that studies the management of money and other assets. Finance is also the science and art of determining if the funds of an organization are being used properly and judiciously. Through financial analysis, companies and businesses can take decisions and corrective actions towards the sources of income and the expenses and investments that need to be made in order to stay competitive.

The discipline of finance can be divided into long-term and short-term decisions and techniques.

3.7.1 Long term

Capital investment decisions are long-term choices about which projects receive investment, whether to finance that investment with equity or debt (capital Structure), and when or whether to pay dividends to shareholders. These decisions are based on several inter-related criteria. Corporate management seeks to maximize the value of the firm by investing in projects which yield a positive net present value when valued using an appropriate discount rate. These projects must also be financed appropriately. If no such opportunities exist, maximizing shareholder value dictates that management returns excess cash to shareholders.

Capital investment decisions thus comprise-

- Investment decision
- Financing decision
- Dividend decision

3.7.2 Short term

On the other hand, the short-term decisions can be grouped under the heading "Working capital management". This subject deals with the short-term balance of current assets and current liabilities; the focus here is on managing cash, inventories, and short-term borrowing and lending (such as the terms on credit extended to customers).

3.8 Industrial Revolution

The period of time covered by the Industrial Revolution varies with different historians. Eric Hobsbawm held that it 'broke out' in the 1780s and was not fully felt until the 1830s or 1840s, while T. S. Ashton held that it occurred roughly between 1760 and 1830. Some twentieth century historians such as John Clapham and Nicholas Crafts have argued that the process of economic and social change took place gradually and the term revolution is not a true description of what took place. This is still a subject of debate amongst historians.

However, the Industrial Revolution can safely be considered as a period of technological development that took place in Great Britain from the mid 1700s through the mid 1800s and eventually spreading through Europe and to the United States.

It was a period when major changes in agriculture, manufacturing, and transportation had a profound effect on the socio economic and cultural conditions in Britain. The changes subsequently spread throughout Europe and North America and eventually to the entire world, a process that still continues as in the form of modern industrialization. The onset of the Industrial Revolution marked a major turning point in human society; almost every aspect of daily life was influenced in some way.

In the later part of the 1700s there occurred a transition in parts of Great Britain's previously manual-labor-based economy towards machine-based manufacturing. It started with the mechanization of the textile industries, the development of iron-making techniques and the increased use of refined coal. Trade expansion was enabled by the introduction of canals, improved roads and railways.

- The introduction of steam power (fuelled primarily by coal) and powered machinery (mainly in textile manufacturing) defined the dramatic increases in production capacity. The development of all-metal machine tools in the first two decades of the 19th century facilitated the manufacture of more production machines for manufacturing in other industries.
- The effect spread throughout Western Europe and North America during the 19th century, eventually affecting most of the world. The impact of this change on society was enormous.

It can be inferred that the First Industrial Revolution, which began in the eighteenth century, merged into the Second Industrial Revolution around 1850 (thereby covering almost a century), when technological and economic progress gained momentum with the development of steam-powered ships, railways, and later in the late half of nineteenth century with the internal combustion engine and electrical power generation. The Industrial Revolution began an era of per-capita economic growth in capitalist economies.

3.9 Impact of Industrial Revolution

The Industrial Revolution brought about economic and social changes as a result of the move from hand tools to power tools and from small-scale production to large-scale production. Prior to the 1800s, products were crafted with simple machines or by hand in small shops or in homes. The shift to manufacturing in factories caused people to leave rural areas and migrate to urban centers, eventually creating overcrowded and polluted cities. In the United States a steady influx of immigrants (people who permanently settle in a foreign country) supplied a work force for factories that sprang up in most major cities, particularly in the North.

The Industrial Revolution brought about dramatic changes in nearly every aspect of British society, including demographics, politics, social structures and institutions, and the economy. With the growth of factories, people were drawn to metropolitan centers. The number of cities with populations of more than 20,000 in England and Wales rose from 12 in 1800 to nearly 200 at the close of the century. As a specific example of the effects of technological change on demographics, the growth of coke smelting resulted in a shift of population centers in England from the south and east to the north and west.

Technological change also made possible the growth of capitalism. Factory owners and others who controlled the means of production rapidly became very rich. As an indication of the economic growth inspired by new technologies, purchasing power in Great Britain doubled and the total national income increased, by a factor of ten in the years between 1800 and 1900. Such changes also brought about a revolution in the nation's political structure. Industrial capitalists gradually replaced agrarian land owners as leaders and custodians of the nation's economy and power structure.

Working conditions were often much less than satisfactory for many of those employed in the new factory systems. Work places were often poorly ventilated, over-crowded, and replete with safety hazards. Men, women, and children alike were employed at survival wages in unhealthy and dangerous environments. Workers were often able to afford no more than the simplest housing, resulting in the rise of urban slums. Stories of the unbearable inhumane work conditions in mines, textile factories, and other industrial plants soon became a staple of Victorian literature.

One positive consequence and impact of these conditions was that action was eventually taken to protect workers—especially women and children—from the most extreme abuses of the factory system. Laws were passed requiring safety standards in factories, setting minimum age limits for young workers, establishing schools for children whose parents both worked, and creating other standards for the protection of workers. Workers themselves initiated and organized activities to protect their own rights and interests, the most important of which may have been the establishment of the first trade unions in industries.

Overall, the successes of the technological changes here were so profound internationally that Great Britain became the world's leading power, largely because of the Industrial Revolution, for more than a century.

3.10 Assignments

3.10.1 Class assignments

Answer the following questions in not more than 150 words

- i) Write a brief note on industry and commerce.
- ii) Define business and give its characteristics.

- iii) Explain business environmental analysis.
- iv) Explain the changing view of business objectives.
- v) Describe Industrial revolution and its impact.

3.10.2 Home assignments

Answer the following questions in not more than 500 words.

- i) Explain the system approach of business. Highlight its utility in business decision making.
- ii) Define business and discuss its scope in detail.
- iii) Explain the fundamental objectives of business and analyze them critically.
- iv) Explain the characteristics and examples of various industrial sectors.
- v) What are business functionaries? Explain them separately.

3.11 Possible Answers to Self-check Questions

1. Human
2. Business
3. Training – Development
4. Price, Place, Promotion, Product

3.12 References and Suggested Further Reading

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2. Gupta, C.B. 2002. Modern Business Organization, National Publishing House / Mayoor, New Delhi.
3. Sherlekar, S.A. and Sherlekar. V.S. 2007. Modern Business Organization and Management. Himalaya Publishing House, New Delhi.
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5. Holt, D.H. 1991. Entrepreneurship Development: New Venture Creation. Prentice Hall of India Pvt. Ltd., New Delhi.
6. www.pondiuni.edu.in

7. en.wikipedia.org
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3.13 Glossary

1. Organic Natural
2. Entity Unit
3. Appraisal Assessment, Evaluation