

Unit - IMeaning of Business

It is the sum of total Activity concerned with the Production or Purchase and sale of goods and services with the main object to earn Profit. Business include all those human activities which are related to the Production and distribution of goods and services with the object of earning Profit through satisfying customer/consumer needs and wants.

Definitions of Business :-

"Business is an enterprise which makes, Distributes or provides any service which other members of the Community need and willing to pay for it." - Unwick and Hunt

Nature and Characteristics of Business

- ⇒ Business is Both an art and a Science
- ⇒ Business is a Social Activity
- ⇒ Business is a System
- ⇒ Business is Distinct from Profession
- ⇒ Business is an Economic Activity
- ⇒ Production or Acquisition of Goods.
- ⇒ Profit is the basic Motive
- ⇒ Risk and uncertainty of Future
- ⇒ Dealing in Goods and Services
- ⇒ Regular Dealings.

Stages of Business Organisation Development

- ⇒ Barter System
- ⇒ Village Economy
- ⇒ Introduction of money
- ⇒ Town Economy
- ⇒ Industrial Revolution
- ⇒ Advancement in modern Business
- ⇒ Growth of Public and Private enterprises

- ⇒ Operation ⇒ Marketing ⇒ Finance
- ⇒ Human Resource Management (HRM)

Meaning and definitions of Business organisation.

Meaning — The term 'business organisation' represents a business firm or a business enterprise. The term 'organisation' refers to the collection of different constituents of a business in order to establish a harmonious relationship and flexibility in their functions.

According to G.R. Terry, "Business organisation is an economic arrangement of persons where all efforts are directed to achieve a common economic goal."

According to L.H. Haney, "Business organisation is an economic organisation. It is a harmonious adjustment of specialised parts of accomplishment of some common purpose."

Features of Business Organisation

- ⇒ Adequacy of capital
- ⇒ Limit of Liability
- ⇒ Bargaining Power
- ⇒ Business Secrecy
- ⇒ Ease in Formation
- ⇒ Tax Considerations.
- ⇒ Continuity and stability
- ⇒ Minimum Government Regulations
- ⇒ Ownership management and control.

OBJECTIVES OF A Good ORGANISATION

Page 3

- ⇒ Efficient Management
- ⇒ Coordination and Communication
- ⇒ Growth and Diversification.
- ⇒ optimum use of Technological in organisation structure.
- ⇒ optimum use of Human Resources.

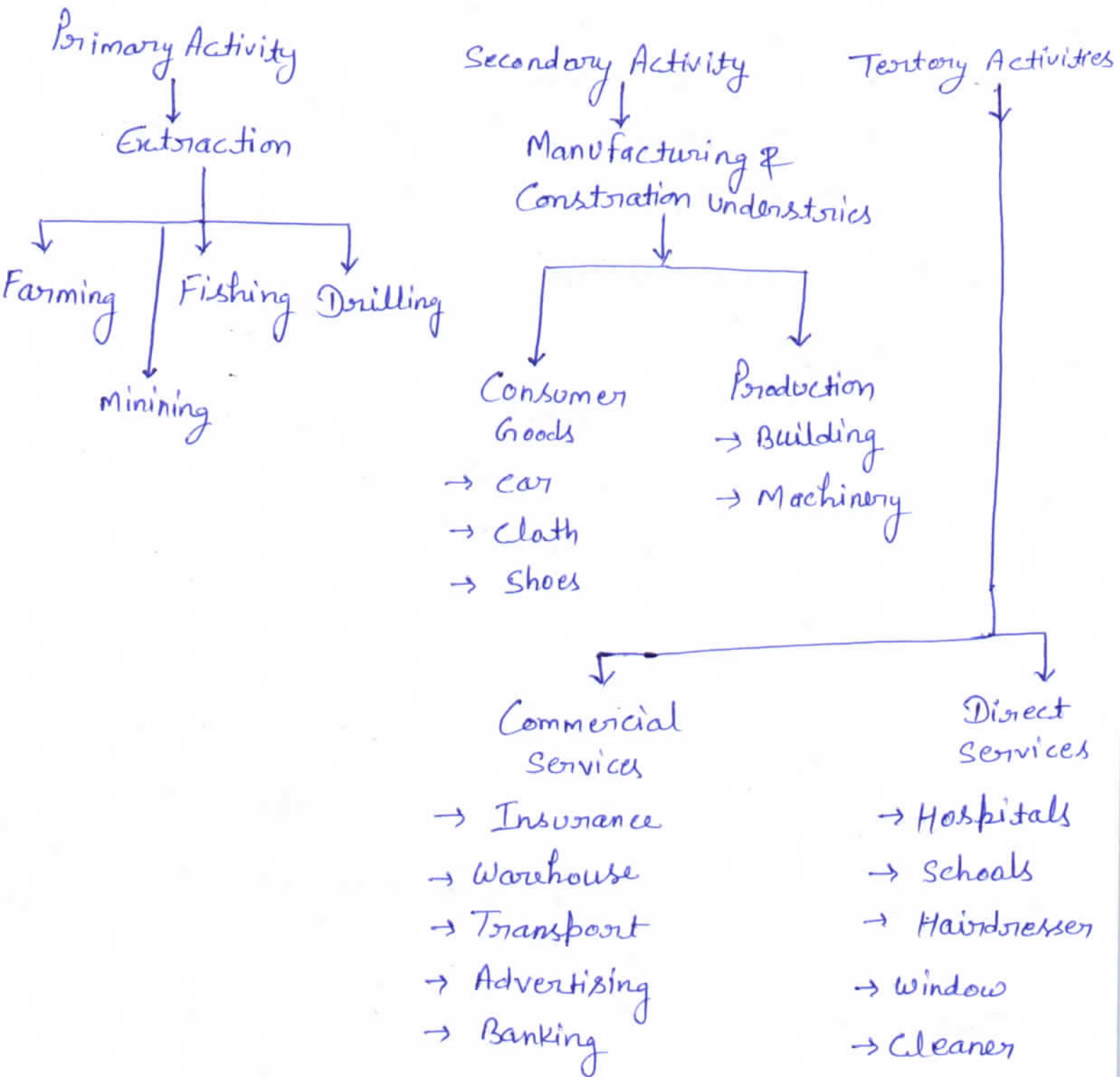
[Principles of Organisation]

- ⇒ Principle of objectives
- ⇒ Principle of division of work
- ⇒ Principle of unity of command
- ⇒ Principle of span of control
- ⇒ Principle of scalar chain
- ⇒ Principle of co-ordination
- ⇒ Principle of Flexibility
- ⇒ Principle of Parity of Authority and Responsibility.



Meaning of Modern Business → Modern business involve companies that have rapidly reshaped their categories to place previous leaders at a disadvantage or who have created entirely new categories of their own. They have employed an array of new technologies which makes it difficult to separate their strategy from their execution.

Meaning of Profession → A Profession refers to a discipline which requires specialised knowledge and training. A Professional person is one who has achieved specialised knowledge as per the norms of the association belonging to similar professionals e.g. Doctor



Evaluation of Business Organisation

Evolution of business means its origin, growth and continuous development with expansion in various sectors, that contributes and runs economies.

Stages in Evolution of Business



(1) Local Business → It began with a sharing of food commodities. Local business can be started as various exchange (Trade) activities happening regularly among people of a local area.

(2) Regional Business → It is a business between different areas a country.

(3) National Business → It helps to make the availability of goods and services in the most parts of a country.

(4) International Business → It implies business conducted among or between different nations. It helps to improve friendly relation between different countries.

(5) Global Business → Global market is one big world level market. Here, the entire globe or world is considered as one huge market of opportunities.

Meaning of Profession → Special qualification like MBBS/LLB/AICWA is a must. Specialised and expert knowledge and skill in the respective area is required. Membership to a Profession body is must. A Profession is an occupation founded upon specialized knowledge and training.

Objective of Business

- (1) Economic objective → These objective refer to the objective of earning Profit along with other objective including creation of customers, regular innovations and best possible use of available resources.
- (2) Social objective → These are the objective of business which are desired to be achieved for the benefit of the society. Production and supply of quality good and services.
- (3) Human objective → Economic well-being of employees. Social and Psychological Satisfaction of employees. Development of Human resource.
- (4) National objective → These objective fullfill national Goals and aspirations. like - Creation of employment, Promotion of social justice, Production according to national Priority.
- (5) Global business → Some of Global objective are, Raise general Standard of living, Reduce (inequality) Disparities among nations, make available globally competitive goods and services.

Unit-2

Business Unit

A Business unit refers to an operating division of firm that serves a distinct product-market segment on a well-defined set of customers or a geographic area. Business unit have responsibility for their own profitability.

Decisions in Establishing a New Business Unit :-

An entrepreneur has to take various decisions to bring a business into existence. These are known as entrepreneurial decisions. The decision taken are regarding the following factors:-

- (1) Selection of Business → The process of business promotion begins with conception of a new idea or business opportunity
- (2) Size of Business → The size of business enterprise should depend upon various factors. i.e. technical, managerial financial and marketing.
- (3) Plant Layout → The plant layout should be efficient in order to achieve economy and efficiency in business operations. Plant layout a technique of connect machines process and plant services with in the factory in order to square the greatest possible output of high quality and the lowest total possible and total cost of production.
- (4) Plant Location → Every entrepreneur of a business unit must give full consideration to a suitable location of his enterprise optimum locational point is accepted to give the lower unit cost of production as well as of distribution and hence it can be most profitable for the business entrepreneur. A suitable location should have easy access to raw materials, labour, power markets, services, banking, transportation, communication, insurance, housing and so on.



- (5) Human Resources
- (6) Machinery and Equipment
- (7) Launching the Business enterprise
- (8) Business Unit
- (9) Form of Business Organisation
- (10) Tax Planning

Meaning of Promotion

Promotion of a business simply refers to all those activities that are required to be undertaken to establish a new business unit for manufacturing or distribution of any product or opportunity for doing a business. This involves ascertaining as to whether all the basic requirements such as land, building, raw material, machine, equipments, etc. are available or not. The whole process is called business 'Promotion' and the person who does it, is called the Promoter.

Different types of Promotion :-

- 1) Advertising
- 2) Direct marketing
- 3) Sales Promotion
- 4) Public Relations
- 5) Personal Selling

Various factors to be considered for setting-up a New Business unit :-

- 1) Total Project Costs
- 2) Market/Demand
- 3) Knowledge/expertise
- 4) Location
- 5) Competition
- 6) Return on investment
- 7) Technology
- 8) Laws, Rules and Regulation
- 9) Staff/manpower.

Problems in Establishing a new Business enterprise; —

- Product Analysis and Market Survey
- Choice of form of ownership
- Financial Planning
- Location of Plants.
- Size of Business unit
- Launching the Enterprise.

Meaning of Promoter → Promoter is a business man, who give birth to a company and securing business knowledge of the world.

Formation of a Company :-



⇒ Promotion Stage

⇒ Incorporation Stage

(i) MoA → (Memorandum of Association) → It contains the object of the organisation.

(ii) AoA → (Articles of Association) → It is describe the internal affairs of company.

⇒ Capital Raising Stage

⇒ Commencement Stage

Types of Promoters :-

- (1) Professional Promoters.
- (2) Financial Promoter
- (3) Technical Promoter
- (4) Entrepreneurial Promoter

Explain and Compare the Various Forms of Business Organisation.

The Various forms of business organisation are as follows:-

⇒ Sole Proprietorship :- Sole Proprietorship or individual entrepreneurship is a business concern owned and operated by one person. The Sole Proprietor is a person who carries on business exclusively by and for himself. He alone contribute the capital and skill and is solely responsible for the results of the enterprise.

⇒ Partnership Firm :- According to section 4 of the Partnership Act 1932 'Partnership is the relation between person who have agreed to share the profit of a business carried on by all or anyone of them acting for all'. In other words, a Partnership is an agreement among two or more person to carry on jointly a lawful business and to share the profit arising therefrom.

⇒ Joint Stock Company :- A joint stock company is an incorporated and voluntary association of individuals with a distinctive name, perpetual succession, limited liability and common seal, and usually having a joint capital divided into transferable shares of fixed value.

⇒ Cooperatives :- When some people voluntarily combine together for achieving an economic objective on the basis of equality, they form a cooperative society. Through a cooperative society weak and unorganised poor people can enjoy some of the economic advantages of rich people.

Advantages of Sole Proprietorship

- Ease for facility of formation
- Advantages of unlimited liability
- Maintenance of adequate
- Elimination of adequate security
- Direct supervision and Personal Contact.
- Inexpensive Management

Disadvantages of Sole Proprietorship

- Limited Resources
- Restricted growth
- Absence of separate legal Status
- Limited goodwill
- More risk involved
- Instability

Advantages of Partnership! -

- Easy Formation
- Risk Sharing
- More flexibility
- Pooling of financial Resources
- Good Decision making
- Personal supervision.

Disadvantages of Partnership

- Lack of Stability
- Emotional issues
- Future selling complications
- Loss of Autonomy



Partnership Deed :- Partnership deed is an agreement that forms the basis of partnership. It contains all important clauses like the Name of Partner firm, Contribution of Capital, Sharing of Profit, mode of management etc.

Partnership deed is an agreement which may be written or oral. It is a mode to have smooth running business and avoid any future disputes amongst Partners.

Various Contents of Partnership deed.

- 1) Name of the firm and its permanent Address
- 2) Name and Address of all Partner
- 3) Nature of business
- 4) Capital of the partner
- 5) Profit sharing Ratio
- 6) Drawings by the partners
- 7) Interest on Capital
- 8) Remuneration to Partners
- 9) Goodwill.

Who is Partner ?

'A Group of men have joined Capital or services for the prosecuting of some enterprise is Partner'

According to Haney, "The relation existing between person competent to make Contract, who agree to carry on a lawful business in Common with a view to Private gain."



Meaning of Dissolution of a firm:-

Dissolution of a firm means closure of the firm or termination of Partnership business. When all the members of the firm, commonly called as Partners, cease to be the Partners of the firm and the firm is closed, it is called Dissolution of the firm.

According to the section 40 to 44 of the Indian Partnership Act 1932 dissolution of firm takes place in the following cases:-

- (1) Dissolution by Agreement :-
- (2) Compulsory Dissolution :-
 - (i) When all the partners or all except one partner become insolvent or insane.
 - (ii) When the business of firm becomes illegal.
 - (iii) When all the partners or except one partner die.
- (3) Dissolution of Notice :-
- (4) Dissolution by Court :-
 - (i) When a partner becomes of unsound mind
 - (ii) Permanent Incapacity of a partner
 - (iii) Misconduct of a partner affecting the business
 - (iv) Business working at a loss



* Advantages and Disadvantage of Joint Stock Company

- ⇒ Joint stock company has the limited liability of its members.
- ⇒ Its shares are transferable and there is ease of ownership.
- ⇒ Perpetual succession is an important advantage of a joint stock company.
- ⇒ A joint stock company elects proficient and talented people which results in effective and efficient management.

* Disadvantages

- ⇒ The formation of a joint stock company involves the complex and lengthy procedure.
- ⇒ It has many stakeholders such as promoters, shareholder etc. which results in conflicts of interest.
- ⇒ A joint stock company follows various rules and regulations which takes up time and reduces the freedom.

Benefits of Cooperative Organisations :-

- 1) Easy to Form
- 2) Open membership
- 3) Democratic Liability
- 4) Limited Liability
- 5) Government Patronage
- 6) Economical operations
- 7) Separate Legal Entity

* Limitations of Cooperative Organisations

- (1) Limited Funds
- (2) Excessive Government Control
- (3) Lack of Public Confidence
- (4) Incompetent Management
- (5) Insufficient motivation
- (6) Internal Rivalries

Unit-V

Meaning of Ethics :- The word 'Ethics' is derived from the Greek word 'Ethos' which means Character. Ethics concerns attempt to distinguish 'right' from 'wrong' good from bad and what constitutes desirable conduct in a particular set of social circumstances.

Nature of Ethics

1. A Normative Science
2. Self-imposed
3. Morality
4. Discipline

Meaning of Business Ethics :- Business Ethics refers to the application of ethics to business operations. To be more specific, business ethics is the study of good and evil, right and wrong, just and unjust actions of a businessman.

In other words, business ethics may be defined as a set of moral standards which people owning and managing business are expected to follow.

Features of Business Ethics

- ⇒ Code of Conduct
- ⇒ Based on moral and social values
- ⇒ Protection to social groups
- ⇒ Provides Basic Framework
- ⇒ Voluntary
- ⇒ New Concept
- ⇒ Requires education and guidance.



Importance of the study of Business Ethics! Page-16

- 1) Ethics corresponds to basic Human Needs.
- 2) Values create credibility with the public
- 3) Value Give management credibility with Employees
- 4) Value help in Better Decision making
- 5) Ethics, Profit and Profit Ethics Proceed Together
- 6) Law cannot protect society, Ethics can

Scope of Business Ethics

- 1) Ethics in Compliance (acceptance)
- 2) Ethics in Finance
- 3) Ethics in Human Resource
- 4) Ethics in Marketing
- 5) Ethics of Production

Benefits of Business Ethics

- 1) Profitability
- 2) Serving of concern is Assured
- 3) Sustainability
- 4) Competitive Edge

→ What is the need for Indian Ethics? Write the prerequisites for Indian ethics.

Needs for Indian Ethics

Maintain Holistic Universe

Elucidate Motivation

Welfare



- 4) Unique work culture
- 5) Evenness of mind
- 6) Self development
- 7) Provide concentration
- 8) Establishes value system

* Prerequisites for Indian Ethics

- 1) Management Attitude
- 2) Humanising the organisation
- 3) self - Introspection
- 4) Brain - Stilling
- 5) Stepping back (for a while)
- 6) Self Dynamising meditation
- 7) Role of Intuition



⇒ Corporate Excellence: - Corporate excellence is defined as the ability of the company to outsmart competitors consistently over a long period of time. In the context, successful organisations are different from excellent organisations. Success may be of one dimension but excellence is multiple dimensional in the company.

* Critical Areas in Achieving Excellence

- 1) Business Process Reengineering (BPR) - as the business scenario is fast changing day by day to meet the ever-changing demands of the market, organisation needs to restructure and redesign its business processes. The BPR facilitates sweeping changes in all the functional areas of the organisation.

2) Core Competence - A unique strength either in technology or in the processing of functional areas, that an organisation enjoys exclusively and which can not be copied by the competitors is called core competence

3) Social Consciousness - Organisation can achieve corporate excellence by means of contribution to the well being of the society. many companies in india are redesigning their business activities, giving importance to society and launching non government organisations.

For example - System Computer of Hyderabad started by raju Foundation, which is specialised in the field of rural development.

4) CRM (customer Relationship management) - In the process of achieving corporate excellence in the present day highly competitive market, the organisation ability to compete depends on its relationship with its target customers.

5) Resource Utilisation - Excellence in organisation can be achieved through proper utilisation of the basic Human, physical and financial resource. New and advance technology have to be adopted in all the functional areas like, Production, marketing, finance Human resource department of the organisation.

6) Growth sustainable development.

7) E-Commerce.



★ Indian Ethos for Management → The Indian ethos is the outcome of the Hindu way of life. Indian ethos means application of principles of managing an organisation revealed in our ancient wisdom described in Gita and Upanishads. The Indian Ethos will prove to be of immense help as well as practical use to the managers in an organisation.

Features of Indian Ethos: Following are the essential features of Indian ethos.

1. Indian ethos focuses on the belief that, if you are good, then the whole world is good.
2. Indian Ethos are the principles derived from the Upanishads, Bhagwad Gita and Purans.
3. According to Indian ethos, total quality management can be assured through excellence at work, through self motivation and through self development.
4. Indian ethos emphasizes on inner resources. Inner resources are much more powerful than outer resources.

⇒ Meaning of Code of ethics → A Code of ethics often focuses on social issues. It may set out general principles about an organisation's beliefs on matters such as mission, quality, privacy or the environment. The code of ethics links to and gives rise to a Code of Conduct for employees.



* Meaning of Changing Concepts in business and Society :- There has been an impressive change in the concept of business and society in the recent years. It has changed remarked from its mere producer orientation (only profit earning attitude) to the customer orientation (giving customers maximum satisfaction) It further grew towards societal orientation (with focus on achieving welfare of the society)

meaning of organisational Culture - Organisation culture is a concept of organisational studies and management which describe the psychology, experiences, beliefs and values (personal and cultural values) of an organisation. It has been defined as the specific set of values and norms that are shared by the people and groups in an organisation and that controls the way they interact with each and with the stakeholders outside the organisation.

Meaning and understand by CSR - Corporate Social Responsibility (CSR for short and also called Corporate Conscience citizenship, social performance, or sustainable responsible business) is a form of corporate self regulation integrated into a business model.

Q. What are the three cardinals of Gandhian Philosophy? What do you understand by 'Love' according to Gandhiji?

Ans. The Three cardinals of Gandhian Philosophy are: True, Love and Non-violence.

Love has varied meanings and shades in different societies, and for different groups of people. It can be get related to liking, fondness, passion, infatuation, attachment and adoration whereas, in Gandhian context, we must expand its horizon to encompass, empathy, sympathy, kindness, reverence, esteem and devotion.

Ques → What is social audit? What are its advantages and objectives?

Ans Social audit - Social audit is a way of measuring, understanding, reporting and ultimately improving an organisation's social and ethical performance. It helps to narrow gaps between vision/goal and reality, between efficiency and effectiveness. It is a technique to understand, measure, verify, report on and to improve the social performance of the organisation.

Advantages of Social Audit:-

- Trains the community on Participatory local Planning.
- Encourages local democracy.
- Encourages Community Participation
- Benefits disadvantaged groups.
- Promotes collective decision-making and sharing responsibilities.
- Develop human resources and social capital.

Salient features of social auditing:-

- Multi-perspective / Polygonal
- Comprehensive
- Participatory
- Multidirectional
- Regular
- Comparative
- Verification
- Disclosure

Technology in Promoting social change

- ⇒ Share important information and news
- ⇒ Build an Engaged Community
- ⇒ Provide Training and education
- ⇒ Receive Ground level Reports
- ⇒ Take immediate action
- ⇒ Raise funds



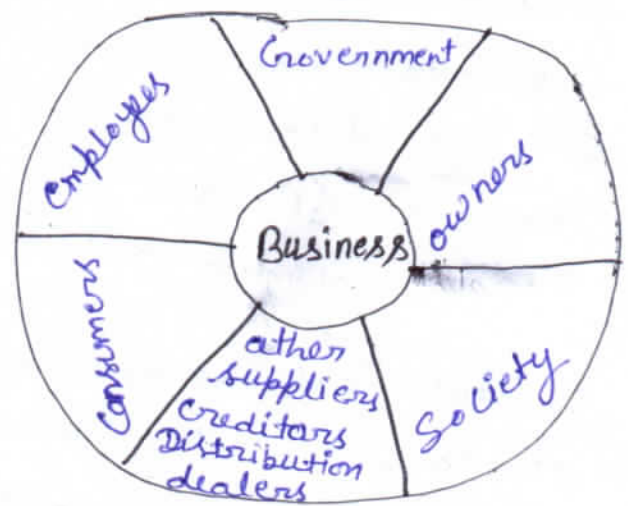
Social Responsibility of Business - Social Responsibility of business implies the obligations of the management of a business enterprise to protect the interest of the society. Here, the objective of managers for taking business decisions is not merely to maximise profit or shareholders, value but also to serve and protect the interest of other members of a society such as workers, consumers and the community as a whole.

Note - Social Responsibility of business is about the organisation's obligations to all stakeholders and not just shareholders.

Social Responsibility of business to Different Stakeholders

These are divided under two broad categories:-

- Internal Interest Groups
- External Interest Groups



Internal Interest Groups

1. Social Responsibilities towards owners
2. Social Responsibility towards Employees
 - (a) wages
 - (b) Salaries
 - (c) Relationship between employer and employees.
 - (d) Industrial legislation
 - (e) Welfare.



External Interest Groups

1. Social Responsibility towards Consumers and Community
 - (a) Product should meet the needs of consumers.
 - (b) After sale services is available
 - (c) Consumer associations are to be vigilant and report falling of standards.
 - (d) Quality and standards (ISI, Agmark) are adhered to.
 - (e) Price are fair. There is no hoarding cornering of products to raise prices.

2. Businessmen's Responsibilities towards Government

- (a) Employee has to be law abiding, follow laws relating to trade, factory and labour.
- (b) Avoid adulteration
- (c) Not to corrupt public servants
- (d) To maintain fair trade practices and avoid hoarding and black-marketing of products.
- (e) To pay his like taxes fully and honestly

Arguments in favour of Social Responsibility :-

- The Justification for existence and Growth
- The long-term Interest in the firm
- Avoidance of Government Regulations.
- Maintenance of society
- Availability of Resources with business
- Converting Problems into opportunities
- Holding Business Responsible for social Problems



Arguments Against Social Responsibility

- Violation of Maximisation of the Profit motive
- Side effects on Consumers
- Lack of Social skills
- Personal Resistance

Relationship of Technology and Social Change

1. Improve education
2. Addressing Humanitarian Needs
3. Prevent Corruption
4. Electrification
5. Motorisation
6. Impact of the Computer

Grandhiji's Seven Greatest Social Sins

- 1) Wealth without work - This refers to the practice of getting something for Nothing - manipulation markets and assets so that we don't have to work or produce added value, just manipulate people and things. This includes playing the share market, gambling, sweat shop slavery, etc.
- 2) Pleasure without Conscience - Pleasure without Conscience is one of the key temptations for today's executives. This is also connected to wealth without work people find imagination and dangerous ways of bringing excitement to their otherwise dull lives.
- 3) Knowledge without Characters - As dangerous as a little knowledge is, even more dangerous is much knowledge without a strong, principled Character.



4) Commerce (Business) without morality (ethics) :- As in wealth without, we indulge in commerce without morality to make more money by any means possible. Price going up due to hoarding, palming off inferior products, cheating and making false claims are a few of the obvious ways in which we indulge in commerce without morality.

(5) Science without Humanity :- if science becomes all technique and technology, it quickly degenerates into man against humanity. Technologies come from the Paradigms of science.

(6) Religions without Sacrifice :- one person's faith is another person's fantasy because religion has been reduced to meaningless rituals practised mindlessly. Temples, Churches, synagogues, mosques and those entrusted with the duty of interpreting religion to lay people seek to control through fear of hell, damnation, and purgatory.

(7) Politics without Principle :- Gandhi said that those who firmly believe in nonviolence should never stand for elections, but they should select representatives who are willing to understand and practice the philosophy.



Changing objective of Modern Business

Page-26

- * Production and supply of quality goods and services
- * Adoption of fair Trade practices
- * Contribution to the General Welfare of the society
- * Social and psychological satisfaction of employees
- * Creation of employment
- * Contribution to the Revenue of the country
- * Development of human Resource
- * Promotion of social justice
- * Production according to National Priority.