

Chapter 01

Concepts in Business

❖ Characteristics or features of business

Generally, business is divided into many types. It may be small, middle or large. Again, it may be sole proprietorship, partnership, joint stock Company, co-operative, or national organization. Some organizations are involved in production and some are concerned for providing services.

The characteristics of business are discussed as follows:

1. **Production or acquisition of goods:** The main task of business is to provide goods and services to the people for a price. Sometimes the products to be produced by the business organization or acquire from the different source of production.
2. **Economic activities:** Basic characteristic of business is to involve with economic activities. Economic activities mean all the activities which are conducted to fulfill the needs of the human being. People have to provide assets, money, goods and services to satisfy their needs which fulfill these objectives.
3. **Sale or transfer of title:** Goods which are produced or procured for sale in return of price. This activity is involved with the selling products or acquiring of Goods produced or acquired for personal consumption, it never be treated with the business. So, through the business transaction title of the goods are transferred from sellers to customers.
4. **Creation of utility:** Another characteristic of business is creation of utility of various products and Through the industrial organization, business create utilities, through the business ownership utility, through the transportation place utility, through the insurance risk utility and through the banking money utility are created. Those are involved to fulfill the demand of consumers.
5. **Dealings in goods and services:** Business means dealing with goods and services. The goods may be consumer's goods such as cloth, bread, jams, shoes, watches etc., or producer's goods such as machinery and tools. Services consist of those items which are not stored by consumers, such as transport service.
6. **Service motive:** Earning profit is not the only objective of business. Social welfare is another important objective of business in this moment. To keep the existence of business and to create popularity businessmen now try to serve the society. For these reasons they try to sell their products in reasonable price and the quality must be kept. So now a day's service motive is a characteristic of business.

7. **Regularity of dealings:** Regularity and recurring nature of buying and selling which ensures continuity of transactions is a characteristic of business. A single transaction is involved with buying and selling does not become business. For instance, if a person sells his motor car and makes profit, it is not a business. On the other hand, if he keeps a stock of cars and sells them to the customers is called business.
8. **Uncertainty or risk about future:** Business is an economic activity that focuses on the future, the future is always uncertain because of risk. Through the risk taking any businessman earns profit. The conduct of industry or business always involves a certain amount of risk and uncertainty.
9. **Profits as reward for service rendered:** Business is an activity which means to make livelihood or to earn profit. Making profit is an essential characteristic of business. Profit is the largest stimulus for maintaining the continuity of business. In other words, profit is essential for survival and development. In fact, profit is in a sense, a reward for the individual ability or efficiency of the enterpriser and also for the service that he renders to the community.
10. **Flexibility:** Businesses are always changeable because the environment of business is changed time to time. So, to adjust with the changing environment businessmen have to change the pattern of business. Since the demands of the consumers are changed, businessmen try to fulfill all the demands. So, businessmen should follow flexible strategy to carry on the business.
11. **Developing good relation:** Good relation is one of the preconditions to be succeeded in business. Good relation between employees and employer is essential for the organization. As a result, both the organization and the customers become happy.
12. **Forecasting:** Forecasting is another important characteristic of business. Every business depends on the future and the future is always uncertain. So, the demands of the customers of future are forecasted by the businessmen. If the forecasting is correct, the businessmen become successful in business.

At last we can say that, business is the part of economic activities of human beings that provide all kinds of goods and services to fulfill the demand of people. For this reason, business is treated as important occupation of the human civilization.

❖ Basic elements of Business:

The basic elements of business may be described as follows–

- **Production:** Business mainly changes the figure of natural assets and its related to produce demanded able and applicable goods. In this way business plays a vital role in economic prosperity.
- **Distribution:** Consumers are the main target of producing products and services in business So it's the primary activity of business to take the produced goods to the market place towards the consumers.
- **Profit:** Earning profit is the main purpose of a business with the hope of earning profit businessmen investing their labor and talent with capital and taking a little risk to establish or run.
- **Risk:** Risk is another element of business. Mainly the uncertainty of earning profit is the risk. In business a businessman cannot neglect risk. Businessman can earn profit as reward by taking risk. As we can say, "No risk no gain."
- **Financing:** Capital is another element of business. By taking initiatives with risk any one can come forward for business. But no business cannot be established and run until arrangement of money. So, for this purpose necessary should be reserved.
- **Value:** Each mutual transaction has a monetary value. That transaction cannot be a transaction in business which is not measurable by the money.

At last we can say any types of activity cannot business if there are not exists these described elements.

❖ Objectives of Business

Business needs objectives, without objectives the business is like a car without headlights driving blind. Objectives of business are the purpose for which the business is established and performed. We can call objectives the cornerstone of every business.

Objectives are needed in every area where performance and results directly affect the survival and prosperity of a business. The right choice of objectives is critical for the success of the business. The objectives of a business can be classified into two main categories, which are

1. Economic objectives
2. Social objectives

Economic objectives of Business

We learned in the previous topic that business is an economic activity. Hence, its purpose is to show economic results. Let's understand the economic objectives of the business. They are as follows:

1] Profit Earning

Business is a set of activities undertaken with the prospect of sale for the purpose of earning a profit. Profit is the extra income over the expenses. The main objective of any business is to earn a profit. Just as a plant cannot survive without water, similarly a business cannot sustain without profit.

Profit is necessary for growing and expanding business activities. Profit guarantee a consistent stream of capital for the modernization and augmentation of business activities in the future. Profits likewise show the scale of stability, efficiency, and advancement of the business organization.

2] Market Share / Creation of Customers

In the words of Drucker, "There is only one valid definition of business purpose; to create a customer. "Profits are not generated out of thin air. They are the result of the hard work of the businessman to satisfy the needs of the customers.

In the long run, the survival of the business completely depends upon the market share captured by the business. The creation of good and satisfaction of the needs of the customer is a crucial purpose of the business. So to generate profit and demand, the business must supply premium quality and give value for money products.

3] Innovation & Utilization of Resources

Innovation normally means to change processes or creating more effective processes, products and ideas. Nowadays, business is ever-changing and dynamic. To keep up with the growing competition a businessman has to introduce efficient design, latest trends, upgraded machinery, new techniques, etc.

Large corporations invest a humongous amount of capital in their Research & Development department to boost innovation. Whereas, on the parallel lines, utilization of resources is a proper use of workforce, raw material, capital and technology used in the business. A business has limited resources and that's why its main objective is to put these resources to correct divisions.

4] Increasing Productivity

Productivity is a scale to measure the efficiency of the business activity. It is usually the last objective but just as important because productivity is measured by the output given by the activities. It is the end result of any business activity. Each business must go for more prominent productivity – to guarantee its survival and development. This goal can be accomplished by decreasing wastages and making proficient utilization of machines and supplies, HR, cash and so forth.

Social Objectives of Business

According to Dayton Hudson “The business of business is serving society, not just making money.” Business is one of the pillars on which the society stands. Therefore, it is a part of the society. In fact, it cannot thrive without the resources from the society. The business earns its income from the sale of products and services to the society. It is mandatory on the part of the business to take care of the social factors. The necessary social objectives of a business are as follows:

1] Providing Goods & Services at Reasonable Prices

Business exists in the first place to satisfy the needs of the society. It's the first and major social objective of the business. Products and services ought to be of better quality and these ought to be provided at sensible costs. It is additionally the social commitment of business to keep away from misbehaviors like boarding, Black promoting and manipulative advertising.

2] Employment Generation

One of the major problem today's generation facing is unemployment. Business generates employment. Therefore, it is the social objective of a business to give chances to beneficial employment to individuals of the society. In a nation like India, unemployment has turned into a critical issue.

3] Fair Remuneration to Employees

The business does not run on its own but the people are responsible for the success and failure of the business. The people on the inside of the business are more valuable i.e. employees. They are an asset of the business and make a ground-breaking contribution to the business. They must be given reasonable pay for their work.

Notwithstanding wages and salary, a significant piece of profits ought to be distributed among them in acknowledgment of their commitments. Such sharing of benefits will expand the inspiration and proficiency of employees.

4] Community Service

Business must give back something to the society. As a result, the Library, dispensary, educational foundations and so on which a business can make and help in the advancement of society are created. Business enterprises can build schools, colleges, libraries, hospitals, sports bodies and research institutions. They can help non-government organizations (NGOs) like CRY, Help Age, and others which render services to weaker sections of society.