

**DEPARTMENT OF BUSINESS ADMINISTRATION  
GOVERNMENT ARTS COLLEGE (AUTONOMOUS), COIMBATORE – 18**

**BUSINESS ORGANISATION**

**UNIT-I**

Business – Meaning - Characteristics – Objectives of modern business - Types of Business -Business and Profession – Essentials of successful Business.

**UNIT-II**

Forms of business organization - Sole traders – Partnership - Joint Hindu Family firm – Joint stock companies – Co - operative organization - Public Utilities and Public Enterprise.

**UNIT-III**

Location of industry - Factors influencing Location - size of business firm – Factors determining- Large scale units – Limitations – Modern office – Functions – Importance – Office layout –objectives.

**UNIT-IV**

Records management - Filing – functions – classifications – Indexing - Office Equipment –Advantages – Criteria for selection – Essential capabilities of a business computer – Elements of computer system – Limitations – Office furniture - types.

## **UNIT-V**

Business Combinations – Causes for the growth – Forms - Combination movement in India –Causes – Industrial estate – Objectives - Merits – Reasons for poor performance.

### **Text book**

Bhushan Y.K - Business Organisation

### **Reference Books**

1. Reddy P.N and Gulshan S.S - Principles of Business Organisation and Management
2. Vasudevan and Radhaswami - Business Organisation
3. Prakash, Jagadesh - Business Organisation and Management

## UNIT-1

Subject Name	Subject Code	Semester	Prepared by
Business Organisation	18BBA14C	I	Dr.R.Geetharamani, Assistant Professor

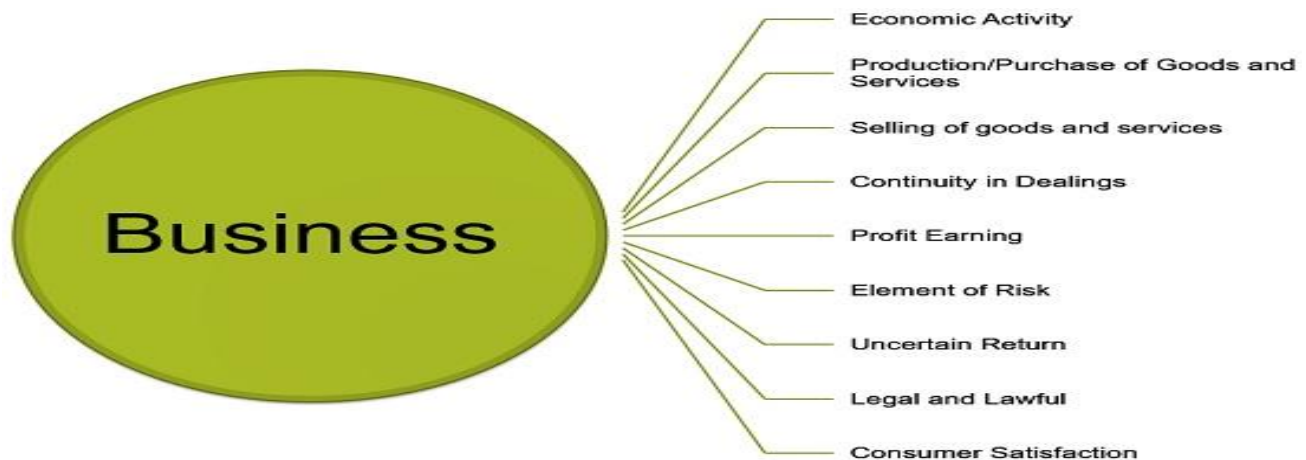
### Business:

Business is defined as an organized economic activity, wherein the exchange of goods and services takes place, for adequate consideration

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

### Characteristics of Business:

- **Economic Activity:** Business is an economic activity, as it is conducted with the primary objective of earning money, i.e. for an economic motive.
- **Production/purchase of goods and services:** Goods and services are produced or procured by business entities, so as to add value and sell them to the consumer. Goods are either manufactured by the company or procured from



the supplier, with the aim of selling it further to the consumer, for profit.

- **Selling of goods and services:** Business must involve the transfer of goods to the customer for value, through selling, meaning that if the goods are acquired for personal consumption, then the transaction will not amount to business activity.
- **Continuity in dealings:** Every business requires regularity in transactions, i.e. an isolated transaction of exchange of goods or services will not be considered as business. So, to constitute business, the dealings must be carried out on a regular basis.
- **Profit earning:** The basic purpose of business is to make the profit from its activities. It is the spine of business, which keeps the business going, in the long term.
- **Element of risk:** Risk is the key element of every business, concerned with exposure to loss. Efforts are made to forecast future events and plan the business strategies accordingly. However, the factors that affect business are uncertain and so does the business opportunities, which can be a shift in demand, floods, fall in prices, strikes, lockout, money market fluctuation, etc.
- **Uncertain return:** In business, the return is never predictable and guaranteed, i.e. the amount of money which the business is going to reap is not certain. It may be possible that the business earns a huge profit or suffer heavy losses.
- **Legal and Lawful:** No matter, in which type of business the company is engaged, it should be legal in the eyes of the law, or else it will not be considered as business.

- **Consumer satisfaction:** The aim of business is to supply goods and services to consumers, so as to satisfy their wants, as when the consumer (final user) is satisfied, he/she will purchase the goods or services. But, if they are not, there are chances that they will look for substitutes.

The consumer is regarded as the king, and so all the activities of the business are aligned towards the satisfaction of consumers. This can be done by making available quality-riched goods easily available to them, at reasonable prices.

### **Objectives of Business:**

#### **(i) Organic Objectives:**

To try for survival, and then to gain prestige and win recognition from the society and thus try to grow.

#### **(ii) Economic Objectives:**

To earn as much profit as possible.

#### **(iii) Social Objectives:**

Business must fulfill its obligations to society, by way of supply of quality goods, avoidance of profiteering and antisocial practices, and providing employment.

#### **(iv) Human Objectives:**

**These are:**

- (a) Fair deal to employees,
- (b) Development of human resources,
- (c) Participation, and

(d) Job satisfaction.

**(v) National Objectives:**

**These are:**

(a) Ensuring social justice,

(b) Development of small enterprises,

(c) Production according to national priorities,

(d) Self-sufficiency and export development, and

(e) Development of skill of personnel.

**Classification of Business Activities:**

1. **Industry:** Industry implies the economic activities that are associated with the conversion of resources into goods that are ready for use. This involves production, processing, mining of goods. The industry is further divided into three broad categories; primary industry, secondary industry and tertiary industry.
2. **Commerce:** In simple terms, commerce refers to the buying and selling of goods for value, and includes all those activities which facilitate the transaction. Further, commerce encompasses two types of activities, trade and auxiliaries to trade.

Industry is concerned with production or processing of goods and materials (using mechanical appliances and technical skills). For example, cotton textile industry produces textile goods from cotton, breeding and raising of animals.

Thus, industry refers to economic activities which are concerned with conversion of resources into useful goods.

### **I. Types of Industries:**

**Industries may be divided into three broad categories namely:**

1. Primary,
2. Secondary and
3. Tertiary.

#### **1. Primary Industries:**

**These industries are connected with:**

- (a) The extraction and production of natural resources
- (b) Reproduction and development of living organisms, plants etc.

**Primary industries may be of following types:**

(a) Extractive Industries – These industries extract or draw out various products from natural resources such as earth, soil, and water. Farming, mining, fishing hunting etc., are examples of extractive industries. The products of such industries are either directly consumed or used as raw materials for manufacturing and construction Industries.

(b) Genetic Industries – Genetic means heredity or parentage. These industries involve breeding or reproduction of plants and animals, example, cattle breeding farms, poultry farms, nursery, etc.

#### **2. Secondary Industries:**

These industries are concerned with using the materials, which have already been extracted at the primary stage to produce goods for final consumption or for further processing by other industrial units.

For example, the mining of an iron ore is a primary industry, but manufacturing of steel is a secondary industry.

**Secondary industries may be further divided as follows:**

**i. Manufacturing Industries:**

These industries convert raw materials or semi-finished products into finished products, for example, timber into furniture.

**Manufacturing industries may be subdivided into four categories:**

- a. Analytical industry which analyses and separates different elements from the same materials, as in the case of oil refinery.
- b. Synthetical industry which combines various ingredients into a new product, as in the case of cement.
- c. Processing industry which involves successive stages for manufacturing finished products, as in the case of sugar and paper.
- d. Assembling industry which assembles different component parts to make a new product, as in the case of television, car, computer, etc.

**ii. Construction Industries:**

These industries are engaged in the construction of buildings, dams, bridges, roads as well as tunnels and canals. Engineering and architectural skills are an important part in construction industries.

**3. Tertiary Industries:**

These industries provide service facilities. These are concerned with providing support services to primary and secondary industries as well as activities relating to trade. For example, banking, insurance, warehousing, communication, packaging and advertising, etc.



## **II. Commerce:**

Commerce includes all those activities which are necessary for facilitating the exchange of goods and services.

### **It includes two types of activities:**

(i) Trade – It refers to buying and selling of goods and services with the objective of earning profit.

(ii) Auxiliaries to trade – Activities which are meant for assisting trade are known as auxiliaries to trade (or services), e.g., transport, communication, banking, insurance warehousing, advertising, etc.

### **Types of Trade:**

Trade refers to sale, transfer or exchange of goods. It helps in making the goods produced available to ultimate consumers or users. In the absence of trade, it would not be possible to undertake production activities on a large scale.

### **Trade may be classified into two broad categories:**

1. Internal and
2. External.

#### **1. Internal Trade:**

Internal or home trade is concerned with the buying and selling of goods and services within the geographical boundaries of a country.

#### **This may further be divided into wholesale and retail trade:**

(i) Wholesale Trade – When goods are purchased and sold in bulk, it is known as wholesale trade.

(ii) Retail Trade – When goods are purchased and sold in comparatively smaller quantities, it is referred to as retail trade.

## **2. External Trade:**

External or foreign trade consists of the exchange of goods and services between persons or organisations operating in two or more countries.

**This may further be divided into:**

**(i) Import,**

**(ii) Export and**

**(iii) Entrepot trade.**

(i) Import Trade – If goods are purchased from another country, it is called import trade.

(ii) Export Trade – If goods and services are sold to other countries, it is known as export trade.

(iii) Entrepot Trade – When goods are imported for export to other countries, it is known as entrepot trade.

### **Auxiliaries to Trade:**

Activities which are meant for assisting trade are known as auxiliaries to trade. These activities are generally, referred to as services because these are in the nature of facilitating the activities relating to industry and trade.

For example, transport, banking, insurance, warehousing, and advertising are regarded as auxiliaries to trade, i.e., activities playing a supportive role. These activities help in removing various hindrances which arise in connection with the production and distribution of goods.

i. Transport facilitates movement of goods from one place to another.

ii. Banking provides financial assistance to the trader.

iii. Insurance covers various kinds of business risks.

iv. Warehousing creates time utility with storage facility.

v. Advertising provides information.

In other words, these activities facilitate movement, storage, financing, risk coverage and sales promotion of goods.

**The various auxiliaries to trade are:**

**(i) Transportation:**

Transport (road, rail or coastal shipping) facilitates movement of –

(a) Raw materials to the place of production.

(b) The finished goods from factories to the place of consumption.

Transportation makes for speedy and efficiency in exchange. It is because of transportation that a producer can sell goods in different parts of the world.

Transportation creates place utility.

**(ii) Banking:**

Business needs funds for acquiring assets, purchasing raw materials and day- to-day expenses. Necessary funds (in the form of overdraft and cash facilities, loans and advances) can be obtained by businessmen from commercial banks. Thus, banking helps business activities to overcome the problem of finance.

**(iii) Insurance:**

Business involves various types of risks, e.g., theft, fire, accidents, etc. Materials and goods held in stock or in transit are subject to the risk of loss or damage. Employees are also required to be protected against the risks of accident and occupational hazards. Insurance makes provision against such risks. By getting their goods insured, producers can avoid the risk of loss of goods.

**(iv) Warehousing:**

Warehousing refers to the holding and preservation of goods until they are finally consumed. It helps business firms to overcome the problem of storage of goods and facilitates the availability of goods when needed. Warehousing creates time utility.

**(v) Advertising:**

Advertising brings goods and services to the knowledge of prospective buyers. With the help of such knowledge, consumers can obtain better value for their money. Thus, advertising helps to promote the sale of products like electronic goods, automobiles, soaps and detergents, etc., by providing information about them.

**(vi) Communication:**

Communication services like postal services and telephone facilities are helpful to the business for –

- (a) Establishing links with the outside world, viz., suppliers, customers, competitors, etc.
- (b) For quick exchange of information.

The electronic media is mainly responsible for this information.

**Role of Commerce—Trade and Auxiliaries to Trade:**

The principle function of commerce is to remove all types of hindrance in the process of exchange of goods and services. The hindrances may be in respect of persons, places, time, risks, finance, information, etc.

1. Trade removes hindrances of persons by making the goods available to the consumers from the producers.

2. Transportation removes hindrance of place by moving the goods from the places of production to the markets for sale.
3. Storage and warehousing activities remove the hindrance of time by facilitating holding of stock of goods to be sold as and when required.
4. Insurance removes hindrance of risk of loss or damage of goods due to theft, fire, accidents, etc.
5. Banking removes hindrance of finance by providing funds to businessman for acquiring assets, purchasing raw materials and meeting other expenses.
6. Advertising removes hindrance of information by informing consumers about the goods and services available in the market.

Conclusion – Commerce is the backbone of the industry and other business activities.

**Classification of Business activities – With role of commerce:**

Business activities in an economy have a wide scope. It includes a host of activities and these large numbers of activities may be categorized under two broad sectors, i.e., industry and commerce. While production of goods falls in purview of 'industry', its distribution is a subject matter of 'commerce'.

**A brief description of these two broad categories may be summarized as:**

**1. Industry:**

The activities of extraction, production, conversion, processing or fabrication of products are described as industry.

**These products of industry may fall in any one of the following three categories:**

**(i) Consumer Goods:**

The goods produced for direct consumer's consumption are called consumer goods. Goods under this category include edible oils, cloth, jam, television, radio, scooter, motor car, refrigerators and others.

**(ii) Producer Goods:**

Goods that are used in production of other goods are called producer goods. For instance, steel produced by steel plant is used for fabrication into a variety of products such as motors, scooters, rail locomotive engines, ships, surgical instruments, blades, etc. Similarly, machine tools and machinery used for manufacturing other products also come under this heading. These goods are also known as capital goods.

**(iii) Intermediate Goods:**

There are some goods which are final products of one industry but act as a raw material in production of some other goods in a different industry. Such kind of goods is called intermediate goods. A few examples of this kind are copper industry, the finished products of which are used in manufacturing electrical appliances, electricity wires, toys, baskets, containers and buckets.

**Comparison Table between Profession and Business (in Tabular Form):**

<b>Parameter of Comparison</b>	<b>Profession</b>	<b>Business</b>
Definition	Any type of work that requires special training or skill and hence a higher level of education and expertise.	This type of work is lead by individuals who are only interested in the economic value of goods and services.
Qualification	Highly qualified individuals with minimum graduation in any subject.	May not be qualified but know the product or service they are dealing with.
Objective	The objective is to earn money but by using their skills and knowledge for their own or the company's or other people's betterment.	The objective is to earn money based on their business sense and the product.
Risk	There is often no risk as there is no capital	There is a huge risk involved as there is an initial

investment except for the investment in the business.  
money spent on their  
education.

Examples Professionals like teachers, Businesses like start-ups,  
doctors, microbiologists, etc. entrepreneurship, etc.

**Pre-requisites of the success of business are as under:**

**1. Setting Objectives:**

The setting up of business objectives is the first thing to be done by the management. One must know as to what is to be done. Only after deciding the objective, the ways and the means will be determined to achieve the objectives. If it is a producing business, the nature of product to be produced, whether to produce the whole product or part of it should be decided. In case of service business the nature and type of service to be provided should be decided. It is not only the management which should be conversant with the business objectives but every person in the concern should know the aims and goals of the business.

**2. Proper Planning:**

After determining, the objectives, the work should be planned in all its perspectives. Planning involves forecasting and laying down the course of action. It involves planning for both present and future. What is to be achieved and how it is to be achieved is of primary significance for the present. Future is always uncertain and the estimation of future happenings is very difficult. In planning for the future, an effort is made to estimate the future uncertainties and determine



the possible course of action for the coming period. Thus, planning also helps the management to prepare itself for facing the uncertainties of tomorrow.

### **3. Sound Organisation:**

Organisation is an arrangement by which tasks are assigned to employees so that their individual efforts contribute effectively to the achievement of clearly defined purposes. The duties and responsibilities of all persons are defined and they should know what they are to do.

An effective organisation system is essential for the success of a business. Firstly, a decision should be taken about the form of ownership, i.e., sole trade, partnership, Joint Stock Company. Then a suitable internal organisation should be developed. No work should be left unassigned. The supervisors and subordinates should know their roles in the business.

### **4. Proper Financial Planning:**

The requirements of finance and its possible sources should be decided at the time of starting the enterprise. The purpose of financial planning is to make sure that adequate funds are raised at the minimum of cost. The required capital should be made available at all times, otherwise, it will hamper the work. The scarcity of capital and too much of it both will be bad for the concern.

The availability of excess capital may tempt the management to spend more money on inventory and on fixed assets. A proper plan is necessary for providing funds for the present needs and future developmental plans.

**A financial plan will determine:**

- (a) The needs of capital,
- (h) Sources for collecting funds, and
- (c) Administration of capital structure.

**5. Location and layout of Plant:**

One of the important decisions to be made by the management at the time of starting a concern is regarding the location of the plant. The plant should be located at a place where all factors of production are available at lowest costs. The aim of reaching an optimum point will be achieved only if the place of location of the businesses is suitable. Raw materials, labour, power and markets for the finished products should be available near the place of location.

After deciding about location, a decision is made about layout of the plant. The setting up of the machinery and equipment should be systematic so that the flow of production should be smooth and uninterrupted. The office building and warehouse etc., should be located near the factory. Proper layout will enable the economical use of available space. Proper location and layout of the business are necessary for the success of a business.

**6. Marketing System:**

The marketing aspects of a business are more important than even production. There is no use of producing a thing if it cannot be sold. Marketing management is essential for earning profits. Management should decide about the channels of

distribution. Whether to sell directly to consumers or to sell through wholesalers? It should be decided after taking into consideration various aspects of goods.

### **7. Research:**

In the changing technological world, it is essential to use latest devices for production and marketing of goods. Change is the essence of business. Every day, new production methods are found. Consumers' needs and preferences should be taken into consideration in devising production and marketing policies. Research and development should be given due place in the business.

One can compete with changing business world only through research programmes. If attention is not given to research work then it will become difficult to stay in business for a large period. So, research activities are necessary for the success of an enterprise.

### **8. Dynamic leadership:**

The success of an enterprise will depend upon the efficiency of its management. The task of management is to plan, organise, co-ordinate and direct various activities for achieving business objectives. This will be possible only if the leadership is dynamic. The operation managing the concern should have foresight, initiative, courage and aptitude for a change. These qualities are necessary in the leadership to take the concern on the road of progress.

***The Content in the E-Material has been taken from the text and reference book as given in the Syllabus.***