

DEPARTMENT OF COMMERCE (CA)
Business Organization and Management (Semester-III)
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UNIT-I

Business Organization: Meaning – Definition - Importance and Objectives of business organization – Requirements of Successful Business Organization.

Business organization- Meaning

The term business organization describes how businesses are structured and how their structure helps them meet their goals

Business organization- Definition

Business organization, an entity formed for the purpose of carrying on commercial enterprise. Such an organization is predicated on systems of law governing contract and exchange, property rights, and incorporation.

Importance of business organization

(1) Benefits of Specialization

Under organizing all the activities are subdivided into various works or jobs. For all the sub works, competent people are appointed who become experts by doing a particular job time and again. In this way, maximum work is accomplished in the minimum span of time and the organization gets the benefit of specialization.

(2) Clarity in Working Relationship

Organizing clarifies the working relations among employees. It specifies who is to report to whom. Therefore, communication becomes effective. It also helps in fixing accountability.

(3) Optimum Utilization of Resources

Under the process of organizing the entire work is divided into various small activities. There is a different employee performing every different job.

By doing so, there is no possibility of any activity being left out or any possibility of unnecessary duplicating any job. Consequently, there is optimum utilisation of all the available resources (e.g., material, machine, financial, human resource, etc.) in the organization.

(4) Adaptation to Change

Organizing process makes the organization capable of adapting to any change connected with the post of the employees. This becomes possible only because of the fact that there is a clear scalar chain of authority for the manager's right from the top to the lower level.

Whenever a managerial post falls vacant, it is immediately filled up by promotion. Since every subordinate is well aware of the working of his boss, there is no difficulty for his taking up the new post.

(5) Effective Administration

It has generally been observed that there is always a condition of doubt about the authority of the managers among themselves. The process of organizing makes a clear mention of each and every activity of every manager and also of their extent of authority.

It is also made clear as to whom a manager order for a particular job shall. Everybody also knows to whom they are accountable. In this way, the confusion on authority is put to an end. Consequently, effective administration becomes possible.

(6) Development of Personnel

Under the process of organizing, delegation of authority is practiced. This is done not because of the limited capacity of any individual, but also to discover new techniques of work. It provides opportunities of taking decisions to the subordinates. By taking advantage of this situation, they try to find out the latest techniques and implement them. Consequently, it helps them to grow and develop.

(7) Expansion and Growth

The process of organizing allows the employees the freedom to take decisions which helps them to grow. They are always ready to face new challenges. This situation can help in the development of the enterprise. This helps in increasing the earning capacity of the enterprise which in turn helps its development.

Objectives of Business Organization

A. Economic Objectives

Economic objectives of business refer to the objective of earning profit and also other objectives that are necessary to be pursued to achieve the profit objective, which include, creation of customers, regular innovations and best possible use of available resources.

(i) Profit Earning

Profit is the lifeblood of business, without which no business can survive in a competitive market. In fact, profit making is the primary objective for which a business unit is brought into existence. Profits must be earned to ensure the survival of business, its growth and expansion over time.

Profits help businessmen not only to earn their living but also to expand their business activities by reinvesting a part of the profits. In order to achieve this primary objective, certain other objectives are also necessary to be pursued by business, which are as follows

(a) Creation of customers

A business unit cannot survive unless there are customers to buy the products and services. Again, a businessman can earn profits only when he/she provides quality goods and services

at a reasonable price. For this it needs to attract more customers for its existing as well as new products. This is achieved with the help of various marketing activities.

(b) Regular innovations

Innovation means changes, which bring about improvement in products, process of production and distribution of goods. Business units, through innovation, are able to reduce cost by adopting better methods of production and also increase their sales by attracting more customers because of improved products.

Reduction in cost and increase in sales gives more profit to the businessmen. Use of power looms in place of handlooms, use of tractors in place of hand implements in farms etc. are all the results of innovation.

(c) Best possible use of resources

As we all know, to run any business we must have sufficient capital or funds. The amount of capital may be used to buy machinery, raw materials, employ men and have cash to meet day-to-day expenses. Thus, business activities require various resources like men, materials, money and machines.

The availability of these resources is usually limited. Thus, every business should try to make the best possible use of these resources. Employing efficient workers. Making full use of machines and minimizing wastage of raw materials, can achieve this objective.

B. Social Objectives

Social objective are those objectives of business, which are desired to be achieved for the benefit of the society. Since business operates in a society by utilizing its scarce resources, the society expects something in return for its welfare. No activity of the business should be aimed at giving any kind of trouble to the society.

If business activities lead to socially harmful effects, there is bound to be public reaction against the business sooner or later. Social objectives of business include production and supply of quality goods and services, adoption of fair trade practices and contribution to the general welfare of society and provision of welfare amenities.

(i) Production and Supply of Quality Goods and Services

Since the business utilizes the various resources of the society, the society expects to get quality goods and services from the business he objective of business should be to produce better quality goods and supply them at the right time and at a right price It is not desirable on the part of the businessman to supply adulterated or inferior goods which cause injuries to the customers.

They should charge the price according to the quality of e goods and services provided to the society. Again, the customers also expect timely supply of all their requirements. So it is important for every business to supply those goods and services on a regular basis.

(ii) Adoption of Fair-Trade Practices

In every society, activities such as hoarding, black- marketing and over-charging are considered undesirable. Besides, misleading advertisements often give a false impression about

the quality of products. Such advertisements deceive the customers and the businessmen use them for the sake of making large profits.

This is an unfair trade practice. The business unit must not create artificial scarcity of essential goods or raise prices for the sake of earning more profits. All these activities earn a bad name and sometimes make the businessmen liable for penalty and even imprisonment under the law. Therefore, the objective of business should be to adopt fair trade practices for the welfare of the consumers as well as the society.

(iii) Contribution to the General Welfare of the Society

Business units should work for the general welfare and upliftment of the society. This is possible through running of schools and colleges better education opening of vocational training centres to train the people to earn their livelihood, establishing hospitals for medical facilities and providing recreational facilities for the general public like parks, sports complexes etc.

C. Human Objectives

Human objectives refer to the objectives aimed at the well-being as well as fulfillment of expectations of employees as also of people who are disabled, handicapped and deprived of proper education and training. The human objectives of business may thus include economic well-being of the employees, social and psychological satisfaction of employees and development of human resources.

(i) Economic Well-being of the Employees

In business employees must be provided with fair remuneration and incentive for performance benefits of provident fund, pension and other amenities like medical facilities, housing facilities etc. By this they feel more satisfied at work and contribute more for the business.

(ii) Social and Psychological Satisfaction of Employees

It is the duty of business units to provide social and psychological satisfaction to their employees. This is possible by making the job interesting and challenging, putting the right person in the right job and reducing the monotony of work Opportunities for promotion and advancement in career should also be provided to the employees.

Further, grievances of employees should be given prompt attention and their suggestions should be considered seriously when decisions are made. If employees are happy and satisfied they can put their best efforts in work.

(iii) Development of Human Resources

Employees as human beings always want to grow. Their growth requires proper training as well as development. Business can prosper if the people employed can improve their skills and develop their abilities and competencies in course of time. Thus, it is important that business should arrange training and development programs for its employees.

(iv) Well-being of Socially and Economically Backward People

Business units being inseparable parts of society should help backward classes and also people those are physically and mentally challenged. This can be done in many ways. For instance,

vocational training program may be arranged to improve the earning capacity of backward people in the community. While recruiting its staff, business should give preference to physically and mentally challenged persons. Business units can also help and encourage meritorious students by awarding scholarships for higher studies.

D. National Objectives

Being an important part of the country, every business must have the objective of fulfilling national goals and aspirations. The goal of the country may be to provide employment opportunity to its citizen, earn revenue for its exchequer, become self-sufficient in production of goods and services, promote social justice, etc. Business activities should be conducted keeping these goals of the country in mind, which may be called national objectives of business.

The following are the national objectives of business.

(i) Creation of Employment

One of the important national objectives of business is to create opportunities for gainful employment of people. This can be achieved by establishing new business units, expanding markets, widening distribution channels, etc.

(ii) Promotion of Social Justice

As a responsible citizen, a businessman is expected to provide equal opportunities to all persons with whom he/she deals. He/ She is also expected to provide equal opportunities to all the employees to work and progress. Towards this objectives special attention must be paid to weaker and backward sections of the society.

(iii) Production According to National Priority

Business units should produce and supply goods in accordance with the priorities laid down in the plans and policies of the government. One of the national objectives of business in our country should be to increase the production and supply of essential goods at reasonable prices.

(iv) Contribute to the Revenue of the Country

The business owners should pay their taxes and dues honestly and regularly. This will increase the revenue of the government, which can be used for the development of the nation.

(v) Self-sufficiency and Export Promotion

To help the country to become self-reliant, business units have the added responsibility of restricting import of goods. Besides, every business units should aim at increasing exports and adding to the foreign exchange reserves of the country.

E. Global Objectives

Previously India had very restricted business relationship with other nations. There was a very rigid policy for import and export of goods and services. But, now-a-days due to liberal economic and export-import policy, restrictions on foreign investments have been largely abolished and duties on imported goods have been substantially reduced.

This change has brought about increase in competition in the market. Today because of globalisation the entire world has become a big market. Goods produced in one country are

readily available in other countries. So, to face the competition in the global market every business has certain objectives in mind, which may be called the global objectives. Let us learn about them.

(i) Raise General Standard of Living

Growth of business activities across national borders makes quality goods available at reasonable prices all over the world. The people of one country get to use similar types of goods that people in other countries are using. This improves the standard of living of people.

(ii) Reduce Disparities among Nations

Business should help to reduce disparities among the rich and poor nations of the world by expanding its operation. By way of capital investment in developing as well as underdeveloped countries it can foster their industrial and economic growth.

(iii) Make Available Globally Competitive Goods and Services

Business should produce goods and services which are globally competitive and have huge demand in foreign markets. This will improve the image of the exporting country and also earn more foreign exchange for the country.

Requirements of successful business organization

1. Reaching customers

Having a great product is not enough. You need to figure out who your prospects are and then find a way to get in touch with them. It is amazing how many awesome technology companies get stuck at this point, not least because it is hard work – there is no alternative to grinding away via the internet and email, or the old-fashioned way – through broadcast media, telemarketing, references, or cold calling.

2. Differentiating your product

It is never enough to be able to explain to insiders why a product is best in class – rather companies must excel at the much harder task of convincing the outside world with good positioning which comes from a thorough understanding of the customer problem and the competition.

3. Pricing

Identifying the optimum price point as a business grows has always been challenging and has got more so with the web. The key is figuring out how to drive initial adoption and then make enough money from customer over time.

4. Selling

Then the customer needs to be persuaded to buy, and in a process that scales. This requires a clear understanding of what it takes to close a deal, tracking all of the steps that lead up to a purchase, and tweaking the sales process on a continual basis.

5. Delivery/distribution

Simple for digital goods on the web, but complicated for everything else. Delivery and distribution are science not art and the keys here are clear thinking, discipline and attention to detail, and that applies equally whether you are shipping physical goods from your own warehouse or managing a network of distributors and value-added resellers.

6. Supporting customers

A company needs to be able to teach its customers to use its products, to deal with defects and returns, and to answer product questions. That might require a 24/7 operation and/or a team of implementation consultants.

7. Achieving customer satisfaction

The ultimate success or failure of a business depends on how much it helps customers objectives.

Reference:

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2. www.yourarticlelibrary.com

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