



**[Academic Script]**

**Introduction to Business**

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## **Academic Script**

### **1. Introduction to Business**

#### **CONCEPT OF BUSINESS**

Business is an economic activity started with the objective of making money , related with the continuous production and distribution of goods and services for satisfying the wants of human being in return of money . It is carried out on a regular basis with the prime objective of making profit. Mining, manufacturing, banking and insurance are the examples of business activities.

#### **OBJECTIVES OF BUSINESS**

##### **Economic Objectives**

- 1) **Creation of customers:** A business unit cannot survive unless there are customers to buy products and services.
- 2) **Continuous innovations:** Business is highly dynamic and an expertise can continue to be successful only by adopting itself to change in its environment.
- 3) **Best possible use of resources:** To run any business you must have sufficient capital or funds.

##### **Social Objectives**

- 1) **Production and Supply of Quality goods and services:**  
The objective of business should be to produce better quality goods and supply them at the right time and at a right price.
- 2) **Adoption of fair trade practices:** The objective of business should be to adopt fair trade practices for the welfare of the customers as well as the society.
- 3) **Contribution to the general welfare of the society:** This is possible through running of schools colleges for better

education, opening of vocational training centers 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.

### **Human Objectives**

- 1) **Economic well being of the employees:** In business employees must be provided with fair remuneration and incentives for performance, benefits of provident fund, pension and other amenities like medical facilities, housing facilities etc.
- 2) **Social and psychological satisfaction of 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
- 3) **Development of human resources:** Business can prosper if the people employed can improve their skills and develop their abilities and competencies in course of time.
- 4) **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.

### **National Objectives**

- 1) **Creation of employment:** This can be achieved by establishing new business units, expanding markets, widening distribution channels, etc.
- 2) **Promotion of social justice:** As a responsible citizen, a businessman is expected to provide equal opportunities to all persons with whom he/she deals.
- 3) **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.

- 4) **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.
- 5) **Self-sufficiency and Export Promotion :** Every business unit should aim at increasing exports and adding to the foreign exchange reserves of the country

### **Global Objectives**

- 1) **Raise general standard of living:** Growth of business activities across national borders makes available quality goods at reasonable prices all over the world.
- 2) **Reduce disparities among nations:** Business should help to reduce disparities among the rich and poor nations of the world by expanding its operation.
- 3) **Make available globally competitive goods and services:** Business should produce goods and services which are globally competitive and have huge demand in foreign markets.

### **CHARACTERISTICS OF BUSINESS**

The essential characteristics of business are:-

- 1) **Deals in Goods & Services:** People in business are engaged in production & distribution of goods & services.
- 2) **Sale or Exchange of Goods and Services:** In business the goods & services produced or purchased must be exchanged for money or for goods between buyer and seller.
- 3) **Regular exchange of Goods & Services :** The production or buying & selling activities must be carried out on a regular basis.

- 4) **Requires Investment:** Every business activity requires some amount of investment in terms of land, labor, and capital.
- 5) **Aim at earning Profit:** Business activities are performed with the primary objective of earning income by the way of profit.
- 6) **Involves Risk & Uncertainties of Income:** The businessman who has invested their money in various resources expects a fair amount of return. But In-spite of his best efforts, the reward he gets is always uncertain.
- 7) **A Contract:** Every business is a Contract or an agreement between two parties i.e. buyer and a seller.
- 8) **Social Responsibilities to their customers :** Every business has its social responsibility to their customers in modern scenario.
- 9) **Involves Two kind of Goods:** Business involves two kind of goods i.e. Consumer Goods & Producer Goods.

## **2. Scope of Business**

There are two broad categories of business activities: one concerned with the production of goods and services (called **INDUSTRY**), and the other with their exchange and distribution (called **COMMERCE**).

### **(A) Industry:**

Industry is that branch of business which is concerned with the production of goods and services by using the processes of extraction, conversion, processing, or fabrication of goods.

## **Types of Industry:**

- 1. Primary Industries:** The production of these industries includes all kinds of work concerned with the extraction of the fruits of the earth or sea.
- 2. Manufacturing Industries:** Manufacturing includes all the work done in an organization using land, labor, and capital to make products from raw materials to semi-manufactured goods. Manufacturing usually takes place in factories, plants, mills etc.

## **Kinds of Manufacturing Industries:**

- I. **Analytical manufacturing industries:**\_ Analytic processes break a raw material into two or more products like mineral oil.
  - II. **Synthetic manufacturing industries:** A synthetic process puts two or more raw materials together & to form one finished product for example soap making industry.
  - III. **Conditioning manufacturing industries:** A conditioning process involves such procedures as rolling, bending, drawing, forging, molding, aging, etc.
  - IV. **Assembling manufacturing industries:**\_\_ An assembly process simply puts together the various components already manufactured, to turn out new useful products .for examples automobile industry, television industry, computer industry, etc.
- 3. Construction Industries:** Construction includes the erection of new buildings and the alteration of old ones, as well as the building of bridges, roads, railways, streets, canals, docks, tunnels etc.

**4. Service Industries:** A service industry produces intangible goods — i.e., goods which do not have any physical form, and therefore, cannot be stored for future consumption for example banking and financial institutions, advertising agencies, transportation and communication.

### **Production of Goods and Services:**

Goods produced by industries can be broadly divided into three categories: (a) primary goods, (b) semi-manufactured goods, and (c) manufactured goods.

#### **(a) Primary goods:**

These goods are provided by the primary industry (i.e., from natural sources) and include products such as, wheat, cotton, iron-ore, coal, fish, etc.

#### **(b) Semi-manufactured goods:**

These are processed goods but cannot be used by the ultimate consumer or industrial user unless they pass through further manufacturing processes. For example cast iron to pig iron & pig iron to steel.

#### **(c) Manufactured goods:**

In this category we included all those finished products that can be usefully used by ultimate consumers and industrial users, for example, cloth, sugar, machines, etc.

### **Production of Services:**

Services can be classified into two main kinds of services, commercial services and direct services.

A) **Commercial services** are designed to assist the functioning of industrial and commercial undertakings. They include the work

of financial and insurance organizations, transport undertakings, and advertising agencies.

**b) Direct services** are rendered direct to the consumer in the satisfaction of a need. For example, the services of decorators, dyers and cleaners, beauty parlors, etc.

### **(B) Commerce:**

Commerce = Trade + Aids to Trade (or Auxiliary Services)

#### **Trade:**

Trade refers to the sale, transfer, or exchange of goods.

#### **Aids to trade:**

'Aids to trade', also called ancillary services or auxiliaries help in the conduct of trade and include five important sectors: banking, communications and transportation, warehousing, insurance, and advertising.

### **3. Business Acts as a System**

A business system is an established arrangement of components which leads to the attainment of particular objective. A business enterprise is a system consisting of various sub-systems which operate in a balanced, coordinated and integrated manner to make the whole as a business system.

- Finance system to look after finance function.
- Production system to look after production function.
- Marketing system in charge of marketing function.



- Personnel system involves the development, utilization and management of human resources.

## **How BUSINESS is related to ENVIRONMENT**

### **1. Business and Demographic Environment:**

Demography is the study of human population with reference to their age, gender, status, occupation, income, education etc. Due to diversified demographic environment, a business is compelled to adopt different functional and marketing strategies.

### **2. Business and Economic Environment:**

The economic environment of a country comprises of the structure of the economy, economic resources, level of income, economic policies etc. Any change in the economic policy can have a positive or negative impact on the working of the business.

### **3. Business and Technological Environment:**

Technology includes tools- both machine (hard technology) and way of thinking (soft technology). Technology can greatly influence business decisions. It helps in minimizing cost, reducing wastage and brings higher efficiency in the production process.

### **4. Business and Natural Environment:**

Natural environment is also termed as physical environment. Business depends on the nature for supply of resources like raw material, water etc. Geographical factors , availability of natural resources , weather and climatic conditions affect the location & development of industries.

### **5. Business and Cultural Environment:**

Culture refers to values, attitude, belief, morals, customs and traditions. Proper understanding of cultural dimension is very important for product development, promotion, human resource management etc.

## **4. The various types of business opportunities**

### **EMERGING TRENDS OF BUSINESS**

#### **NETWORK MARKETING**

It is a business model in which a distributor network is needed to build the business. Usually such businesses are also multilevel marketing in nature in that payouts occur at more than one level. Network marketing is a type of business opportunity that is very popular with people looking for part-time, flexible businesses.

#### **COMPONENTS OF NETWORK MARKETING**

- 1) **Creation/Implementation:** A successful network marketing system will supply you with a platform that will allow you create and implement content for your business, content that you can share distributors / representatives on your team.
- 2) **Marketing Products:** A successful network marketing system will have a variety of marketing products that you can use to build your business.
- 3) **Successful Sales Funnel:** The system should have successful sales funnel. This sales funnel should be designed to get you results.
- 4) **Training/Support:** Typically that training will come in the form of Videos, Audios, PDFs, Seminars and Personal Discussions etc.
- 5) **Success Stories/Duplication:** When you see the success of others, it lets you know that it is possible for you as well, but what takes it to the next level is when it is easily duplicated.

#### **Advantages of Network Marketing:**

- 1) With network marketing you can work according to your comfort level and convenience.
- 2) Through network marketing you can reach innumerable peoples irrespective of the region, nationality and geography.
- 3) It can provide you a passive salary which is of a great importance.
- 4) In network marketing it has a very low start-up cost.
- 5) Once you attain a good number of downlinks and members in your network and you are on a much higher position of the hierarchy you can even earn good remuneration by doing some efficient work.

### **Disadvantages of Network Marketing:**

- 1) The biggest problem with network marketing is negativity once a member is negative about his job ultimately he left with no option than to wind up all things.
- 2) The most important thing in network marketing is interact with new people and communicate with them, and not everyone is blessed with these skills.
- 3) "Sky is the Limit", some believes some don't but this actually happens in network marketing. There comes a saturation point beyond which your business growth gets steady.
- 4) You need a good social network to build your down-chain where most people start with a high positive energy and soon get vanished.
- 5) There are several products which are promoted through network marketing, some attracts the customers and some fails to do so.

### **FRANCHISING**

## **FRANCHISE SYSTEM = FRANCHISE + FRANCHISOR + FRANCHISEE**

Franchising is a business model in which many different owners share a single brand name. A parent company allows entrepreneurs to use the company's strategies and trademarks, marketing and training support and in exchange, the franchisee pays an initial fee and royalties based on revenues. Franchising is a faster, cheaper form of expansion than adding company-owned stores, because it costs the parent company much less when new stores are owned and operated by a third party.

### **Advantages of the Franchising Model**

- 1) Franchisees require less initial capital.
- 2) Franchisees are provided with significant amounts of training, not common to most entrepreneurs.
- 3) The franchisor benefits because it can expand rapidly without having to increase its labor force and operating costs.
- 4) Franchised stores have a higher margin for the parent company than company-owned stores.

### **Drawbacks of the Franchising Model**

- 1) Franchising stores reduces the amount of control that the parent company has over its products and service, which may lead store quality to vary greatly from store to store.
- 2) Franchisees must pay a percentage of their revenues to the parent company, reducing their overall earnings.

## **5. Business Process Outsourcing**

**Business process outsourcing (BPO)** is a subset of outsourcing that involves the contracting of the operations and responsibilities of a specific business process to a third-party service provider. BPO that is contracted outside a company's country is called offshore outsourcing. BPO that is contracted to a company's neighboring (or nearby) country is called near-shore outsourcing. The process of business is carried out from a different place than where the business is established.

### **Types of Business Process Outsourcing**

Basically there are two types of BPO:-

a) **Voice Based BPO**: This is of two types

**In-Bound**: Inbound call centre facilitates inbound calls that are made by the customers to acquire information or ask for help which are commonly called as Customer service .

**Outbound**: Outbound Call centre is where the agents call the customers to service them with updated facilities and information and with the purpose of selling their client's products.

B) **NON Voice Based** : Non-voice processes actually entail activities like email marketing, making reports, processing of papers as well as several other activities where the agents are not required to speak to clients/customers.

### **Advantages Of Outsourcing**

- 1) **Cost reductions**- Cost reduction is done through process improvements, reengineering and use of technologies.
- 2) **Concentration on core business**- The management is free to concentrate more on the core business of the company.

- 3) **Outside expertise-** BPOs ensure that experts from another company provide the needed guidance and skills.
- 4) **Cater to changing customer demands-** Many BPOs provide the management with flexible and scalable services to meet the customers' changing requirements.
- 5) **Revenue increase-** By outsourcing non-core processes, companies can concentrate on increasing their sales and market share, develop new products; spread out into new markets and increase customer service and satisfaction

### **Disadvantages of Outsourcing**

- 1) **Risk of exposing confidential data:** When an organization outsources services, it involves a risk if exposing confidential company information to a third-party.
- 2) **Synchronizing the deliverables:** In case you do not choose a right partner for outsourcing, some of the common problem areas include stretched delivery time frames, sub-standard quality output and inappropriate categorization of responsibilities.
- 3) **Hidden costs:** The hidden costs involved in signing a contract while signing a contract across international boundaries may pose a serious threat
- 4) **Lack of customer focus:** An outsourced vendor may be catering to the expertise-needs of multiple organizations at a time. In such situations vendors may lack complete focus on your organization's tasks.

### **KNOWLEDGE PROCESS OUTSOURCING**

Knowledge process can be defined as high added value process chain where the achievement of objectives is highly dependent on the skills, domain knowledge and experience of the people carrying out the activity. And when this activity gets outsourced a new business activity emerges, which is generally known as Knowledge Process Outsourcing. The KPO typically involves a component of Business Process Outsourcing (BPO), Research Process Outsourcing (RPO) and Analysis Process Outsourcing (APO). KPO business entities provide typical domain-based processes, advanced analytical skills and business expertise, rather than just process expertise. KPO Industry is handling more amount of high skilled work other than the BPO Industry. While KPO derives its strength from the depth of knowledge, experience and judgment factor; BPO in contrast is more about size, volume and efficiency.

### **TYPES OF KPO SERVICES**

- 1) Investment research services
- 2) Business Research service
- 3) Data Analytic Services
- 4) Market research services
- 5) Legal process outsourcing
- 6) Patent Research Services
- 7) Business Operation Support
- 8) Editorial process outsourcing Services.

### ***Benefits of outsourcing knowledge process outsourcing***

- Get proficient KPO services at a cost-effective price.
- For quality KPO services, you require highly qualified professionals who are very knowledgeable and skilled. You can get access to such professionals at KPO companies
- You can be assured of the security of your confidential information as most KPO service providers take the security of data very seriously
- By outsourcing KPO services, you can concentrate more on your core business functions.
- KPO providers use the latest in software, technology and infrastructure. You can be assured of error-free work and speedy deliveries

### **Risk**

- Security- Classified information about the company can be lost
- Key talent retention
- The character of the employee and the quality of the work cannot be assured
- KPO is time consuming and cannot provide a quick fix to the company seeking immediate results.
- Lack of communication between partners due to legal, language and cultural barriers can lead to complications

## **6. E-COMMERCE**

**E-commerce** short for **electronic commerce** is trading in products or services using computer networks, such as the Internet. Electronic commerce draws on technologies such as mobile commerce, electronic funds transfer, supply chain management, Internet-marketing, online-transaction, processing electronic-data-interchange (EDI), inventory-management



system , automated data collection systems etc. Modern electronic commerce typically uses the World Wide Web for at least one part of the transaction's life cycle, although it may also use other technologies such as e-mail.

There are 6 basic types of e-commerce:

### **1. Business-to-Business (B2B)**

The (B2B) e-commerce encompasses all electronic transactions of goods or services conducted between companies.

### **2. Business-to-Consumer (B2C)**

The B2C type of e-commerce is distinguished by the establishment of electronic business relationships between businesses and final consumers.

### **3. Consumer-to-Consumer (C2C)**

The C2C e-commerce encompasses all electronic transactions of goods or services conducted between consumers. Generally, these transactions are conducted through a third party, which provides the online platform

### **4. Consumer-to-Business (C2B)**

A large number of individuals make their services or products available for purchase for companies seeking precisely these types of services or products.

### **5. Business-to-Administration (B2A)**

It encompasses all transactions conducted online between companies and public administration. This is an area that involves a large amount and a variety of services, particularly in

areas such as fiscal, social security, employment, legal documents etc.

## **6. Consumer-to-Administration (C2A)**

This model encompasses all electronic transactions conducted between individuals and public administration.

## ***Advantages of e-commerce***

- 1) One can easily reach a global market, without necessarily implying a large financial investment.
- 2) By allowing direct interaction with the final consumer, e-commerce shortens the product distribution chain, sometimes even eliminating it completely.
- 3) E-commerce allows suppliers to be closer to their customers, resulting in increased productivity and competitiveness for companies.
- 4) Cost reduction is another very important advantage normally associated with electronic commerce.
- 5) Wide selection to cater the needs of every type of customer.

## **Disadvantages of e-commerce**

- 1) Strong dependence on information and communication technologies (ICT);
- 2) Lack of legislation that adequately regulates the new e-commerce activities, both nationally and internationally;
- 3) Market culture is averse to electronic commerce (customers cannot touch or try the products);

- 4) The users' loss of privacy, the loss of regions' and countries' cultural and economic identity;
- 5) Insecurity in the conduct of online business transactions.
- 6) On an average only 1/9 of the stock is available on the net.

## **M-COMMERCE**

M-commerce (mobile commerce) is the buying and selling of goods and services through wireless handheld devices such as cellular telephone and personal digital assistants (PDAs).

## **M-COMMERCE APPLICATIONS**

The general m-commerce applications are:

- 1) Mobile ticketing
- 2) Mobile vouchers, coupons and loyalty cards
- 3) Content purchase and deliver
- 4) Location-based services
- 5) Information services
- 6) Mobile Banking
- 7) Mobile brokerage
- 8) Mobile purchase:

## **Advantages of m-commerce:**

**1) Ubiquity:** The use of wireless device enables the user to receive information and conduct transactions anywhere, at anytime.

**2) Accessibility:** The user also has the choice to limit their accessibility to particular persons or times.

**3) Convenience:** The portability of the wireless device and its functions from storing data to access to information or persons.

**4) Localization:** The emergence of location-specific based applications will enable the user to receive relevant information on which to act.

**5) Instant Connectivity (2.5G):** Instant connectivity or "always on" is becoming more prevalent with the emergence of 2.5 G networks, GPRS or EDGE.

**6) Personalization:** Personalization will take the form of customized information, meeting the users' preferences, followed by payment mechanisms that allow for personal information to be stored, eliminating the need to enter credit card information for each transaction.

**7) Time Sensitivity** – Access to real-time information such as a stock quote that can be acted upon immediately or a sale at a local boutique.

**8) Security** – depending on the specific end user device, the device offers a certain level of inherent security.

### **Disadvantages of m-commerce:**

1. Mobile devices offer limited capabilities (such as limited display).
2. The heterogeneity of devices, operating systems and network technologies is a challenge for a uniform end user platform
3. Mobile devices are more prone to theft and destruction.
4. The communication over the air interface between mobile device and network introduces additional security threats.