

# Introduction to Business

BM004-4-0-ITB

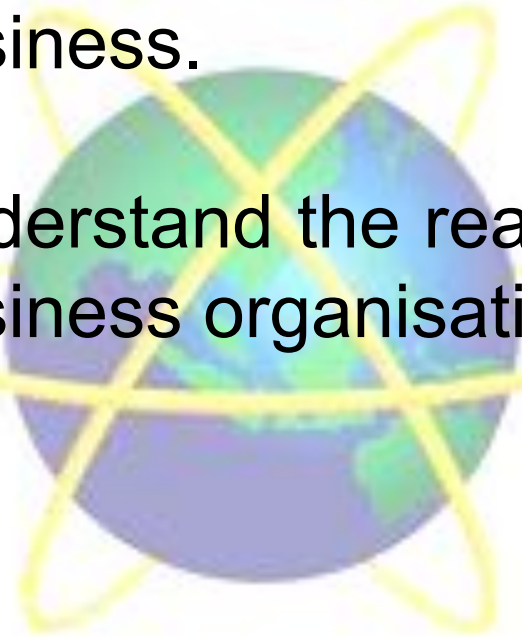
## Nature of Business



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# Learning Outcomes

- Recognise the concept of organisation and business.
- Understand the reason and purpose of forming a business organisation.



# Why Study Business?

- To understand Business Language
- Knowledge on Business can help us do better job as a:

- 1) *Consumer*
- 2) *Employee*
- 3) *Business Owner/ Manager*
- 4) *Investor*

# The Nature of Business

## Definition:



Business is a platform where individual or organisations try to earn a profit by providing products or services that satisfy the customer's needs.

# What are Organisations?

## Definition:



... a group of people working together over a period of time to achieve a common goal or objective.”

Richards, M., Business Org (1993) pg. 1

# Why are Organisations formed?

## Different people have different:

- Objectives
- Reasons (motivation)
- Opinions, style
- Skills, resources, experience

Individually, a person is limited by these features

# Organisation common characteristics:



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## All business organisation share common characteristics:

1. They have aim and objectives such as making profit or producing a service for the public.
2. They use resources such as capital, labour and materials.
3. They have mechanisms for controlling and making decisions about the running of the business.
4. They are accountable to various groups such as owners, workers, customers and Governments bodies.

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# Organisation common characteristics:



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## Business can be :

- Profit based business
- Non-Profit based business
- Small and simple or
- Large and complex

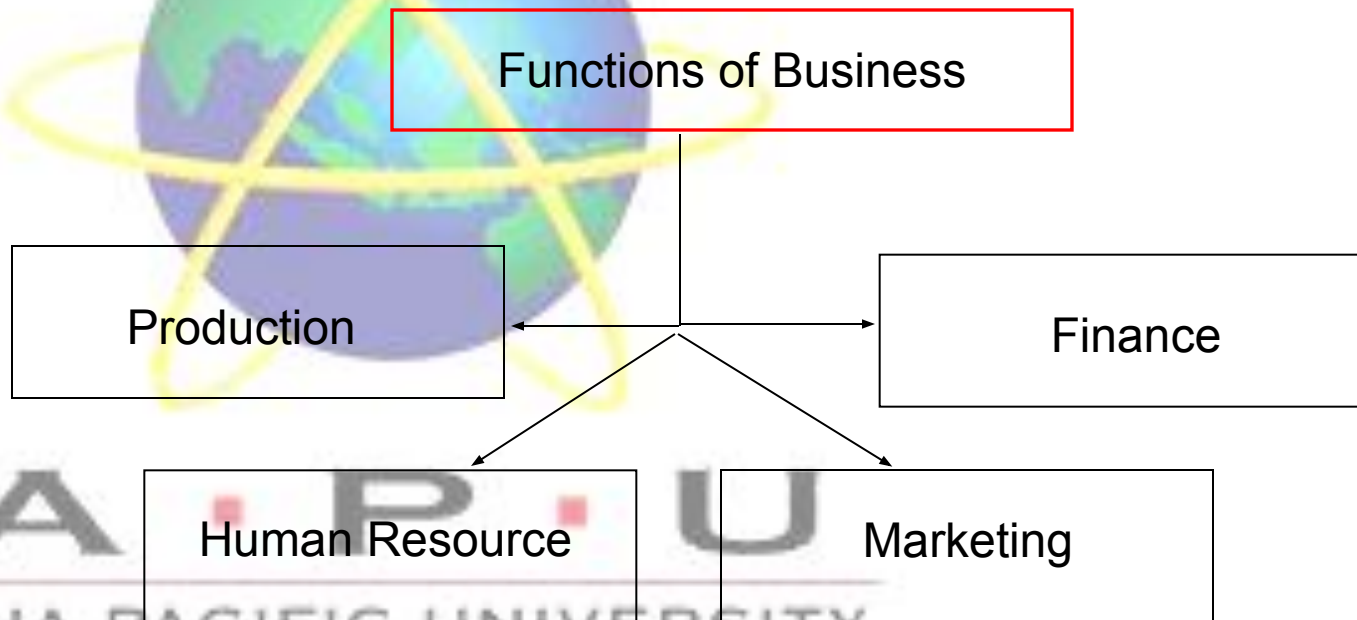
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# Functions of Business

The functions of a business, whether large or small can be divided into four basic types as shown below:



# Business Aims & Objectives

Aims and objectives are the principles by which an organisation is run.

Examples of commonly expressed aims includes:

1. **Maximising profits** - means making the highest profit. (Main aim of privately-owned business)

Profit is important:

- *to allow the business to survive,*
- *to provide a financial reward to the owners of the business for putting their money into it,*
- *a source of finance for future investment.*

# Business Aims & Objectives (cont..)

2. **Maximising sales** – the firm may attempt to obtain the highest possible sales. This policy will be often based upon increasing the firm's *market share*.
3. **Maximising employee welfare** – a firm maybe managed in a way which seeks to make its employee content (satisfied).
4. **Social and community aims** – business often have general social aims like donations and sponsorships.

# Business Aims & Objectives (cont..)

Objective are usually expressed in more specific terms.

They may be loosely classified into *strategic*, *tactical* objective and management by objective.

**Strategic objective** – is basically what the firms would like to do in the long-run (over the next few years).

E.g., increase annual profit by 10% for the next 5 years.

# Business Aims & Objectives (cont..)

**Tactical objectives** – designed to ensure that the strategic objectives are reached.

They are more detailed and generally short-term,  
Typically set for the year ahead.

**Management by objective (MBO)** – involves setting Systematic targets for individual employees, usually manager. It involves measuring the employee's performance against previously agreed Standards.

# How are Organisations formed?

The process of forming an organisation establishes tiers (levels) of:

- 
- *Authority*
  - *Responsibility*
  - *Accountability*

# How are Organisations formed?

## AUTHORITY

...the power or right to give orders or make decisions.

OR

...to exercise control over others.

# How are Organisations formed?

## RESPONSIBILITY

...the obligation to carry out specific duties up to a declared level of satisfaction power or right to give orders or make decisions.



# How are Organisations formed?

## ACCOUNTABILITY

...the need to report to an authority with regards to the performance of specified/given duties  
e.g. who do you answer to?

Every employee/manager is accountable for the job assigned to him.

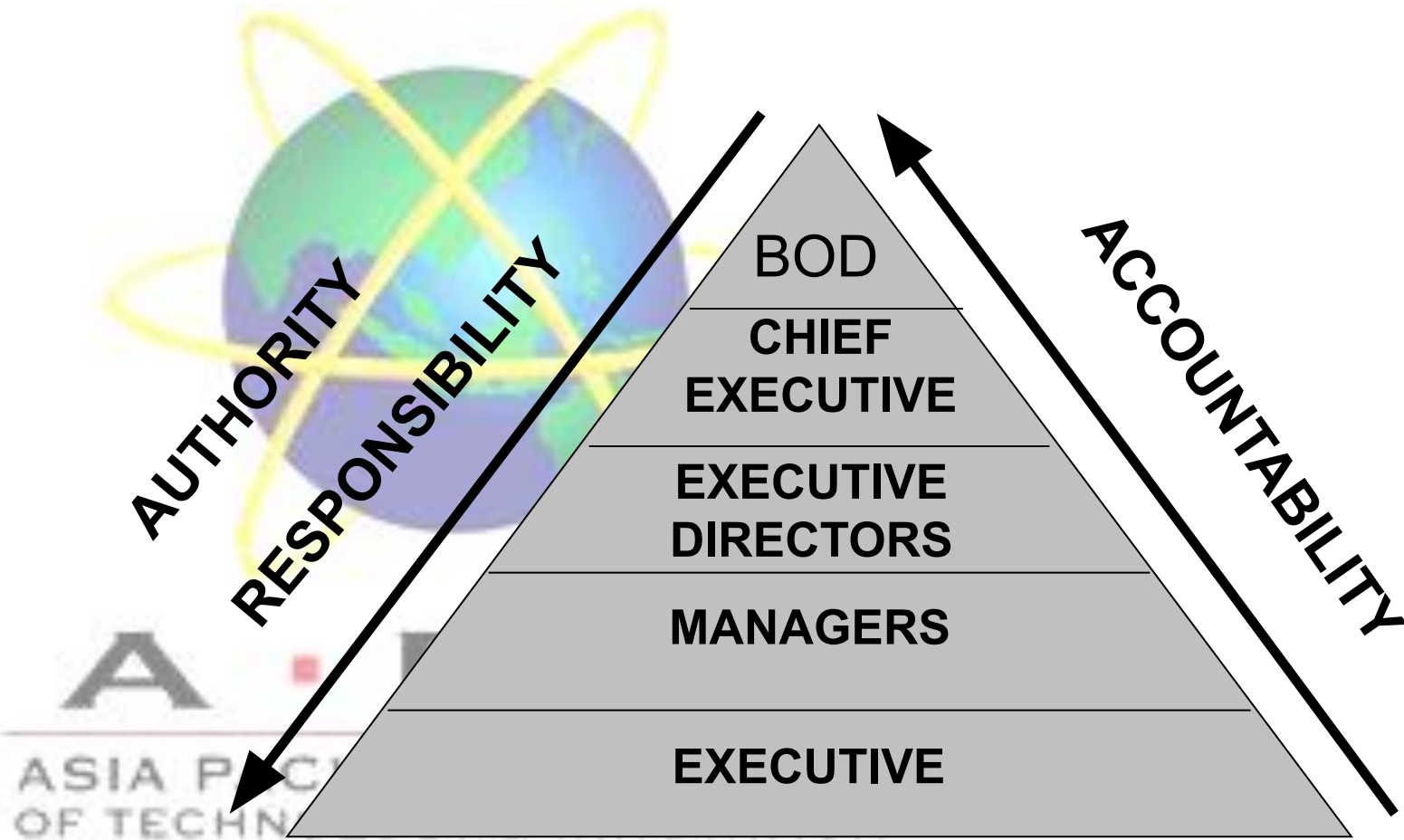
He is supposed to complete the job as per the expectations and inform his superior accordingly.

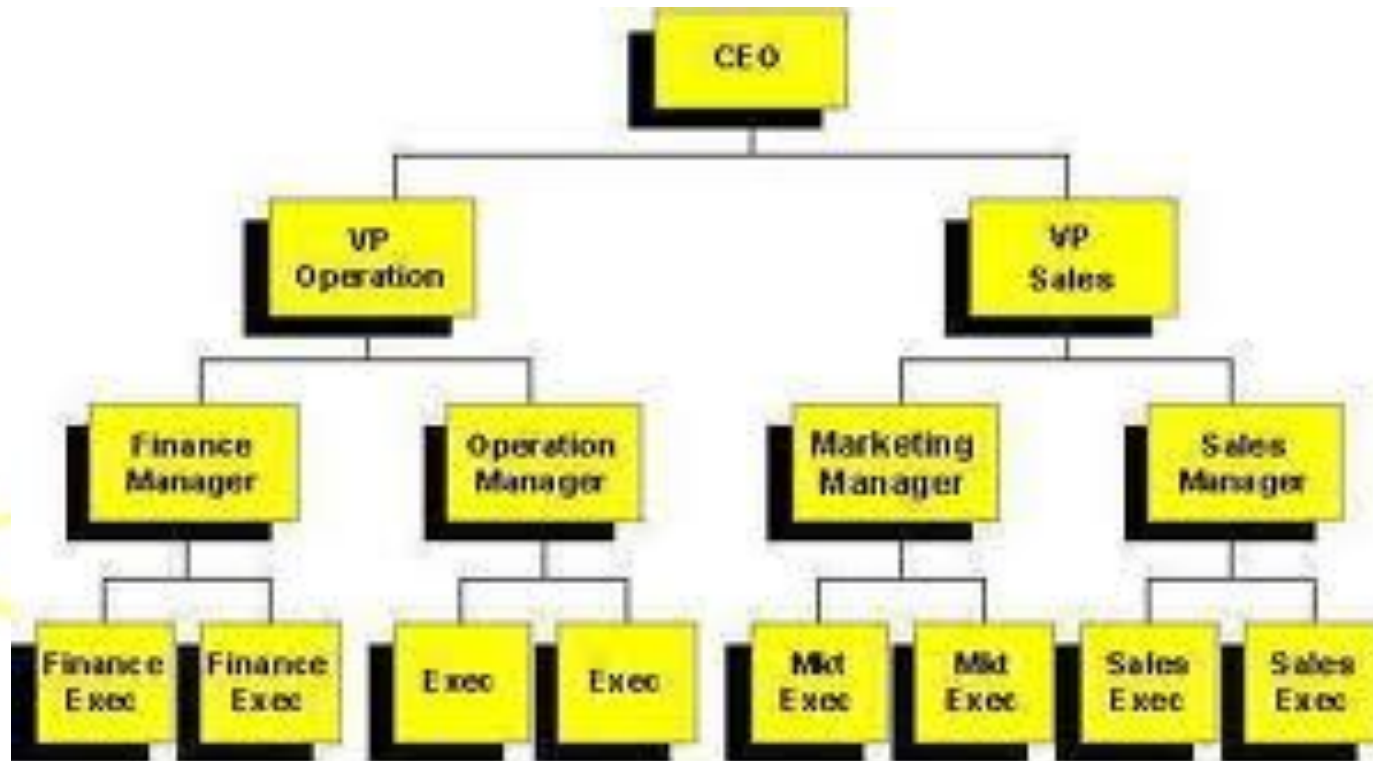
*Accountability is the liability created for the use of authority.*  
It is the answerability for performance of the assigned duties.



# How are Organisations formed?

## Organisation Pyramid





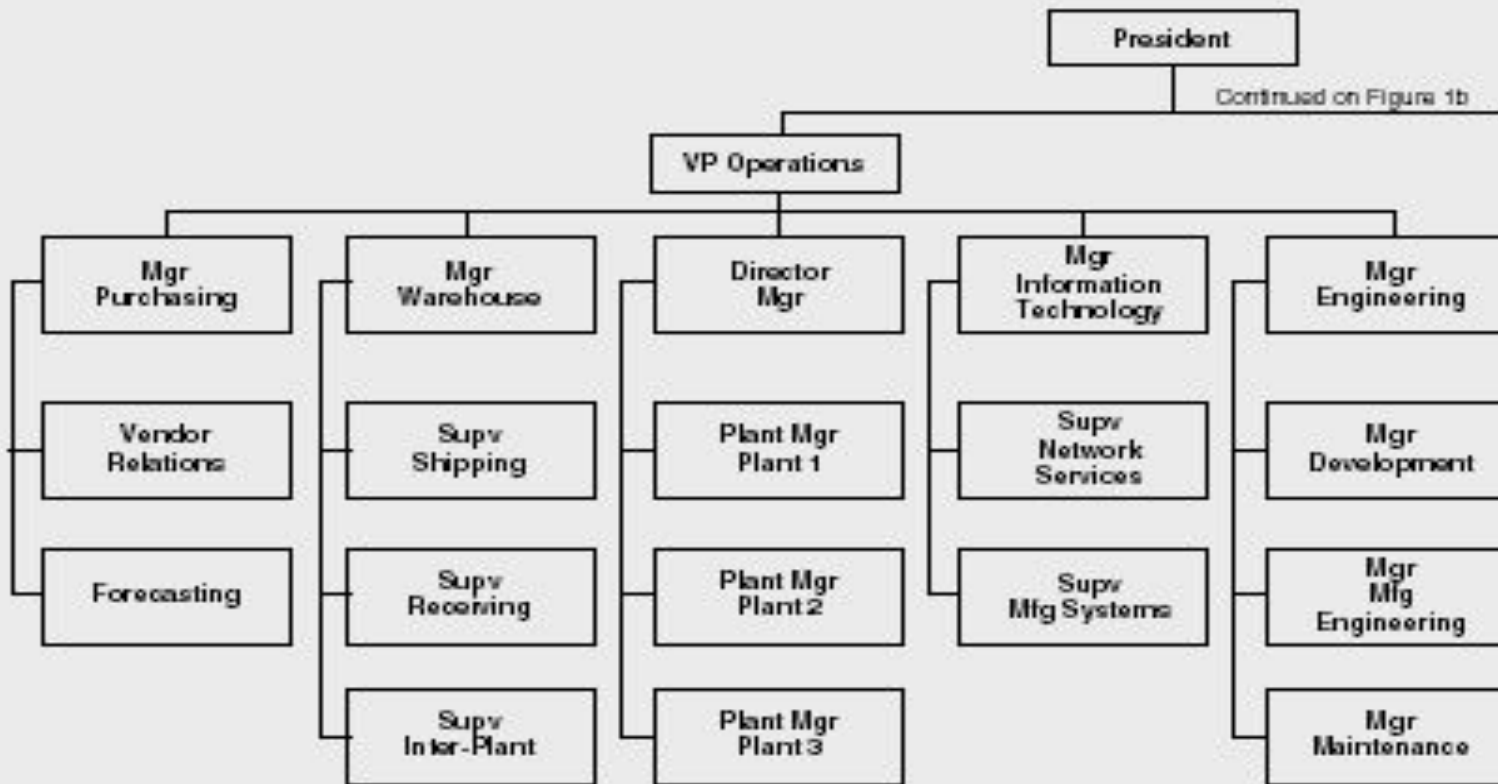


## A Matrix Organization Structure






**Figure 1a**  
**Organizational Structure**



# The Business System

## Description:



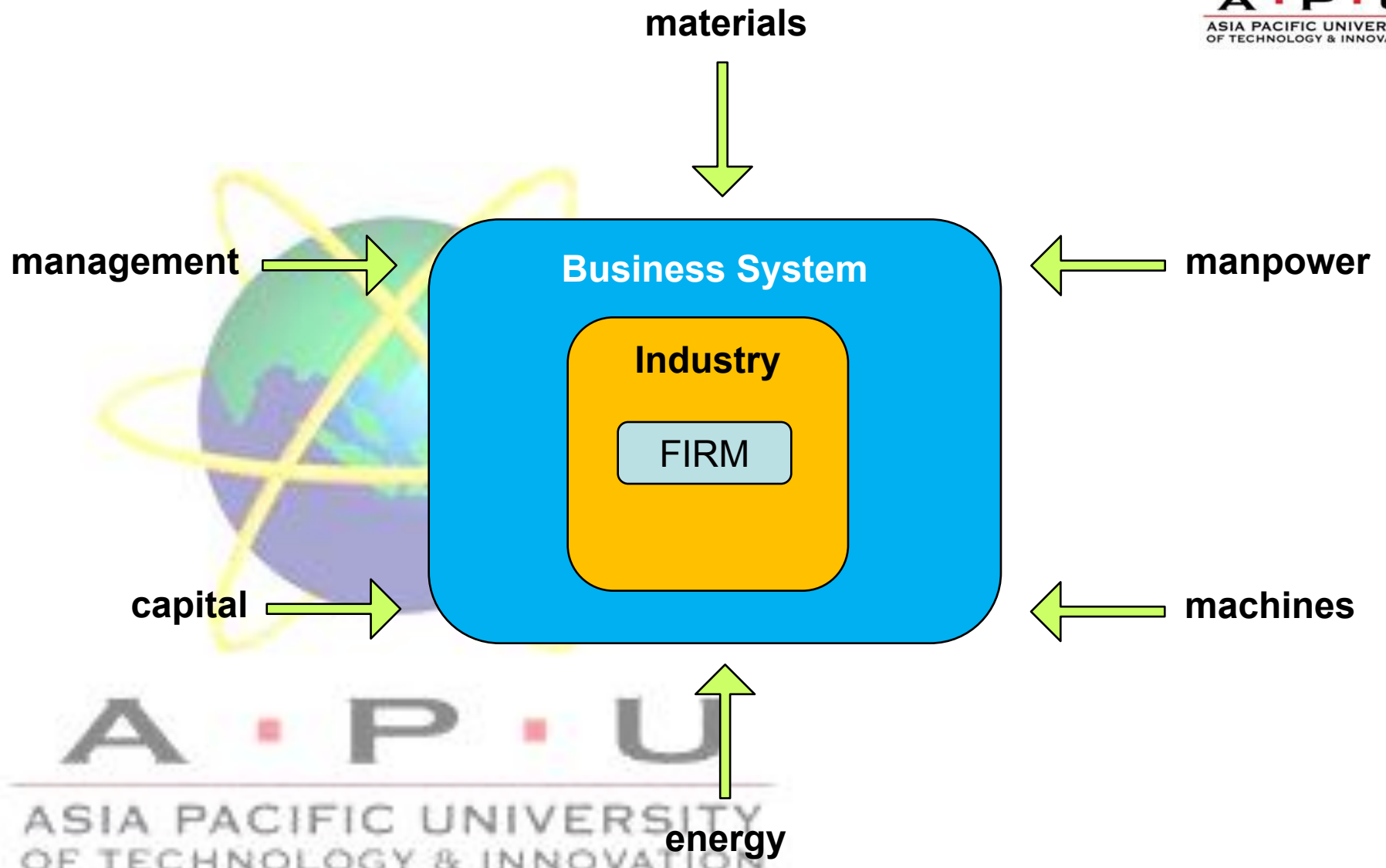
The **Business System** can be described as the combination of various economic resources in an organised manner to produce the goods and services required.

# THE BUSINESS SYSTEM .....

## Economic Resources:

- 
- Materials
  - Manpower
  - Machines
  - Energy
  - Capital
  - Management

# THE BUSINESS SYSTEM .....





# Key Terms you must be able to use

If you have mastered this topic, you should be able to use the following terms correctly in your assignments and exams:

- **ORGANISATIONS**
- **BUSINESS**
- **RESPONSIBILITY**
- **AUTHORITY**
- **ACCOUNTABILITY**

# Question and Answer Session



Q & A

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