



SYLLABUS BBA I YEAR

Subject – Business Organization and Management

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| UNIT – I | <p style="text-align: center;">Business organization</p> <p>Business organization & its Forms Business: Concept, Meaning, Features, Stages of development of Business, importance of business; Classification of Business activities; Business Organization: Meaning, characteristics, objectives, Evolution of Business Organization; Difference between Industry and Commerce and Business and Profession, Modern Business and its Characteristics Forms of Business: -Sole Trader, Partnership, HUF, Limited Liability Partnership, joint stock Company, one person Company, Micro, Small and Medium Enterprises, Business, Organization, Business Organization, Forms of Business Ownership/ Formats, Micro, Small & Medium Enterprises.</p> |
| UNIT – II | <p>Plant Location, Layout and Size Plant Location: Concept, Importance, Factors affecting Plant location, Plant Layout: Concept, Objectives, Types and Principles of layout, factors affecting layout, Size of business Unit: Criteria for measuring the size of unit, Factors affecting size, Optimum Unit Size and factors affecting Optimum Size</p> |
| UNIT – III | <p>Business Combination: Meaning, Characteristics, Objectives, Causes, Forms and Kinds of Business Combination, Rationalization: Meaning, Characteristics, Objectives, Principles, Merits & Demerits; Difference between Rationalization & Nationalization</p> |
| UNIT – IV | <p style="text-align: center;">Management</p> <p>Management : Concept of Management, nature and importance & Functions of Management, Taylor's Scientific Management, Henri Fayol's Principles of Management, Planning: Concept, Importance, Process, Types of Plans Decision making: Process, Individual vs. Group Decision Making Organizing: Concept & Principles of Organizing; Formal / Informal Organizations, Virtual Organizations, Organization Structure: Factors affecting Organization structure, Features of Good Organization Structure, Span of Management, Delegation of Authority, Centralization and Decentralization; Line and staff Authority Staffing: Nature & Scope of Staffing, Man Power Planning - Concept and importance, Recruitment: Concept and Sources, e-recruitment, Selection: Concept, Important Tests and Types of Interview. Performance Appraisal: Objectives & Modern Methods</p> |
| UNIT – V | <p>Directing: Concept and importance of Directing, Communication: Concept and Importance, Channels of Communication, Formal/ Informal Communication, Barriers Motivation: Concept, Intrinsic & Extrinsic Motivation, Theories of Motivation: Maslow's need theory Hierarchy, Herzberg's two factor theory, McGregor's Theory X and Y Leadership: Concept, Styles, Leadership Theories Trait theory, Behavioural theory, Contingency/Situational theory Conflicts: Meaning & Types of Conflict Control: Concept, Nature, Importance, Process and Methods Controlling, Techniques of Control: Financial and Quality</p> |



UNIT - I

Business -

Business is the activity of making one's living or making money by producing or buying and selling products (such as goods and services) Simply put, it is "any activity or enterprise entered into for profit.

Having a business name does not separate the business entity from the owner, which means that the owner of the business is responsible and liable for debts incurred by the business. If the business acquires debts, the creditors can go after the owner's personal possessions. A business structure does not allow for corporate tax rates. The proprietor is personally taxed on all income from the business.

The etymology of "business" relates to the state of being busy either as an individual or society as a whole, doing commercially viable and profitable work. It is a generic term which comprises of all primary and ancillary activities which are involved in the production and distribution of goods and services. It is a relative term, which has different interpretations for different categories of people. For an economist, it is an activity concerned with the creation of form utility, place utility and time utility. For an ambitious youth, it is an attractive career for accepting new challenges and earning attractive income through profit. For an average consumer, it is a supplier of goods and services required in his daily life. For government, it is one of the important sources of revenue. An environmentalist views it as a potential source of pollution and ecological imbalance. In brief, business is a sum total of activities concerned with production and distribution of goods and services for satisfying the needs of society and also for raising social welfare.

According to F. C. Hooper, business includes the whole complex field of commerce and Industry. Accordingly, business activities can be broadly categorised into the following four categories:

(a) Activities related to the Production of Goods: This group includes different kinds of industries such as genetic industries, extractive industries, manufacturing industries, constructive industries and service industries. **(b) Activities related to the Distribution of Goods:** This group comprises of physical distribution system that includes transportation, storage and warehousing and marketing intermediaries like wholesalers and retailers.

(c) Activities related to the Provision of Services: This group includes various service providers such as insurance companies, advertising agencies, marketing research organisations and consultants.

(d) Activities related to the Provision of Finance: This group includes various financial intermediaries such as banks, financial institutions, industrial financial institutions, state financial corporations and stock exchanges.

1.7 Characteristics of Business:

The broad characteristics of business are as under:

(a) Transfer of Ownership: Exchange is the essence of any business activity. Business facilitates transfer of ownership of goods from producers to consumers for money or money's worth. Business houses provide satisfaction to consumers through the provision of form utility, place utility and time utility under the incentive of private profit.



(b) Scope of Activities Business includes trade and aids to trade. Trade is that branch of commerce, which is concerned, with the exchange of goods and services while aids-to-trade are service-oriented industries, which directly or indirectly help in smooth conduct of business operations. For example, transportation, warehousing, Insurance, advertising and banking.

(c) Profit Motive: Profit is essential for the very survival of business units. The varieties of goals of business units such as survival, growth, expansion, social welfare, welfare of workers, etc., cannot be achieved unless the unit is economically viable. A loss making unit is least capable of fetching any asset to the society and therefore, would be closed down by the society itself.

(d) Continuous and Recurring: The activities of a business enterprise are recurring in nature. One or two transactions do not constitute business. A seller must have adequate stock of goods or capacity to serve society as per demand. For example, if a person sells his old motor car and earns some profit thereon, it does not constitute a business.

(e) Economic Institution: Business is an economic institution. All business activities are guided by a desire to earn profit. Business houses undertake market research in order to forecast market demand and accordingly adjust supply with the prime objective of generating profit and wealth. In this sense, a business unit is an economic institution.

(1) Social Institution: Due to rapidly changing socio-economic environment, the concept of social responsibilities of business has gained immense importance. Business cannot ignore social needs as it is a part of society in the sense that it carried on by the people (entrepreneurs), through the people (executives and workers) and for the people (consumers and the society at large).

(g) Ethical and Lawful: The purpose of business must be ethical and should be recognised by law. It should not violate the basic norms or fundamental principles, governing the social life of people in the country. For example, smuggling is unlawful and therefore, cannot be considered as a business. Similarly, selling beef or beef based products is ethically prohibited in India.

(h) Risk and Uncertainty: Business involves high degree of risks and uncertainties. Profit is the reward for bearing risks and uncertainties. Risks due to fire, theft, pilferage, etc., are insurable risks. However, uncertainties such as fluctuations in price level, changes in fashion, changes in government policy or the government itself, etc. cannot be insured.

(i) Creative and Dynamic: Business houses are surrounded by a large number of complex exogenous factors such as social, economic, technological, regulatory and environmental. These factors keep on changing and business units have to adjust accordingly. Hence, business units are expected to be creative and dynamic in order to adapt the changing business environment.

(ii) Global Business: Globalisation has become a subject of very serious discussion in the national economic policies and corporate sector. Globalisation implies greater integration of the nation's economy with the world economy. This can be achieved through liberalisation of rules and regulations and creating favourable business environment for global business.

Characteristics of Business:

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| ✓ Transfer of Ownership. | ✓ Social Institution. |
| ✓ Scope of Activities. | ✓ Ethical and Lawful. |
| ✓ Profit Motive. | ✓ Risk and Uncertainty. |
| ✓ Continuous and Recurring | ✓ Creative and Dynamic. |
| ✓ Economic Institution. | ✓ Global Business: |



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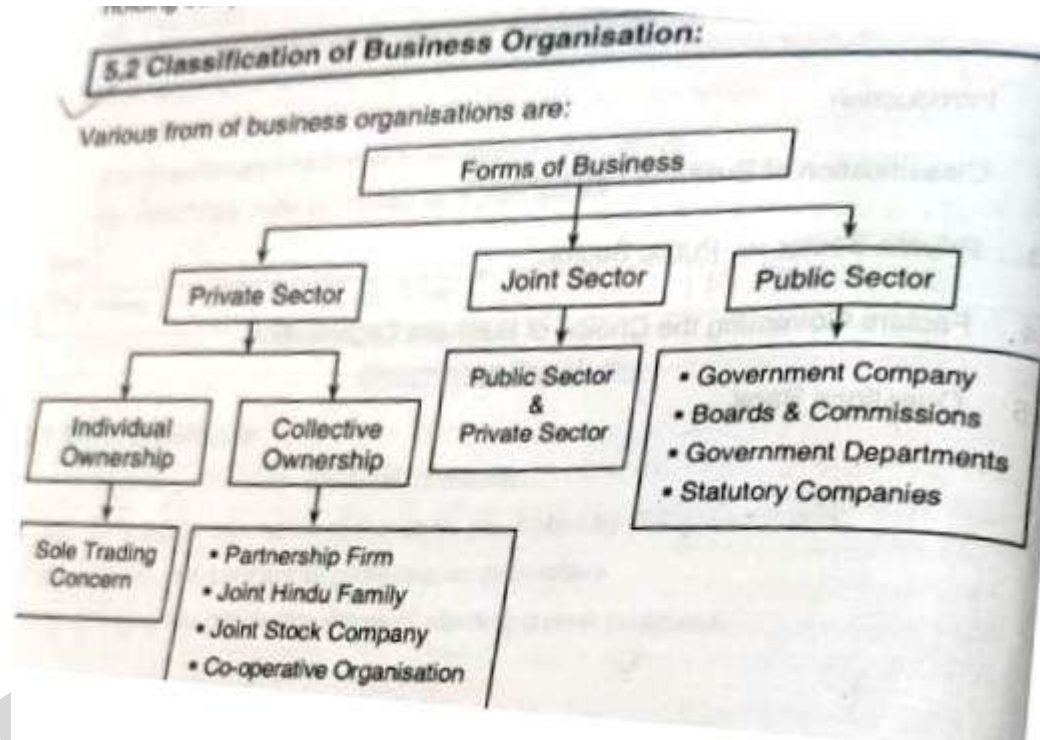
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(a) Private Sector: Private sector enterprises are owned and managed by the individuals or group of individuals. On the basis of ownership and management, private sector organisations are classified as under:

- **Sole Trading Concern:** A sole trading concern is one of the oldest and simplest of all the forms of business enterprises. A business unit which is owned and controlled by a single individual is known as a sole trading concern. The person who manages it is called a sole trader. A sole trader may use his own savings for carrying on the business or he may borrow money from his friends, relatives and others for investing in business. He himself manages the business with the assistance of his relatives or employees. He alone enjoys all profits and bears all losses in the business. It is also known as sole proprietorship business or single entrepreneurship or individual proprietorship.
- **Partnership Firm:** Sole trading concern with its limitations of finance, management, risk, etc., finds it difficult, in the long-run, to cope with the expansion of business. It, thus, became necessary to find some alternative form of business. A partnership form of business organisation provided such alternative. In partnership form of organisation, two or more than two persons come together to conduct some kind of business activity jointly and collectively. The persons who are the owners of a partnership firm are individually called 'Partners' and collectively called a 'Firm'. The name under which the partnership is formed is called a 'Firm name'.
- **Joint Hindu Family Business:** Joint Hindu family business is a unique kind of business organisation, possible only in India, among Hindu families only. It comes into existence due to the operation of the Hindu Law. According to this law, after the death of a Hindu, his business comes to be jointly owned by three successive generations, viz., son, grand son and great grand son. This interest in inheritance is called co-parcenary interest and the members of the Joint Hindu Family are called co-parceners. Only the eldest member in the family is allowed to conduct, manage, and control the business. He is called 'Karta' or 'Manager'.
- **Joint Stock Company:** A Joint Stock Company, as a distinct form of business organisation, developed soon after the Industrial Revolution in the eighteenth century in England. A joint stock company is



established by law and can be dissolved only by law. It is an incorporated association which is an artificial person created by law, having a separate name, a common seal, a separate legal entity and perpetual succession. The liability of its members is 'limited'. The company has a very large capital which is divided into smaller parts called 'shares'. The persons who subscribe the shares are called 'shareholders' and they are the owners of the company.

- **Co-operative Organisations:** The co-operative movement started first in Europe with an objective of bringing needy people together to achieve a

- **(b) Public Sector:** Public sector organisations are owned and controlled by the government. If a need arises, the government may invite the public to subscribe for its shares and debentures. Public sector undertakings are classified as under:

Government Companies: In the government companies, 51% or more of the share capital is controlled by either the Central Government or the

- State Government. Some such companies are Hindustan Machine Tools
- (HMT), Bharat Petroleum, Hindustan Aeronautics (HAL), Nationalised
- Banks, Life Insurance Corporation and Air India.
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- **Boards and Commissions:** Boards and commissions are formed by the government for specific purposes. These organisations function independently, within the framework of the laws framed by the government. Some examples of such organisations are Railway Boards, Bombay Suburban Electricity Board (BSES) and Khadi Gramodyog Commission.
- **Government Departments:** Government departments are created by the government for smooth functioning of the administration. They are bodies and function as per the rules and regulations laid
- down by the Government. Some such departments are Income-tax Department, Revenue Department, and Education Department.
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- **Statutory Companies:** Statutory companies are formed by a Special Act of the Parliament. Such companies are significant from the nation's point of view. They are required for all round development of the nation. Some such companies are State Bank of India, Reserve Bank of India and Bhabha Atomic Research Centre.
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- **(c) Joint Sector:** Joint sector is a form of business organisation wherein public and private sectors co-exist. A joint sector enterprise is jointly owned and managed by the group of individuals and the government department. Joint sector may be registered companies or large scale partnership organisations, like Haldia Chemicals.
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Organization -

An organization is a group of people intentionally organized to accomplish an overall, common goal or set of goals. **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.

Business Organization -



Business organization is concerned with the study of the methods and procedures of establishing and operating business enterprises with the purpose of earning profits by rendering service to the society. The scope is very wide. It comprises business ownership, the types of traders engaged in the supply of goods and services, the institutions which facilitate trade, the financial arrangements used to conduct business, the problems of location and layout of the undertaking, the principles of management, forms of combinations, methods of wage payment, etc.

Objectives of Business Organization

- 1) Unity of objectives
- 2) Efficiency
- 3) Division of work
- 4) Span of control
- 5) Scalar principle
- 6) Delegation
- 7) Functional definition
- 8) Absoluteness of responsibility



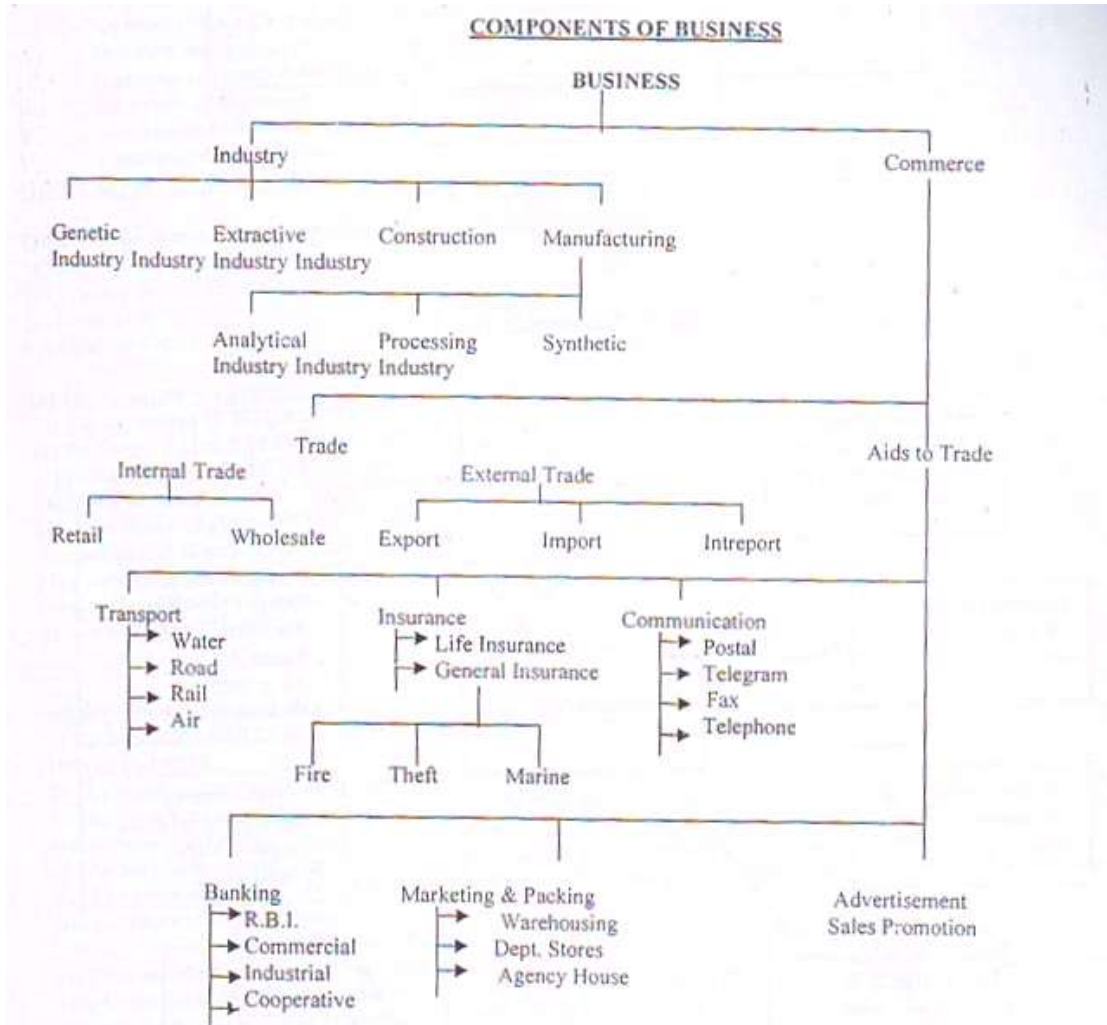
Functions of Business Organization -

- 1) Production function
- 2) Marketing function
- 3) Finance function
- 4) Personnel function
- 5) Other functions

Significance of Business Organization -

- 1) Facilitates administration
- 2) Ensures specialization
- 3) Facilitates growth and diversification
- 4) Encourages creativity
- 5) Optimum use of technological improvements
- 6) Facilitates coordination
- 7) Rapid economic development

Components of Business Organization -



I. Industry

The main characteristics of industry are-

- (i) It is a primary activity of business,
- (ii) It involves process of conversion of form.
- (iii) Utility is created in it.
- (iv) Main activity of industry is conversion of raw material into useful finished goods.
- (v) Manufacturing process has an object of profit.
- (vi) Form of material is changed altogether.



Characteristics of Organization -

- 1) Division of labour
- 2) Coordination
- 3) Accomplishment of common objectives
- 4) Authority responsibility structure
- 5) Communication

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