LECTURE NOTES ON BUS 101

COURSE TITLE: INTRODUCTION TO BISINESS

UNIT: 2 UNITS

INTRODUCTION

The genesis of any business activities is the existence of a need. Without thuman needs and wants, there will be no need for business activities neither a need for business organizations. Every business idea is engendered by a particular need that needed to be attended to. Aim of meeting these needs is the reason why an entrepreneur or organisation will mobilize resources ( man , money, materials, management and machine) to ensure goods and services are provided to satisfy the needs. This will leads to exchange and in the process value will be parted. So it is suffice to say it takes at least two parties to be involved in business. More also , none of this party go into the business without an expectation of value. It may be tangible value such as profit or intangible value such as respect, recognition known as goodwill. In every business activity, these are the elements that are involved; NEED, WANTS, EXCHANGE, VALUE, PROFITS, FEEDBACK.

A. MEANING AND DEFINITION OF BUSINESS

The word business is used by different people for different reasons. For example, some people are called business executives, business student, there are business class, business meeting,. If the word business is being used in different that means busines is defined according to the perception of the user of the word. What is business to A may not be business to B. So what is the meaning of business?

Business is a set of interrelated activities because it involved different tasks and stages that result eventually into the attainment of the same goal. Activities such as , planning, production, distribution, warehousing, promotion, selling , branding, packaging, etc. All these activities are interelated because they depend on one another. They all lead to the production of goods and services needed for the purpose of satisfying the needs and wants of the consumers or potential consumers a view to make profit. Therefore we can define business as an economical or organisational activities that involves interelated activities such as production distribution, warehousing, promotion and sales of goods and services for the purpose of satisfying human wants and needs and also maximizing profit in a dynamic environment.

The basic

economic unit in which this set of activities is performed is the business enterprise. Therefore, we

define business enterprise once again as the organizational context within which men, ideas,

money, materials and machines are combined for the purpose of providing needed goods or

services, in order to make a profit. Basically, studying is the business of a student, politics is the

business of a politician, playing football is the business of a professional footballer and in the same

vein, trading would be the business of a shop owner. However for any commercial activity to be

qualified as business, it must be legal with societal interest paramount to the survival of such

business. The knowledge of business has immense potential for creating socio economic, cultural

and political values. Business organizations can be classified into two categories viz:

a) For Profit Organizations: These are strictly to make profit such as public and private

enterprise or companies owned by individual(s) or group of persons such as sole

proprietorship, partnership businesses, cooperative societies, etc. they depend on profit for

survival.

b) Non-Profit Organization: These are organization established without profit motives.

Although, every organization is motivated by the desire to make profit: as in this case, they

are charitable organizations, voluntary organizations, and social groups such as Churches,

Orphanage homes, Boys Scout, Girls Guild, and Labor Unions etc.,.They are expected to

generate adequate revenue to finance their operations such as payment of church

ministers/workers, employees of orphanage homes etc.

B. CHARACTERISTICS OF BUSINESS ORGANIZATION

1. People Oriented.

2. Guiding Rules

3. Satisfaction of Human Needs

4. Profit Objectives

5. Registration with Government/ Legal Entity

6. Going –Concern/ Perpetuity

7. Harnessing the various factors of Production

8. Division of Labour

9. Structure/ Hierarchy of Authority

10. Internal/ External Environment

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Other Classification of Business Organization

1. By International Standard Industrial Classification(ISIC)

A – Agriculture, Hunting and Forestry

B – Fishing

C- Mining and quarrying

D-Manufacturing

E-Electricity, gas and water supply

F-Construction

2. Classification by Stage in the production Cycle

Extraction

Processing

Assembly

Trading

Personal Care

3. Service Organizations

4. Manufacturing Organizations

Important Role of Business in Society

i.Gainful employment and income generation

ii.Positive and beneficial projects to communities through corporate social

responsibilities

iii.Value creation and improved standard of living

iv.Contributes to National Income in terms of GDP

Factors that motivate Business

i. Ambition

ii. Independence

iii. Investment

iv.Control

v.Fixed control and ownership

B. THE SCOPE OF BUSINESS

The scope of business refers to the range of activities, markets, and geographic regions that a company operates in. It defines the boundaries within which a business functions and conducts its operations.

Dimensions of Business Scope:

1. Product/Service Scope: Types of products/services offered.

2. Geographic Scope: Regions, countries, or global presence.

3. Market Scope: Target markets, customer segments, and industries.

4. Operational Scope: Business processes, supply chain, and logistics.

5. Strategic Scope: Long-term goals, mission, and vision.

Types of Business Scope:

1. Local Business: Operates within a specific geographic area.

2. Regional Business: Covers a larger geographic area, such as a state or province.

3. National Business: Operates across an entire country.

4. International Business: Operates in multiple countries.

5. Global Business: Worldwide presence and operations.

6. Niche Business: Specializes in a specific market or product.

7. Diversified Business: Operates in multiple industries.

Factors Influencing Business Scope:\*

1. Market demand

2. Competition

3. Technology

4. Government regulations

5. Economic conditions

6. Customer needs

7. Company resources

Benefits of Defining Business Scope:\*

1. Clarifies business objectives

2. Focuses resources

3. Enhances competitiveness

4. Improves decision-making

5. Increases efficiency

6. Supports strategic planning

7. Encourages innovation

\*Business Scope Examples:\*

1. Amazon (global e-commerce)

2. McDonald's (global fast food)

3. Google (global technology)

4. Local restaurants (niche business)

5. Small retail stores (local business)

C. The Character of Business

These the three mirrors by which business activities are being perceived. Because not all human activities can be classified as business;

1. Social---people's related

2. Legal---adherence to law of the land

3. Economic---return or profit oriented

Characteristics of business

These are the features or elements that differentiate business from other form of activities;

1.Creation of utilities

2. Dealings in goods and services

3. Going concern or continuity in dealings

4. Sale, transfer or exchange

5. Profit motive

6. Element of risk

7. Economic activity

8. Art as well as

D. FORMS OF BUSINESS OWNERSHIP

1. Private Enterprise: These are enterprises owned by private individual(s) or organizations.

They include the following;

i. SOLE PROPRIETORSHIP; Sole Proprietorship is simply a one man business. A sole

proprietorship does not require documents before commencement of business; however,

permit or license may be required.

Advantages;

1. Ease of communication and

2. Ease of Termination,

3. Greater Efficiency,

4. Greater Freedom

5. Flexibility,

6. Pride of Ownership

7. Ownership of all profits.

Disadvantages:

1. Unlimited Liability,

2. Lack of Specialization,

3. Limited Financial Resources,

4. Limited life Span

5. Absence of Employee development.

6. Poor decisions making process

ii. PARTNERSHIP: A legal business organization owned by at least two persons and at most

twenty persons who pool their resources together for profitable business. Usually they

require partnership agreement known as the Deeds of partnership which could be written or oral/parol. The Deed specifies the

right, responsibilities/obligations and interest of the partners. The types of partnership

includes

a.General/ Active Partnership

b. Limited Partnership

Advantages;

1. larger Capital

2. Pooled Knowledge and Decision,

3. Tax Benefit,

4. Longer

5. Survival or continuity,

Disadvantages:

1. Distrust and disagreement among partners,

2. unlimited liability,

3 slow

decision,

4. difficulty of termination.

5. Lack of continuity

iii. COMPANIES- A Company is a legal person without physical existence recognized by

law to do business for profit through its agents and servants who exist physically. A

company being a legal entity can sue and be sued.

Classification of Companies

a.Limited;

Limited by share or guarantee

b.Unlimited

Private Limited Company

-Private Companies Limited by shares

-Private Companies Limited by Guarantee

-Private Unlimited Company

Advantages of Private Limited Company;

1. Ability to raise large capital,

2. limited liability.

Disadvantages of Private Limited Company:

1. Prohibition on public Invitation for shares,

2. Double taxation etc.

Public Limited Liability Company-A public limited liability company is a business firm owned by

a minimum of seven persons without upper limit of membership. In other words it can have

shareholders without ceiling.

1. Public Company Limited by shares

2. Public Unlimited Company

Advantages:

1. Large Capital,

2. Limited Liability,

3. Appointment of Qualified Workforce, 4. Permanent

Life and

5. Employees-owners

Disadvantages:

1. Lack of personal Interest or Commitment

2. Lack of confidentiality,

3. Lack of impersonal

Relationship

4. Corruption and Fraud

5. Double Taxation.

iv.CO-OPERATIVE SOCIETIES: -This a form of organization, wherein persons voluntarily associate

together as human beings on the basis of equality for promotion of the economic interest for

themselves. It is an association formed by members and for the members.

Types of Co-operative Society

1. Consumer Cooperative Society

2. Producers Cooperative Society

3 Thrift-and-credit Cooperative Society

4. Multipurpose Cooperative Society

Advantages:

1. They serve as sources of income,

2. goods and services attract low prices, 3. members

enjoy easy access to loans, 4. encourages savings habit,

5. democratic in nature

6. increase standard of

living

7. enhance economic development.

8. Equality among members ( one man, one vote)

Disadvantages;

1. they suffer management problems,

2. they lack adequate capital

3. members are prone

to non-payment of loan.

4 some members even embezzle funds.

Sources of Capital include;

1. Registration fees,

2. Shares,

3. Thrift savings, loans from financial institutions,

4 interest received on loans,

5 fines imposed on members on default etc.

V. PUBLIC ENTERPRISE: These are organisations set up as a corporate body and as part of the

governmental apparatus for entrepreneurial or entrepreneurial-like. objectives. The forms includes:

i. Government departmental enterprises

ii. Public Corporations

iii. State owned Companies

iv.Municipal Enterprises

v.Mixed-Economy Enterprise

Sources of Capital for Public Enterprises:

1. Loans and grants from the government,

2. loans and

overdrafts from financial institutions such as banks,

3. sales of shares

4 ploughed back profits/retained

earnings from the enterprise,

5 credit facilities from supplies.

Advantages:

1 Provisions of essential services to the public

2. greater access to capital

3. they are not

easily threatened by business competitors who provide similar services

4. cheaper services to the

public,

5. decrease in cost of living.

Disadvantages

1. Excessive interference of government

2. little or no threat from business

competitors could cause management to be less effective

3 poor management, political interferences

in most awards and appointments.

VI. FRANCHISE;

A franchise form of business is a contractual agreement between two parties: Franchisor (the parent company) and Franchisee (the independent business owner)

Key Characteristics:

1. Business model replication

2. Brand name usage

3. Standardized operations

4. Ongoing support

5. Fees and royalties

Types of Franchises:\*

1. Product Distribution Franchise (e.g. Dangote depot Coca-Cola, Pepsi)

2. Business Format Franchise (MR BIGS, Tantalizer , KFC )

3. Service-Based Franchise (e.g., cleaning services, fitness centers)

4. Retail Franchise (e.g., convenience stores, pharmacies)

Advantages: ( For Franchisee:)

1. Established brand recognition

2. Proven business model

3. Training and support

4. Access to proprietary technology

5. Reduced risk

Advantages (For Franchisor)

1. Rapid expansion

2. Increased brand visibility

3. Royalty income

4. Economies of scale

5. Motivated entrepreneurs

\*Disadvantages (For Franchisee:)

1. Initial investment costs

2. Ongoing fees and royalties

3. Limited control over operations

4. Dependence on franchisor

5. Potential for reputational damage

For Franchisor:

1. Loss of control over individual units

2. Support and training costs

3. Dependence on franchisees

4. Potential for reputational damage

5. Regulatory compliance

Franchise Agreement:

1. Term (length of agreement)

2. Territory (exclusive or non-exclusive)

3. Fees (initial, ongoing, and royalties)

4. Support and training

5. Operational standards

6. Termination clauses

VII. ONLINE BUSINESS

An online form of business, also known as e-business or digital business, refers to any commercial activity that takes place over the internet. This includes:

\*Types of Online Businesses:\*

1. E-commerce (online shopping)

2. Digital services (consulting, coaching)

3. Online education (courses, tutorials)

4. Affiliate marketing

5. Digital marketing agencies

6. Software as a Service (SaaS)

7. Online marketplaces

8. Subscription-based models

9. Online communities and forums

10. Blogging and influencer marketing

\*Online Business Models:\*

1. Business-to-Consumer (B2C)

2. Business-to-Business (B2B)

3. Consumer-to-Consumer (C2C)

4. Peer-to-Peer (P2P)

\*Key Characteristics:\*

1. Virtual presence (website, social media)

2. Digital transactions (online payments)

3. Global reach

4. 24/7 operations

5. Lower startup costs

6. Flexibility and scalability

\*Advantages:\*

1. Increased accessibility

2. Broader market reach

3. Reduced operational costs

4. Enhanced customer engagement

5. Real-time feedback and analytics

6. Competitive advantage

\*Challenges:\*

1. Cybersecurity threats

2. Online competition

3. Technical issues (downtime, connectivity)

4. Data privacy concerns

5. Constant innovation and adaptation

6. Regulatory compliance

\*Online Business Examples:\*

1. Amazon (e-commerce)

2. Google (digital advertising)

3. Facebook (social media)

4. Uber (ride-sharing)

5. Airbnb (online marketplace)

6. Dropbox (cloud storage)

7. LinkedIn (professional networking)

8. Coursera (online education)

Starting an Online Business:

1. Define your niche and target audience

2. Develop a business plan and strategy

3. Create a professional website

4. Establish a strong online presence

5. Develop a marketing and sales strategy

6. Monitor and analyze performance

\*Skills Required:\*

1. Digital marketing

2. Web development

3. Content creation

4. Social media management

5. E-commerce management

6. Data analysis

7. Customer service

VIII. JOINT VENTURE

A joint venture (JV) is a business arrangement where two or more parties agree to pool their resources, expertise, and capabilities to achieve a specific business objective.

Characteristics of Joint Venture:

1. Shared ownership and control

2. Collaborative decision-making

3. Shared risks and rewards

4. Defined objectives and scope

5. Limited duration (specific project or timeframe)

Types of Joint Ventures:

1. Equity Joint Venture: Partners hold equity shares in the venture.

2. Contractual Joint Venture: Partners collaborate through a contract.

3. Strategic Joint Venture: Partners share resources and expertise.

4. Project-Based Joint Venture: Partners collaborate on a specific project.

Advantages:

1. Shared risks and costs

2. Access to new markets and technologies

3. Enhanced credibility and reputation

4. Increased competitiveness

5. Improved innovation and R&D

6. Better resource utilization

7. Potential for long-term partnerships

Disadvantages:

1. Conflicting interests and goals

2. Difficulty in decision-making

3. Cultural and management differences

4. Risk of intellectual property theft

5. Potential for disputes and conflicts

6. Complexity in governance and control

Joint Venture Agreement:

1. Objectives and scope

2. Ownership structure

3. Roles and responsibilities

4. Decision-making processes

5. Financial contributions and sharing

6. Risk management and liability

7. Dispute resolution mechanisms

8. Termination clauses

Examples of Joint Ventures:

1. Sony-Ericsson (mobile phones)

2. Toyota-BMW (electric vehicle development)

3. Google-Intel (mobile chip development)

4. Coca-Cola-Procter & Gamble (beverage distribution)

5. Boeing-Airbus (aircraft manufacturing)

E. ORGANIZATION & MANAGEMENT IF BUSINESS ORGANIZATION

First what is organization? An organization is made up of people who seek to achieve a common objective, a business is established for commercial purposes and the goal is to make profit.

Organization of business indicates the structure and arrangement of various components, departments, and activities within a business to achieve its goals and objectives efficiently.

structure, framework, and arrangement of various components, departments, and activities within a business entity to achieve its goals and objectives efficiently.

A Business Organization is defined as a structure that outlines the relationships and operations within an enterprise, including the governing body, executive staff, administrative support organizations, business operations, and collaborations across organizational boundaries.

Different ways of organising Business

1. Hierarchical or flat, defining relationships between departments and roles.

2. Departments: Functional units (e.g., marketing, finance, HR) with specific responsibilities.

3. Authority and Responsibility: Clear definition of decision-making powers and tasks.

4. Communication: Channels for information flow between departments and levels.

5. Coordination: Integration of departments and activities to achieve common goals.

ORGANIZATIONAL STRUCTURE OR ORGANOGRAM

An organizational structure defines how activities such as task allocation, coordination, and supervision are directed toward the achievement of organizational aims.

Types of Organisational structure

1. Line Organisation.

2. Line and Staff Organisation.

3.Functional Organisation.

4. Project Organisation.

5. Matrix Organisation

1. Line Organization:

Line organization is one of the most basic types of organizational structure, where each level of management has clear authority over the next level down. In other words, line organizations have clear lines of authority (chain of command) running from the top of an organization down to the lowest levels.

2. Line - Staff Organizational Structure

A line-staff organization is a structure that distributes work responsibilities from upper management to lower-level employees. The managers establish standards for the quality of the work and deadlines for employees to finish their tasks, and they communicate their expectations to the team.

3. Functional Organizational Structure

A functional organizational structure is a common type of business structure that organizes a company into different departments based on areas of expertise, grouping employees by specialty, skill or related roles.

4. Project Organizational Structure

The project organizational structure is an essential tool for determining the hierarchy of people, their function, workflow and reporting system. It is a factor in project management that plays a fundamental role in guiding and defining the way in which the organization carries out its operations.

4. Matrix: A matrix organization is a company structure where teams report to multiple leaders. The matrix design keeps open communication between teams and can help companies create more innovative products and services. Using this structure prevents teams from needing to realign every time a new project begins

MANAGEMENT OF BUSINESS ORGANIZATION.

Management is the process of planning, organizing, directing, and controlling the activities of a business or organization to achieve its goals and objectives: How all these function bare combined to achieve Organizational goal is what management of Organisation is all about.

BUSINESS OBJECTIVES

Business objectives are the results you are aiming to achieve in order to accomplish your longer-term company vision. Think of business objectives as metrics to measure your overall business success. Hitting your business objectives means you're on the path towards achieving larger company goals.

Different types of businesds objectives

1. Productivity

2. Growth

3. Revenue

4. Sales

5. Brand awareness

6. Cash flow

7. Cost accounting

8.Customer service objectives

9. Diversity and inclusion

10.Employee retention

11 Innovation

12.Sustainable growth

13. Change management

14.Costs

15. Customer satisfaction

16. Market share

17. Profit

18. Human objectives

19. Social objectives

20. Economic objectives

21. Financial objectives

22. Survival

23. Organic objectives

24. Customer experience

With the above outlined objectives, it shows , profit is not the only objective of business organization.