Types of business activities and business organizations commerce essay

Sole Trader-ship is the most primitive form of business organization. A business organization owned and managed by only one person, having full share of profit and responsible for all the losses of the organization is called sole trader-ship. Due to some of sole trader-ship the limitations including limited capital, limited scope of business and short-life a need for a new organization was felt. Thus a new business organization evolved that is known as partnership. In a partnership two or more persons pool together their resources to form the partnership business. The partnership combined financial resources, mental resources, and experience of partner for the success of the business enterprise. The rules and regulation that governs the partnership business is called partnership contract. The contract is the bye-laws of business and specifies the nature of the business, partner's capital, profit and loss ratios and various terms and conditions relating to the business.

Limited financial resources, unlimited liability and limited life of the partnership are cited as the peculiar demerits of the partnership, hence a need have been felt for a new organization that do not have the abovementioned demerits. A new type of business evolved after the industrial revolution called Joint Stock Company (Corporation in USA). A joint stock company is a business organization that is an artificial person, having perpetual existence and common seal with transferable shares, and separation of management from shareholders. This type of business tries to eliminate the demerits associated with sole-trader-ship and partnership (limited capital, limited life, and unlimited liability) plus it provides professional management of the company affairs through separation of ownership and management. The owner of the enterprise selects Board of Director amongst itself that chalk out broad-range policies concerning the business enterprise. The day-to-day affairs of the business are run by professional who have expertise in their related field.

Types of Business and Strategic Objectives:

The objectives of the business depend on whether the business is owned by private investors or by the government. A private business is a business owned, managed and control by private investor(s. It may take any form including sole trader-ship, partnership or Joint Stock Company. On the other hand public enterprise also known as state-owned enterprise is owned, managed and run by government through its representative. If the business owned by private investors some of the possible objectives may be:

To achieve a stated goal in terms of profit

To achieve a stated goal in terms of sales

To achieve a stated goal in terms of Return on Investment (ROI)

To be a leader in a category

To achieve a stated percentage of Earning Per Share (EPS)

To be an environment friendly organization

To be socially admirable organization

To be a producer of quality products and/or services

On the other hand if the business is owned by government (state owned enterprise) some of the possible objectives of the enterprise may be:

To provide high quality services (e. g. health, education, communication etc) to the masses on equality bases

To provide quality products and/or services to the masses at a lower cost as compared to private sector

To reduce the disparity between the masses by reducing the income/status gape

To provide access to quality product and/or services to all the masses irrespective of income, status, religion, geographic territory etc.

Financial Activities and Organizational Structure:

According to Vanhorn and Wachowics (2001) “ financial management is concerned with acquisition, financing and management of assets with some overall goal in mind”. The overall goal is usually to increase the wealth of present and prospective shareholders.

Organizational structure is an arrangement of organization activities that portray the various relationships amongst the organizational member. The organizational structure depicts “ who is the boss” and “ who is the subordinate”. Usually organizational structure are build on pyramid type, as depicted in Figure 1. 3.

Figure 1. 3. Organizational Structure

Macro (External) Environmental Factors:

The macro environment consists of uncontrollable forces that directly or indirectly influence an organization's ability to achieve a desired result. In the word of Kotler and Armstrong (2003) " marketing environment consists of the actors and forces outside marketing that affect marketing management's ability to build and maintain successful relationships with target customers". These influences create both opportunities and threats for a manager. A prudent manager is supposed to capitalize the opportunity provided by the macro environment and decrease potential bad impact of a threat that may hinder the organization performance.

The macro environmental factors include economic factors, demographic factors, social and cultural factors, technological factors, and legal and political factors. An organization management is supposed to constantly monitor and evaluate these factors, and capitalize the opportunity if any. Organization that failed to take action in response to change in the environmental factors will not be able to succeed and hence to achieve its mission.

Section 2 Investigating Business Resources.

2. 1. Human Resource Management:

Organization resources can be grouped into four categories including Financial, Information, Physical and Human Resources. According Braton (2005) " Human Resources Management is the the direction of organizational systems to ensure effective and efficient use of human talent to accomplish organizational goals." The human resources of the organization are the most crucial assets of the organization. In fact one can argue that the factor responsible for success and failure in most of the cases is HR, but unfortunately it cannot be portrayed on Balance sheet as an Asset because it is priceless.

2. 2. Purpose of Business and Technological Resources:

Resources such as air, water, gas, oil, forests, paper, iron, core etc is known as physical resources, while technological resources includes, computer, plants, machinery etc. Organization needs to ensure that best utilizations of these scarce resources, by showing quality, efficiency, and waste management issues are addressed to improve performance and reduce costs. The management of these resources involved obtaining the desired materials, supplies, equipment, premises and energy and using them in the most efficient way to decrease operational cost and to attain the organizational objectives.

2. 3. Access source of finances:

In order to start a business or boost the established business through injection of new funds there are various sources of finances that an entrepreneur can access. The various options include banks that provide short, medium and long term finances to business enterprise. On the other hand there are also various developmental institutions that provide grants to boost a business in a particular sector, for example industry, trade, exports, agriculture, etc. Another possible option to get the fund is from venture capital provider, who usually charge slightly higher rate than the market.

2. 4. Interpret financial statement:

Financial statement is interpreted using ratio analysis. Financial ratio provides an insight about the firm's performance. The organization can compare its financial results with its previous year results or they can compare the results with another player of the same industry. Financial ratios quantify many aspects of an organization including sales, profitability, creditworthiness, liquidity, usage of assets, and are an integral part of financial statement analysis. Thus ratios of a company in different industries provide an insight regarding a firm's risk, capital requirements, and the nature of competition.

Section 3. Introduction to marketing:

3. 1. Key concept and principle of marketing:

According to Kotler and Armstrong " marketing is the process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others". So we can say that the task of marketing is satisfy consumer needs and wants while achieving organization goals. A need is basic such as need for food, shelter, safety etc. when these needs are shaped by individual preferences and culture it becomes wants. The task of marketer is thus to identify a consumer need, translate that in wants, and designed the offering that have the capability to satisfy such needs and wants. When organization deliver the product and/or service to its customer, customer get a product and/or service, that have the ability to satisfy a consumer need and want while organization get money in exchange.

3. 2. How and Why Marketing Research is conducted by Organizations:

In achieving the organization mission and carrying out their marketing responsibilities, managers need a great deal of information's to make inform decision keeping in view the customer needs and wants. Marketing research provide manager insight regarding customer taste and preferences, product pricing, place and promotion strategy, competitors products, etc and help manager make better marketing decisions. Thus marketing manager increase his chances of success in the market by using up-to-date information while designing the marketing mix for the company offerings.

Marketing research involves collecting information relevant to a specific marketing problem facing the organization through research by defining problem and coming up with the research objectives, preparing the research plan, and then implementing and interpreting the findings through research report for actions to marketing manager.

3. 3. Kinds of Marketing Information used by Organization:

According to O'Brien and Marakas (2004), " an information system can be any organized combination of people, hardware, software, communications, networks, and data resources that stores and retrieves, transform, and disseminates information in an organization". A company can use two types of marketing information based on the position of the end-users and type of use: the MIS for the managers and MIS for operational sales and marketing activities. The users of Marketing Information system and decision-making systems are primarily senior executives, Heads of SBUs and Manager

Marketing, and analyst. Usually experts use raw data collected from various sources and refine them to be presented to marketing department.

3. 4. How Marketing Increase Demand.

The marketing concept is a process by which marketers identify consumer needs and wants and then provide products that satisfy these needs and wants, in a process of achieving organizational objectives. A product created and delivers based on the marketing concept benefit customer when it satisfies his need or want. When one have the ability, desire and authority to purchase certain product it is called demand. Marketer creates demand for his offering by providing to its target markets four types of utility known as form utility, place utility, form utility and possession utility.

Section 4: Effective People communication and information:

4. 1. Important of employing suitable people:

For effective communication in an organization it is vital to employee suitable people across the organization. The communication within and outside the organization will have impact only when the receiver (one who receives and interpret the message) pursue exactly what the sender (a person who transmit and idea or message) mans. This depends a lot on the people inside the organization. If people inside the organization are talented and have mature personality they will interpret the message by using their professional skills acquired through various training and development. If the case is opposite, the organization will be facing difficulties in every wake of life. Communication skills of an employee also add goodwill for the employee as well as the organization.

4. 2. Communication using appropriate method:

The appropriate method of communication is first to determined the purpose of communication. The manager can determine that by answering: Why is the communication required? After defining the purpose of the communication the manager then need to identify the target audience, as the construction of message will depends a lot on the audience. He is supposed to ascertain some background information regarding the receiver of the message including position, educational level, experience etc. The communicator is then required to develop his message in a very clear, coherent, correct, concise and logical manner by maintain positive attitude that is reflected in choice of words.

4. 3. Different type of information and how it can be process:

Communication can occur through different processes and methods and can also be classified on the channel used and the style of communication. On the basis of channels communication can be divided into verbal communication (communication in written or oral form) and non-verbal (communication through body language, expressions, visuals etc.) On the basis of style communication can formal and informal. Formal communication occurs when in formal organization settings including communication between a superior and subordinate or organization and taxing authorities etc. On the other hand informal communication is free and unrestricted communication between employees who share casual relation with one another. An example of this is communication between pears.

4. 4. Presenting Information Effectively:

Effective information contains 7 characteristics that are known as 7 C's of effective communication. This 7 C's are Credibility, Courtesy, Clarity, Conciseness, Correctness, Coherent, and Consideration. Credibility of information means that the information present should be trustworthy. Courtesy means that the presenter of information should starts and end on courteous note. Clarity is important regardless of the content of the message. A message is clear when it contains information that is easily interpreted. A message should also be correct when it is 100% error and accurate and facts and figures are backed through documented evidence. The presented message need also be consistent, meaning stable and have no ups and down. Concreteness of message is present when the message is not vague and abstract but rather a solid statement that is used to reinforce the confidence. Conciseness of the message means providing to the point information to the target that saves time for both sender and receiver.

Section 5: Introduction to Accounting:

5. 1. Purpose of accounting and categorization of business income and expenditure:

Accounting is said to be the language of business. According Horngren and Harrison (2001), " accounting is the system that measures business activities, processes that information into reports, and communicates these findings to decision makers".

An organization income can be classified into Gross Income (the residual of total revenue minus cost of goods sold or direct expense), Operating Income (Gross Income minus Operating Expense), Income before taxes (Operating

Income minus interest expenses) Income After Taxes (Income before taxes minus corporate taxes, if any). On the other hand expenses can be categorized on the basis of Cost of goods sold (material, labor and overhead expenses in case of manufacturing, and purchase price plus direct expenses in case of merchandizing business), operating expense (include marketing, sales and administration expense).

5. 2. Preparing a cash flow forecasts:

Cash flow forecast is the amount of money that organization expects that will come-in (Inflow of cash) and goes-out (outflow of cash). The inflow of cash includes sources such as cash sales, collection from customer, bank loan, and proceeds of stocks issued, or through sales of fixed assets. On the other hand cash outflows include all the disbursement to suppliers, payment of staff salaries and benefits, repayment of loan and/or capital, payment of expenses like rent, rates, taxes, capital expenditure for the acquisition of new assets, and interest payment by an organization. The total net cash flow is the difference between the total cash Inflow and total cash outflow for a particular period of time. The forecasting of cash flow includes tabulating all the major cash inflows, for example, cash sales, receipts from customer, loans etc and then analyzing the timing of expected payments in the form of salaries, material, capital expenditure etc. To this amount the current period net cash flow is added (if positive) while the desired started cash flow for the upcoming year is then subtracted. If the organization has left with negative figure then it arranges a loan accordingly.

5. 3. Profit and loss account and balance sheet:

The profit and loss account also known as Income statement portrays the results of business for particular period of time usually a year. It can be called a moving picture of the business stating the total revenue earned by the organization and total expenses incurred on earning the revenue, and the end result whether profit have been earned or losses have been sustained. On the other hand Balance Sheet depicts financial position of a business organization on a particular date usually at the end of year. Balance Sheet is like a snapshot of the organization that portrays the Assets it organization and liabilities and owners equity of the organization.

5. 4. Review business performance using simple ratio analyze:

In order to evaluate an organization performance one can use ratio analysis for interpreting the results and then comparing that with its own past results or with that of industry player. The most commonly used ratio includes liquidity ratios, that measure the business liquidity whether the firm will be able to pay its short term debts when it comes due or not. Profitability ratios measure firms profitability with respect to sales, equity, assets, long term assets etc. Coverage ratios measure whether firm will be able to pay its fixed charges from the profit or not. Activity ratios measure various activities of the organization including inventory, receivables, payables, etc.