**BUSINESS MANAGEMENT**

**A Business** can be defined as the sum total of all economic activities people engage in in order to make profit. It is the sum total of all the activities involved in the production and distribution of goods and services to make profit.

**Classifications of business**

Businesses can be classified based on:

1. The size of the business, which could be small, medium or large scale.
2. The type of goods sold, which could be durable, non-durable, standard or non-standard.
3. The type of customers, ie, household, industrial or government.
4. The ownership structure
5. The industry which could be manufacturing or service concern.

**Objectives of a business**

* To maximize profit
* To provide quality goods and services to meet consumers’ needs
* To provide employment opportunities
* To protect the interest of workers
* To solve some social problems such as providing good roads, controlling pollution, etc.

**MANAGEMENT**

Management can be defined as the co-ordination of all the resources of an organisation through the process of planning, organising, directing, and controlling in order to achieve organisational goals and objectives effectively and efficiently. It can also be defined as the act of getting things done through people.

**Principles of Management**

These are the fundamental principles of management propounded by Henri Fayol.

1. Division of labour
2. Unity of command
3. Authority and responsibility
4. Discipline
5. Congruency of goals
6. Remuneration
7. Centralisation
8. Espirit de corps (in unity, there is strength)
9. Unity of direction
10. Span of control
11. Scalar chain
12. Initiative
13. Equity
14. Order

**Functions of Management**

1. **Planning:** This involves the establishment of objectives and formulating strategies, policies procedures and actions to achieve the stated objectives. It is the act of thinking before doing. It is the act of setting goals and devising the manner in which to achieve the set goals.
2. **Controlling:** This is the process of compelling events to conform to plan. It requires establishment of standards, measurement of performance with standards and taking corrective actions if there are deviations.
3. **Organising:** This is the process of developing organisational structure, ie arranging resources to carry out the organisation’s plan in an effective way.
4. **Co-ordinating**: This is the act of making small groups of people work together in an efficient and organised way.
5. **Staffing**: This involves recruiting qualified personnel to man various positions in the organisation. It involves recruitment, selection and placement.
6. **Directing**: This is the ac bcomplishment of the organisations objectives by guiding and motivating subordinates.
7. **Motivating**: This is the process of getting subordinates to put in their best willingly in terms of hard work and efforts through incentives.
8. **Communicating**: This is the transfer of information from one person to another. It is a chain of understanding that links the various units of an organisation.

**Levels of Management**

1. **Strategic Level:** This is the level of management which engages in decision making. It formulates policies, decisions that affect the entire organisation.
2. **Tactical Level:** This is the middle management. They interpret the policies made at the strategic level. They ensure that the resources of the business are effectively and efficiently used.
3. **Operational Level:** This is the level that implements the policies. They ensure that specific tasks are planned and carried out properly within the organisation.

**BUSINESS RESOURCES**

Business resources are the inputs which are required for the efficient and effective running of a business. They are the inputs used in the productive process. They are:

* **Human Resource (Man):** This is the most important resource. It refers to the personnel used in running the business in other to achieve the set goals and objectives. It plans, coordinates, controls and organises all other resources to achieve maximum efficiency.
* **Financial Resources (Money):** This is the money resource which is used in purchasing equipment, plant and machinery, etc. It is also used in paying the salaries and wages of the use of labour. It is an important resource as it is needed to finance other resources.
* **Material Resources (Materials):** These are the resources needed in the production process. It includes raw materials, semi-finished goods, tools, plant, etc, needed for production. For efficiency, the quality and quantity of materials must be taken into consideration.
* **Goodwill/Opportunities:** Goodwill refers to the benefits and advantages that arise from the good name, connection and reputation of a business, which makes it earn more profit. Opportunities refer to the facilities and advantages available in the environment which the business can exploit, such as good roads, electricity, water, etc.

**BUSINESS ENVIRONMENT**

Business environment refers to the forces and activities that affect the operations of a business. They include:

1. **Political Environment:** This refers to the type of government or political system and the various policies put in place. Government policies would determine business activities. The actions at the federal, state and local levels affect businesses.
2. **Economic Environment:** This involves the economic system (capitalism, socialism or communism, etc) which determines the nature of a business. It includes income distribution, expenditure pattern, inflationary trends, etc. which affects the operations of a business. The state of the economy such as recession, positively or negatively affects business operations.
3. **Socio-cultural Environment:** This describes the way of life of the society, such as attitudes, beliefs, customs and how they affect business operations. The culture of the people has an influence on their consumption pattern. For example, some take alcohol, while others do not.
4. **Technological Environment:** This relates to all aspects of creating new ideas and invention. It is the application of scientific principles to solve industrial problems, which includes innovations and improvement in production. Technological changes make previous equipment obsolete.
5. **Legal Environment:** This is concerned with the rules and regulations which affects business operations. Business organisations should bear in mind the decrees, rules, acts and laws which must be obeyed.
6. **Ecological Environment:** The climatic conditions of a place will determine the type of business that can take place in such an area. Changes such as erosion, desert encroachment, draught, etc which affects businesses.
7. **Demographic Environment:** This is the composition of the population. The population size will determine the quantity of goods and services to be produced.
8. **International Environment:** A business that is engaged in exportation must have an accurate knowledge of the laws, customs and market system of the foreign country where it operates.
9. **Infrastructural Environment:** This consists of the infrastructural or social amenities such as good roads, electricity, seaports, etc. available which enables a business achieve its objectives. This facilitates business operations hen businesses are locates where these are made available.

**SOCIAL RESPONSIBILITIES OF A BUSINESS**

An organisation has responsibilities to the following

**Responsibilities to the Government**

* To ensure prompt payment of taxes
* Using local inputs for production
* To abide to the laid down rules and regulations of the government
* To provide employment opportunities to citizens
* To provide social amenities in partnership with the government

**Responsibilities to the Community**

* To provide employment opportunities to community members
* To provide quality goods and services
* To provide infrastructural facilities
* To grant scholarship and awards to students
* To preserve the culture and traditions of the people
* To provide donations to orphanages and rehabilitation centres

**Responsibilities to Consumers**

* To provide quality and reliable goods and services
* To protect them against misleading advertisement
* To give attention to consumers complaints
* To provide adequate information concerning the use of the product
* To ensure fair pricing of goods

**Responsibilities to Employees**

* To ensure fair and timely payment of remuneration
* To ensure job security
* To ensure that workers are well trained
* To provide good working environment
* To ensure job satisfaction
* To provide good welfare package

**Responsibilities to Shareholders**

* To organise annual general meeting
* To ensure the effective distribution of dividends
* To provide adequate information about the organisation
* To prepare the company’s financial statement
* To ensure compliance with various accounting policies and standards.
* To provide satisfactory profit
* To ensure the implementation of decisions made during the annual general meeting

**Responsibilities to its Environment**

* To develop pollution control techniques
* To ensure adequate disposal of wastes
* To chemically treat wastes to make it harmless
* To reduce pollution in the environment

**INTER AND INTRA DEPARTMENTAL COMMUNICATION**

**Inter-departmental communication** refers to the communication between the various departments of the organisation. The media used for inter-departmental communication are memorandum, circulars, telephone (intercom), radiophone, loud speakers, circulars, emails

**Intra-departmental communication** refers to the communication within the departments in an organisation. The media used for communication are direct communication are notice boards, reports, emails, internal memorandum, bells and buzzers.

**ORGANISATIONAL CHART**

This is a diagrammatic representation or blueprint of all units, divisions and departments and their related duties in an organisation, with a view to making every member aware of whom he is directly responsible to. It is a diagrammatic representation of the organisational structure. It shows various departments and how they are related. Also, it shows at glance how the business is organised.

**Functions of a chart**

1. It shows how the business is organised
2. It shows the line of communication
3. It shows the entire structure of the organisation
4. It shows the division of work and line of authority and responsibility
5. It is useful for evaluating the strength and weakness of an organisation.

**Organisational Structure**

This refers to the hierarchical arrangement of lines of authority, communications, rights and duties in an organisation. It is the framework by which tasks are divided, grouped, and coordinated. It is the manner in which tasks are allocated to individuals and groups within the organisation, the manner of reporting relationships between them, as well as the methods of coordination. An organizational structure defines how activities such as [task allocation](https://en.wikipedia.org/wiki/Task_allocation), coordination, and supervision are directed toward the achievement of organizational aims

**Roles of organisational structure**

1. It clarifies authority and responsibility and reduce employee conflict
2. It clearly divides roles and responsibility
3. It leads to greater employee performance which can lead to greater morale and confidence
4. It helps in quick decision making
5. It ensures that tasks, activities and objectives are well integrated
6. it provides efficient means of disseminating policies and decisions
7. It leads to improved operating efficiency
8. It helps for better communication

**Types of organisational structure**

1. **Line Structure:** Also called vertical structure. This is the oldest and simplest organisational structure. It shows the direct line of authority and relationship between the various management levels and between superior and subordinates. Here, authority flows from top management to the lower management. It is suitable for small and medium organisations

**Advantages**

1. It is easy and simple to operate
2. It facilitates quick decision making
3. It is cost effective
4. It clearly shows the line of communication
5. It is applicable to small and medium enterprises

**Disadvantages**

1. It is not suitable for large organisations
2. Specialists are neglected in planning
3. Top executives are overworked
4. A manager is responsible for too many duties
5. The manager may become autocratic
6. **Line and staff structure:** This is a mixture of direct executives’ responsibilities structure with specialist auxiliary services. It resembles the line structure, except that specialists are included in the arrangement. Line executives make the decision with the aid of staff executives

**Advantages**

1. It enables specialists to give expert advice on technical matters
2. It brings about efficiency
3. It is useful for large organisations

**Disadvantages**

1. Staff specialists have no line of authority and are not responsible for what happens
2. Staff specialists may take over the job of the line managers
3. It can cause confusion in the organisation if functions are not clear.
4. There is the possibility of conflict between line manager and staff managers
5. **Functional structure:** This is set up where certain functional relationship exists between specialists/functional managers and line managers. Under this structure, similar activities are grouped together under each department. Here, the line authority is channelized through the staff specialist. For every department, there is a specialist who has direct control over that department. There is multiplicity of command and not unity of command.

**Advantages**

1. it provides a framework for applying expert knowledge
2. It promotes skill development of employees
3. It provides reference for growth and expansion of business activity
4. It is suitable for large organisations

**Disadvantages**

1. It lacks fixed lines of authority and responsibility
2. Subordinates are always in confusion to obey orders due to multiple command
3. There is delay in decision making.
4. No formal relationship exists among departmental specialists
5. There is lack of mutual understanding and coordination of activities of different departments
6. **Committee:** A committee is a group of people appointed or nominated to research/handle and give report on a given issue. Here, management team is assisted by a member of standing advisory committee. They are appointed to carry out special duties such as making recommendations or executing a project.

**Advantages**

1. It helps in getting opinions from many individuals
2. They help to carry out special duties
3. It gives room for creating new ideas and better decisions
4. It enhances participation
5. They are democratic in nature

**Disadvantages**

1. Sometimes, a committee may be too large for constructive action
2. It leads to delay of routine duties
3. Sometimes, it lacks accountability.

**Principles of a good organisation**

* **Division of labour:** This is the breaking down of a complex job into several parts/stages which can be done by different persons.
* **Unity of command:** This means employees should receive orders from one superior at a time so as to avoid conflict.
* **Authority and responsibility:** Responsibility refers to the state of being in charge of something. It is a duty or obligation to be performed by a person.
* **Centralisation:** This means to restrict decision making to the higher levels of management hierarchy.
* **Span of control:** This means the number of subordinates that a manager can manage or supervise directly.

**DEPARTMENTS IN AN ORGANISATION**

Department refers to the division of an organisation. Departmentalisation is the way jobs are being grouped into logical activities. The size of an organisation determines the number of its departments. The head of a department is known as the **Manager.** He oversees the affairs of the department.

**Departments and their function**

1. **Finance department:** This department is in charge of managing of funds and keeping financial record. It is divided into several sections such as accounting, auditing, costing and treasury. It is in charge of
2. keeping of financial records
3. analysing the company’s records
4. controlling the total expenditure of the organisation
5. keeping records of assets and liabilities of the business
6. preparing and disbursing of staff salaries and wages
7. preparing records to evaluate the profitability of the business
8. **Production department:** This department is responsible for converting raw materials into finished goods.

* They coordinate the manufacturing of goods
* They carry out research and development efforts for new products
* They ensure that the right quantity of goods are produced
* They control the cost of production
* They set the standard for production
* They ensure the safety of the factory
* They ensure effective planning, regulation and supervision of production

1. **Sales / Marketing department:** They are in charge of marketing, distribution and sale of goods.

* They are in charge of creating awareness about the existence of a product
* They gather up-to-date information about the market
* They identify consumers’ needs in order to satisfy them
* They plan and select the best strategy for distribution of their products
* They inform representatives about new products and seek their opinion
* They ensure the sale and distribution of goods

1. **Personnel department:** Often called the **Human Resource Department.** They are in charge of all matters concerning the staff, such as recruiting, interviewing and selection. They

* are in charge of recruiting new staff
* handle trade union matters and public relations
* assess staff performance in order to carry out promotion exercise
* maintain employees records
* select and train employees to improve their efficiency
* recommend disciplinary and dismissal action to erring staff

1. **Administrative department:** This department oversees the day-to-day running of the organisation.

* They coordinate and direct the affairs of the organisation
* They ensure proper office management
* They ensure that all organisational records are properly kept
* They organise meetings with staff to move the business forward
* They make plans and policies to guide the affairs of the organisation
* They provide administrative assistance to staff

1. **Transport department:** They oversee the maintenance of vehicles in the organisation.

* They organise travelling arrangement for employees
* The handle the allocation of vehicles
* They transport goods and services from place to place
* They handle the hiring process of vehicles from outsiders
* They repair and maintain vehicles used in the organisation.

**DELEGATION OF AUTHORITY**

Delegation of authority is the transfers of responsibility to a subordinate, with sufficient authority to enable him carry out the assignment, while the superior is accountable for the delegated job. It is also the transfer to others the authority fir the performance of a specific task and decision making. The quality of a good manager is his ability to delegate authority to suitable subordinates.

**Advantages of delegation**

1. Delegation saves time in carrying out duties
2. It relieves top management of work overload
3. It helps to motivate subordinates by giving them a sense of responsibility
4. It serves as a way of training subordinates
5. It brings about cordial relationship between superior and subordinates
6. It helps to prepare the subordinate for taking over from the superior when they are transferred or retired
7. It ensures better and quick decision making

**Disadvantages of delegation**

1. It may lead to confusion if authority and responsibility is not well defined
2. It can lead to duplication of services
3. it may affect the quality of job when delegated to less experienced subordinates
4. Subordinates can abuse the opportunity given to them
5. The manager may lose touch with the happenings in his department
6. It may lead to unfinished work

**Reluctance of managers to delegate authority**

1. Fear of expressing favouritism among subordinates
2. The lack of confidence in subordinates
3. The fear of the subordinates performing better than the superior
4. The fear of losing touch with his department
5. Lack of competent subordinates
6. The fear of subordinates making costly mistakes
7. The fear of subordinated detecting the faults of the superior
8. The fear of subordinates becoming more knowledgeable than the superior

**Reluctance of subordinates to accept delegation**

1. The fear of being criticised by the superior for making mistake
2. The fear of being overloaded with work
3. The lack of sufficient information and resources to carry out the job effectively
4. The lack of incentive to motivate the subordinate
5. The fear of making the wrong decision

**SPAN OF CONTROL**

Span of control refers to the number of subordinates a manager can effectively handle/manage; OR the number of subordinates reporting to and controlled by a manager.

The number varies according to the type of work, nature of the business, volume of the task, number of staff, space available, etc. To ensure effective control, the number of subordinates should not be more than what the manager can mentally handle. Henri Fayol suggested that the range should be between 3 and 6.

**Factors that determines span of control**

1. **The training and experience of the manager:** An experienced superior with good understanding of the task, good knowledge and good relationship will be able to supervise more workers. This helps to determine how a manager can deal with emerging problems at work. A well-trained and experienced manager can handle more subordinates than an inexperienced manager.
2. **The training and experience of the subordinate:** Workers who are highly capable need little supervision to carry out their task and vice versa.
3. **The size of the organisation:** This determines the number of subordinates the manager can supervise.
4. **The leadership style of the manager:** The type of control the manager exercises and the freedom to make decision extended to the subordinates will affect the span of control.
5. **Geographical dispersion:** If the branches of the business are widely dispersed, the manager may find it difficult to supervise all of them, then the span of control will be smaller
6. **The nature of the work:** Routine jobs require less supervision and large number of subordinates, while complex jobs do not.
7. **The similarity of task:** If the subordinates perform similar tasks, the span of control can be wider as the manager can supervise them at the same time.
8. **The level of relationship between the manager and subordinate:** The frequency of interaction between a manager and the subordinates will determine how effective his supervision will be.
9. **The demand on the manager’s time:** If the manager has other responsibilities in other departments, such as, projects, liaising with stake holders, membership of committees, the number of direct report will be smaller.
10. **Congruency of goals:** Self-motivated subordinates who believe in the overall corporate objectives of the organisation require less supervision.
11. **The level of technological development.**

**Assignment**

Explain the term authority and responsibility