

## **Business Objectives**

Objectives represent the purpose for which an organization has been started. Objectives guide and govern the actions and behavior of businessmen. Business objectives are something which a business organization wants to achieve or accomplish over a specified period of time. These may be to earn profit for its growth and development, to provide quality goods to its customers, to protect the environment, etc.

### **Classification of Objectives of Business:**

The objectives of business may be classified as;

- A. Economic Objectives
- B. Social Objectives
- C. Human Objectives
- D. National Objectives
- E. Global Objectives

### **A. Economic Objectives:**

Economic objectives of business refer to the objective of earning profit and also other objectives that are necessary to be pursued to achieve the profit objective, which include, creation of customers, regular innovations and best possible use of available resources.

#### **(i) Profit Earning:**

Profit is the lifeblood of business, without which no business can survive in a competitive market. In fact profit making is the primary objective for which a business unit is brought into existence. Profits must be earned to ensure the survival of business, its growth and expansion over time.

Profits help businessmen not only to earn their living but also to expand their business activities by reinvesting a part of the profits. In order to achieve this primary objective, certain other objectives are also necessary to be pursued by business, which are as follows:

**(a) Creation of customers:**

A business unit cannot survive unless there are customers to buy the products and services. Again a businessman can earn profits only when he/she provides quality goods and services at a reasonable price. For this it needs to attract more customers for its existing as well as new products. This is achieved with the help of various marketing activities.

**(b) Regular innovations:**

Innovation means changes, which bring about improvement in products, process of production and distribution of goods. Business units, through innovation, are able to reduce cost by adopting better methods of production and also increase their sales by attracting more customers because of improved products.

Reduction in cost and increase in sales gives more profit to the businessmen. Use of power looms in place of handlooms, use of tractors in place of hand implements in farms etc. are all the results of innovation.

**(c) Best possible use of resources:**

As we all know, to run any business we must have sufficient capital or funds. The amount of capital may be used to buy machinery, raw materials, employ men and have cash to meet day-to-day expenses. Thus, business activities require various resources like men, materials, money and machines.

The availability of these resources is usually limited. Thus, every business should try to make the best possible use of these resources. Employing efficient workers. Making full use of machines and minimizing wastage of raw materials, can achieve this objective.

### **B. Social Objectives:**

Social objective are those objectives of business, which are desired to be achieved for the benefit of the society. Since business operates in a society by utilizing its scarce resources, the society expects something in return for its welfare. No activity of the business should be aimed at giving any kind of trouble to the society.

If business activities lead to socially harmful effects, there is bound to be public reaction against the business sooner or later. Social objectives of business include production and supply of quality goods and services, adoption of fair trade practices and contribution to the general welfare of society and provision of welfare amenities.

#### **(i) Production and Supply of Quality Goods and Services:**

Since the business utilizes the various resources of the society, the society expects to get quality goods and services from the business he objective of business should be to produce better quality goods and supply them at the right time and at a right price It is not desirable on the part of the businessman to supply adulterated or inferior goods which cause injuries to the customers.

They should charge the price according to the quality of e goods and services provided to the society. Again, the customers also expect timely supply of all their requirements. So it is important for every business to supply those goods and services on a regular basis.

**(ii) Adoption of Fair Trade Practices:**

In every society, activities such as hoarding, black-marketing and over-charging are considered undesirable. Besides, misleading advertisements often give a false impression about the quality of products. Such advertisements deceive the customers and the businessmen use them for the sake of making large profits.

This is an unfair trade practice. The business unit must not create artificial scarcity of essential goods or raise prices for the sake of earning more profits. All these activities earn a bad name and sometimes make the businessmen liable for penalty and even imprisonment under the law. Therefore, the objective of business should be to adopt fair trade practices for the welfare of the consumers as well as the society.

**(iii) Contribution to the General Welfare of the Society:**

Business units should work for the general welfare and upliftment of the society. This is possible through running of schools and colleges better education opening of vocational training centres to train the people to earn their livelihood, establishing hospitals for medical facilities and providing recreational facilities for the general public like parks, sports complexes etc.

**C. Human Objectives:**

Human objectives refer to the objectives aimed at the well-being as well as fulfillment of expectations of employees as also of people who are disabled, handicapped and deprived of proper education and training. The human objectives of business may thus include economic well-being of the employees, social and psychological satisfaction of employees and development of human resources.

**(i) Economic Well-being of the Employees:**

In business employees must be provided with fair remuneration and incentive for performance benefits of provident fund, pension and other amenities like medical facilities, housing facilities etc. By this they feel more satisfied at work and contribute more for the business.

**(ii) Social and Psychological Satisfaction of Employees:**

It is the duty of business units to provide social and psychological satisfaction to their employees. This is possible by making the job interesting and challenging, putting the right person in the right job and reducing the monotony of work. Opportunities for promotion and advancement in career should also be provided to the employees.

Further, grievances of employees should be given prompt attention and their suggestions should be considered seriously when decisions are made. If employees are happy and satisfied they can put their best efforts in work.

**(iii) Development of Human Resources:**

Employees as human beings always want to grow. Their growth requires proper training as well as development. Business can prosper if the people employed can improve their skills and develop their abilities and competencies in course of time. Thus, it is important that business should arrange training and development programmes for its employees.

**(iv) Well-being of Socially and Economically Backward People:**

Business units being inseparable parts of society should help backward classes and also people those are physically and mentally challenged. This can be done in many ways. For instance, vocational training programme may be arranged to

improve the earning capacity of backward people in the community. While recruiting its staff, business should give preference to physically and mentally challenged persons. Business units can also help and encourage meritorious students by awarding scholarships for higher studies.

### **D. National Objectives:**

Being an important part of the country, every business must have the objective of fulfilling national goals and aspirations. The goal of the country may be to provide employment opportunity to its citizen, earn revenue for its exchequer, become self-sufficient in production of goods and services, promote social justice, etc. Business activities should be conducted keeping these goals of the country in mind, which may be called national objectives of business.

The following are the national objectives of business.

#### **(i) Creation of Employment:**

One of the important national objectives of business is to create opportunities for gainful employment of people. This can be achieved by establishing new business units, expanding markets, widening distribution channels, etc.

#### **(ii) Promotion of Social Justice:**

As a responsible citizen, a businessman is expected to provide equal opportunities to all persons with whom he/she deals. He/ She is also expected to provide equal opportunities to all the employees to work and progress. Towards this objectives special attention must be paid to weaker and backward sections of the society.

#### **(iii) Production According to National Priority:**

Business units should produce and supply goods in accordance with the priorities laid down in the plans and policies of the government. One of the national objectives of business in our country should be to increase the production and supply of essential goods at reasonable prices.

**(iv) Contribute to the Revenue of the Country:**

The business owners should pay their taxes and dues honestly and regularly. This will increase the revenue of the government, which can be used for the development of the nation.

**(v) Self-sufficiency and Export Promotion:**

To help the country to become self-reliant, business units have the added responsibility of restricting import of goods. Besides, every business units should aim at increasing exports and adding to the foreign exchange reserves of the country.

**E. Global Objectives:**

Previously India had very restricted business relationship with other nations. There was a very rigid policy for import and export of goods and services. But, now-a-days due to liberal economic and export-import policy, restrictions on foreign investments have been largely abolished and duties on imported goods have been substantially reduced.

This change has brought about increase in competition in the market. Today because of globalisation the entire world has become a big market. Goods produced in one country are readily available in other countries. So, to face the competition in the global market every business has certain objectives in mind, which may be called the global objectives. Let us learn about them.

**(i) Raise General Standard of Living:**

Growth of business activities across national borders makes quality goods available at reasonable prices all over the world. The people of one country get to use similar types of goods that people in other countries are using. This improves the standard of living of people.

**(ii) Reduce Disparities among Nations:**

Business should help to reduce disparities among the rich and poor nations of the world by expanding its operation. By way of capital investment in developing as well as underdeveloped countries it can foster their industrial and economic growth.

**(iii) Make Available Globally Competitive Goods and Services:**

Business should produce goods and services which are globally competitive and have huge demand in foreign markets. This will improve the image of the exporting country and also earn more foreign exchange for the country.

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## **Nature of Business**

**Definition:** Business is a regular process of earning a profit by satisfying consumer's needs through the manufacturing of goods, reselling of products, providing services or carrying out all three together. It is an occupation which requires a particular set of skills and expertise to derive maximum profit out of it.

Following activities cannot be considered as a business:

- Preparing food and distributing it in an orphanage;
- Selling of drugs;
- A mother teaches her child.



## Nature of Business

Business is derived from 'busy-ness,' i.e. keeping oneself occupied with one or the other work, but it is much more than just being busy.

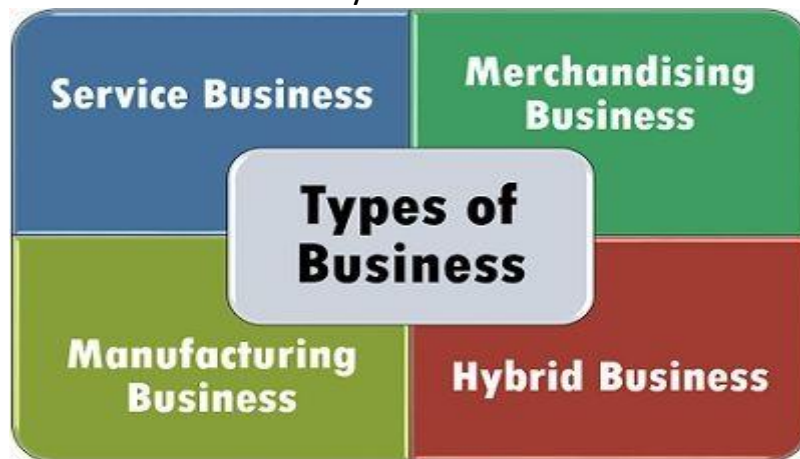


- **Regular Process:** It is an activity which is performed repeatedly to generate profit.
- **Economic Activity:** The whole sole purpose is maximising wealth.
- **Creates Utility:** The goods or service must be such that it creates form utility – conversion of products in a consumable form, time utility – making the goods and services available when needed; and place utility – availability of goods or services wherever required, for the consumers.
- **Capital Requirement:** Any venture requires fund depending on the size and its type.
- **Deals in Goods and Services:** It is related to manufacturing and offering goods for sale or catering services.
- **Risk:** All businesses have a risk factor or uncertainties of failure and loss.
- **Profit Earning Motive:** The initial motive of a businessman is making a profit out of his venture.
- **Satisfaction of Consumer's Need:** It is concerned with the fulfilment of the customer's demands and needs.
- **Involves Buyer and Seller:** There are majorly two parties involved, the customer and the merchandise.
- **Social Obligations:** It has some social responsibilities, like creating job opportunities, dealing with licensed products, etc.

## Types of Business

The previous instance has made it clear that business involves goods or services or both. A person has first to select the kind of business line he wants to operate.

Thus, a business can be broadly classified as into the following types:



- **Service:** An activity performed to earn money through customer satisfaction is known as a service. It involves professional skills and expertise.  
E.g. A professional teacher earns money by taking tuition class
- **Merchandising:** Merchandising means procurement of goods from manufacturers or wholesalers, at a low price and selling it at a higher price to make a profit. It is also known as a retail business.  
E.g. A florist selling flowers
- **Manufacturing:** Making profit through production or creation of goods from raw material in such a way that it derives some utility to the consumer is known as a manufacturing business.  
E.g. Processing of sugarcane in a sugar mill to get fine sugar
- **Hybrid:** A business which involves all the three activities, i.e. manufacturing of goods, merchandising of products and delivering service falls under the hybrid category.  
E.g. A furniture seller, who manufactures furniture, buys old furniture and sells it at a higher price after repairing and also provides services for polishing old furniture.

## Importance of Business

Business is a self-employment opportunity for a person to become self-independent and master of his ideas. It is not only beneficial to the owner but also makes an impact on society.

To get a detailed understanding of the importance of trading activities to the owner and the society, let us go through the following points:



- **Revenue Generation:** It is the key to revenue generation for the business owner since it brings in profit and proves to be a source of income for the owner.
- **Economic Growth:** It is essential for the economic growth of a country since high revenue means higher tax collection.
- **Improves Standard of Living:** A country with more industrial units and companies experience a higher rate of employment and better living standards.
- **Bulk Production:** Manufacturing units involve large-scale production, which ultimately reduces the cost of production, and people get a continuous supply of goods at a reasonable price.
- **Innovation:** It involves brainstorming and generation of new ideas which opens up the way for innovation and creativity.
- **Generates Employment:** It is a long-term process which requires the human resource to function correctly. Therefore, it creates job opportunities.
- **Market Expansion:** A good strategy and high customer satisfaction lead to a strong customer base aiming at market expansion.