

# 1. Introduction To Business Management I: Meaning of Business

## *Objective*

At the end of this chapter, students should be able to say what **business** means and also identify **business resources**.

## 1.1 Introduction

Management is the art or practice of being in charge or control of an affair. Business management therefore is the art or practice of being in charge or control of a business.

Business management depends on the ability of human beings to combine and utilize other business resources productively. This entails studying of the behaviour of the individuals who form the work- force in an organization and the effect such behaviour could have on the performance of the business organization or firm.

Businesses do not operate in a vacuum. They operate in the society. Societies, like individuals, have needs. Business management therefore involves finding out what these needs are and how to satisfy them within the limits of resources available to the business firm or organization.

## 1.2 Definition of Business

Just as there are several expressions involving the term “business”, there are many definitions of “business”. For instance, one definition simply puts “business” as the “mere buying and selling in order to make profit”. The role of the middlemen who simply buy to resell at a profit is used as an example. This is essentially typified by the activities of the middlemen in the Nigerian economy, e.g. motor vehicle dealers, booksellers, distributors of beer and soft drinks and sellers of bread.

Another definition of business goes beyond buying and selling and says, “business is an organization that realizes its objectives by production and distribution of its goods and services to the satisfaction of human wants with a view to profit-making”. This definition includes “production and distribution of goods and services”. Examples are bakers, printers, brewers, manufacturers of clothes, etc. Businesses, whether agricultural, industrial or commercial, are classified into small-scale, medium-scale and large-scale enterprises.

## 1.3 Business Resources

Business resources are often referred to as the three “M”s, invariably interpreted as “materials, money and manpower”. Other authorities have referred to these three “M”s in their wider concepts as natural resources, capital resources and human resources respectively.

However, there is the fourth group which others refer to as the intangible resources called “opportunities”.

### **Natural Resources or Materials**

The scope, size, complexity and nature of businesses in a country will depend on the extent of that country’s natural resources. In Europe and the U.S.A., the type and nature of industries operated, maintain, to a large extent, very close relationship with the available natural resources, in these countries, e.g. coal mining and shipping industries have much linkage with the available coal and other mineral deposits and their distance to seaports.

In Nigeria, the possibility of the large size of petroleum, tin and coal industries represents very closely the existence of mineral products such as crude oil, tin and coal deposits.

In agricultural ventures, the natural resources of the country have also dictated the scope and nature of business. This explains why in Nigeria, the prominent agricultural industries use cocoa, palm produce, rubber, groundnuts, etc. for which the nation is naturally gifted. Cattle-rearing which is predominant in the northern part of West Africa (Nigeria inclusive) is an indication of the natural vegetation of that parts of the African sub-region. In Nigeria, fishing and canoe making industries, with their associated coastal communication activities are traceable to natural resources such as rivers and sea coasts that are available in the riverine areas.

Nigeria, in her pursuit of an industrialization policy, as mapped out in government’s long-term planning, is destined to pivot all its industrial take-off plans on its local products – such as cocoa and groundnuts which will then give rise to beverages/confectioneries and vegetable, oil industries.

Capital resources form a great part of the fortunes and destiny of the businesses of a country. It is important for businesses to identify the sources of capital in their environment if such businesses would ever make impact on the national economy.

- (a) **Private individuals:** There are some individuals who have funds that can be made available for investment purposes. In Nigeria, private individuals have made their mark on industrialization. There are also instances of friends joining in partnerships. These characterize many professions – Medicine, Accountancy, Law Practice, etc.

Any meaningful business undertaking should be able to identify a source of capital. Some individuals have shown interest in buying shares or subscribing to debentures in both private and public enterprises.

- (b) **Institutional investors:** These are institutions or organizations which have money to invest in profitable ventures. Some examples are commercial banks, insurance companies, pension funds, mortgage banks and some development banks – Nigerian Bank for Commerce and Industry, National Industrial Bank (NIB), Nigeria Agricultural, Co-operative and Rural Development Bank (N.A.C.R.D.B.) and Federal Mortgage Bank.
- (c) **Industrial and commercial organizations:** These constitute a great source of funds for investment purposes. Most well-managed organizations engage in “ploughing

backâ€™ some of their profits. In addition, some large companies usually hold considerable investments in other organizations.

- (d) **National governments:** Governments often seek joint participation in many industries; for instance, a joint partnership in the oil and gas sector. There is always plenty of government funds ready for use in the economy, directly or indirectly, by grants or loans or tax allowances.
- (e) **International agencies:** There are a good number of international agencies which have assisted the growth of business or industries in the form of long-term loans or grants. For instance, the agricultural sector in Nigeria has received much financial assistance in the form of loans from the World Bank, which has given huge sums of money for Agricultural Development Programmes (ADPS).

There are others with similar financial aids, e.g. the Food and Agricultural Organization (F.A.O.) which is an old established aid donor to Africa. The International Bank for Reconstruction and Development (IBRD), an arm of the World Bank, gave the loan for the construction of Kainji Dam. There are consortia of foreign commercial banks that grant credit facilities to Nigerian enterprises. The list cannot be exhausted here, â€™but business operators should be aware of such international sources.

## **Human Resources**

There are two aspects of human resources that are of interest to the business world:

- (a) **The working population:** This is the entire population in the country that is capable of working. It is the entire population excluding the pensioners, all children below school age, all students in full-time education, unpaid housewives engaged in full-time household chores, the chronically ill, and lunatics.

The working population could further be divided into classes of professional: lawyers, engineers, accountants, doctors; skilled manpower such as carpenters, mechanics, technicians, etc; and the unskilled labour force like labourers, cleaners, messengers. From the working population, the business organization must be capable of identifying those categories of the labour force that would be of great use to its operations. Some industries may demand a certain proportion or a combination of each class: for instance, a vehicle assembly plant would need a combination of professionals such as mechanical and electrical engineers, accountants and even doctors and the unskilled manpower such as casual labourers, cleaners and messengers.

- (b) **Human resources as a potential market:** The business world operates to serve the entire population as customers. Therefore, it is imperative for any particular business organization to identify which sector of the population would serve as its consumers.

## **Business Opportunities or Intangible Resources**

The ability to identify, appreciate and then â€™hookâ€™ business opportunities in a dynamic force in the world of business. For instance, because of some changes in the business rules and regulations of a country, certain business opportunities present themselves. Therefore unless a business organization perceives new opportunities and takes immediate advantage of

such opportunities, the business world will not realise its full potential. Most business opportunities are as a result of changes in fashion, taste in the economic conditions and structure of the population – ageing or youthful population. In other words, intangible resources are those non-material things, e.g. goodwill or loyalty to customers which affect a firm's reputation or public image and can help it achieve its objectives

### **Summary**

• *Definition:* Business can be defined as mere buying and selling in order to make profit or producing and distributing for consumers' satisfaction in order to make profit.

• *Identifiable Business Resources:*

- (i) *Natural resources* – mineral products, types of vegetation and weather conditions.
- (ii) *Capital resources:* Sources of capital – private, within an organization, government grants, aids and loans, institutional investors and international agencies.
- (iii) *Human resources:* These are identified as the types and grades of the labour force available.
- (iv) *Business opportunities or intangible resources:* The business world must be able to perceive opportunities brought about by government, economic conditions, changes in population, age-groups, taste and fashion and the cultivation of goodwill.

### **Revision Questions**

#### ***Essay Questions***

1. What is business? Give at least two definitions of business.
2. Discuss generally what is known as business resources.
3. Give a list of business resources in Nigeria.
4. What roles do changes in fashion and taste play in business?
5. Why is the Federal Government's annual budget of interest to the business world as a whole?

#### ***Objective Questions***

1. One definition of business is
  - A. buying and selling
  - B. sharing business responsibility among business managers
  - C. sharing business profits
  - D. making success of business
2. The management function that has positive influence on employees' behaviour is
  - A. controlling
  - B. planning
  - C. co-ordination
  - D. motivation

3. One of these is NOT a natural resource or material
  - A. cocoa
  - B. coal
  - C. labour
  - D. palm produce
4. Institutional investors are organization that
  - A. have funds to invest in profitable ventures
  - B. engage in "activities
  - C. are business exploiters
  - D. teach us financial policies
5. Examples of some institutional investors in Nigeria are
  - A. Pension Funds
  - B. Traders of all types
  - C. Mortgage Banks
  - D. Insurance Companies
6. A good example of human resource is
  - A. the working population
  - B. business opportunity
  - C. the educated people only
  - D. shareholders
7. Which of these is NOT among the economically active working population?
  - A. the young engineers
  - B. the work-shy
  - C. those on National Youth Service Corp scheme
  - D. the young apprentice farmers
8. Taking business opportunities is
  - A. the ability to borrow money from financial institutions
  - B. the ability to forecast business trends
  - C. the possession of a lot of collateral securities to support borrowing
  - D. the ability to identify, appreciate and take advantage of business "openings"
9. One of these may not affect changes in business opportunities
  - A. changes in population trends
  - B. changes in tastes
  - C. changes in fashion
  - D. a "no-change" situation in the economy
10. Only one of these is true
  - A. capital resources are not the same as natural resources
  - B. capital resources are a substitute for natural resources in business
  - C. there can be business growth without capital resources

D. business profit grows when resource-input is zero

**Project**

1. List all the business enterprises in which members of your immediate and distant family members work.
2.
  - a. If you had a choice today, which type of business would you engage in?
  - b. What would be your resources and from what sources?