
**Meaning of Business Studies**

**Business Studies** is an academic subject taught in schools and at university level in many countries.

Its study combines elements of accountancy, finance, marketing, organizational studies, human resource management, and operations. Business studies is a broad subject, where the range of topics is designed to give the student a general overview of the various elements of running a business.

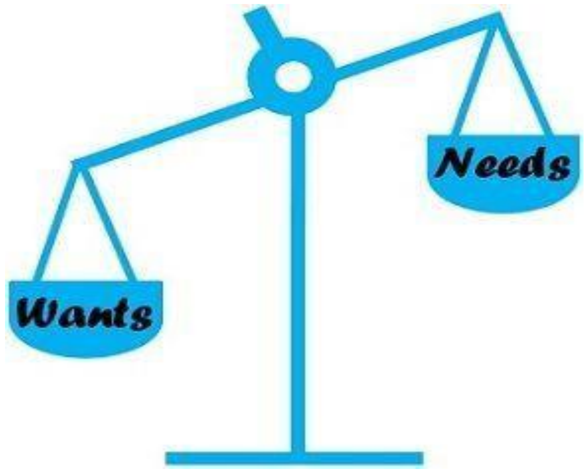
## What Is a Business?

The term business refers to an organization or enterprising entity engaged in commercial, industrial, or professional activities. Businesses can be for-profit entities or they can be non-profit organizations that operate to fulfill a charitable mission or further a social cause. Businesses range in scale from sole proprietorships to international corporations and can range in size from small to large.

## How Do You Start a Business?

There are a number of steps you need to go through in order to start a business. This includes conducting market research, developing a business plan, seeking capital or other forms of funding, choosing a location and business structure, picking the right name, submitting registration paperwork, obtaining tax documents (employer and taxpayer IDs), and pulling permits and licenses. It's also a good idea to set up a bank account with a financial institution to facilitate your everyday banking needs.

## Difference between Needs and Wants



**Needs** point out the something you must have for survival. On the other hand, **wants** refers to something which is good to have, but not essential for survival. For the purpose of spending and saving money wisely, every person must know the difference between needs and wants.

## What are Needs?

Needs are the basic requirements or necessities that are essential for your survival. In other words, they are the things you have to have, or cannot do without. So, what are the basic needs for a human being's survival? As we all know, a human being cannot survive without Oxygen, water and food. In addition to these three elements, there are some other needs that are essential to live a healthy and happy life. Some of these needs include basic health care products, clothing, tools to work, and protective housing.

Needs can be classified into two types: subjective needs and physical needs. The above-described needs such as food, water and clothing belong to physical needs. These are the basic needs or physiological needs of a human being. Subjective needs are the psychological needs of an individual. These include self-esteem, sense of security and love.

## What are Wants?

Wants are desires. Wants are the things that you would like to have. But, they are not essential to your survival. Every person has his own set of desires or wants. A big house, fancy food, branded clothes; a new car, trip to a foreign country, etc. are some of the wants that many people have. Wants can change over time. For example, when you were a child, you might have wanted to buy a big toy castle. But as you grow older, your tastes and preferences change, so, your desires change with them. Although the inability to fulfill a want may not cause death or physical illness, it may result in mental distress.

**Consumer goods** are the goods finally used by the consumers to satisfy their wants. These goods directly satisfy human wants. **Producer goods** are those goods which are used by the producers to produce more goods or continue the process of production.

**A sole trader** is a single owner business, usually family orientated. A sole trader can easily control this type of business because it is small. Limited capital is required and there are a few legal formalities. However, they suffer from unlimited liability which means that if the business gets bankrupt, the owner has to forfeit personal possessions like land papers and personal car. Sources of fixed capital include personal savings of the sole trader, loans from banks mortgages from building societies, ploughed-back profits.

**Partnership** is a business between two to twenty persons. Each partner needs to sign a Deed of Agreement that gives details of capital contributed by each partner, rate of interest to be paid on capital, salaries. In a partnership, more capital is available compared to a sole trader. Partners can consult each other and correct decisions. Partnership can make use of individual skills. However, ordinary partners have unlimited liability. There could be conflicts and disagreements between partners. Since the membership of a partnership is limited, it would be difficult to raise large sums of capital. Sources of fixed capital include personal savings of the partners, loans from banks, hire purchase and leasing.

**Limited companies** have limited liability, separate legal identity and continuity. These must be filed with the Registrar of Companies. The shareholders elect a Board of Directors, usually at an annual general meeting, to run the company on their behalf. Companies raise long term finance by issuing debentures and shares, using ploughed-back profits, borrowing from banks, using hire purchase and leasing facilities.

**Private limited companies** must use the words 'limited' or 'ltd'. They need to have one or more directors and must have a minimum of two shareholders. All shareholders have limited liability, while ordinary partners have unlimited liability. The maximum number of shareholders is unlimited, which makes it easier to raise capital. However, companies unlike partnerships, have to be registered. The accounts have to be filed with the Registrar of Companies.

**Public limited companies** must use the words ‘public limited company’ or ‘plc’. They must have a minimum of two directors and two shareholders. Capital is easy to raise because shareholders have limited liability, members of the public can be invited to buy shares, the shares are quoted on the stock exchange. However, the formation is costly in time and money because of the documents which have to be submitted to the Registrar of Companies. Coordination and communication problems might arise.

**Cooperatives** are people-centred enterprises owned, controlled and run by and for their members to realise their common economic, social, and cultural needs and aspirations. Cooperatives bring people together in a democratic and equal way. A consumers' cooperative is a business owned by its customers. Members vote on major decisions and elect the board of directors from among their own number. Retail cooperatives are retailers, such as grocery stores, owned by their customers. They should not be confused with retailers' cooperatives, whose members are retailers rather than consumers.

Businesses vary in size; from small to medium to large. Some are regarded as incorporated while others unincorporated. There are sole traders, partnerships, limited companies, holding companies and joint stock companies.

Incorporated businesses have the features of having limited liability, where firms don’t have to give away their personally possessions in the event of a loss. These firms can still continue if bankruptcy occurs and they have a separate legal personality. Companies that are regarded as incorporated, must be registered under the Companies Act, after the registration process is completed, the Registrar of Companies issue a Certificate of Incorporation.

The **Memorandum of Association** (the document that sets up the company) and **Articles of Association** (set out how the company is run, governed and owned) are regarded as important documents. Some examples include ACI HealthCare Limited, United Hospital Limited, Jamuna Resort Limited, etc.

**Private Limited Companies** are those which tend to be small and medium sized businesses. These companies must have the words Limited or Ltd after its name and cannot sell shares to the general public. Some examples of Limited companies include Elite Motors, Unicode, Progressive Packers and Shippers (Pvt) Limited, Dell Service Bangladesh, etc. This type of business entity limits owner liability to their shares, limits the number of shareholders to 50 and restricts shareholders from publicly trading shares.

In the light of the above, all the companies are important for a country to prosper because it allows a balance within the economy. Jobs can be created and those with fewer skills can also prosper for their future. The economic development can be kept at a reasonable level and the communication along with the interaction will be maintained.

A **franchise** business is a business in which the owners, or "franchisors", sell the rights to their business logo, name, and model to third party retail outlets, owned by independent, third party operators, called "franchisees". Franchises are an extremely common way of doing business.

**The role of the franchisor**

They are motivated to share their experience and know-how with their franchisees. They provide their franchisees with the tools needed to operate their businesses to brand standards. They are focused on ensuring that each franchisee operates to system standards.

**The role of the franchisee**

To ensure that all employees are properly trained and the franchise is properly staffed at all times. To advertise and promote the franchise and its approved products and services according to the guidelines provided by the franchisor.

Stakeholder

- A stakeholder has a vested interest in a company and can either affect or be affected by a business' operations and performance.
- Typical stakeholders are investors, employees, customers, suppliers, communities, governments, or trade associations.
- An entity's stakeholders can be both internal or external to the organization.

Stakeholders can be internal or external to an organization. Internal stakeholders are people whose interest in a company comes through a direct relationship, such as employment, ownership, or investment.

External stakeholders are those who do not directly work with a company but are affected somehow by the actions and outcomes of the business. Suppliers, creditors, and public groups are all considered external stakeholders.

Primary, secondary and tertiary sectors

There are **three** main types of **industry** in which firms operate.
These **sectors** form a chain of production which provides customers with finished goods or services.

- **Primary production:** this involves acquiring **raw materials.** For example, metals and coal have to be mined, oil drilled from the ground, rubber tapped from trees, foodstuffs farmed and fish trawled. This is sometimes known as extractive production.
- **Secondary production:** this is the **manufacturing and assembly** process. It involves converting raw materials into components, for example, making plastics from oil. It also involves assembling the product, eg building houses, bridges and roads.
- **Tertiary production:** this refers to the **commercial services** that support the production and distribution process, eg insurance, transport, advertising, warehousing and other services such as teaching and health care.

Training is basically a teaching and learning activity carried on to enhance the skills, knowledge, and abilities of the employees working in the organization.

**Induction training** is important as it enables a new recruit to become productive as quickly as possible. It can avoid costly mistakes by recruits not knowing the procedures or techniques of their new jobs. The length of induction training will vary from job to job and will depend on the complexity of the job, the size of the business and the level or position of the job within the business.

The following areas may be included in induction training:

- Learning about the duties of the job
- Meeting new colleagues
- Seeing the layout of the premises
- Learning the values and aims of the business
- Learning about the internal workings and policies of the business

**On-the-job training**

With on the job training, employees receive training whilst remaining in the workplace.
The main methods of one-the-job training include:

- **Demonstration / instruction** - showing the trainee how to do the job
- **Coaching** - a more intensive method of training that involves a close working relationship between an experienced employee and the trainee
- **Job rotation** - where the trainee is given several jobs in succession, to gain experience of a wide range of activities (e.g. a graduate management trainee might spend periods in several different departments)
- **Projects** - employees join a project team - which gives them exposure to other parts of the business and allow them to take part in new activities. Most successful project teams are "multi-disciplinary"

The advantages and disadvantages of this form of training can be summarised as follows:

| Advantages | Disadvantages |
|---|---|
| Generally most cost-effective | |
| Employees are actually productive | Quality depends on ability of trainer and time available |
| Opportunity to learn whilst doing | Bad habits might be passed on |
| | Learning environment may not be conducive |
| Training alongside real colleagues | Potential disruption to production |

**Off-the-job training**

This occurs when employees are **taken away from their place of work** to be trained.

Common methods of off-the-job training include:

- Day release (employee takes time off work to attend a local college or training centre)
- Distance learning / evening classes
- Block release courses - which may involve several weeks at a local college
- Sandwich courses - where the employee spends a longer period of time at college (e.g. six months) before returning to work
- Sponsored courses in higher education
- Self-study, computer-based training

The main advantages and disadvantages of this form of training can be summarised as follows:

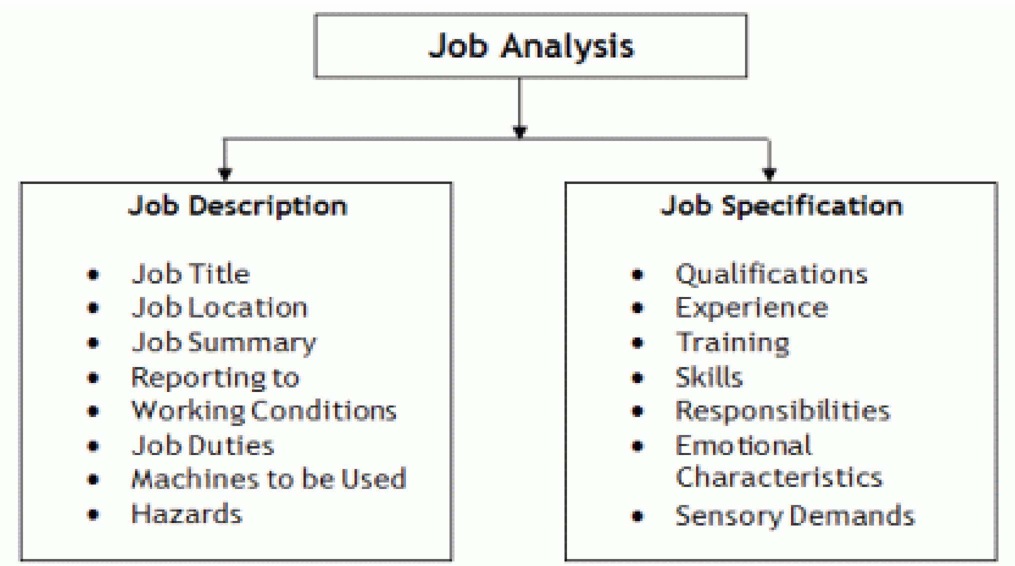
| Advantages | Disadvantages |
|---|---|
| A wider range of skills or qualifications can be obtained | More expensive – e.g. transport and accommodation |
| Can learn from outside specialists or experts | Lost working time and potential output from employee |
| Employees can be more confident when starting job | New employees may still need some induction training |

| | |
|---|---|
| | Employees now have new skills/qualifications and may leave for better jobs |

**Recruitment**

Recruitment is the process from identifying that the business needs to employ someone up to the point where applications have arrived at the business.

A vacancy arises when an employee resigns from a job or is dismissed by the management. When a vacancy arises, a job analysis has to be prepared.
A job analysis identifies and records the tasks and responsibilities relating to the job. It will tell the managers what the job post is for.




Then a job description is prepared that outlines the responsibilities and duties to be carried out by someone employed to do the job. It will have information about the conditions of employment (salary, working hours, and pension scheme), training offered, opportunities for promotion etc. This is given to all prospective candidates so they know what exactly they will be required and expected to do.
Once this has been done, the H.R. department will draw up a job specification, a document that outlines the requirements, qualifications, expertise, skills, physical/personal characteristics etc. required by an employee to be able to take up the job.

## Advertising the vacancy

**Internal recruitment** is when a vacancy is filled by an existing employee of the business.

**Advantages:**

- Saves time and money- no need for advertising and interviewing
- Person already known to business
- Person knows business' ways of working
- Motivating for other employees to see their colleagues being promoted- urging them to work hard

**Disadvantages:**

- No new skills and experience coming into the business
- Jealousy among workers

**External recruitment** is when a vacancy is filled by someone who is not an existing employee and will be new to the business. External recruitment needs to be advertised, unlike internal recruitment. This can be done in local/national newspapers, specialist magazines and journals, job centres run by the government (where job vacancies are posted and given to interested people; usually for unskilled or semi-skilled jobs) or even recruitment agencies (who will recruit and send along candidates to the company when they request it).
When advertising a job, the business needs to decide what should be included in the advertisement, where it should be advertised, how much it will cost and whether it will be cost-effective.

When a person is interested in a job, they should apply for it by sending in a **curriculum vitae (CV) or resume**, this will detail the person's qualifications, experience, qualities and skills. The business will use these to see which candidates match the job specification. It will also include statements of why the candidate wants the job and why he/she feels they would be suitable for the job.

## Selection

Applicants who are shortlisted will be interviewed by the H.R. manager. They will also call up the referee provided by the applicant (a referee could be the previous employer or colleagues who can give a confidential opinion about the applicant's reliability, honesty and suitability for the job).
Interviews will allow the manager to assess:

- the applicant's ability to do the job
- personal qualities of the applicant
- character and personality of applicant

In addition to interviews, firms can conduct certain tests to select the best candidate. This could include skills tests (ability to do the job), aptitude tests (candidate's potential to gain additional skills), personality tests (what kind of a personality the candidate has- will it be suitable for the job?), group situation tests (how they manage and work in teams) etc.

When a successful candidate has been selected the others must be sent a letter of rejection.

**The contract of employment**: a legal agreement between the employer and the employee listing the rights and responsibilities of workers. It will include:

- the name of employer and employee
- job title
- date when employment will begin
- hours to work
- rate of pay and other benefits
- when payment is made
- holiday entitlement
- the amount of notice to be given to terminate the employment that the employer or employee must give to end the employment etc.

Employment contracts can be part-time or full-time.

**Part-time employment** is often considered to be between 1 and 30-35 hours a week whereas **full-time employment** will usually work 35 hours or more a week.

**Advantages to employer of part-time employment** (disadvantages of full-time employment to employer):

- more flexible hours of work
- easier to ask employees just to work at busy times
- easier to extend business opening/operating hours by working evenings or at weekends
- works lesser hours so employee is willing to accept lower pay
- less expensive than employing and paying full-time workers.

**<u>Disadvantages to employer of part-time employment</u>** (advantages of full-time employment to employers):

- less likely to be trained because the workers see the job as temporary
- takes longer to recruit two part-time workers than one full-time worker
- can be less committed to the business/ more likely to leave and go get another job
- less likely to be promoted because they will not have gained the skills and experience as full-time employees
- more difficult to communicate with part-time workers when they are not in work- all work at different times.

**Privatisation** is the process of transferring an enterprise or industry from the public sector to the private sector. For example, airport operation, data processing, vehicle maintenance.

**Potential benefits of privatisation**

**1. Improved efficiency**

The main argument for privatisation is that private companies have a profit incentive to cut costs and be more efficient.

**2. Lack of political interference**

It is argued governments make poor economic managers. They are motivated by political pressures rather than sound economic and business sense.

**3. Shareholders**

It is argued that a private firm has pressure from shareholders to perform efficiently. If the firm is inefficient then the firm could be subject to a takeover.

**4. Increased competition**

Often privatisation of state-owned monopolies occurs alongside deregulation – i.e. policies to allow more firms to enter the industry and increase the competitiveness of the market. It is this increase in competition that can be the greatest spur to improvements in efficiency.

**Disadvantages of privatisation**

**1. Natural monopoly**

A natural monopoly occurs when the most efficient number of firms in an industry is one. For example, tap water has very significant fixed costs. Therefore there is no scope for having competition amongst several firms.

**2. Public interest**

There are many industries which perform an important public service, e.g., health care, education and public transport. In these industries, the profit motive shouldn't be the primary objective of firms and the industry.

**3. Government loses out on potential dividends**.

Many of the privatised companies in the UK are quite profitable. This means the government misses out on their dividends, instead going to wealthy shareholders.

**4. Problem of regulating private monopolies**.

Privatisation creates private monopolies, such as the water companies and rail companies. These need regulating to prevent abuse of monopoly power. Therefore, there is still need for government regulation, similar to under state ownership.

Retailers are the final link in the channel of distribution. A retailer purchases in bulk from the wholesalers and sells the products to the customers in small quantities. The aim of a retailer is to achieve maximum satisfaction by exceeding their expectations and delivering exceptional services.

**Services provided by retailers:** to provide the goods that consumers want, to provide goods in suitable quantity for consumers, to provide the goods when customers want them, providing credit facilities, advertising and window displays, introducing new products.

**International trade** has flourished over the years due to the many benefits it has offered to different countries across the globe. International trade is the exchange of services, goods, and capital among various countries and regions, without much hindrance. The international trade accounts for a good part of a country's gross domestic product. With the help of modern production techniques, highly advanced transportation systems, transnational corporations, outsourcing of manufacturing and services, and rapid industrialisation, the international trade system is growing and spreading very fast.

**Some important benefits of International Trade include:**
Enhancing the domestic competitiveness
Taking advantage of international trade technology
Increasing sales and profits
Extending sales potential of the existing products
Maintaining cost competitiveness in the domestic market
Enhancing potential for expansion of your business
Gaining a global market share
Reducing dependence on existing markets
Stabilising seasonal market fluctuations

In international trade, imports and exports play a crucial part in trade. Imports are all about foreign goods entering a domestic economy, whereas exports are all about home products moving to foreign countries for business effectiveness and competition.

Visible trade is the trade in goods between countries, invisible trade is the trade in services between countries. The balance of trade or visible balance = visible exports-visible imports. The invisible balance = invisible exports-invisible imports. The balance of payments on

Current account = (visible exports + invisible exports) - (visible imports + invisible imports). Deficit is a loss and surplus is a profit in the balance of payments.

A ***trade bloc*** is a type of intergovernmental agreement, often part of a regional intergovernmental organisation, where barriers to *trade* (tariffs and others) are reduced or eliminated among the participating states. Trade blocs can be stand-alone agreements between several states (such as the North American Free Trade Agreement) or part of a regional organization (such as the European Union). Depending on the level of economic integration, trade blocs can be classified as preferential trading areas, free-trade areas, customs unions, common markets, or economic and monetary unions.

With the help of trading blocs a removal of tariffs within trading bloc countries will benefit from a common external tariff. This also allows a free movement of labour, capital and goods from one place to another. The positive impact of trading blocs on countries and businesses ensure better scope for improvement and market share.

**Difficulties facing exporters**: there are many problems faced by exporters all over the world and some of the most common ones include language, distance, methods of payment, differing consumer wants, documentation and currency exchange.

**Multinationals** are companies with significant production operations in at least two countries, for example, Shell and DHL. With the help of multinationals, employment increases in the country, competition is another major benefit because the businesses can expand. Training facilities tend to increase for the local labour force. World class goods are cheaper and many countries can enjoy products from different countries. However, outflows of money occur because the home country would invest and later take back most of their finance to their own country. A worsening of the balance of payment will also occur because the multinational remits (sends) profits to its home country.