

Meaning of Business

The activity of buying and selling commodities, products, or services with using money.

An organization or economic system where goods and services are exchanged for one another or for money.

Every business requires some form of investment and enough customers to whom its output can be sold on a consistent basis in order to make a profit.

Characteristics of a business:

The following are the ten important characteristics of a business:

1. Economic activity:

Business is an economic activity of production and distribution of goods and services. It provides employment opportunities in different sectors like banking, insurance, transport, industries, trade etc. it is an economic activity corned with creation of utilities for the satisfaction of human wants.

It provides a source of income to the society. Business results into generation of employment opportunities thereby leading to growth of the economy. It brings about industrial and economic development of the country.

2. Buying and Selling:

The basic activity of any business is trading. The business involves buying of raw material, plants and machinery, stationary, property etc. On the other hand, it sells the finished products to the consumers, wholesaler, retailer etc. Business makes available various goods and services to the different sections of the society.

3. Continuous process:

Business is not a single time activity. It is a continuous process of production and distribution of goods and services. A single transaction of trade cannot be termed as a business. A business should be conducted regularly in order to grow and gain regular returns.

Business should continuously involve in research and developmental activities to gain competitive advantage. A continuous improvement strategy helps to increase profitability of the business firm.

4. Profit Motive:

Profit is an indicator of success and failure of business. It is the difference between income and expenses of the business. The primary goal of a business is usually to obtain the highest possible level of profit through the production and sale of goods and services. It is a return on investment. Profit acts as a driving force behind all business activities.

Profit is required for survival, growth and expansion of the business. It is clear that every business operates to earn profit. Business has many goals but profit making is the primary goal of every business. It is required to create economic growth.

5. Risk and Uncertainties:

Risk is defined as the effect of uncertainty arising on the objectives of the business. Risk is associated with every business. Business is exposed to two types of risk, Insurable and Non-insurable. Insurable risk is predictable.

6. Creative and Dynamic:

Modern business is creative and dynamic in nature. Business firm has to come out with creative ideas, approaches and concepts for production and distribution of goods and services. It means to bring things in fresh, new and inventive way.

One has to be innovative because the business operates under constantly changing economic, social and technological environment. Business should also come out with new products to satisfy the growing needs of the consumers.

7. Customer satisfaction:

The phase of business has changed from traditional concept to modern concept. Now a day, business adopts a consumer-oriented approach. Customer satisfaction is the ultimate aim of all economic activities.

The purpose of the business is to create and retain the customers. The ability to identify and satisfy the customers is the prime ingredient for the business success.

8. Social Activity:

Business is a socio-economic activity. Both business and society are interdependent. Modern business runs in the area of social responsibility. Business has some responsibility towards the society and in turn it needs the support of various social groups like investors, employees, customers, creditors etc.

9. Government control:

Business organizations are subject to government control. They have to follow certain rules and regulations enacted by the government. Government ensures that the business is conducted for social good by keeping effective supervision and control by enacting and amending laws and rules from time to time.

10. Optimum utilisation of resources:

Business facilitates optimum utilisation of countries material and non-material resources and achieves economic progress. The scarce resources are brought to its fullest use for concentrating economic wealth and satisfying the needs and wants of the consumers.

Definition - What does *Business Driver* mean?

A business driver is a resource, process or condition that is vital for the continued success and growth of a business. A company must identify its business drivers and attempt to maximize any that are under their control. The main driver of a business is customer. Other business drivers are given bellow:

- Number of stores or locations
- Average size (i.e. square feet) per location
- Number of products sold (volume)
- Prices of products/services sold
- Number of salespeople
- Effectiveness of salespeople
- Traffic volume to a website
- Conversion rate of traffic to a website
- Production rate for manufacturing
- Efficiency rates and downtime
- Energy and electricity costs
- Rent and office space
- Salaries and wages per employee
- Commissions, fees, and other selling expenses
- Foreign exchange rates
- Commodity prices (i.e., oil, copper, pulp, rubber, etc.)

Drivers impact all financial aspects of a business: revenues, expenses and capital costs.

Forms of Business Organization

These are the basic forms of business ownership:

1. Sole Proprietorship

A sole proprietorship is a business owned by only one person. It is easy to set-up and is the least costly among all forms of ownership.

The owner faces *unlimited liability*; meaning, the creditors of the business may go after the personal assets of the owner if the business cannot pay them.

The sole proprietorship form is usually adopted by small business entities.

2. Partnership

A partnership is a business owned by two or more persons who contribute resources into the entity. The partners divide the profits of the business among themselves.

In *general partnerships*, all partners have unlimited liability. In *limited partnerships*, creditors cannot go after the personal assets of the limited partners.

3. Corporation

A corporation is a business organization that has a separate legal personality from its owners. Ownership in a stock corporation is represented by *shares of stock*.

The owners (stockholders) enjoy limited liability but have limited involvement in the company's operations. The *board of directors*, an elected group from the stockholders, controls the activities of the corporation.

In addition to those basic forms of business ownership, these are some other types of organizations that are common today:

Limited Company (LC)

A limited company (LC) is a form of incorporation that limits the amount of liability undertaken by the company's shareholders. It refers to a legal structure that ensures that the liability of company members or subscribers is limited to their stake in the company by way of investments or commitments. In a legal sense, a limited company is

a person. The naming convention for this type of corporate structure is commonly used in the United Kingdom.

State-owned enterprise

A **state-owned enterprise (SOE)** or **government-owned enterprise (GOE)** is a business enterprise where the government or state has significant control through full, majority, or significant minority ownership. Defining characteristics of SOEs are their distinct legal form and operation in commercial affairs and activities. While they may also have public policy objectives (e.g., a state railway company may aim to make transportation more accessible), SOEs should be differentiated from government agencies or state entities established to pursue purely nonfinancial objectives.