

## NATURE, PURPOSE AND SCOPE OF BUSINESS

### Introduction

Individual lives in a business environment which is an indispensable part of society. The essence of this is to satisfy individual wants by providing variety of goods and services through wide networking of business activities. Lecturers teach in the lecture rooms, farmers work in the farmlands, workers work in the factories, drivers drive lorry/vehicles, shopkeepers sell goods, medical doctors attend to patients, etc. In this way, people are busy during the day and sometimes during the night depending on the nature of individual job or business. Now the question arises as to why we all keep ourselves busy day and night. The answer is to earn money that will be used to satisfy our wants by purchasing goods and services which will be produced by business organization.

Business is an integral part of modern society. It is an organized and systematic activity for earning profit. It is concerned with activities of people working towards a common economic goal. Modern society cannot exist without business. This is because business improves the standard of living of the people by providing better quality and large variety of goods and services at the right time and at the right place. Besides, business provides opportunities to work and earn a livelihood. Thus, it generates employment in the country, which in turn reduces poverty.

Business refers to an occupation in which goods and services are produced and sold in return of money. It is carried out on a regular basis with the prime objective of making profit. Mining, manufacturing, trading, transporting, storing, banking, and insurance are examples of business activities.

### Characteristics or Features of Business

1. **Exchange of goods and services:** The major feature of any business is the exchange of goods and services. All business activities are directly or indirectly concerned with the exchange of goods or services for money or money's worth.

2. **Profit is the primary objective of business:** There are different objectives of business, but the primary objective of any business is the profit objective. The purpose of individual or group of individuals involving in business is to make profit. The reward of business is profit.

3. **Involvement in numerous transactions:** Majority of the business usually involved in more than one transaction because the behaviors of consumers are unpredictable. Henceforth, in business, the exchange of goods and services is focused on different transactions.

4. **Marketing and Distribution of goods:** Marketing and distribution of goods is another importance feature of business is marketing and distribution of goods. This feature is very important because regardless of the quality of goods if it is distributed to the appropriate consumer it will not be known. It must therefore be available in the right place at the right time.

5. **Business Risks and Uncertainties:** Another important feature of business is ability to withstand risks and uncertainties. There are different kinds of risks faced by the business owners, these include: risks of loss as a result of fire outbreak and risks of loss as a result of theft. There are business uncertainties, such as change in demand or fall in price which will negatively affect business. Business uncertainties are uninsurable hence the business owners suffer the loss while the business risks can be insured by the business owners.

6. **Availability of Buyer and Seller:** In a business transaction there must be at least two parties involved. The two parties are buyers and sellers. A seller is an individual or entity that exchanges any type of good

or service in return for payment. In financial markets, the seller is the investor who gives up his/her investment to the buyer in return for payment. A buyer is a person who purchases things and is regarded as a customer.

**7. Production of goods and services:** One major feature of business that cannot be contested is the production of goods and services. Goods and services are what the seller will present to the buyer. Goods and services are the business activity that the buyer will pay for, that is, what they will exchange for their money. Hence, the goods and services provided must worth its value.

**8. Business skills for economic success:** It is very clear that establishing of business is not just what anybody can dabble in to. Business requires a special skill and businessmen must possess special skills and qualities in order to have a successful business. This is because business is operating in volatile environment and for any business to survive in the operating environment there are needs have the required skills.

**9. Social obligations:** Business in modern times is service focused. Businesses are an integral part of the communities in which they operate. Businessmen know that their long-term success is based on continued good relations with a wide range of individuals, groups and institutions. Businessmen know that business cannot succeed in societies that are failing—whether this is due to social or environmental challenges, or governance problems. Moreover, the general public has high expectations of the private sector in terms of responsible behavior. Consumers expect goods and services to reflect socially and environmentally responsible business behavior at competitive.

**10. Meeting human needs and wants:** The essence of any business is to meet the needs and wants of its numerous customers. This will be achieved by giving out goods products and service that are not only safe for consumption but only worth the value of money paid for such goods and services.

### **Objectives of Business**

There are several objectives of business however this paper focused on the following important objectives of any business.

**(i) Profit objective:** The primary objective of business is to make profit by identifying and effectively serving the needs of customers. Profit is the primary motive for establishing a business enterprise. Profit represents a reward for investing in a business. This implies that profit is a reward for assuming the risk of establishing a business enterprise. Profit also serves as a measure of performance. It is an index by which the performance of one enterprise can be compared with that of another or the performance of the same enterprise can be evaluated over time. Consequently, profit is an incentive for people to work harder and more efficiently.

**(ii) Growth Objective:** The growth of a business is another major objective of business. The growth of business is an expansion of the business enterprise. This may be in form of increased sales turnover, market share, number of people employed, capital employed, etc. Growth objective of business also benefit the employees because it gives security of jobs to employees.

**(iii) Market share objective:** Business often wants to build a larger market share. The concern of some business owners is on how to increase the market share of their business. They usually achieve this objective by wining customers from competitors. The essence of increasing market share is to dominate the market and possibly increase their product prices.

**(iv) Survival:** Survival is another important of all forms of businesses. Survival is main objective of any business in today's competitive world and volatile environment. Every business organization tries to be different and accelerative from their competitors to achieve their goals and become market leaders.

This usually commence from the process of launching new products and services that are relevant to the needs of the customers. This must be supported with strategic marketing activities to ensure that the product is acceptable to the consumers. The survival of a business might also be threatened when business environment is unfavorable.

**(iv) Employee Satisfaction:** Business organizations must ensure that they bring satisfaction to their employees. Past studies depict bidirectional relationship between employee satisfaction and job performance while recent studies give more insight of unidirectional relationship that employee satisfaction leads to job performance but weak relationship exists when job satisfaction was analyzed as a result of job performance.

**(v) Image and reputation:** The important objectives of business that must also worthy of mentioning is improving image and develop a good reputation. This is achieved by recognize the needs of other customers in order not lose the customers to other businesses in the competitive environment. Thus, the business organization strives in various ways to improve its image and reputation by producing and distributing high quality products.

**(vi) Social Objectives:** Social objectives 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 in the short or long run.

**(vii) National Objectives:** Businesses are operating in a country and therefore, 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 from tax, 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.

**(viii) Shareholder Satisfaction:** As business organizations increasingly believe in the truism that shareholder satisfaction is inexorably linked to long-term shareholder value. To guarantee continued support of investors, business enterprises need to improve the returns to shareholders while at the same time reducing their risk.

### **Functions of Business**

The salient functions of a business are listed and discussed below as pointed by Malloy (2003).

**(i) Production Function:** It is concerned with the transformation of inputs like manpower, materials, machinery, capital, information and energy by business into specified outputs as demanded by the market and society. The production department is entrusted with so many activities such as production planning and control, quality control, procurement of materials and storage of materials.

**(ii) Marketing Function:** This focused on the distribution of goods and services produced by the business' production department. It can perform this function efficiently only if it is able to satisfy the needs of the customers. For this purpose, the marketing department guides the production department in product planning and development. It fixes the prices of various products produced by the business. It promotes the sale of goods through advertisement and sales promotion devices such as distribution of samples and novelty items, holding contests, organizing displays and trade exhibitions, etc.

**(iii) Finance Function:** This function is concerned with arrangement of sufficient capital for the smooth running of business. It also assists in the proper utilization of resources. It considers business decisions

such as sources of finance, investment of funds in productive ventures, and levels of inventory of various items, etc.

**(iv) Personnel Function:** This is another important function which business must perform in order to achieve business purpose. It is concerned with finding suitable employees, giving them training, fixing their remuneration and motivating them. The quality of human resource working in the enterprise is a critical factor in the achievement of business purpose. Therefore, it is necessary that the employee is highly motivated and satisfied with the terms and conditions of service offered by the business enterprise.

### **Scope of Business**

The scope of business is very broad. It covers a large number of activities which may be looked into from two perspectives, namely: Industry and Commerce.

**(A) Industry:** The activities of extraction, production, conversion, processing or fabrication of products are described as industry. These products of an industry may fall under any one of the following three categories:

- (i) **Consumers Goods:** Goods used by final consumers are called consumers goods. Example of consumer goods Laptop, handset, bags, pencil, biro, cleaner, edible Oils, Cloth, Jam, Television, Radio, Motor Car, Refrigerator, etc.
- (ii) **Capital Goods:** Goods used in the production of other goods are described as capital goods. Steel produced by steel plant is used for fabrication into a variety of products such as motor cars, scooters, rail Locomotive engines, ships, surgical instruments, blades, etc. Similarly machine tools and machinery used for manufacturing other products also come under this heading.
- (iii) **Intermediate Goods:** There are certain materials which are the finished products of one Industry and become the intermediate products of other industries. A few examples of this kind are the copper industry, the finished products of which are used in manufacturing Electrical Appliances, Electricity Wires, Toys, Baskets, Containers, and Buckets. Broadly speaking, industrial activities may be classified into primary and secondary which are explained in the following lines.

**Primary Industries:** Primary industries include the followings as listed below:

- ❖ Extractive Industries
- ❖ Genetic Industries
- ❖ **Extractive Industries:** In extractive industries, the industries extract or draw their products from natural sources such as earth, sea, air. The products of such industries are generally used by other industries such as manufacturing and construction industries for producing finished goods. Farming, mining, lumbering hunting, fishing, etc., are some of the examples of extractive industries.
- ❖ **Genetic Industries:** Genetic simply means parentage or heredity. Genetic industries are engaged in breeding plants, and animals for their use in further reproduction. For breeding plants, the seeds and nursery are typical examples of genetic industries. In addition, the activities of cattle-breeding farms, poultry farms and the hatchery come under the category of genetic industries.

**Secondary Industries:** Secondary industries include the followings as listed below:

- ❖ Manufacturing Industries
- ❖ Construction Industries

- ❖ **Manufacturing Industries:** These are engaged in producing goods through the creation of what is known as 'form utility' such industries are engaged in the conversion or transformation of raw materials or semi finished products into finished products. The products of extractive industries generally become the raw-materials of manufacturing industries. Factory production is the outcome of manufacturing industry. Manufacturing industries may take any one of the following forms: Analytical, Synthetic, Processing, and Assembly Line.

(i) Analytical: This is a situation where the basic material is analyzed and separated into a number of products. Oil refining is an example of analytical industry. The crude oil is extracted from beneath the earth and is processed and separated into petrol, diesel, kerosene, gasoline, lubricating oil, etc.

(ii) Synthetic: In this type of industries at least two materials are mixed together in the manufacturing operations to obtain some new products. Products like soap, cement, paints, fertilizers, cosmetics are the products of this industry. A new product will be derived from the combination of two or more products mixed together.

(iii) Processing: In this type of industry, raw materials are processed through a series of manufacturing operations making use of analytical and synthetic methods. Textiles, sugar and steel are examples of this category of industries.

(iv) Assembly line: In assembly line industry, the finished product can be produced only after various components have been made and then brought together for final assembly to be converted into final or finished products. Production of automobiles, watches, televisions, bicycles, railway wagons, etc., are the typical examples of the industry.

- ❖ **Construction Industries:** These types of industries are focused on the making of constructing of buildings, bridges, dams, roads, canals, etc. These industries use the products of manufacturing industries such as Iron and Steel, Cement, Lime, Mortar, etc., and also the products of extractive industry such as stone, marble, granite, etc. one of the remarkable feature of these industries is that their products are not sold in the sense of being taken to the markets. They are constructed and fabricated at fixed sites.

**(B) Commerce:** It is an interchange of goods or commodities, especially on a large scale between different countries (foreign commerce) or between different parts of the same country (domestic commerce) trade; business. It can also refer to the process of buying and selling. It covers wholesale, retail, import, export trade and all those activities which facilitate or assist in such buying and selling such as storing, grading, packaging, financing, transporting, insuring, communicating, warehousing, etc. The main functions of commerce is to remove the hindrance of (i) persons through trade; (ii) place through transportation, insurance and packaging; (iii) time through warehousing and storage; and (iv) knowledge through salesmanship, advertising, etc., arising in connection with the distribution of goods and services until they reach the final consumers. The concept of commerce usually covers two important areas:

- (i) Trade
- (ii) Service business or Aids to trade

**(i) Trade:** The term trade refers the act or process of buying, selling, or exchanging commodities, at either wholesale or retail, within a country or between countries. It is also the process of transferring of goods and services. It is the central activity around which the ancillary functions such as banking, transportation, insurance, packaging, warehousing and advertising are surrounded. Trade can be categorized into two classifications:

(a) Domestic Trade: this is also referred to as internal trade. It is internal because, it only focuses on buying and selling of goods within the boundaries of a country and the payment for the same is made in national or local currency either directly or through the banking system. Domestic trade can be further sub-divided into wholesale trade - Buying of goods in large quantities from producers and selling the same in small quantities to retailers and retail trade - activities involved in the selling of commodities directly to consumers, i.e. an industry that sells primarily to individuals, not corporations

(b) Foreign Trade: it is also known as international trade. It refers to the exchange of goods and services between two or more countries. International trade involves the use of foreign currency (called foreign exchange) ensuring the payment of the price of the exported goods and services to the domestic exporters in domestic currency, and for making payment of the price of the imported goods and services to the foreign exporter in that country's national currency (foreign exchange). International trade allows expansion of markets for both goods and services that otherwise may not have been available.

**(ii) Service businesses:** These are usually regarded as Aids to Trade. As already highlighted earlier, there are certain functions such as banking, transportation, insurance, warehousing, advertising, communication, etc. which constitute the main auxiliary functions helping trade both internal and international. These auxiliary functions are discussed below.

(a) Banking: A financial institution licensed as a receiver of deposits. There are two types of banks: commercial/retail banks and investment banks. In most countries, banks are regulated by the national government or central bank. Banks provide a device through which payments for goods bought and sold are made thereby facilitating the purchase and sale of goods on credit. Commercial banks are mainly concerned with managing withdrawals and deposits as well as supplying short-term loans to individuals and small businesses.

(b) Transportation: it is any device used to move business items from one location to another. Common forms of transportation include planes, trains, automobiles, and other two-wheel devices such as bikes or motorcycles. It involves carrying goods from producers to wholesalers, retailers, and finally customers. It provides the wheels of business. It has linked all parts of the world together thereby enhancing international trade.

(c) Warehousing: A warehouse is a planned space for the storage and handling of goods and material. There is generally a time lag between the production and consumption of goods. This problem can be solved by storing the goods in a warehouse. Storage creates time utility and removes the hindrance of time in trade. It performs the useful function of holding the goods for the period they move from one location to another. Thus, warehousing assists in discharging the function of storing the goods both for manufacturers and traders for such time till they decide to move the goods from one point to another.

(d) Insurance: In any economy, the insurance industry plays significant roles in helping to smooth the business environment and shoring up investors' confidence. Insurance industry provides intangible products in the same way as banks, hotels, etc. therefore the firms in the industry are regarded as service companies. Insurance provides a cover against the loss of goods in the process of transit and storage. An insurance company performs a useful service of compensating for the loss arising from the damage caused to goods through fire, pilferage, theft and the hazards of sea, transportation and thus protects the traders from the fear of loss of goods. It charges insurance premium for the risk covered.

(e) Advertising: Advertising is any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor. When effectively advertising is better placed to meet the needs of its customers, consumers and stakeholders. First, it enables, other things being equal, successful execution, culminating in the profitable marketing of the advertised product. Too, it meets the socioeconomic needs of consumers, whose standard of living is enhanced, economically

empowered and presented with better choices. Advertising performs the function of bridging the information gap about the availability and uses of goods between traders and consumers. In the absence of advertising, goods produced by businessmen would not have been sold to a widely scattered market and customers would not be aware of the new products because of the paucity of time, physical-spatial distance, etc.

(f) Communication: This is another service area that aid business. It helps because up-to- date information is required. This information can be accessed through computers, satellite links and fax machines