Unit-I

Types of business structures

1) Sole Proprietorship

A **Sole Proprietorship** is a business with one owner who operates the business on his or her own or employ employees. It is the simplest and the most numerous form of business organization in the United States, however it is dangerous as the sole proprietor has total and unlimited liability. Self contractor is one example of a sole proprietorship. A Sole Proprietorship is one individual or married couple in business alone. Sole proprietorships are the most common form of business structure. This type of business is simple to form and operate, and may enjoy greater flexibility of management, fewer legal controls, and fewer taxes.

<u>Advantages of a sole proprietorship</u>

1. Simplest and least expensive form of business to establish and to dissolve.
2. The owner is making all the decisions and controlling the whole operations.
3. All profit flows directly to the owner.
4. It is subject to fewer regulations.
5. It has tax advantage: any income is declared as the owner's personal income tax return, therefore there are no corporate income taxes.

<u>Disadvantages of a sole proprietorship</u>

1. The owner is responsible for all the obligations of the business.
2. It is difficult to raise capital: it can only use the owner's personal saving and consumer loans.

2) General Partnership

A General Partnership is composed of 2 or more persons (usually not a married couple) who agree to contribute money, labor, or skill to a business. Each partner shares the profits, losses, and management of the business, and each partner is personally and equally liable for debts of the partnership. Formal terms of the partnership are usually contained in a written partnership agreement.

<u>Advantages of a partnership</u>

1. It is relatively easy to form but considerable amount of time should be invested in developing the partnership agreement.
2. It is easier to raise capital compared to a sole proprietorship as there are more than one investor.
3. Any income is declared as the partners' personal income tax returns, therefore there are no corporate income taxes.
4. Employees may be motivated and attracted to the business by the inventive to become a partner

<u>Disadvantages of a partnership</u>

1. Partners are jointly responsible for all the obligations of the business.
2. Partners must make decision together therefore disputes or conflicts may occur. It may eventually lead to dissolving the partnership.

3)Limited Partnership

A Limited Partnership is composed of one or more general partners and one or more limited partners. The general partners manage the business and share fully in its profits and losses. Limited partners share in the profits of the business, but their losses are limited to the extent of their investment. Limited partners are usually not involved in the day-to-day operations of the business.

The advantages of forming a limited partnership are:

- **Tax benefits:** As with a general partnership, the profits and losses in a limited partnership flow through the business to the partners, all of whom are taxed on their personal income tax returns. The difference is that the limited partners in the relationship get to share in the profits and losses, but they do not have to participate in the business itself.
- **Liability limits:** A limited partner's liability for the partnership's debt is limited to the amount of money or property that individual partner contributed to the partnership. This is not true of the general partnership, where any money or property contributed becomes an asset of all the partners.
- **The general partners take charge:** In a limited partnership, the general partners deal with the daily operations and responsibilities and don't need to consult the limited partners for most business decisions.
- **No turnover issues:** Limited partners can be replaced or leave without dissolving the limited partnership.
- **Less paperwork:** Creating a limited partnership, like a general partnership, requires less paperwork than forming a corporation. However, it's important to create and file a partnership agreement in the county where your company does business.
- **Investment opportunities:** A limited partnership is a great way to offer investors the opportunity to benefit from the profits and losses of your business without getting them actually involved in the business.

The disadvantages of forming a limited partnership are:

- **Risks to the general partners:** In a limited partnership, the general partners must carry the burden of all the business's debts and obligations. If the company is sued or enters into bankruptcy, all debts and liabilities are the responsibility of the general partners. Also, each general partner has the ability to make decisions on behalf of the company, and those decisions become the responsibility of all the general partners.
- **Compliance challenges:** A general partnership does require less paperwork than a corporation, but because in essence you have investors (the limited partners), you must still hold annual meetings and create a detailed partnership agreement.

4)Limited Liability Partnership (LLP)

A Limited Liability Partnership (LLP) is similar to a General Partnership except that normally a partner doesn't have personal liability for the negligence of another partner. This business structure is used most by professionals, such as accountants and lawyers..

Advantages of a Limited Liability Partnership

1. As Many Owners As Needed

One of the greatest things of a limited liability partnership is that there is no limit on the amount of owners that can be involved with the business. This is great because it evenly spreads out the amount of liability that each partner can have if something where to go wrong with the business.

2. Much Less Liability

Just as the name suggests, limited liability partnerships limit your liability. Since there are multiple owners involved in the business all of the risks of the business are spread out and made much smaller than if a single person was responsible for the business on their own. This generally refers to legal issues, like if the company was sued for any reason.

3. Tax Benefits

Another one of the great benefits of operating underneath an LLP is how you file taxes. The partnership itself doesn't have to file taxes as a business, which provides great breaks for the company. However, each individual partner must file a variety of different tax forms regarding the business.

4. Great Flexibility

Flexibility is a defining characteristic of limited liability partnerships. Each partner in the business has the ability to decide how much they want to contribute and how much of a partner they truly want to be in the business. They are also not obligated to participate in business meetings or consultations with anyone that they do not feel the need to.

Disadvantages of a Limited Liability Partnership

1. Not All States Are On Board

Due to the tax benefits and tricky workings of an LLP, some states do no allow them to form or operate in their region. Another big problem is that many states do not recognize LLP's as a legal business.

2. Additional Taxes

Just like some states do not recognize, the majority of the rest pose large tax limits on limited liability partnerships. These taxes can come in as additional taxes when registering as well as issues with personal tax filing.

3. Less Business Credibility

Another huge problem with limited liability partnerships is the fact that other business and many consumers or clients do not see them as a credible business. Corporations gain much more respect and are generally more successful than LLPs.

5) Limited Liability Limited Partnership (LLLP)

A Limited Liability Limited Partnership is a Limited Partnership that chooses to become an LLLP by including a statement to that effect in its certificate of limited partnership. This type of business structure may shield general partners from liability for obligations of the LLLP. A Limited Liability Limited Partnership is a recently introduced unincorporated business entity that is a modification of the Limited Partnership.

Advantages of a Limited Liability Limited Partnership

The advantages of using an LLLP with an individual general partners is that the Partnership is able to still avoid personal liability but save the complexity and cost of establishing and maintaining a Corporate General Partner.

Disadvantages of a Limited Liability Limited Partnership

- LLLPs not recognized by every state
- Unreliable/untested liability protection

Limited Liability Limited Partnerships are not yet recognized by every state. Unlike Corporations which are recognized globally and have been thoroughly tested and proven reliable in countless court cases, because Limited Liability Limited Partnerships are so new, the degree to which their partners are personally shielded from business liability and debt has been relatively untested and has yet to be proven for reliability in various situations.

6) Corporation

A Corporation is a more complex business structure. A corporation has certain rights, privileges, and liabilities beyond those of an individual. Doing business as a corporation may yield tax or financial benefits, but these can be offset by other considerations, such as increased licensing fees or decreased personal control. A corporation is a legal entity, organized under state laws, whose investors purchase shares of stock as evidence of ownership in it.A **corporation** is a limited liability entity doing business owned by multiple shareholders and is overseen by a board of directors elected by the shareholders. It is distinct from its owners and can borrow money, enter into contracts, pay taxes and be sued. The shareholders gain from the profit through dividend or appreciation of the stocks but are not responsible for the company's debts.

<u>Advantages of a corporation</u>

1. It can raise additional funds through the sale of stock.
2. Shareholders can easily transfer the ownership by selling their stock.
3. Individual owner' liability is limited to the value of stock they are holding in the corporation.

Disadvantages of a corporation

1. It is restricted by more regulations, more closely monitored by governmental agencies and are more costly to incorporate than other forms of the organizations.
2. Profit of the business is taxed by the corporate tax rate. Dividends paid to shareholders are not deductible from corporate income, so this part of income is taxed twice as the shareholders must declare dividends as their personal income and pay personal income taxes too.

7) Nonprofit Corporation

A Nonprofit Corporation is a legal entity and is typically run to further an ideal or goal rather than in the interests of profit. Many nonprofits serve the public interest, but some engage in private sector activities. If your nonprofit organization is, or plans to, raise funds from the public, it may also be required to register with the Charities Program of the Washington Secretary of State. Charitable activities may require additional registration. Contact the Office of the Secretary of State for more information.

Advantages of starting a non-profit organization

- Most of the income of a non-profit is exempt from income taxes.
- The contribution from a donor is also tax exempt in most of the cases.
- A non profit organization can receive grants or aid in contrast to business entities that have to use loans as a means of raising funds.
- The satisfaction at being able to contribute to social development is immense.

Disadvantages of starting a non-profit organization

- Non-profit organizations are subject to stricter reporting requirements.
- Benefits arising out of the nonprofit organization cannot be inured for the personal benefit of its members, directors, officers beyond a permissible limit.
- Getting grants is a tedious job.
- In case, the incorporators decide to move onto some other pursuits in life, they cannot take along the assets accumulated by the non profit organization.

8) Limited Liability Company (LLC)

A Limited Liability Company (LLC) is formed by 1 or more individuals or entities through a special written agreement. The agreement details the organization of the LLC, including provisions for management, assign ability of interests, and distribution of profits and losses. LLCs are permitted to engage in any lawful, for-profit business or activity other than banking or insurance.

Advantages of a Limited Liability Company

- Limited liability: As the name implies, members' liabilities for the debts and obligations of the LLC are limited to their own investment. This is one of the key advantages of a limited liability company. In other words, if your company gets sued, your personal assets, like bank accounts and real estate, are protected. At most, you can only lose the money you put into the business, and nothing else.Keep in mind that this protection is not all-encompassing. Members can still be held liable for criminal behavior or if they neglect to follow certain rules about business management. Consult with a lawyer to make sure you are not violating these rules and exposing yourself to personal liability.

- Pass-through taxation: For taxation purposes, income from your business can be treated as your own personal income, and is therefore not subject to certain federal taxes for which corporations are liable.
- Limitless ownership: Some legal structures limit the number of people allowed to file as owners. With an LLC, there is no limit to the number of owners. An LLC can have one member or hundreds of members.
- Allocation flexibility: In an LLC, the amount of money that owners invest into the business doesn't need to equal their percentage of ownership. When an LLC is formed, members create an operating agreement, in which different percentages of company profits and losses can be assigned to owners regardless of the amounts of their initial investments. So you can make a deal with an investor to have them finance half of your business without necessarily owning have of your business.
- Freedom in management: Unlike standard corporations, LLCs are not required to have a board of directors, annual meetings, or strict book requirements. This can free up a lot of time and stress to let you run your business on your own terms. As you can imagine, this can be an important advantage of a limited liability company as well.

Disadvantages of a Limited Liability Company

- Building capital: Unlike corporations, which can issue stock in order to increase funds for their companies, LLCs have to work a little harder to find investors and sources of capital due to the greater legal obligations and state filings involved to add a new member to an LLC. If you have a fast growth internet company that needs venture capital to scale, this limitation is one of the major disadvantages of a limited liability company.
- Higher fees: LLCs must typically pay more fees to file as LLCs compared to some other business entities or sole proprietorships. Additionally, many states require yearly renewal fees. However, these fees are usually less than what a C-corporation has to pay.
- Government regulation: Because of the protections afforded to LLCs, some types of businesses are ineligible to file as LLCs. Banks, insurance companies, and medical service companies are examples of businesses that may be barred from filing in your state. These rules can vary from one state to the next, however. So find out from a business formation lawyer whether an LLC is a possibility for your company.
- Lack of case law: The LLC business form is a relatively new concept. As a result, not a lot of cases have been decided surrounding LLCs. Case law is important because of predictability. If you know a court has ruled a certain way, you can act accordingly to protect yourself. But if few laws have been established yet, there is a certain level of vulnerability with your operations that could expose you to greater liability.
- Taxation: Although LLCs allow owners to avoid federal taxes, your firm may actually end up paying more that it would with a different model, depending upon your state's personal income tax requirements, and the nature of the business. Working with an accountant and/or tax lawyer is a really good idea when planning your business and forming your LLC.
- Confusion across states: The rules regarding LLCs vary from state to state. If you decide to start doing business in multiple states, it may become tricky to understand and abide by all the requirements of each state, and in some cases it may be necessary or preferred to form subsidiary entities to operate in other states.

9) Trust

A Trust is a legal relationship in which one person, called the trustee, holds property for the benefit of another person, called the beneficiary.

Advantages of a trust

- **Avoid probate:** Probate refers to the process of legally establishing the validity of a Will before a judicial authority. The assets in a trust are distributed in accordance with the terms of the trust. Your estate, therefore, avoids the cost and delay of probate.
- **Continuity of management during disability** Creating a revocable trust ensures that your property remains available to be used for your benefit, should you become physically or mentally incapable of managing your own affairs.
- **Remain in control** A revocable trust gives you full use of your assets while you are alive and then passes this authority onto a successor trustee after your death. The successor trustee then distributes the assets to the named beneficiaries.
- **Flexibility** Using a funded revocable trust may allow you to name unrelated, out-of-state individuals and out-of-state trust companies to act as the primary administrator of your property at death.
- **No interruption in investment management** Assuming the assets were previously transferred into the trusts name, there is no need to reregister securities after death. Depending on the cash needs and investment objectives of the grantors estate, there may be no need to develop a new investment strategy.

Disadvantages of a trust

- **Re-registration of propert**y In order to be included in a revocable trust, property must be reregistered in the name of the trust. This may be burdensome and may involve other costs such as filing fees. If any property has not been reregistered in the name of the trust at the time of death its likely the estate will have to go through the probate process even though a revocable trust was in place.
- **Creditors have access to cash** A revocable trust may not shield you from creditors. Your debts may be applied to the trust.
- **Costly to establish** A revocable trust costs substantially more to establish than a Will because you must fund the trust at the time you form it.
- **May not automatically adapt to changed circumstances** In many jurisdictions, Wills change automatically upon divorce, marriage or the birth of a child. Most jurisdictions do not provide similar flexibility for revocable trusts.

10) Joint Venture

A Joint Venture is formed for a limited length of time to carry out a business transaction or operation.

Advantages of a Joint Venture

- It provides companies the opportunity to gain new insights and expertise. Think about it; the market is now way easier for you to understand given the short-term partnership that you have forged.
- It will give you access to better resources, such as specialized staff and technology. All the equipment and capital that you needed for your project can now be used.
- It is only a temporary arrangement between your company and another.
- Both parties share the risks and costs. In case the joint-group project fails, you are not alone when bearing the costs of its failure. Because you two had volunteered to share the expenses, you both will also support the losses.
- In the timeline of divestiture and consolidation, a joint venture offers a creative way for companies to escape non-core businesses.
- Gradually, firms can separate their business from the rest of the organization, and then later, sell it to the other parent company. Approximately 80% of all joint ventures end in a sale, from one partner to the other.

- Your chances of success will become higher as you are already riding with a renowned brand. As a result of this, your credibility will also vastly improve.
- Even though your partnership is only for a specific goal, this move will enable you to create long-lasting business relationships.
- Despite having little to no money at your disposal, you can create more venture deals in the process.
- You get to save money by sharing advertising and marketing costs.
- International joint venture eradicates the risk of discrimination.

Disadvantages of a Joint Venture

- The objectives of a joint venture are not 100 percent clear and rarely communicated clearly to all people involved.
- There are times when flexibility is restricted. When that happens, participants have to focus on the joint venture, and their individual businesses suffer in the process.
- There is no such thing as an equal involvement. An equal pay may be possible, but not in the case of contribution. For example, Company A is working on the production process, whereas Company B is responsible for the production, and Company C is in charge of planning and implementing market strategies. Since Company A is not directly involved in the production and promotion process, the pressure is on the latter companies. It will also affect individual businesses.
- Because different companies are working together, there is a great imbalance of expertise, assets, and investment.
- A clash of cultures and management styles may result in poor co-operation and integration. People with different beliefs, tastes, and preferences can get in the way big time if left unchecked.
- Limited outside opportunities. It is very common for joint venture contracts to restrict outside activities of participant companies while working on a venture project.
- The success of a joint venture highly depends on thorough research and analysis of the objectives.
- It may be hard for you to exit the partnership as there is a contract involved.
- You will get enough leadership and support in the early stages of a joint venture and might be tempted to leave.
- There is often a severe lack of communication between partners.
- Because of the separate nature of a joint venture, it is possible that the partners do not devote 100% of their attention to the project.
- Unrealistic and unclear objectives may be set up.

11) Tenants in Common

A Tenants in Common allows 2 or more people to occupy the same business while retaining separate identities in regard to assets or liabilities resulting from business activities.

Advantages

- Ability to Avoid Probate:If the co-owner who died owned little else at the time of his or her death or disposed of assets through a trust, beneficiary designation forms and payable-on-death designations, having a joint tenant with the right of survivorship may allow an individual’s estate to avoid probate. Many states have small estate statutes that allow a family to bypass the formal process when the probate estate is under a certain value, such as $100,000. There is often an exclusion for estates that contain real property. However, since the property interest transfers at death, the individual does not own such property at death.
- Rights to Rent and Profits:Joint tenants are generally entitled to a share of the rents and profits that the property receives.

- Right to Survivorship:Owning an asset as joint tenants allows the other tenant to receive the decedent's share at the time of death. This often involves a process that is automatic and requires little or no paperwork to transfer property.

  Disadvantages

- Exposure to Creditors:In some cases, one of the joint tenant's creditors can force a sale of the property, leaving the other joint tenants exposed to such risks even if they did not benefit from the debt of the other joint tenant. Issues can arise if a joint tenant files bankruptcy, is sued or is going through a divorce. A sale may be forced in order for the joint tenant to pay off a debt.

- More Responsibility :Joint tenants generally have greater responsibilities related to the property than owners in severalty. They must pay their share of taxes, mortgage payments and assessments. They must also complete and pay for their proportionate share of those repairs and maintenance issues that are necessary. If they cause waste to the property, they may be required to compensate the other joint tenants.
- Lack of Inheritance Rights:Some people may purchase property with the intent to live out their life in the home and then provide it to their children or loved ones at the time of their death. However, joint tenants do not have the right to transfer their interest after their death. They simply cease owning any portion of the property. This is true even if a person's will states otherwise.

- Lack of Freedom:When a person owns property with another individual as joint tenants, he or she must get permission from the other joint tenants to make certain arrangements regarding the property. For example, he or she may need permission to get a mortgage on the home or to transfer his or her share to someone else. This can be difficult if joint tenants do not agree or get along.
- Legal Assistance:A real estate lawyer with experience in concurrent forms of ownership can discuss a client's needs to determine whether joint tenancy will or will not best serve the client. Other forms of concurrent ownership may be discussed, such as tenants in common and tenants by the entirety.

12) Municipality

A Municipality is a public corporation established as a subdivision of a state for local governmental purposes.

Advantages

1. Largest Advantages: Probably, one of the biggest advantages related to investing in municipal bonds is the fact that they're likely tax free. In a brief view, a person does not have to worry about paying taxes on his/her interest income, at least not federal. A person may have to pay local and state taxes depending on where he/she lives, unless he/she purchases a triple tax-free bond which exempts him/her from all three.

2. Their Strength: One of the strengths of municipal bonds is that they are relatively low risk compared to other bonds. Since municipal bonds are government debt securities backed by the credit or activities of your town, there is likely money offered to take good care of your interest and the completely invested amount once they reach the maturity date. Moreover, they are also reliable and genuine as their default rate from year 1970 to 2000 was 0.04 percent.

3. Highly Level of Liquidity: They are traded and highly liquid on a secondary market. This implies that if you're strapped for cash or in need of a certain amount of money for emergency or investment opportunity, the capital can be accessed quickly.

4. Lower Volatility Than Stocks: Historically, municipal bonds have been one of the safest places to park your savings and also provide tax exempt returns.

Disadvantages
1. Opportunity Cost: You should visit any websites offering online calculators that would calculate your taxable equal yield. It is for you to ensure that your bonds make more sense for you than any other bonds.
2. Bond Yields Might Not Beat Inflation: Since this kind of bond is quite a conservative investment, it offers tax advantages and their yields tend to be relatively low. Therefore, they're less likely to beat inflation compared to stocks. This implies that the money you've parked in a bond fund can be worth less in buying power many years from now.
3. Interest Rate Risk: Current bonds lose value when interest rates go up. This is due to the fact that bonds that carry lower interest should be sold at a discount rate to the same current bond yields. However, this can be a less concern if you hold the bonds for maturity, but can be a hindrance if you need to cash out bonds or bond funds.

13)Association

An Association is an organized group of people who share in a common interest, activity, or purpose.

Business Objectives

Five most important objectives of business may be classified are as follows: 1. economic objectives, 2. social objectives, 3. human objectives, 4. national objectives, 5. global objectives.

I) 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.

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.

II) 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.

III) 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 tan 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 then 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.

IV) 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.

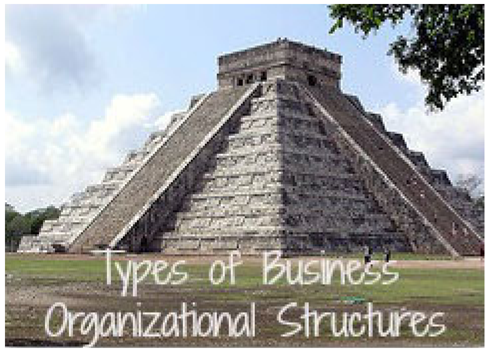
V) Global Objectives:
Previously India had very restricted business relationship with other nations. There was a very rigid policy for import and export of goods and services. But, now-a-days due to liberal economic and export-import policy, restrictions on foreign investments have been largely abolished and duties on imported goods have been substantially reduced.
This change has brought about increase in competition in the market. Today because of globalization 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.

Organizational Structure
Large or small, every organization should operate with a defined organizational structure. A well thought out and strategic business configuration clarifies reporting relationships and supports good communication – resulting in efficient and effective work process flow.
The board and senior leadership should be the group who determines the type of organizational structure that would best support the internal operations, how work is carried out and the chain-of-command.



Determining the best structure is done by answering the questions:

- What are the functional groupings of work processes?
- Are there natural groupings of teams, work groups or units?

Senior leadership looks at all functions and determines how they would like work activities to be organized and carried out. This process also identifies natural reporting relationships and chain-of-command. Reporting relationships can be both vertical as well as horizontal

1. Matrix Organizational Structure

A matrix structure provides for reporting levels both horizontally as well as vertically. Employees may be part of a functional group (i.e. engineer) but may serve on a team that supports new product development (i.e. new album). This kind of structure may have members of different groups working together to develop a new product line.

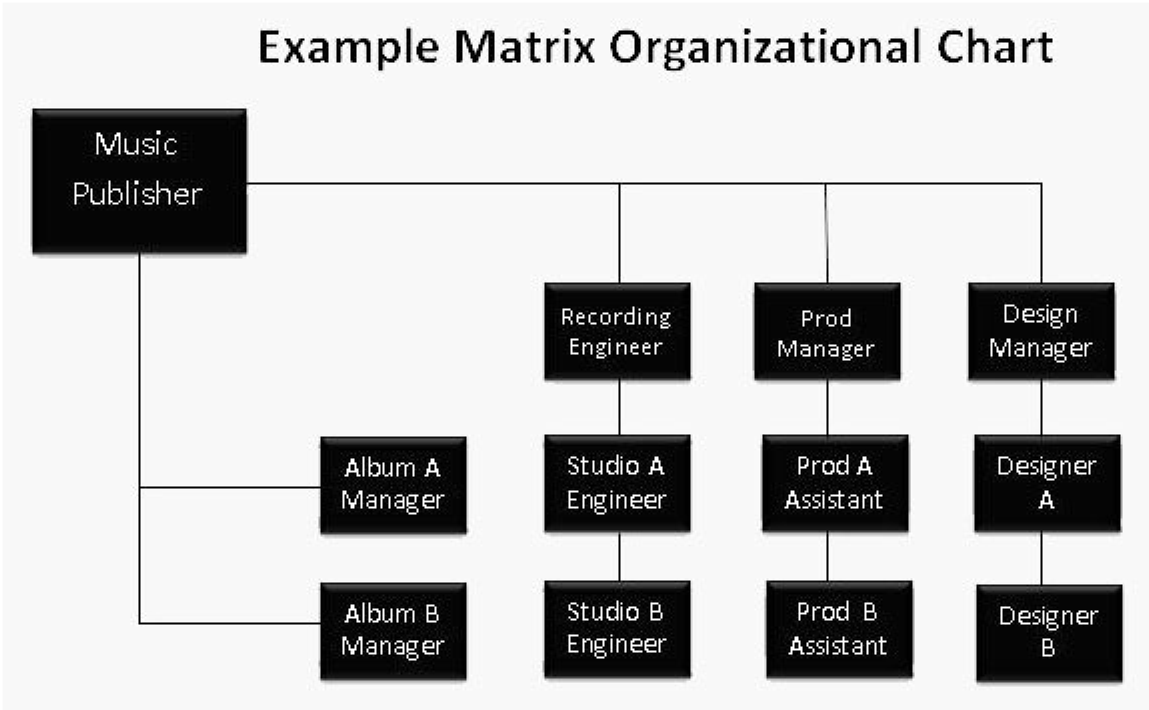
For example, a recording engineer who works for a music publisher, may have engineers who report to him but may also use his expertise and work with teams to develop new music albums. The advantage of a matrix organizational structure is that employees have responsibility not only for their department but for organizational projects. A challenge with this type of structure presents itself when employees are given direction from two different managers and they need to prioritize their work responsibilities.

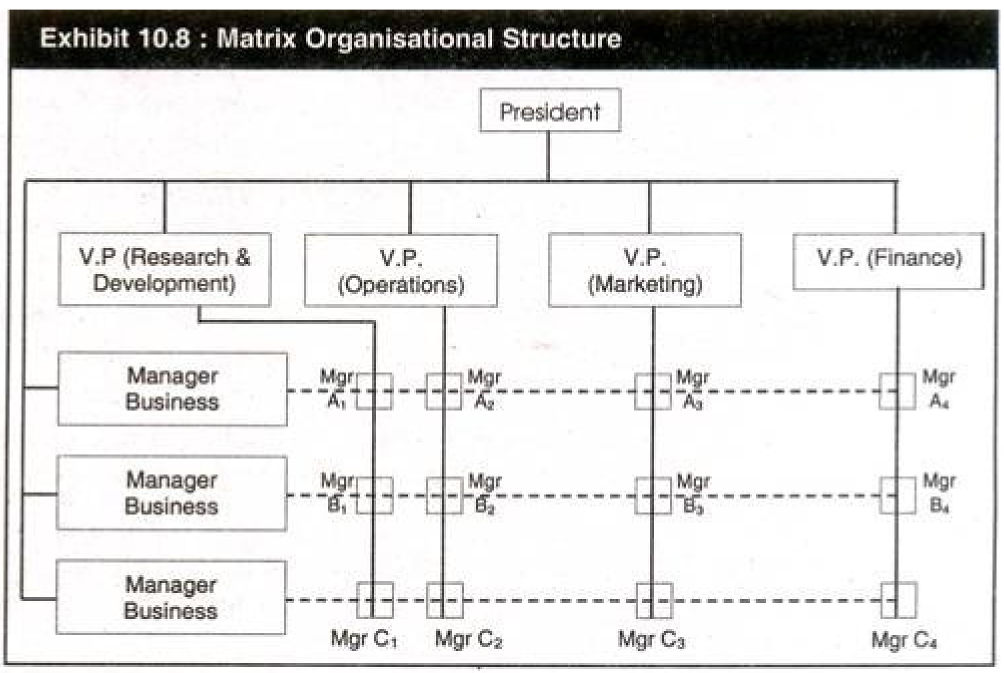
Advantages:

1. Decentralized decision making.
2. Strong product/project co-ordination.
3. Improved environmental monitoring.
4. Fast response to change.
5. Flexible use of resources.
6. Efficient use of support systems.

Disadvantages:

1. High administration cost.
2. Potential confusion over authority and responsibility.
3. High prospects of conflict.
4. Overemphasis on group decision making.
5. Excessive focus on internal relations.



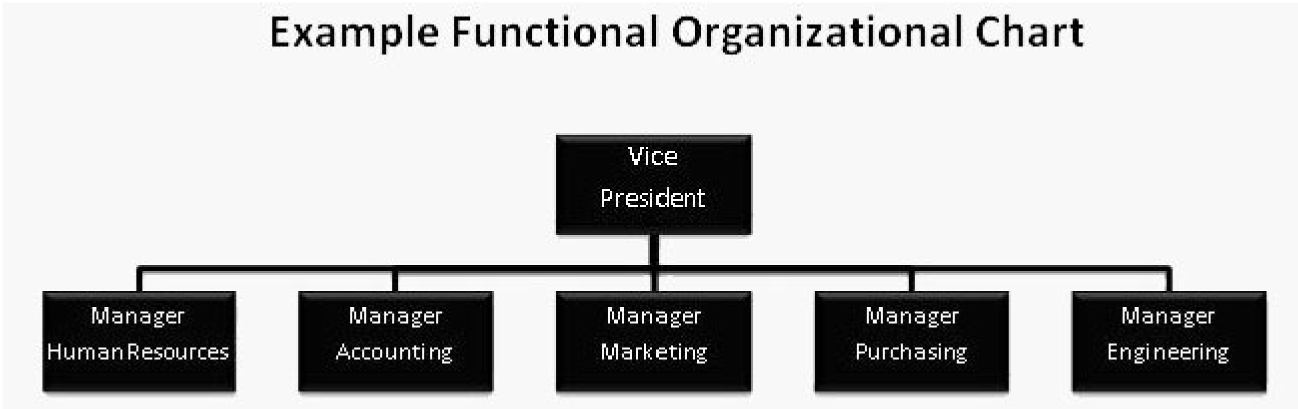


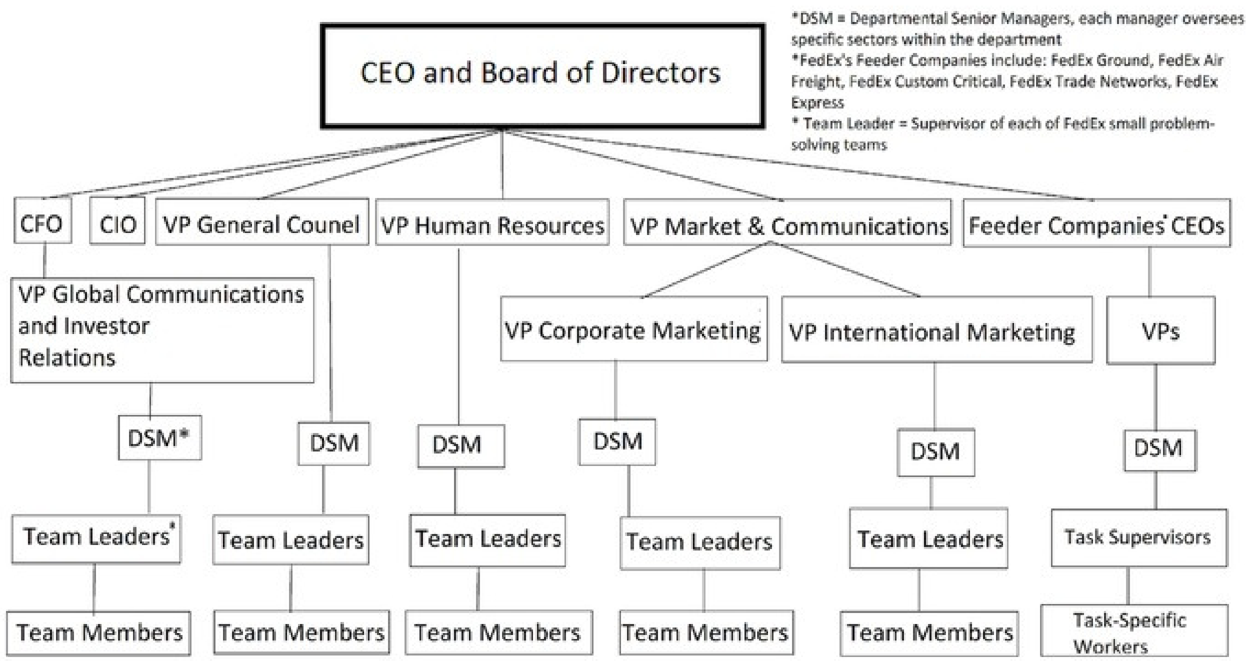
2. Functional Organizational Structure

Functional organizational structures are the most common. A structure of this type groups individuals by specific functions performed. Common departments such as human resources, accounting and purchasing are organized by separating each of these areas and managing them independently of the others.

For example, managers of different functional areas all report up to one director or vice president who has responsibility for all of the operational areas.

The advantage of this type of structure is that functions are separated by expertise but the challenges comes in when different functional areas turn into silos that focus only on their area of responsibility and don't support the function of other departments.



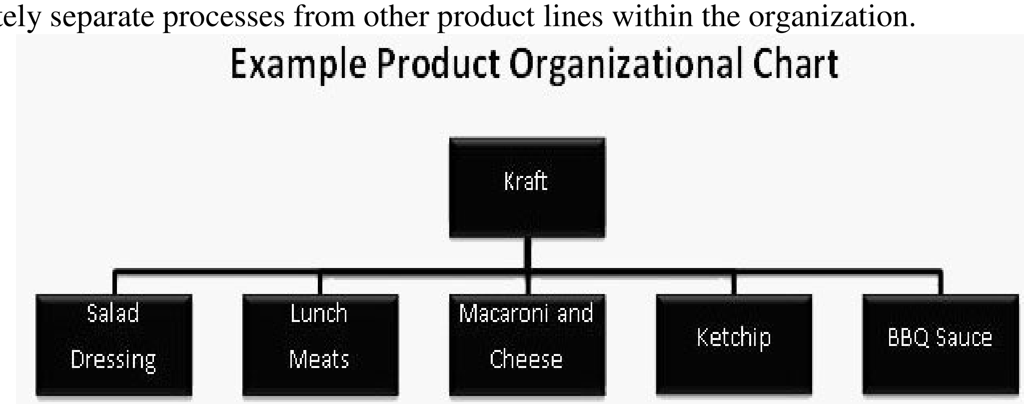


3. Product Organizational Structure

Another common structure is to be organized by a specific product type. Each product group falls within the reporting structure of an executive and that person oversees everything related to that particular product line.

For example an executive over Kraft products would be responsible for every product under that label – dressings, meats, sauces, etc.

The advantage of this type of structure is that it organizes products by category but can create completely separate processes from other product lines within the organization.

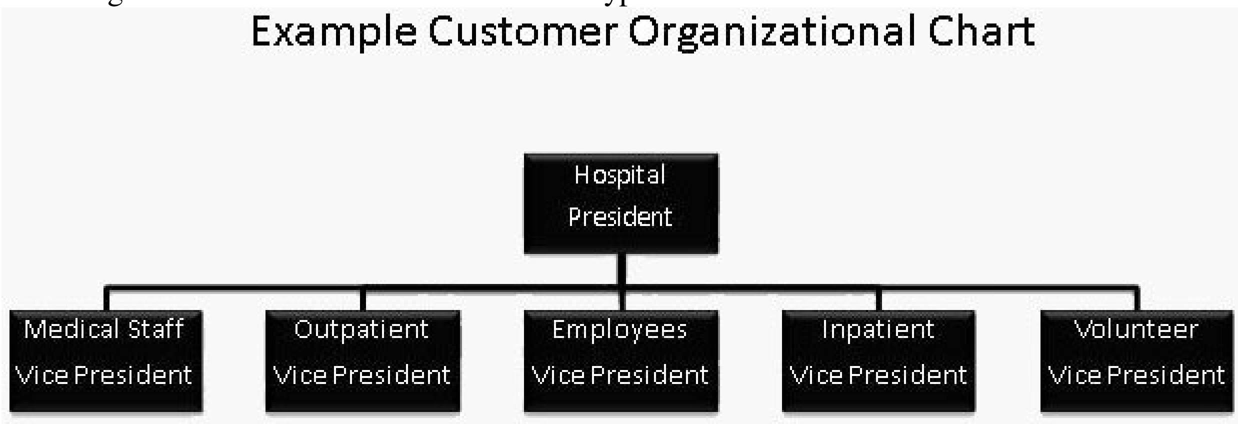


4. Customer Organizational Structure

Certain industries will organize by customer type. This is done in an effort to ensure specific customer expectations are met by a customized service approach.

An example of this would be in healthcare. A patient seen as an outpatient has very different needs than those of patients who spend time in the hospital as inpatients. A customer centered structure creates customized care for those patients.

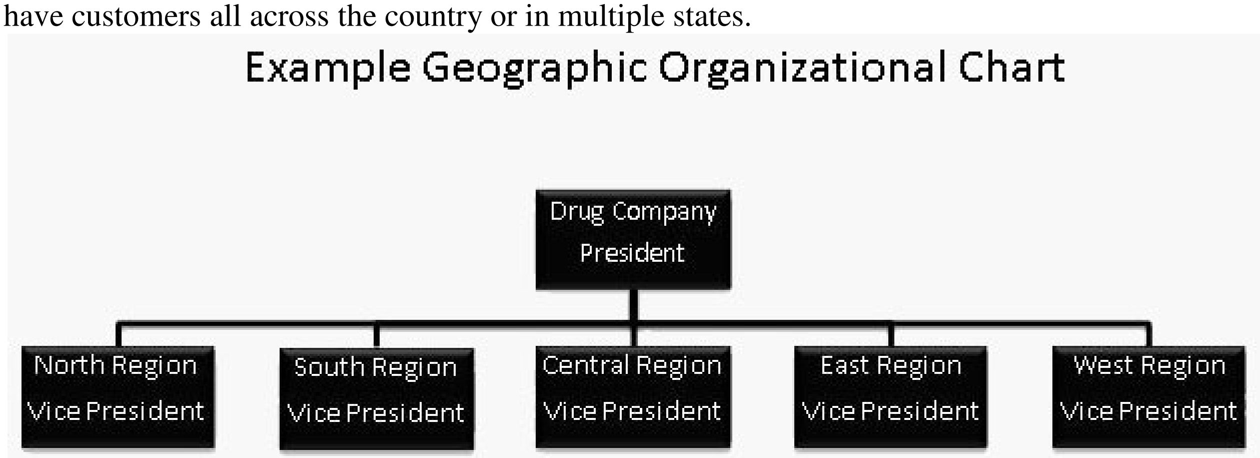
The advantage of this type of structure is that it specializes in the needs of each customer group but can ignore the needs of different customer types.



5. Geographic Organizational Structure

For organizations that cover a span of geographic regions, it sometimes makes sense to organize by region. This is done to better support logistical demands and differences in geographic customer needs.

Typically a structure that is organized by geographical regions reports up to a central oversight person. You see this type of structure in companies that go beyond a city or state limit and may have customers all across the country or in multiple states.



Deliberate time and thought should go into the design of an organization's structure. This is important so employees have a visual of how the organization functions and understands the chain-of-command. Operating within a defined structure, with good communication processes and work-flows, help to ensure efficient management of resources – people, time and money.