



WOLLO UNIVERSITY

KOMBOLCHA INSTITUTE OF TECHNOLOGY

(KIOT)

SCHOOL OF TEXTILE, LEATHER AND FASHION TECHNOLOGY

TEXTILE ENGINEERING DEPARTMENT

Textile Business and Management

(Teng 5245)

Chapter one:

Basic concepts of business and management

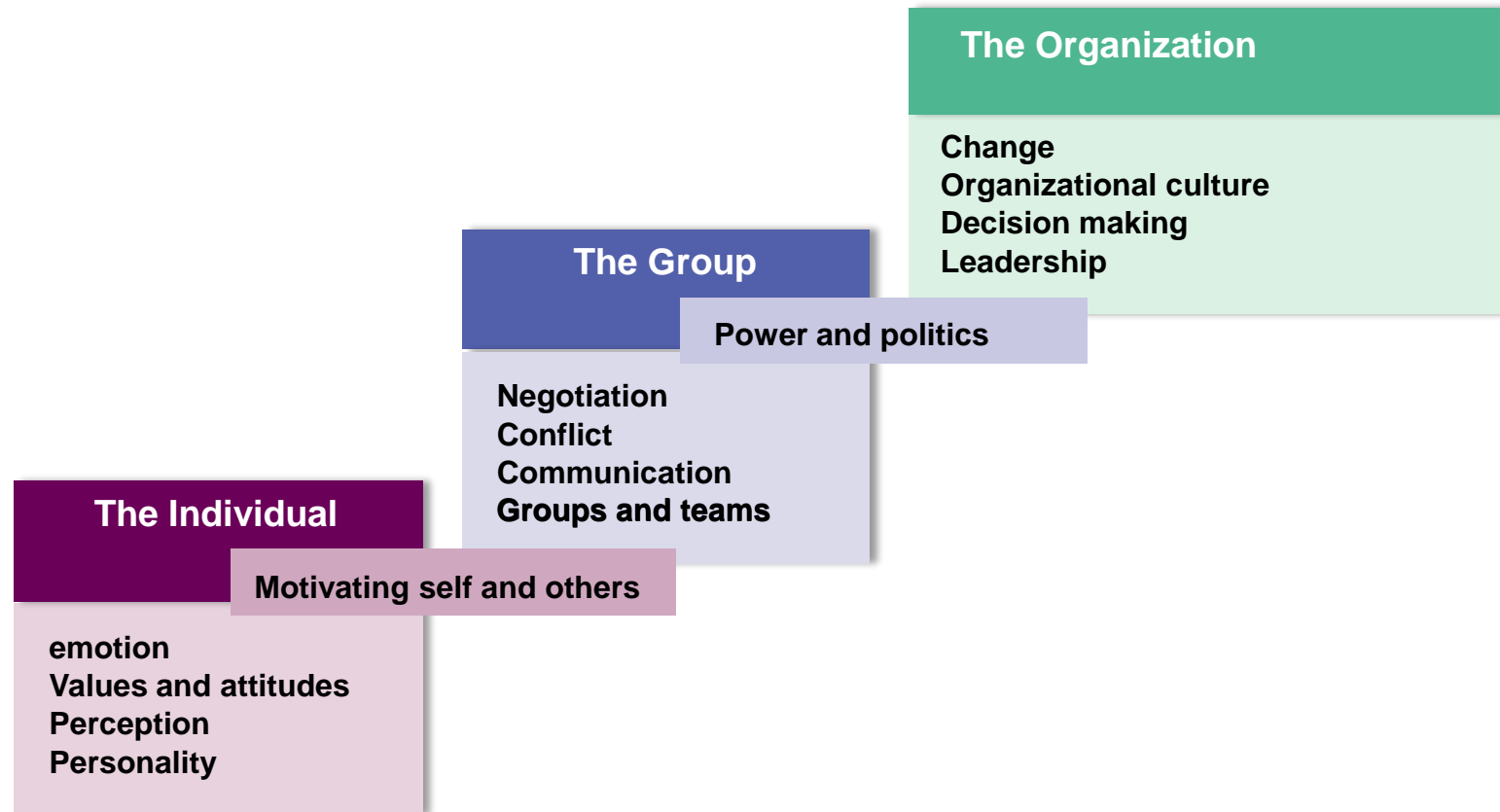
- Basic concepts of Business Organization
- Definitions of Business
- Types of Business Organizations
- Basic concepts of management
- Definitions of management
- Functions of management

Basic concepts of Business Organization

- ❖ An organization is a group of people within some structure who possess a common objective, usually expressed in a mission statement.
 - Organizations may be: -
 - for profit (frequently referred to as “firms”)
 - not-for-profit
- ❖ An industry is a group of organizations competing in a predefined market under similar bases of competition

The Layers of Organizational Behaviors

It studies **three determinants** of behavior in organizations: individuals, groups, and structure.



Definition of Business



- In a word, “Business means creation of utility”.

From the functional point of view, the business is related all kinds of legal works of producing , marketing and exchanging products and services with the intension to earn profit .

Functions of Business



There are many function need for running a business.
These are given below:-

- **Planning :** To make a plan is so essential for production, distribution and investment. Without planning any business can't achieve their destiny.
- **Production :** Production or creating utility is the primary function. By producing goods and delivering services business organizations try to fulfill the needs of the people.
- **Purchase :** To continue the process of production businessmen purchase raw-materials from the suppliers.

Functions of Business



- **Sale :** Sale means transfer of the ownership of goods and delivery services to another person.
- **Insurance :** In business there are many types of risks such as deflation , price falling, fire and accident etc . For that reason should take insurance policy.
- **Market research :** By market research businessmen get the information about the customer's need , demand , purchasing power , expectation.

Functions of Business



- **Grading & Standardization** : Grading means to classify the products according to their criteria , quantity , value and nature. Standardization means to divide the product according to the quality.
- **Advertisement & Publicity** : Business organization should make advertisement and publicity to create customer and inform them about the shape ,size , quality and price of production.

Importance of Business



There are many importance of business , these are given below :-

- **Economic Importance**

1. Proper utilization
2. Division of labor
3. Utilization of developed technology
4. Encouraging savings
5. Increase government revenue
6. Growth of personal & national income
7. Development of banking and insurance

Importance of Business



- **Social Importance**

1. Supply of goods and service
2. Create employment
3. Improvement of the living standard
4. Development of efficiency , culture and industrial arts
5. Urbanization
6. Help to industry
7. Development of International Relationship

TYPES OF BUSINESS ORGANISATIONS

- A business is an organization that uses economic resources or inputs to provide goods or services to customers in exchange for money or other goods and services.
- Business organizations come in different types and forms. There are 4 Types of Business,
 1. Service business
 2. Merchandising Business
 3. Manufacturing Business
 4. Hybrid Business

Service Business

- A service type of business provides intangible products (products with no physical form). Service type firms offer professional skills, expertise, advice, and other similar products.
- Examples of service businesses are: schools, hair salons, banks, accounting firms, and law firms.

Merchandising Business

- This type of business buys products at wholesale price and sells the same at retail price. They are known as "buy and sell" businesses.
- They make profit by selling the products at prices higher than their purchase costs.
- A merchandising business sells a product without changing its form.
- Examples are: grocery stores, convenience stores, distributors, and other resellers.

Manufacturing Business

- Unlike a merchandising business, a manufacturing business buys products with the intention of using them as materials in making a new product.
- Thus, there is a transformation of the products purchased. A manufacturing business combines raw materials, labor, and factory overhead in its production process. The manufactured goods will then be sold to customers.

Hybrid Business

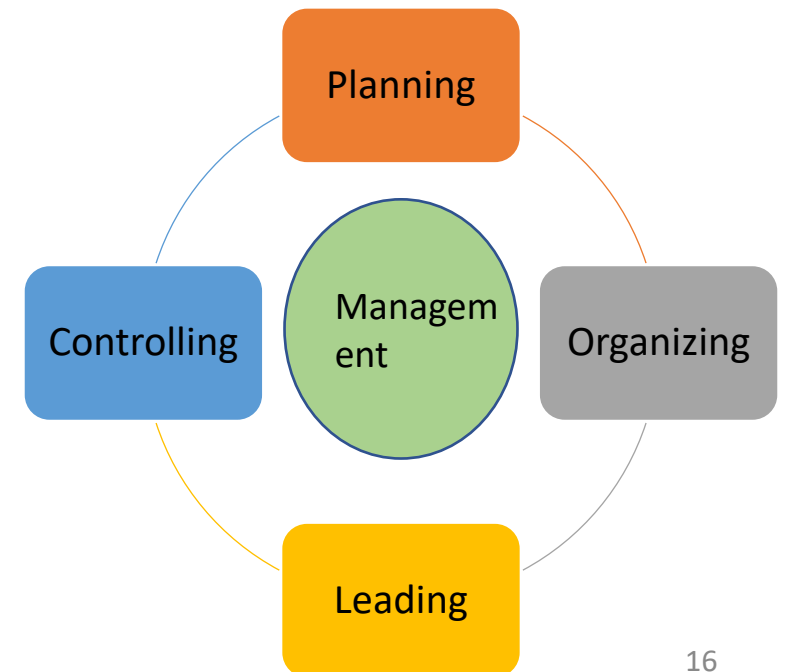
- Hybrid businesses are companies that may be classified in more than one type of business.
- A restaurant, for example, combines ingredients in making a fine meal (manufacturing), sells a cold bottle of wine (merchandising), and fills customer orders (service). Nonetheless, these companies may be classified according to their major business interest.
- In that case, restaurants are more of the service type – they provide dining services.

What Is Management?

- Management
 - The process of achieving *company goals* effectively and efficiently by engaging in the four major functions of *planning, organizing, leading, and controlling* of company's resources.

Resources include:

- Human resources e.g. employees
- Financial resources e.g. bank loan or investment from shareholders
- Physical resources e.g. machinery, inventory
- Information resources e.g. knowledge



Definitions

- **Louis E Boone & David L Kurtz:** The use of people and other resources to accomplish objectives.
- **Mary Parker Follet:** the act of getting things done through people.
- **Frederick Taylor:** Defines Management as the art of knowing what you want to do in the best and cheapest way.

FUNCTIONS OF MANAGEMENT

❖ **PLANNING**

❖ **ORGANIZING**

❖ **STAFFING**

❖ **DIRECTING**

❖ **CONTROLLING**

PLANNING

- ✓ Planning is determining the objectives and formulating the methods to achieve them. It is more simply said than done. A job well planned is half done. During planning one needs to ask oneself the following:
- ✓ What am I trying to accomplish i.e. what is my objective?
- ✓ What resources do I have and do I need to accomplish the same?
- ✓ What are the methods and means to achieve the objectives?
- ✓ Is this the optimal path?

Types of Planning

- **Objectives planning** -It is the ultimate **goal** towards which the activities of the organization are directed
- **Strategies planning** -general program of **action and consumption** of resources
- **Policies planning** -general **statement or understanding** which guide or channel thinking in decision making
- **Procedures planning** -states a series of **related steps or tasks** to be performed in a sequential way
- **Rules planning**-prescribes a **course of action** and explicitly states what is to be done
- **Programs planning** -comprehensive plan that includes **future** use of different resources
- **Budgets planning** -statement of expected results expressed in **numerical terms**

Principles of Planning

- Take Time to Plan
- Planning can be Top to Down or Bottom to Top
- Involve and Communicate with all those Concerned
- Plans must be Flexible and Dynamic
- Evaluate and Revise



Steps in Planning

1. Determining the **goals or objectives** for the entire organization.
2. **Making assumptions** on various elements of the environment.
3. To decide the **planning period**.
4. Examine **alternative courses** of actions.
5. **Evaluating the alternatives**.
6. Real point of **decision making**
7. To make derivative plans.

2. Organization

It is making sure the human and nonhuman resources are put into place.

Organizing is the function of management that involves developing an organizational structure and allocating human resources to ensure the accomplishment of objectives. The structure of the organization is the framework within which effort is coordinated. The structure is usually represented by an organization chart, which provides a graphic representation of the chain of command within an organization.

2.1. Function of Organization

1. Determining and defining activities to **achieve goal**.
2. **Assigning duties** to people at various levels.
3. **Delegating authority** to people at different level
4. **Grouping of activities** into convenient and logical group.
5. **Defining and fixing** responsibility for performance



3. Staffing

The staffing function of management controls all **recruitment** and personnel needs of the organization. The main purpose of staffing is to **hire the right people for the right jobs** to achieve the objectives of the organization.

Staffing involves more than just recruitment; staffing also encompasses **training and development, performance appraisals, promotions and transfers**. Without the staffing function, the business would fail because the business would not be properly staffed to meet its goals

3.1. Function of Staffing

Following steps are taken to complete the staffing function of management:

- (i) Estimating the manpower requirements
- (ii) Recruitment
- (iii) Selection
- (iv) Placement and Orientation
- (v) Training and Development



4. Directing

It refers to **instructing, guiding, communicating and inspiring** people in the organization. Under directing following four activities are included:

1. Issuing orders and instructions
2. Supervision of Work
3. Motivation i.e. creating willingness to work
4. Communication with employees
5. Leadership or influencing the behavior of employees.

4.1. Function of Directing

Supervision- implies overseeing the work of subordinates by their superiors. It is the act of watching & directing work & workers.

Motivation- means inspiring, stimulating or encouraging the sub-ordinates with passion to work. Positive, negative, monetary, non-monetary incentives may be used for this purpose.

Leadership- may be defined as a process by which manager guides and influences the work of subordinates in desired direction.

Communications- is the process of passing information, experience, opinion etc from one person to another. It is a bridge of understanding.

5. Controlling

The controlling function of management is useful for ensuring all other functions of the organization are **in place and are operating successfully**.

Controlling involves establishing **performance standards and monitoring** the output of employees to ensure each employee's performance meets those standards.

The controlling process often leads to the **identification of situations and problems** that need to be addressed by creating new performance standards.

The level of performance affects the success of all aspects of the organization.

5.1. Steps of Controlling

controlling process has five main steps:

- (i) Setting performance standards
- (ii) Measurement of actual performance
- (iii) Comparison of actual performance with standards
- (iv) Analyzing deviations
- (v) Taking corrective action.



Levels of managers

- **Top-level managers or senior management:** At this level, managers are responsible for charting the company's path. Once that's in place, they convey it to all employees.
- **Middle-management:** People in middle management might oversee an entire department or a large team within a department.
- **First line managers or supervisors:** Direct supervisors manage employees. They're responsible for making sure work is done on time and correctly. They also inform middle management of any issues and set an example for employees.

Management skills

Conceptual

- ✓ Able to see the big picture

Human

- ✓ Be able to work well with others, individually and in group.

Technical

- ✓ Have specialized expertise

Conceptual skills

- The ability to analyze complex information. It enables managers to process information about the internal/external environment of the organization and determine its implications
- Top level managers need to have strong conceptual skills if they are to effectively accomplish goals



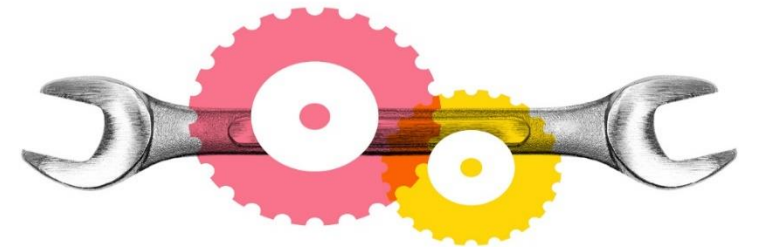
Human skills

- The ability to work effectively with people. It involves motivating and disciplining employees, monitoring performance, providing feedback, improving communication and instructing employees
- Human skills are most important for middle managers as these managers must coordinate efforts of the members in his group as well as other work groups within the organization

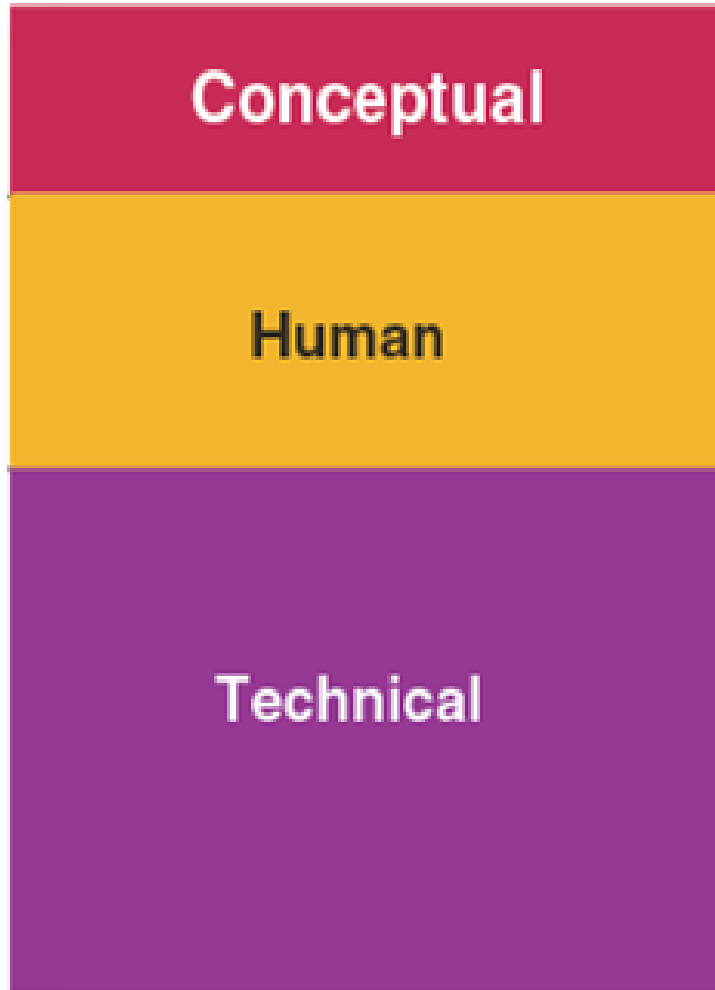


Technical skills

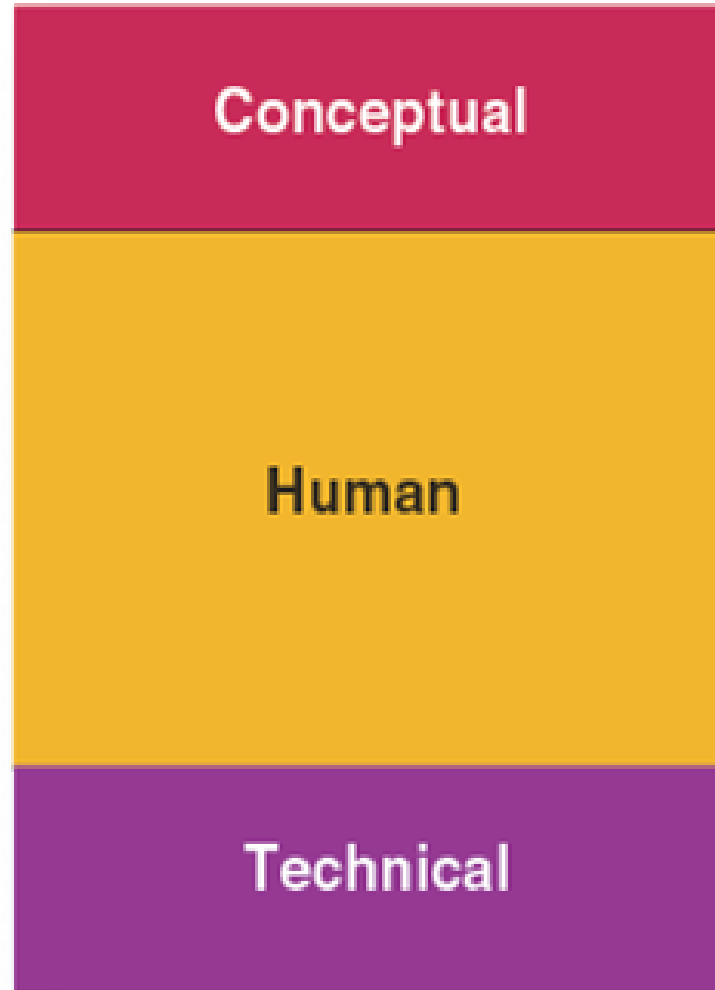
- The knowledge and the ability to use tools, techniques and procedures that are specific to their particular field
- Technical skills tend to be most important for first line managers as they must have the knowledge and the "know-how" to ensure that the products and services of their organization are delivered to customer



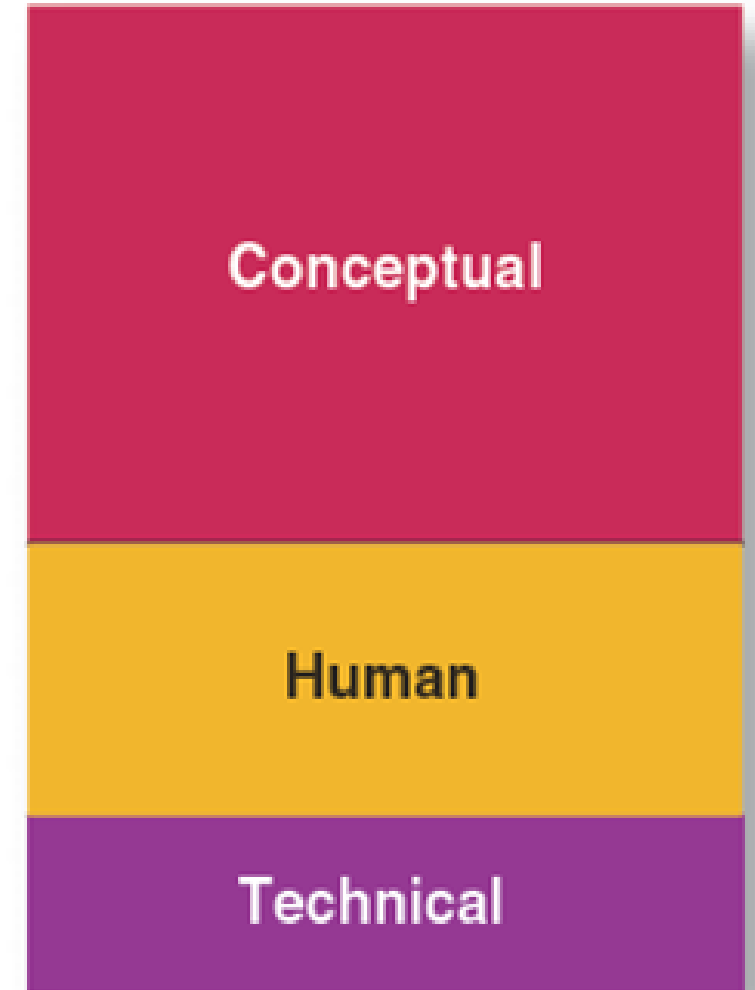
FIRST-LINE MANAGEMENT



MIDDLE MANAGEMENT

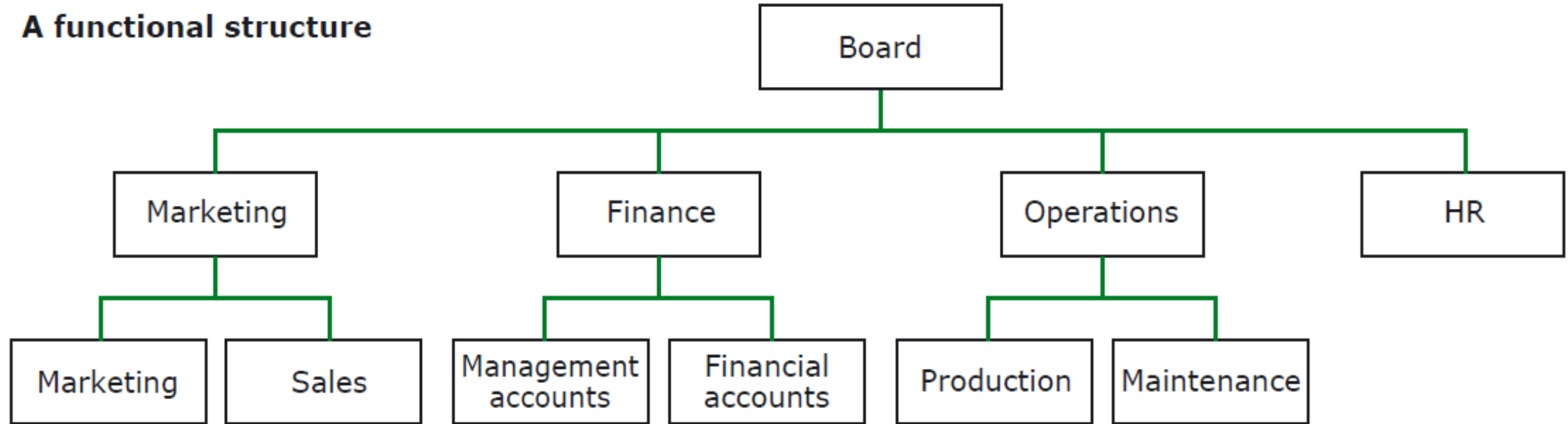


TOP MANAGEMENT



Different options to structure companies

A functional structure



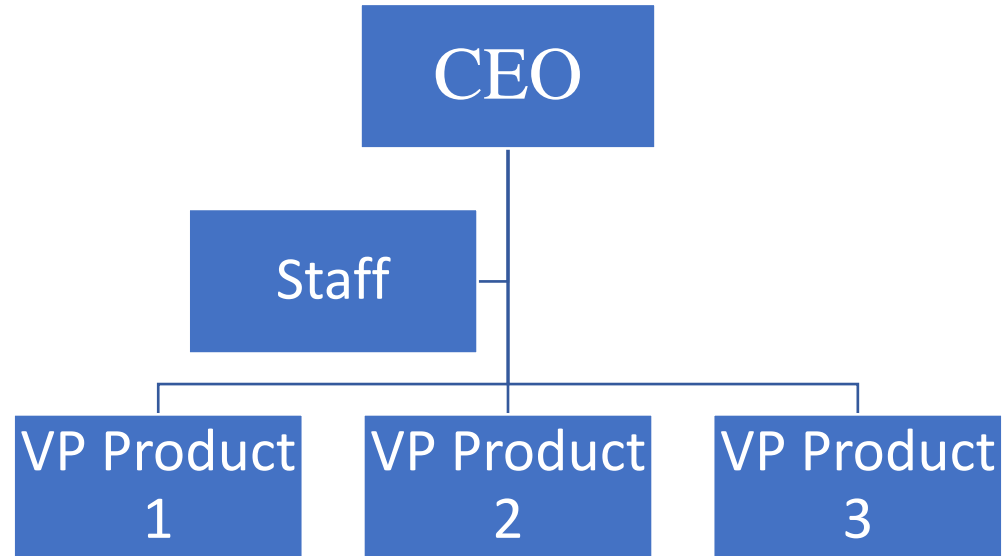
Advantages

Easy to understand Works for any size organisation Clearly defined responsibilities.
Expandable to HR, legal, ...

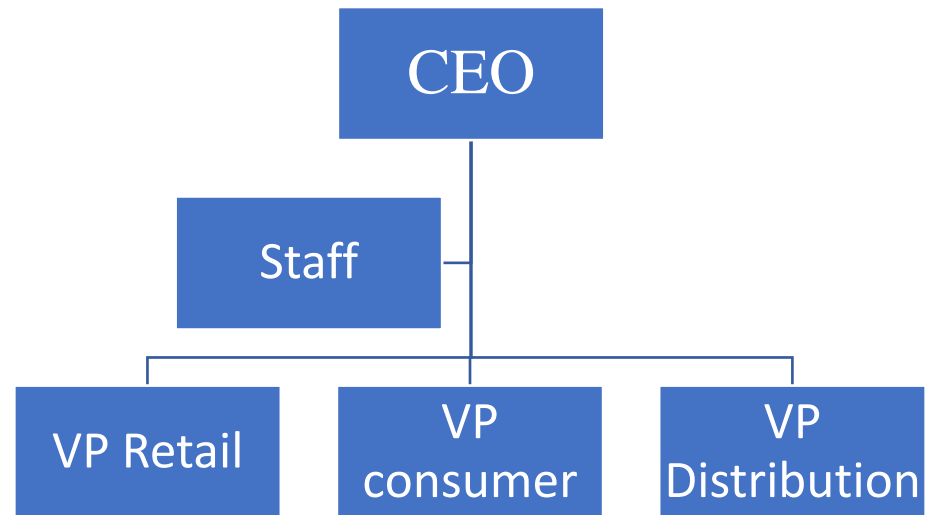
Disadvantages

All products together – how do you track? Internally focused

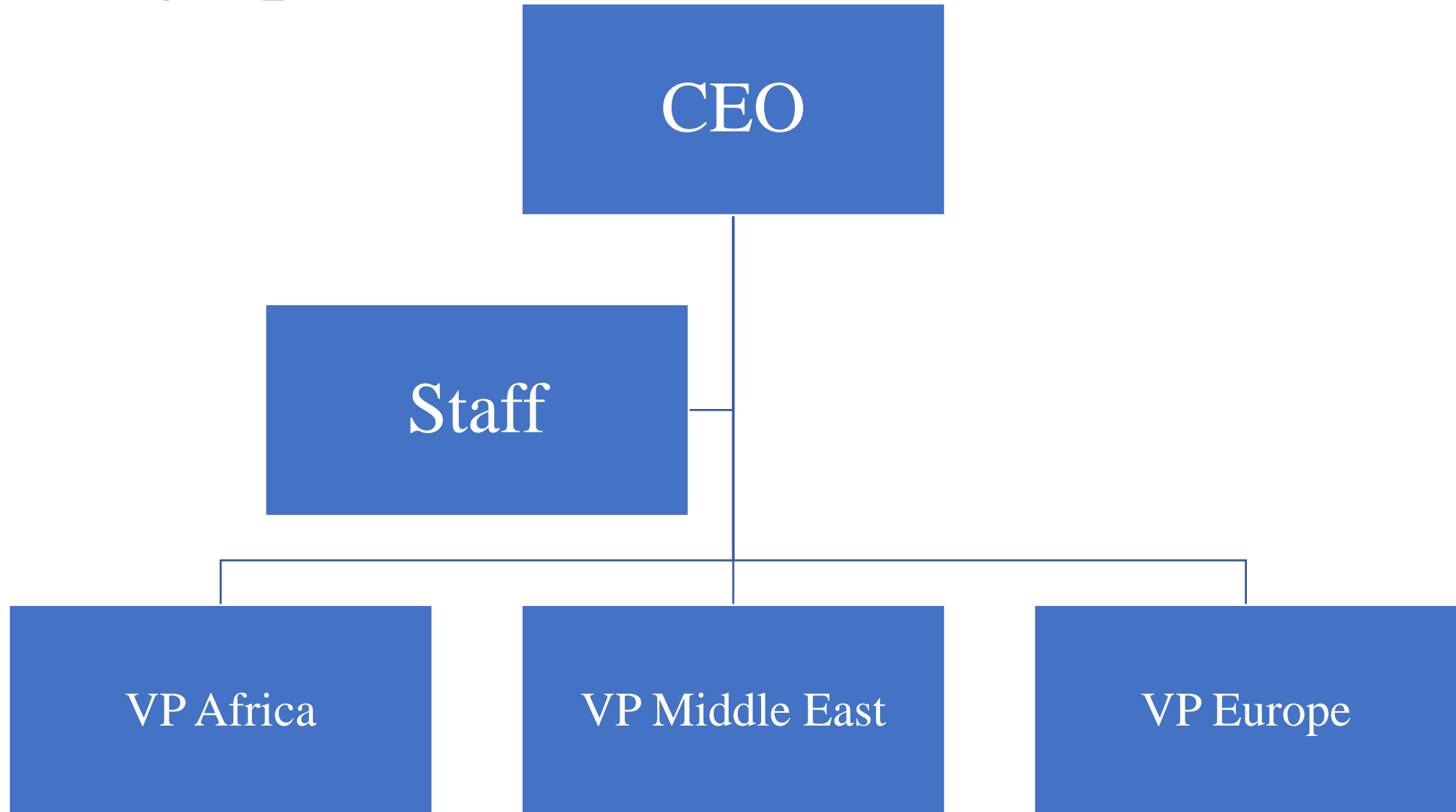
B. Product/service structure



C. Customer structure



D. Geographic structure



Rules of a bureaucracy

Chain of command

- Who reports to who
- Do not go over your bosses head

Unity of command

- Everyone has one (and only one) boss
- CEO reports to the board of directors

Span of control

- The number of employees a manager oversees
- Small at the top – 3 to 8
- Higher at the bottom – eg supervisor supervises 20 - 50

Disadvantages of bureaucracies

Lots of layers of management

Centralized approach

Do not go over your bosses head



Slow communication

Slow decision making

Garbled messages because of many layers