

Certificate in **BUSINESS MANAGEMENT**

Online Class

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Business Management



**Thanks for your presence,
And we are very pleased to
have you with us.**

Business Management



Overview

INTRODUCTION TO BUSINESS

Chapter 1 – Understanding the Nature of Business

Chapter 2 – Analyzing the Business Environment

Chapter 3 – Understanding the Business Structure

Chapter 4 – Main Pillars of Business

FUNDAMENTALS OF MANAGEMENT

Chapter 5 – Developments of Management Thoughts and concepts

Chapter 6 – Levels of Management

Chapter 7 – Roles of Management

Chapter 8 – Functions of Management

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INTRODUCTION TO BUSINESS



Chapter (1) Understanding the Nature of Business

- i. What is Business?
- ii. What are the Resources?
- iii. Objectives of Business
- iv. Accountability
- v. Ethics and Social Responsibility



I. Understanding the Nature of Business



i. What is Business?

Business is a collection of people or resources involved in providing goods and services for an end user.

- ✓ **Get More new Customers**
- ✓ **Keep them Longer**
- ✓ **Grow them Into bigger Customers**

I. Understanding the Nature of Business

ii. What are the resources?



I. Understanding the Nature of Business



ii. What are the resources?

Resources are

the **inputs** into processes which turn out

products, goods and services which can provided for

consumers, usually for a price."

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ii. What are the resources?

These several resources known as **'factors of production'**.

- Land
- Labor
- Capital
- Entrepreneurship or Management Skills

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FACTORS OF PRODUCTION – LAND

Land refers as a **natural resources** –

- limited amount and cannot be replaced (or at least not easily).
- Where land is **scarce**, there is **great competition** for access to it and this **drives the price up**.



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FACTORS OF PRODUCTION – LABOR

Labor or Workforce

Physical and mental power of human being

- men and women
- age range (promotion of younger or older workers), etc.



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FACTORS OF PRODUCTION – LABOR (Cont.)

- The skills of the workforce.
- people with particular abilities - to carry out the work required.

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FACTORS OF PRODUCTION – LABOR (Cont.)

- The availability for work
 - full time, part time or temporary, short-term
- The geographical location
 - where they are (locally, regionally, nationally and even internationally).

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FACTORS OF PRODUCTION – CAPITAL

Two main categories:

- **Financial capital** is fund of money
 - needed to acquire and develop real capital, both physical and human.



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FACTORS OF PRODUCTION – CAPITAL(Cont.)

- **Real capital** - tools, equipment and human skills employees in production (physical capital, e.g. factory buildings, machines or equipment, or human capital)



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FACTORS OF PRODUCTION –

ENTREPRENEURSHIP OR MANAGEMENT SKILLS

Business to become establish, grow and successful

- **Innovative.**
- **Risk-taking.**
- **Creativity.**

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Tips From Me.....

Resources are **scared**

Use it **Carefully** !



I. Understanding the Nature of Business

iii. Objectives of Business





I. Understanding the Nature of Business

iii. Objectives of Business

- **Understanding the meaning of Organizations**
- **Understanding the Organizational Goals**
- **Understanding the Corporate Aims and Objectives**
- **Understanding the Objectives, Growth**



I. Understanding the Nature of Business

What is Organization?

- composed of **individuals and groups**
- exist in order to try to achieve **certain goals**
- involve **specialization** but require rational **co-ordination and control**
- they have some degree of **permanence**.

(Porter, Lawler and Hackman – 1975)



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Understanding the Organizational Goals

- the members of the organization are involved in the activities in a co-ordinated and on-going fashion:
- they are seeking to achieve a particular purpose or purposes.

(the reason that the members of the organization are engaged in a systematic effort is to achieve the defined purpose. The purpose comes first and provides the rationale for the activities.)



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Understanding the Organizational Goals

purpose or an end - commonly called
the organization's "aim", "goals" or "objectives"

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Understanding the Organizational Goals

"A goal is a future state of affairs which the organization attempts to realize"



Amitai Etzioni

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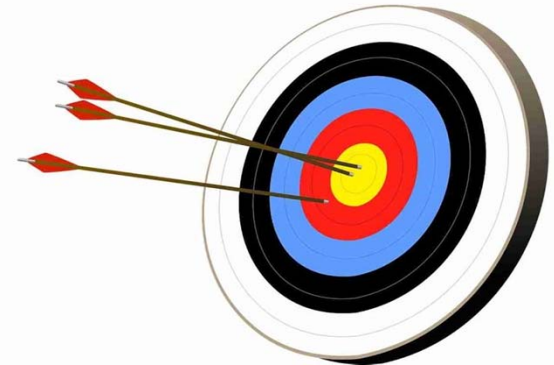
Setting **GOAL**

Goals must be

- **S**pecific
- **M**easurable
- **A**chievable
- **R**elevant
- **T**ime bound



GOAL SETTING





I. Understanding the Nature of Business

Expressing Goals

Goals are **fundamental** to activity

- Challenging but achievable
- Clear and relevant
- includes a standard or target
- can be measured
- includes some form of time constraint



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Types of Organizational Goals

Vision - End results

Mission - What business are we in.

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Types of Organizational Goals

What are the Business Objectives ?

- People have to invest time and money into the business enterprise, and **expect to get something back** for that investment



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Business Objectives

Some businesses will set objectives for
different time periods:

- **short term objectives** - for the first year of trading
- **medium term** - year two up to years 4 and 5
- **long term** - targets for years 6 and beyond.



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Business Objectives & Growth

i) Survival

– the first objective of a business

(to reach a sustainable sales level that allows the firm to break-even) before a firm can begin to make profit to reward its owners, it needs to recover these costs.



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Business Objectives & Growth

Break-even is the point at where

Total Cost = Total Revenue.

Unless a business can achieve this objective it will close as soon as its initial capital is exhausted.



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Business Objectives & Growth

ii) Profitability

– to continue in business in the longer term. **The level of profit is important to those stakeholders who depend on the organization for an income** – it must be sufficient to make it worthwhile to retain the assets in that line of business.

I. Understanding the Nature of Business



Business Objectives & Growth

iii) Market share

- a longer term objective. The larger the share of a market the more dominant a business can become. This is linked to competitive advantage where by a firm attempts to achieve and maintain its position in market.



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Business Objectives & Growth

iv) Sales maximization

– is an objective which appeals to managers who are paid bonuses linked to increase in revenue. Managers can often pursue their own objectives so long as they make enough profit to keep the shareholders happy.



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Business Objectives & Growth

v) Revenue maximization

- can be the prime objective of organizations.

I. Understanding the Nature of Business



Business Objectives & Growth

vi) Diversification

- To **reduce the risk** it faces, a business may seek to produce different products in different markets.



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Business Objectives & Growth

vii) Satisficing

- is likely to be the realistic objective of large organizations with several divisions. (because all the parts of the firm may have different goals, a minimum level of achievement is set for the organization as a whole.) It is said to "**satisfice**" instead of maximize.



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Business Objectives & Growth

viii) Level of service

- is the objective of organizations in the public sector and in **not-for-profit** areas. They may aim at the highest possible level of service or at the best attainable service for a given cost. **Eg: The Health Service.**



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Business Objectives & Growth

ix) Technical excellence

– is an objective of research organizations and engineering firm. Innovation and technological advances are more important than sales or profit maximization. the pursuit of excellence may bring the kind of reputation that builds sales and profit in the longer term.

I. Understanding the Nature of Business



iv. Accountability





I. Understanding the Nature of Business

iv. Accountability

Accountability is the process by which a person or persons is required to report to others on the exercise of responsibilities given to them those others. Management will provide reports on the various objectives given to them by the owners of a business and for which they have the responsibility for achieving.



I. Understanding the Nature of Business

iv. Accountability (Cont.)

There are many people who have an interest in the success or otherwise of a business's performance. We call these people **"stakeholders"** – because they have a stake in what a firm is doing – and all business now need to take their responsibilities to these stakeholders seriously.



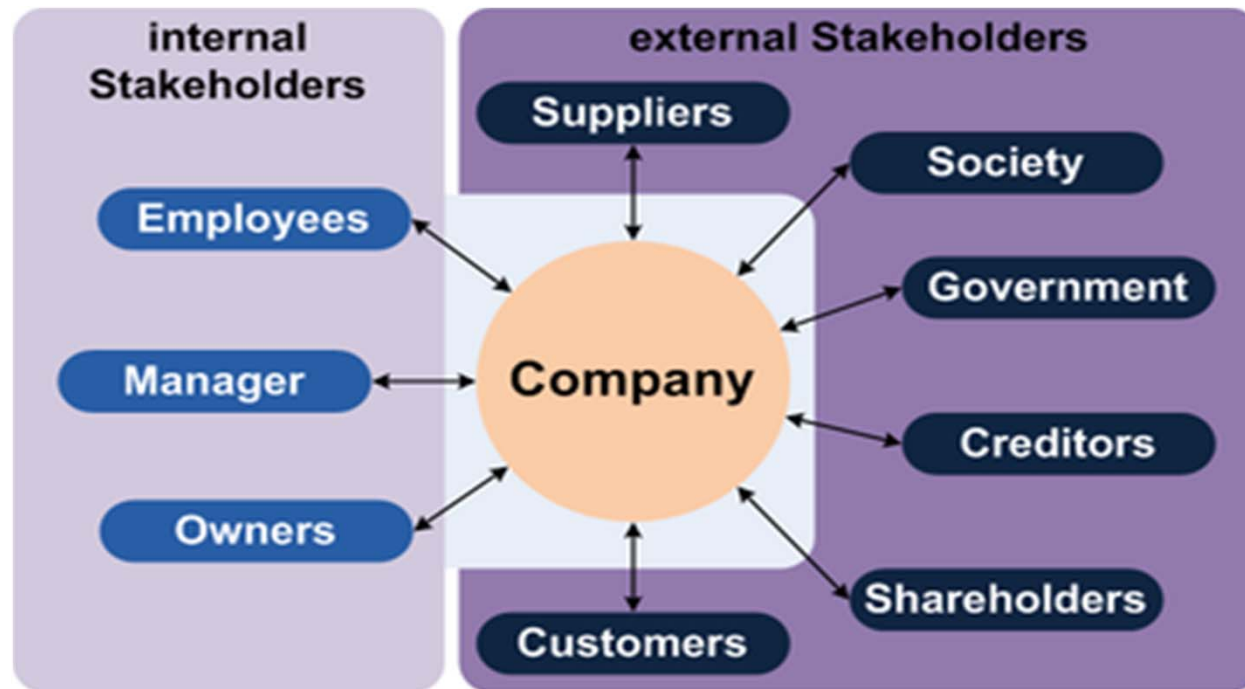
I. Understanding the Nature of Business

Stakeholders

Stakeholder is anyone with an interest in the business. They can be a person or persons or organization that has an interest in the actions and reactions of a particular business.

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Who are the Stakeholders ?





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The Interest of Stakeholders

a) Owners

The key interest for the owners of any business is going to be **profit**. For **shareholders**, that is likely to be just as clearly focused on **dividend payments**, but they will also have an interest in overall business performance, especially as it could affect **share prices**.



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The Interest of Stakeholders

b) Workforce

The workforce encompasses both **managers and workers** and it has to be recognized that they often have different interests, although usually centered on **jobs and pay**.



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The Interest of Stakeholders

c) Customers

Customers are **external** to the business and their interests reflect this. We would expect them to be concerned with issues such as **price, product, quality and customer service levels.**



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The Interest of Stakeholders

d) Suppliers

Suppliers look for **lasting business relationships** and **fair treatment**. The continued survival of the business is important in relation to the future orders. However, suppliers also have a clear interest in the ability of the business to meet its obligations/debts.



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The Interest of Stakeholders

e) Creditors

Creditors have a direct stake in **private sector businesses**. These are **the banks** and **other financial institutions** that lend money to businesses. They want the businesses to succeed so that **the loans and interest charged are paid on time**.



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The Interest of Stakeholders

f) Competitors

In recent years in many industries there has been a growing interest in what the competition is doing. Overall business performance, as evidenced by **sales, profitability, growth and innovation**, is important to competitors.



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The Interest of Stakeholders

g) The State

The State should be taken to include local government as well as central government. The State's immediate interest is in the ability of the business to meet **its tax and social security obligations.**



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The Interest of Stakeholders

h) The Community

-include all those with whom an organization has a relationship that is not a direct business relationship.

local communities in which businesses operate, as well as a range of pressure and interest groups of various kinds, concerned with the particular type of business or the **impact of its activities on the environment in general.**



I. Understanding the Nature of Business

Ethics and Social Responsibility

Ethics

An **ethical code of conduct** that seeks to prevent directors and others senior managers exploiting their position would cover the following areas:

- The duty of the managers to take account of the interests of all stakeholders in the organization, including **the general public**, as well as to make a profit.
- The need to have regard to **the safety of workers and users of products.**



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Ethics (Cont.)

- **Avoidance of bribery and corruption** and of giving excessively large gifts or generous contract terms
- The principle that managers **should not misuse their authority** for personal gain.
- The need to information. **respect confidentiality of customer and supplier**



I. Understanding the Nature of Business

Ethics (Cont.)

- Making every effort to comply with good business practices, such as paying on time according to terms.
- Adopt policies that attempt to recognize and take account of a much **wider range of stakeholder interests**. This is often referred to as **satisficing** and reflects a strategy based on **compromise** between objectives rather than maximization of just a narrow range.



I. Understanding the Nature of Business

Social Responsibility

Socially responsible companies should adopt policies that promote the well-being of society and the environment while lessening negative impacts on them. Companies can act responsibly in many ways, such as promoting volunteering, making changes that benefit the environment, and engaging in charitable giving.



Thank You For Your Attention!

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