Unit I: Introduction to Business Economics – Objectives of Business Profit Maximization – Social responsibility of Business.

INTRODUCTION OF BUSINESS ECONOMICS

Business economics is a field in **applied economics** which uses economic theory and quantitative methods to analyze business enterprises and the factors contributing to the diversity of organizational structures and the relationships of firms with labour, capital and product markets.

The term 'business economics' is used in a variety of ways. Sometimes it is used as synonymously with industrial economics/industrial organisation, managerial economics, and economics for business.

Business economics has been expressed as providing "practical information for people who apply economics in their jobs."

What Is Business Economics?

Business economics is a field of applied economics that studies the financial, organizational, market-related, and environmental issues faced by corporations. Economic theory and quantitative methods form the basis of assessments on factors affecting corporations such as business organization, management, expansion, and strategy. Studies might include how and why corporations expand, the impact of entrepreneurs, the interactions among corporations, and the role of governments in regulation.

Objectives of business economics

1. Getting and Staying Profitable

Maintaining profitability means making sure that revenue stays ahead of the costs of doing business. Focus on controlling costs in both production and operations while maintaining the profit margin on products sold.

2. Productivity of People and Resources

Employee training, equipment maintenance and new equipment purchases all go into company productivity. Your objective should be to provide all of the resources your employees need to remain as productive as possible.

3. Excellent Customer Service

Good customer service helps you retain clients and generate repeat revenue. Keeping your customers happy should be a primary objective of your organization.

4. Employee Attraction and Retention

Employee turnover costs you money in lost productivity and the costs associated with recruiting, which include employment advertising and paying placement agencies. Maintaining a productive and positive employee environment improves retention.

5. Mission-driven Core Values

Your company mission statement is a description of the core values of your company. It is a summary of the beliefs your company holds in regard to customer interaction, responsibility to the community and employee satisfaction. The company's core values become the objectives necessary to create a positive corporate culture.

6. Sustainable Growth

Growth is planned based on historical data and future projections. Growth requires the careful use of company resources such as finances and personnel.

7. Maintaining a Healthy Cash Flow

Even a company with good cash flow needs financing contacts in the event that capital is needed to expand the organization. Maintaining your ability to finance operations means that you can prepare for long-term projects and address short-term needs such as payroll and accounts payable.

8. Dealing with Change

Change management is the process of preparing your organization for growth and creating processes that effectively deal with a developing marketplace. The objective of change management is to create a dynamic organization that is prepared to meet the challenges of your industry.

9. Reaching the Right Customers

Marketing is more than creating advertising and getting customer input on product changes. It is understanding consumer buying trends, being able to anticipate product distribution needs and developing business partnerships that help your organization to improve market share.

10. Staying Ahead of the Competition

A comprehensive analysis of the activities of the competition should be an ongoing business objective for your organization. Understanding where your products rank in the marketplace helps you to better determine how to improve your standing among consumers and improve your revenue.

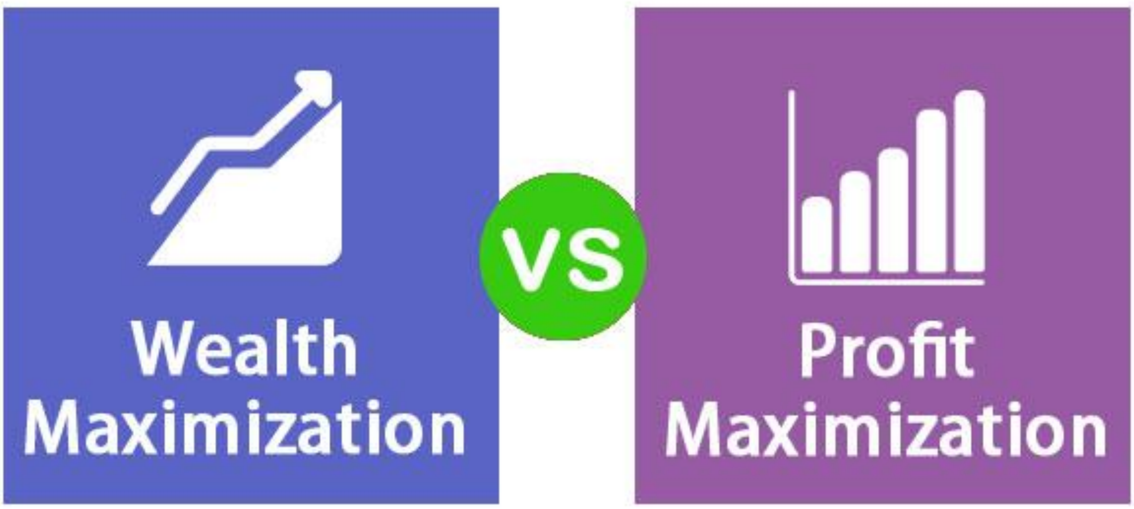
What is Profit Maximization?

What is the process of increasing the profit earning capability of the company is referred to as Profit Maximization. It is mainly a short-term goal and mainly is restricted to the accounting analysis of the financial year. It ignores the risk and avoids the time value of money. It is mainly concerned as to how the company will survive and grow in the existing competitive business environment.

What is Wealth Maximization?

it the ability of the company to increase the value of its stock for all the stakeholders is referred to as Wealth Maximization. It is a long-term goal and involves multiple external factors like sales, products, services, market share, etc. It assumes the risk and recognizes the time value of money given the business environment of the operating entity. It is mainly concerned with the long-term growth of the company and hence is concerned more about fetching the maximum chunk of the market share to attain a leadership position.

Wealth Maximization vs Profit Maximization



Basis	Wealth Maximization	Profit Maximization

Definition	It is defined as the management of financial resources aimed at increasing the value of the stakeholders of the company.	It is defined as the management of financi resources aimed at increasing the profit of t company.
Focus	Focuses on increasing the value of the stakeholders of the company in the long term.	Focuses on increasing the profit of the compa in the short term.
Risk	It considers the risks and uncertainty inherent in the business model of the company.	It does not consider the risks and uncertain inherent in the business model of the company.
Usage	It helps in achieving a larger value of a company's worth which may reflect in the increased market share of the company.	It helps in achieving efficiency in the company day-to-day operations to make the busine profitable.

Social Responsibility and Ethics

Social responsibility is an ethical theory in which individuals are accountable for fulfilling their civic duty, and the actions of an individual must benefit the whole of society. In this way, there must be a balance between economic growth and the welfare of society and the environment. If this equilibrium is maintained, then social responsibility is accomplished.

WHAT IS SOCIAL RESPONSIBILITY IN BUSINESS?

Social responsibility in business, also known as corporate social responsibility (CSR), pertains to people and organizations behaving and conducting business ethically and with sensitivity towards social, cultural, economic, and environmental issues. Striving for social responsibility helps individuals, organizations, and governments have a positive impact on development, business, and society.

Benefits of Corporate Social Responsibility

Smart business decisions are not just a matter of counting short-term dollars and cents. Wise decision makers consider the future impact of today's choices on people, on the community, and on customers and their opinions.

While business results, investment, free enterprise, and other traditional economic forces continue to drive industry, organizations' reputations and their ability to compete effectively around the world depend on them integrating social responsibility efforts into decision making and performance improvement.

- 1000+ Hours

Figure No. 1 Social Responsibility of Business Towards Society.

-

Business enterprises have a lot of responsibility to the society at large.

- **We mention below some of them:**
- 1. To take appropriate measures to reduce level of pollution and adopt eco-friendly technologies.
- 2. To generate sufficient employment opportunities so as to make good contribution to the reduction of poverty in the country.

- 3. Respect the rights of workers and other employees and take appropriate measures to ensure their safety and to improve their working conditions.
- 4. To provide quality healthcare to their employees.
- 5. To invest adequately in the research and development so as to make innovations to improve their productivity.
- 6. Do not pay excessive remuneration to promoters and senior executives as it creates social resentment.
- 7. To end cartels that keep prices highly
- 8. To implement affirmative action and to provide jobs to SCs, STs and OBCs. Besides, Dr. Manmohan Singh wants the private corporate sector to give preference to minorities, especially Muslims in providing employment.
- 9. To resist to pay bribes to officials and therefore do not promote corruption. He thus says, "Corruption need not be the grease that oils wheels of progress. There are many successful companies today that have refused to yield to this temptation. Others must follow".

References:

https://en.wikipedia.org/wiki/Business_economics

https://www.economicsonline.co.uk/Business_economics/Introduction_to_business_economics.html

https://www.investopedia.com/terms/b/business-economics.asp

https://smallbusiness.chron.com/10-important-business-objectives-23686.html

https://www.wallstreetmojo.com/wealth-maximization-vs-profit-maximization/

https://en.wikipedia.org/wiki/Social_responsibility

https://www.pachamama.org/social-justice/social-responsibility-and-ethics