



Model of an Enterprise



By
Dr. Sanjay Banerji
Founder Director/Dean of Amrita School of Business

Dear Friends,

I do hope that you liked the second newsletter in this ‘management series’. I had stated that “In the next blogs, we shall discuss **organizing**.” However, on second thoughts, I felt that it may be better to give you a larger picture of how generally a business organization runs. For that, we shall discuss the ‘Model of an Enterprise’.

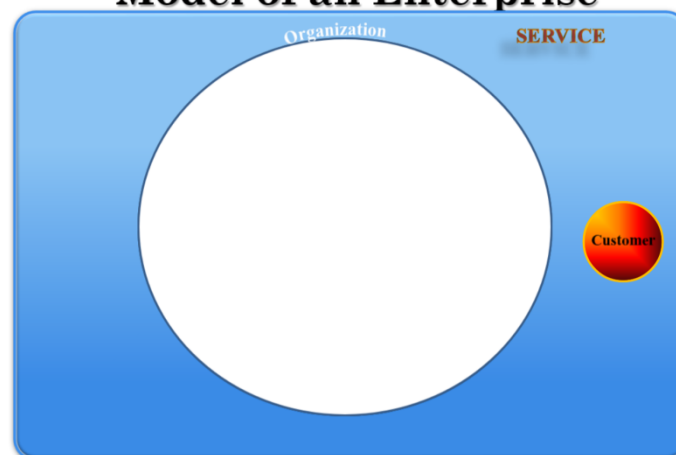
Model of an Enterprise



Customers – The Reason for Existence

Our model begins with Customers. All businesses exist because out there, there are someone who is willing to buy the product or services offered by the business. Customers are the very reason for existence of any business.

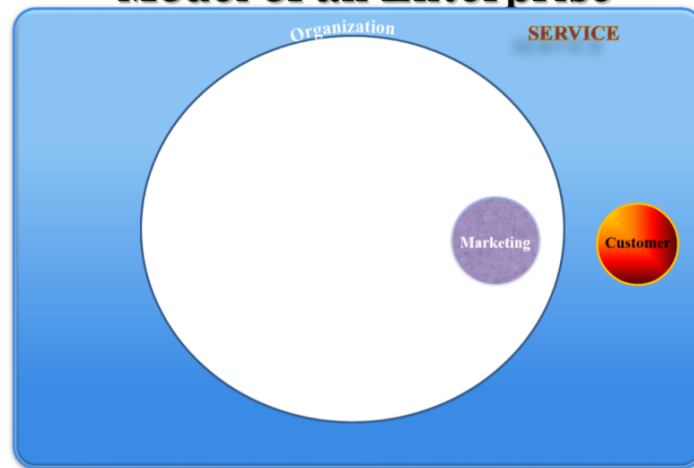
Model of an Enterprise



A Business Organization – The Large Circle

We now introduce a large circle, to represent a business organization. Soon we shall take a look inside the organization.

Model of an Enterprise

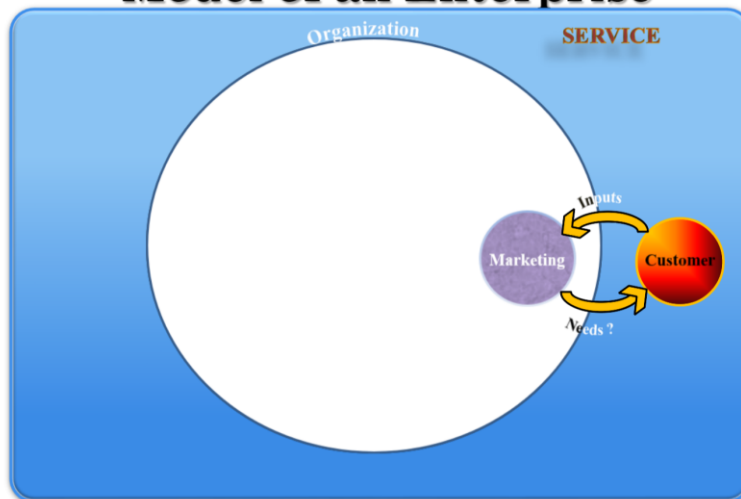


© 2021 Amrita School of Business

The Marketing professionals are closest to the customers

The first set of professionals within an organization are those known as 'Marketing' people. As you may see, they are nearest to the Customers.

Model of an Enterprise

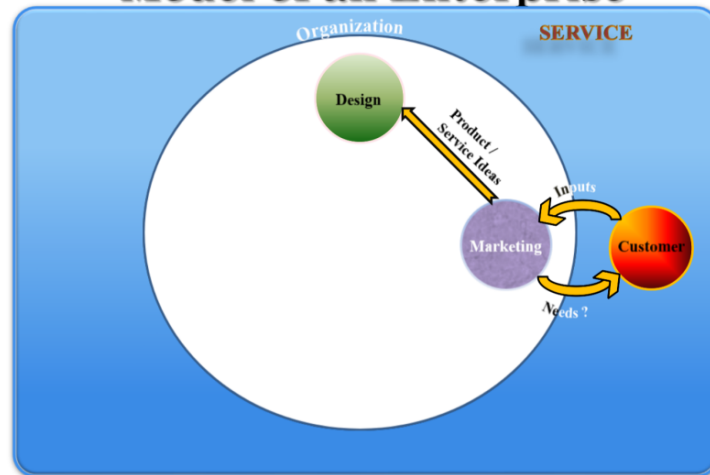


© 2021 Amrita School of Business

Marketing – Customer Interactions

Essentially, the first function of the Marketing professionals is to understand the real needs of the Customers, in terms of Products or Services.

Model of an Enterprise

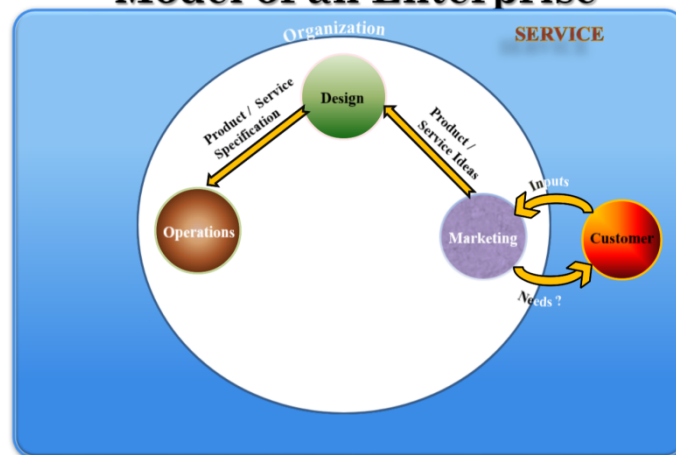


© 2021 Amrita School of Business

Marketing provides Product / Service Ideas to Design

As a next step, the Marketing people convert these customer needs into concepts or ideas for designing the Product or Service, and conveys these ideas to the Design professionals. The Design professionals work out detailed Product or Service designs and specifications, based on the ideas received from Marketing.

Model of an Enterprise

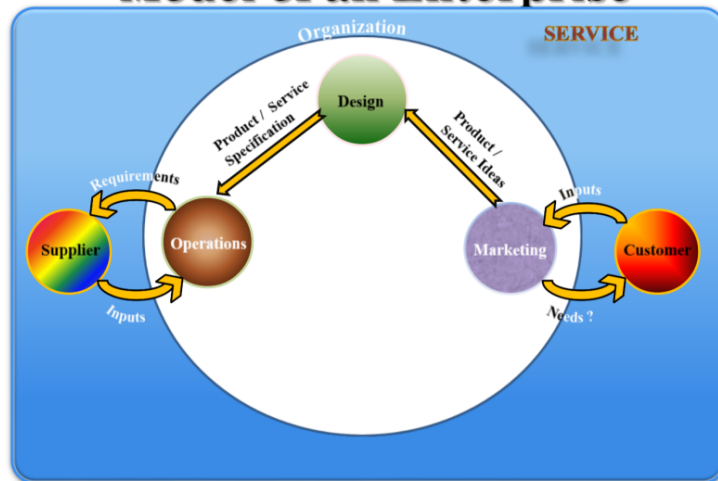


© 2021 Amrita School of Business

Design gives Product / Service Specifications to Operations

The design specifications allow Operations people to make real products or Services, according to the design. In order to do so, they may need several inputs from Suppliers, which they ask for and receive as shown below in the Figure. Using all these inputs, as well as the facilities within the enterprise, operations people convert the inputs into outputs. Finally, Operations send the outputs to the customers, through the Marketing people.

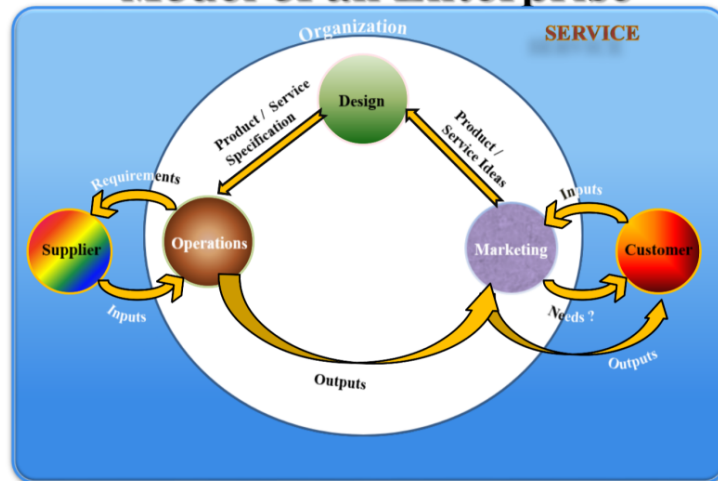
Model of an Enterprise



© 2021 Amrita School of Business

Operations seek and receive inputs from Suppliers

Model of an Enterprise



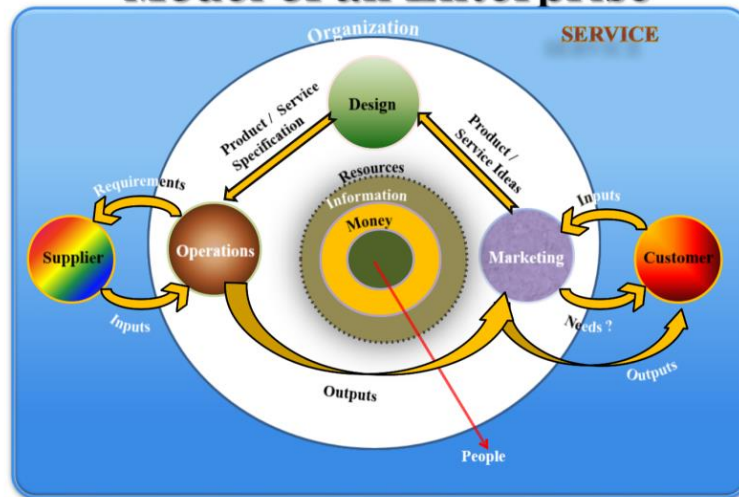
© 2021 Amrita School of Business

Operations produce and send outputs to Customers through Marketing

Here comes the second important role of the Marketing people – receiving orders from customers, and ensuring that the orders are fulfilled in time, and Customers make payments.

In order to fulfil all these functions, an enterprise uses 3 main categories of resources: People, Money and Information as depicted in the Figure. This figure captures our full model of an enterprise.

Model of an Enterprise



© 2021 Amrita School of Business

Firms use 3 main Resources – People, Money and Information

Please note that this is a general model, and when a business begins, some of these functions may not be apparent. But the essential elements of a business may be captured by the acronym SIPOC as described below:

S – Supplier

I – Inputs

P – Processing

O – Output

C – Customer

Any business depends on suppliers to collect all the necessary inputs required for its business. We shall discuss the case of a women Self Help Group (SHG) trying to set up and run a provision store. They buy provisions from wholesalers, pack them into convenient small packages, and sell them to their customers. In this case, the Wholesalers are the suppliers, the inputs are bulk provisions, the processing is breaking the bulk into convenient packages, ready to be sold. The output is ready to be picked-up packages by customers. Finally, customers come and buy the provisions and the store makes a small profit on each item sold. Thus, SIPOC constitutes another simple model of any business.

In our next blog, we shall discuss how a business must be able to maintain its accounts. We plan to do so, as we believe that a proper understanding of financial accounting system is essential for running any business.

Please send your feedback, comments or questions to s_banerji@amrita.edu.

