Small vs large organisation

Porter, Lawler and Hackman (1975) state that organisation is a social entity, existing in order to achieve certaingoals, involving specialisation and having some degree of permanence. It is composed of two or more people but the actual number and the way in which they are organised into groups vary from one organisation to another therefore creating the differences between small and large organisations. This essay will briefly gives a definition of an organisation as a whole and subsequently definitions of small as well as large organisations withrespectto business particularly.

It will cover both advantages and disadvantages of small and large organisations in business respects and will argue that large businesses have an advantageous position in the economy. The definition of ‘’small business ’’ varies by country and by industry. Small businesses have small number of employees, low volume of sales and focus on certain localised business regions. Most of them are privately run by families or single owners, for example: a neighbourhood restaurant or a local bakery.

Being small seems to bring them many advantages. The majority of businesses are considered small businesses and they currently employ 13. 2 million people which accounts for greater than 58% of the UK private sector workforce (Connell, 2007), and Mack(1999) also claims that virtually all the net new jobs being created are by small firms. Moreover, they play an important role in increasing the GDP of households. Haynes(2007) demonstrates that the wealth and income of households owning businesses tend to grow faster than ones that do not own businesses. Small businesses can be set up easily, entrepreneurs have their independence in making decisions and they do not need to consider others’ opinions.

Small businesses serve fewer customers and usually have more frequent contact with those customers than large businesses. They also get the direct information from customers about what they like or dislike. Therefore, small businesses gain an advantage when customers have unique needs, want more individual attention, and are willing to pay a bit more for the product or service to obtain what they really want (Dlabay, Burrow and Kleindl, 2009: 135). On the other hand, not all small businesses succeed. In fact, theirfailurerate seems to be higher than larger businesses.

There is only one owner thus capital is very limited and difficulties in many areas become noticeable. As a result of having difficulty in obtaining loans from the banks, the main daily financial source of a small business is from the customers. Some small firms have cash flow problems frequently due to customers who are late payers; some are closed down as a result of the inability to pay suppliers or debts in time. Additionally, over one third small businesses experienced cash flow problems during the past two years (Small businesses, 2010).

Furthermore, depending on the size and nature of businesses, environmental legislations have brought them difficulties in seeking efficient environmental solutions such as sourcing environmentally friendly products and limiting manufacture waste. Further, one of the business needs is insurance, which provides an important means to handle business risks. In recent years, insurance has become hard to find for small businesses, is less affordable and gives less protection. Longenecker et al. (2006: 470) indicate that 28 percent of the companies responding cited insurance as their largest problems, far exceeding other issues.

In complete contrast to a small business, a large business can be defined as having 500 or more employees, having a large volume of sales, and is usually run by partners. Due to the dimensions, large businesses have many problems in management as well as in many other issues. Having differences in attitudes, values or perceptions, disagreements about needs, goals, priorities and interests can create conflicts and disputes between employees. Sizani(2010) demonstrates that conflicts and disputes occur more frequently in large organisations than in the small ones.

As a result of being running by more than one owner, the decision-making process is time-consuming. In addition, a larger business is less flexible than a small one. According to Dlabay, Burrow and Kleindl (2009: 134), large businesses cannot serve customers where the number of products and services needed is small or the requirements are too specialised for a large business to make a profit. A Large business also requires a well organised structure in order to control and make the best use of workforce and resources.

Therefore inadequate organisational structure and lacking of clarity in roles and responsibilities might cause serious problems for large businesses. While having some inconveniences in management and organisation, large businesses have a large number of advantages which small businesses cannot have. The capital of a large firm is considerable for the reason that it is generated from partners altogether. Besides this, decisions made by several partners are more often sufficient and relevant than one owner since they are composed of many ideas and opinions.

In addition, partners have joint control and authority over many aspects of business therefore the company can succeed in a variety of business fields. Large businesses also have a clear advantage when a great number of customers are willing to buy standard products and prefer low cost and efficient delivery. The ability of large firms to provide efficient customer service and repairs is better than small ones since there is a greater numbers of employees and more specific departments. Above all, the ability to expand, to enter the international market of large businesses is much greater than small businesses.

Large firms are better equipped to handle onerous government burdens such as import and export controls, and they can also avail themselves of more options in terms of location and shifting of funds to subsidise abroad(Czinkota, 1992: 108). They create a large number of jobs for people as well as contributing to local governments through business taxes. For example: HSBC is one of the largest banking and financial services organisations in the world. HSBC's international network comprises around 8, 000 offices in 87 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa(HSBC, 2010).

It provides financial services and creates many jobs for people worldwide. In conclusion, this essay indicates the approximate number of employees in each small or large business which makes very different structures between them. Although small businesses can satisfy individual customers easily and have many advantages in management and in dependent thinking, they also have difficulties in raising capital, receiving payments thus are often prevented from paying expenses. All of these difficulties make succeeding in small business challenging.

In contrast, large firms or large businesses have many advantages over small ones. Inconveniences might possibly appear in management and flexibility of large business organisations. However, there are number of advantages in running a large business such as value of ideas, large capital, ability to provide efficient customer service and the ability to enter international markets. The dimension and ability to enter international markets make large companies very important in the industry and economy of a country.