Business organisations within different industries

Private Sector

Private sector organisations are ones that are owned by private individuals or groups and is not controlled by the state. the main purpose of private sector businesses is to generate revenue and create profit. Other private sector business aims include furthur growth, increasing market share and maximising sales. By contrast, establishments that are part of the state are part of the public sector; private, non-profit organizations are regarded as part of the voluntary sector and do not fall in to this sub heading.

There are a number of organisations under the private sector.

The main types of businesses in the private sector are:

Sole trader

Sole traders are individually run businesses. These include plumbers, painters, accountants and hairdressers. They are responsible for the overall running of their business and their is no distinction between the individual and thier business. Unlike other types of organisations you do not have to register your business with anyone. Advantages of being a sole trader is the freedom to make your own decisions as you are your own boss which may be very motivating. As a sole trader you also keep 100% of the profits. Controversially the disadvantages equally weigh the advantages as being a sole trader means sources of finance are limited as you are the only individual able to raise money. Also as a sole trader you will have to work long hours and have limited holidays as closing the business could result in loss of customers which will lead to a loss in revenue creating a ripple affect which could harm potential profit. One of the main disadvantages of a sole trader is that as a sole trader, you are subject to unlimited liability meaning failure to pay off debts could result in personal assets e. g. your home being repossessed.

Partnership, either limited or unlimited liability

Partnerships usually consist of 2 – 20 people. This is widespread is professions such as accountancy and law. Unlike sole traders the responsibility and work load is shared and more finance can be raised from the partners. Also each partner can specialise e. g. if you have a legal practise one partner can specialise is marital law and one can specialise in tort law.

However they are undifferentiated from sole traders in terms of partnerships being unlimited liability. Other disadvantages include sharing of profits between all partners, size is limited to 20 members and also disagreements between partners.

Private Sector Limited Companies

Owned and run by shareholders. Requires a Memorandum of Association (which includes name of company, address, objectives, type of activities, amount of capital to be raised, number of shares to be issued). Requires an Articles of Association (which includes the rights of shareholders, procedures for appointing directors, timing and frequency of company meetings, arrangements for auditing company accounts). Shareholders have a right to attend the AGM.

Private Limited Company or LTD-limited liability, with private shares

Private limited companies are owned by share holders and the owners can place restrictions on who the share ae sold to. Many people who own family run companied for instance can place restrictions to allow family members only to purchase share. In this case shares can only be sold privately and cannot advertise their share for sale.

Private Sector Public Limited Companies This companies name ends PLC. There are around 500, 000 companies in the UK but only 3% of them are public limited companies. Shares can be bought and sold on the stock market. Accounts must be published.

Advantages limited liability; huge amounts of capital can be raised; economies of scale; domination of the market.

Disadvantages setting up costs can be very expensive; an outsider can take over the company; competitors can take advantage of information in published accounts; Legislation control the way the organisation is operated; Companies may be inflexible due to their size.

Public Limited Company – shares are open to the public. Two examples are:

Franchise – business owner pays a corporation to use their name, receives spec for the business

Workers cooperative – all workers have equal pay, and make joint business decisions

Public limited companies like private limited companies are owned by share holders however no restrictions can be placed and shareholders can sell shares to whoever they like. One disadvantage in this is that companies my be subject to a take over by other shareholders if they start buying up shares in attempt to take control. Some share holders may want to resist this take over but can not stop other shareholders selling their shares.

Public Sector

The Public Sector, sometimes referred to as the state sector is owned and run by the state (government) for their citizens. Their aim is to provide services needed by the citizens, regarless of income or wealth, for example health and education. These organisations are funded through taxation. The organization of the public sector can take several forms, including:

Central government

These include such services as defence, national health service, social security, prisions, police, universities.

Local government

These include primary & secondary education, refuse collection, libraries, social services, council housing, parks and sport facilities

Public corporation

Non-profit sector.

Non-profit sectors, the organisations in which fall into this category are different to both the private and public sectors, which has main objectives of turning a profit. Instead non profit organisations e. g. charitable organizations, trade unions and public arts organizations do not distribute its profits to shareholders or owners but use the money to meet goals.

Ownership is the quantitative difference between for- and not-for-profit organizations. For-profit organizations can be privately owned and may re-distribute taxable wealth to employees and shareholders. By contrast, not-for-profit organizations do not have private owners. They have controlling members or boards, but these people cannot sell their shares to others or personally benefit in any taxable way.

While non profit organisations are able to turn a profit known as a surplus, finance earned are retained by the organisation for its self-preservation, expansion and future plans. They are in most countries exempt from income and property taxation.

Purpose

Activities

Marketing

Marketing is the function of the business that is responsible for understanding customer needs and developing the right products, setting the right price and promoting and distributing products in the right way. Marketing ensures what is being provided is always a want and need.

Market research new product development

Purchasing

Purchasing functions objectives are to buy at the most economic order the right quantity and quality for the right price from suppliers who are reliable and provide a good service. Through this they can ensure they can provide their organisation with an uninterrupted flaw of materials and services for company operations. They also have to find reliable alternative sources of supply.

Determine needs, select the suppliers, negotiate the purchase and follow up on orders.

Human Resources

The pupose of the human resourse function is to assess the current and future capacity of a businesses future workforce needs and maximize the productivity of an organization by optimizing the effectiveness of its employees.

Job design, Advertise job vacancies, select candidates, training and development, performance appraisal compensation, maintenance labour relations,

Finance

Production

Hirachical strucutre

Also known as the pyramis structure, the hierarchical structure means that with every level in the structure is a different level of authority. The structure houses fewer people at the top of the pyramid which can include job titles such as owner ceo and managing director. In hierarchical structures the chain of command runs from the top down and through each line department. Employees at each level are managed by their line manager directly above them in their orgainsation function.

Within hierarchical structures authority and responsibility is clearly defined and it is clear to see the promotion path for employees. Also there are specialist managers which could effectively be used as the hierarchical strucuter encourages this in terms of environment. Futhur more employees will be very loyal to their department within their orgainsation. However the organisation can be beauracratic and theirfore respond sloly to changing customer needs and thet market within which the orgainsation operates. Communication across various sections can be poor due to having to report to line managers especially horizontal communitcation. And departments can make decisions which benefit them rather than the business as a whole especially if there is inter departmental rivalry.

Matrix structure

The matrix structure groups employees and resources in two ways simultaneously by both function and product. This structure can combine the best of both separate structures. A matrix organization frequently uses teams of employees to accomplish work, in order to take advantage of the strengths, as well as make up for the weaknesses, of functional and decentralized forms. An example if a organisation wanted to produce two products, “ a table” and “ a chair”. Using the matrix structure, this company would organize functions within the company as follows: “ a table” sales department, “ a table” customer service department, “ a table” accounting,

“ a chair” sales department, “ a chair” customer service department, “ a chair” accounting department. Advantages of such structures are individuals can be chosen according to the needs of the project, the use of a project team wich is dynamic and able to view problems in different ways as specialist have been brought together in a new environment and project managers are sirectly responsible for completing a project within a certain time frame and budget. However the disadvantages are a conflict between line managers and project managers over the allocation of resources, if teams have a lot of independence than it can be hard to monitor and cost can be increased if more managers are created through the use of project teams.

Divisional structure

Also known as the “ product structure”, the divisional structure groups each organizational function into a division. Each division within a divisional structure contains all the necessary resources and functions within it. Each divisional unit is responsible for a product, geographical area, or customer base. Each division has its own functions such as Finance, Marketing and research and development, Divisions can be categorized from different points of view. There can be made a distinction on geographical basis (a US division and an EU division) or on product/service basis (different products for different customers: households or companies). Another example, an automobile company with a divisional structure might have one division for SUVs, another division for subcompact cars, and another division for sedans. Each division would have its own sales, engineering and marketing departments.