

E1: Types Of Business

A business can be classified according to its “sector”. In the United Kingdom there are three sectors. The three sectors are:-

- Public sector
- Private sector
- Voluntary sector

The Public Sector

This sector includes government-owned or government-controlled groups as well as public corporations such as the Post Office, the BBC, the Civil Service and local authorities such as County, Metropolitan or District Councils.

Some businesses found locally are public sector. Local sports or leisure centres may be owned by the Council and also run by the Council.

The Private Sector

This sector includes businesses privately owned directly or indirectly. This sector makes up for most businesses running within the United Kingdom. The private sector businesses cover sole traders (businesses involving one person), partnerships (groups of people in a business), limited companies (owned by shareholders) and franchise operations (where traders can buy a name and set up a business already established).

Privatisation is an action where public sector operations have been “sold off” by the Government. This is to raise money to private sector shareholders.

The Voluntary Sector

Charities are independent groups in what is known as the voluntary sector. They include registered charities such as Oxfam.

OWNERSHIP CLASSIFICATION:

The six forms of ownership are:

Sole Trader

Businesses that are owned by one individual (also known as sole proprietorship). Here are some benefits and constraints of owning sole proprietorship, freedom in decision making and it is cheaper and easier to be established, constraints are if anything goes wrong you will have total responsibility with liabilities, you may lack competence in certain areas of the business, you may have to work harder and it will be harder to raise high capital.

Partnership

Businesses that are owned by two or more individuals who operate as co-owners. Some benefits are the business' capital would be higher, knowledge in certain aspects of the business, and liabilities are shared. Some constraints are that partners are liable for other partners' mistakes, and disagreements.

LIMITED COMPANY:

Private Limited Company (LTD)

A company, which is owned by shareholders but is operated by separate individuals (directors) and shares cannot be sold to the public. Benefits and constraints will be later mentioned.

Public Limited Company (PLC)

This is the same as a private limited company but can offer its shares for sale to the public. Benefits and constraints will be later mentioned.

Co-operative

A group of individuals recognized as a body that owns and runs a company.

Franchise

Businesses that buys the right to sell another company's goods and or services exclusively in a certain area and carries that business' name. Some benefits are; you will obtain a known name, and in some cases they main franchiser will offer training. Some constraints are obtaining a franchise can be costly, you may not be able to make certain decisions, and you have to pay an amount on your profits to the franchiser.

Charity

Organizations that collect money and other voluntary contributions of help for people in need. One benefit is that you will get contributions of funds to commence your operation. A constraint is that sometimes it might be hard to operate with a shortage of funds.