

What do you understand to be the purpose of a business organisation?
How does it differ from those you find in other organisations?

In the business world there are many different types of organisations. In my essay I will explore this (Figure A) also see how these organisations differ in various sectors especially in terms of purpose.

Definition: *Business organisation can be characterised by a division of labour which allows employees to specialise in particular roles and occupy designated positions in pursuit of the organisation objectives. Organisations have agreed structures, a system of authority, rules and regulations. But there are also those simple enterprises (sole traders) which one individual carries out all the responsibilities.*

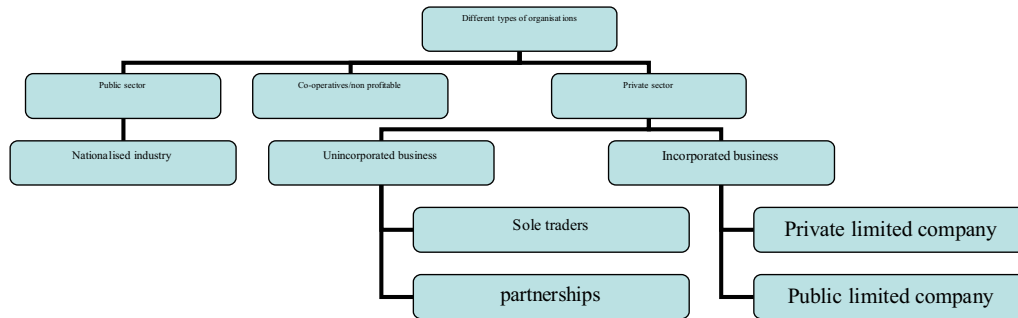


Figure A

Public sector

The public sector is made up of organisations which are accountable to the local government or central government. Their main purpose is to provide a service unlike, the private sector whose main purpose is to make a profit. Organisations in the public sector are funded by the government via taxes.

Although the public sector main purpose is to provide a service, income needs to be generated. So they can maintain their service or improve if it is required e.g.

Solihull college = government funding + student income = improved facilities e.g. more computers, book etc.

The public sector is important to the British Economy as it contributes towards employment and national outputs etc.

The main examples of public sector organisations include the National Health Service, Local government etc. The strategic objectives employed by the organisations need approval by the state, the state can also layout rules and guidelines which the must abided by.

Here are some examples of public sectors organisation:

British Broadcasting Commission- this is unique, as the chair person is responsible to the Home Office, their revenue is generated from TV licence payers. They are a non-trading service.

Public Utility- Organisations such as water and gas companies used to be owned by the state however through privatisation it has switched hands to the public sector, vice versa, this has happened to the coal industry, where organisations such as British Coal have been bought up by the government from the private sector.

Co-operatives

Co-operative are business organisations where all the members have a hand in running the business including the responsibilities and decision making. The profits are shared equally amongst all members. All the members have equal voting rights. Sometimes decision making can be delegated to a manager to improve efficiency, examples include retail high street stores.

Non profitable organisations

There other non-profitable organisations which are known as voluntary business. Their main purpose is to help a cause e.g. charities. Their main objectives is to raise as much money as possible. So they can help their cause more. None of the members keep the money as profits, all their income must go towards the cause.

Private sector

The private sector includes all the businesses set up by a individual or a group of people. Their main purpose is to make a profit. The types of businesses in this sector vary considerable some are small retail shops with one owner to multi-nationals which operate in various countries e.g. ICI

The businesses will vary according to their legal form and their ownership. Within the private sector there are two types of businesses unincorporated and incorporated businesses.

Unincorporated businesses are where there is no legal difference between the business and the proprietor. They have unlimited liability meaning the owners are responsible of any loss; this could also result in a loss of personal assets for the owner. Incorporated businesses have separate entities from the business meaning the business can be sued, taken over etc. The owners have limited liability meaning if the business suffers any loss, the owners will only lose how much they have invested.

Comparing organisations

There are many ways of comparing organisations, for example in the private sector the way a sole trader maybe set up is totally different to the way a Public limited Company will be set up.

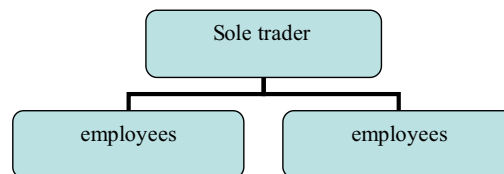


Figure B

You can also compare business structures between sectors e.g. a sole trader would have two levels in the hierarchy (Figure B), the owner and the workers. Also communication is mostly done on a one-to-one basis, this structure is very similar in

partnerships but in the incorporated businesses like a private limited company, they have more larger and complex structures, with various departments.

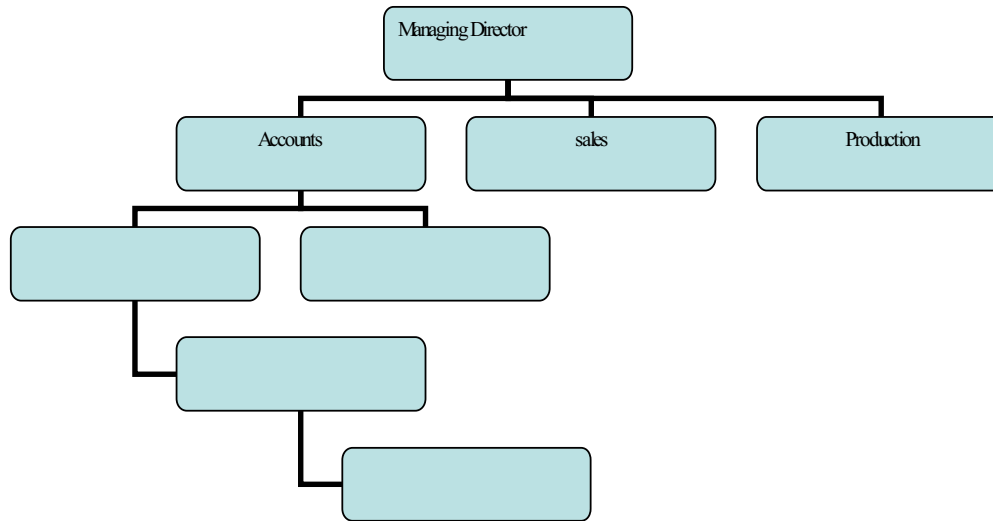


Figure C

The diagram above illustrates the typical structure of a Private Limited Company. Which is more complex and communication between parties would be harder. So if a worker wanted to raise a complaint it would have to go through all the levels of the hierarchy making this harder and more time costly than if the same situation appeared in a sole trader.

Decision making would also be more difficult in incorporated businesses as delegation would depend on various matters, including the structure the business decides to utilise.

The personnel involved in various businesses vary. In a sole trader it may involve 2-3 people but in a Public Limited Company it may concern 300-400 people.

When comparing a private sector business with a public sector or a non profitable business the main difference that appears is the purpose of the business for some it is to make a profit and in to others it is to provide a service or even to help a cause .

Details required	Example
Your name	A.Another
Module name and number	102cbs Foundation of Business Organiations
Module tutors	B Another

Seminar group / time	Seminar A – Monday at 1200
Programme name and year	Eg. MktJI1, COMP(2+2)1 etc