

LESSON 2

UNIT 2: BUSINESS UNITS

Lesson Objectives:

Students should be able to:

- **Understand the role and functions of organisation**
- **Identify the differences of each**

Definition:

Organisation means a consciously coordinated social unit, composed of two or more people, that functions on a relatively continuous basis to achieve a common goal or set of goals
(Robbins, S., 9th edition, pg 2)

Types of business activities

1. Primary activity
2. Secondary activity
3. Tertiary activity
4. Quaternary activity

(Gabriel V., 2nd edition, pg 1-2)

Types of business organisation

- 1) The private sector:
 - Business activity owned, financed and controlled by private individuals
 - Includes sole traders, partnerships, limited companies (owned by private shareholders) and Public Limited Companies (PLCs) (also owned by private shareholders).

Type	Owners	Control	Advantages	Disadvantages
Sole trader	1	With sole trader	Requires little capital. Incentive to work hard. Quick business decisions.	Unlimited liability. Difficult to find capital. Long hours worked. Holidays or illness cause problems.
Partnership	2 to 20*	Shared equally between partners	Each partner contributes capital. Current asset is more than sole trader.	Unlimited liability. One partner's mistake affects all partners. Partners may disagree.
Private limited company (Ltd)	1 or more	Directors elected by shareholders	Limited liability. Shareholders contribute capital. Protected from takeovers.	Still limited capital for expansion. Limited economies of scale.
Public limited company (plc)	2 or more	Directors elected by shareholders	Limited liability. Large amount of capital can be raised. Achieve economies of scale.	Unwanted takeover possible. Can be remote from customers. Potential diseconomies of scale.

** depends on the country

2) The public sector

-government intervention in business occurs when there are national goals to be achieved.

-known as monopoly

(Gabriel V., 2nd edition, pg: 45)

3) Multinational

-operates in more than one country, and typically operate in a numbers of major global markets.

Main references

Gabriel, V. (1996), Management, 2nd edition, Longman Publisher (chapter 5)

Supplementary References

Cole, G.A. (1996), Management Theory and Practice, 5th edition, Letts Educational (chapter 12)