

LESSON 3

UNIT 3: BUSINESS EXPANSION

Lesson Objectives:

Student should be able to:

- To identify the differences between nationalised and privatised company
- To clarify the need for business expansion
- To acquire knowledge on organisation structure

Definition:

Nationalisation, or known as public ownership, means the production is controlled or owned by the state with a view to increase national income and distributing it more equitably. (Shukla, M. C. 18th edition, pg: 297)

In short, it means the government takeover of a private business.

Privatisation is where the government sells a public corporation back to the private sector.

Advantages of Nationalisation

- elimination of private monopolies
- production for use and not for profit
- balanced production and equitable distribution
- balanced regional development
- furtherance of economic development
- fuller employment possible

Disadvantages of Nationalisation

- lack of initiative and efficiency
 - regimentation
 - political interference
 - open to public criticism
 - rigidity of public control
- (Shukla, M. C. 18th edition, pg: 297)

Importance of Privatisation

- help to establish a 'free market'
- fostering capitalist competition
- broaden and deepen economic growth
- raise production and create more employment

Definition of organisation structure:

According to Mintzberg (1979), organisation structure means the sum total of the ways in which it divides its labour into distinct tasks and then achieves coordination between them. (Cole, G. A. 5th edition, pg: 170)

Key Organisational Variables

- purpose/goals
- people
- tasks
- technology
- culture
- social condition that affects organisation's activities

(Cole, G. A. 5th edition, pg: 175)

Common Forms of Organisation Structure

- Geographical structure
- Matrix structure
- Functional structure
- Hybrid Structure
- Product-based structure

(Cole, G. A. 5th edition, pg: 175-179)

Importance of Organisation structure

- a) Structure is related to the environment, goals, technology and size.
- b) Structure describes the allocation of tasks and responsibilities to individuals and departments.
- c) Structure designates formal reporting relationship among employees, including the number of levels in the hierarchy and the span of control.
- d) Structure identifies the grouping of individuals into department and into the total organisation.
- e) Structure includes the design system to ensure effective coordination and integration of effort.

Main references

Cole, G. A. (1996), Management Theory and Practice, 5th edition, Letts Educational (chapter 22)

Supplementary References

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

Shukla, M. C. (1995), 18th edition, S. Chard & Company Ltd., (chapter 15)