BUSINESS FUNCTIONAL DEPARTMENTS

HUMAN RESOURCES DEPARTMENT (HR):

- identifies the workforce needs of the business
- recruits/trains employees while providing motivational systems to encourage productivity
- draw up contracts of employment
- manage human resources to achieve business objectives

FINANCE/ACCOUNTS DEPARTMENT:

- monitor cashflow
- analyze accounts to provide financial info to senior management or other departments
- manage budgets
- record financial transactions

Preview from Notesale.co.uk
Page 2 of 46

MARKETING DEPARTMENT:

- carry out market research and analyze results to identify consumer needs
- decide on product prices
- decide where to sell/distribute the product
- decide how to promote the product

OPERATIONS DEPARTMENT:

- ensuring adequate availability of resources
- maintenance of high production, quality, productivity and efficiency levels
- ensure smooth production/operational processes

ECONOMIC SECTORS

PRIMARY SECTOR: sector where firms are engaged in the extraction of natural resources so that they can be used/processed by other firms (e.g. farming)

SECONDARY SECTOR: sector where firms manufacture and process products from natural resources (baking)

TERTIARY SECTOR: sector where firms provide services to consumers and other businesses (e.g. banking) and sometimes do so by using products manufactured in the secondary sector

QUATERNANRY SECTOR: sector focused on IT businesses/information service provider (e.g. research development or business consulting and info gathering)

SECTORAL CHANGE

- Importance of each sector in a country's economic structure changes over time.
- Relevance of each sector is measured in terms of employment or output levels as a proportion of the whole economy (this varies between different economies/countries)
- Industrialization = growing importance of the secondary sector. (has advantages/disadvantages). This happens as a country develops further

Preview from Notesale.co.uk
Page 3 of 46

ADVANTAGES	DISADVANTAGES
○ Total national output (gross domestic product) increases and this raises average standards of living. ○ Increasing output of goods can result in lower imports and higher exports of such products. ○ Expanding manufacturing businesses will result in more jobs being created. ○ Expanding and profitable firms will pay more tax to the government. ○ Value is added to the country's output of raw materials rather than simply exporting these as basic, unprocessed products.	○ The chance of work in manufacturing can encourage a huge movement of people from the countryside to the towns, which leads to housing and social problems. It may also result in depopulation of rural areas and problems for farmers in recruiting enough workers. ○ The expansion of manufacturing industries may make it difficult for a business to recruit and retain sufficient staff. ○ Imports of raw materials and components are often needed, which can increase the country's import costs. Business import costs will vary with changes in the exchange rate. ○ Pollution from factories will add to the country's environmental problems. ○ Much of the growth of manufacturing industry is due to the expansion of multinational companies.

1.2

TYPES OF ORGANIZATIONS

Businesses can be classified further into;

- **Private** or **public** sector
- profit based and non-profit based

PRIVATE SECTOR: made up of businesses owned and controlled by individuals or groups of individuals

PUBLIC SECTOR: made up of organizations accountable to and controlled by the central/local government (usually non-profit)

PRIVATISATION: the sale of public sector organizations to the private sector

- The relative importance of the private sector compared to the public sector is not the same in all **mixed economies**
- economies that are closest to **free-market** systems have very small public sectors
- countries with central planning **command economies** will have very few businesses in the private sector.

Preview from Notesale.co.uk
Page 8 of 46

Common objectives of public sector organizations:

1. ensuring supplies of essential goods/services (e.g. health and education)
2. preventing private monopolies – single firms dominating an industry – from controlling supply
3. maintaining employment and environmental standards

MIXED ECONOMY: when economic resources are owned and controlled by both private and public sectors

FREE MARKET ECONOMY: when economic resources are owned largely by the private sector with very little state intervention

COMMAND ECONOMY: when economic resources are owned, planned and controlled by the state

2. PARTNERSHIPS

PARTNERSHIP: a business formed and controlled by two or more to carry on a business together with shared capital investment and usually shared responsibilities.

ADVANTAGES	DISADVANTAGES
○ Partners may specialize in different areas of business management ○ Shared decision making – can get ideas or advice ○ More capital invested since all partners inject capital ○ Business losses are shared between partners ○ Fewer legal formalities than corporate organizations (companies)	○ Unlimited liability for all partners ○ Profits shared ○ Unincorporated (have to reform if partner dies) ○ Can't sell shares to raise capital ○ All affected by decisions one partner takes ○ Loss of independence/influence in decision making ○ Disagreements are common

LIMITED LIABILITY: he only liability – potential loss – a shareholder has if the company fails is the amount invested in the company, not the total wealth of the shareholder.

SHARE: certificate confirming part ownership of a company and entitling the shareholder to dividends and certain shareholder rights

DIVIDEND: money payed back to shareholders after all tax/expenses are deducted as a reward for their risk/investment

SHAREHOLDERS: individuals/institutions that buy/own shares in a limited company

Preview from Notesale.co.uk
Page 10 of 46

LIMITED COMPANIES

- The ownership of companies is divided into small units called **shares**
- People can buy these and become '**shareholders**'
- if person or organisation own more than 50% of the shares they are the majority shareholders, meaning they have complete control over the business

4. PUBLIC-PRIVATE PARTNERSHIP (PPP): involvement of the private sector in the form of management expertise/financial investment in public sector projects aimed at benefiting the public

PFI – investment by private sector organizations in public sector projects

- Government funded – privately managed, the government provides all/part of the funding, but the organization is managed by a private business that uses private sector methods and techniques to control it efficiently
- Private sector funded – government or state managed. Usually involves large sums of capital. It is also known as a **private finance initiative** (PFI)
- Government-directed, private sector finance+management – encourages private sector management/funding of public projects

COSTS	BENEFITS
○ Lack of job security for worker - the private sector business could try to increase profit by cutting wages/benefits ○ Increased tax – high rents and leasing charges for PFI's ○ Failure of the scheme – private sector businesses may be too inexperienced to operate in the public sector projects ○ Risk of vulnerability for groups in society if the scheme fails	○ Public sector projects that couldn't have been built without private sector involvement can now exist ○ Increased operational efficiency – private sector businesses aim to make profits so must be efficient. This means costs will be lower. ○ Possibly lower tax – if they use finance from private sectors to pay

Preview from Notesale.co.uk
Page 14 of 46

NON – PROFIT SOCIAL ENTERPRISES

NON-PROFIT ORGANISATION - Any organization that has aims other than making and distributing profit and is usually governed by a voluntary board

1. NON-GOVERNMENTAL ORGANIZATIONS: a legally constituted body with no participation or representation of any government which has a specific aim and purpose, e.g. supporting disadvantaged groups in developing countries or advocating the protection of human rights
    - They tackle issues that support the public good
    - Task focused
    - have social, humanitarian or environmental objectives

2. CHARITIES – an organization set up to raise money to help people in need or to support causes that require funding

METHOD OF CONFLICT RESOLUTION	ADVANTAGES	DISADVANTAGES
Profit-sharing schemes – to reduce conflict between workers and shareholders over the allocation of profits and to share the benefits of company success	The workforce is allocated a share of annual profits before these are paid out in dividends to shareholders. Sharing business profits can encourage workers to work in ways that will increase long-term profitability.	Paying workers a share of the profits can reduce retained profits (used for expansion of the business) and/or profits paid out to shareholders, unless the scheme results in higher profits due to increased employee motivation.
Share-ownership schemes – to reduce conflict between workers, managers and shareholders	These schemes, including share options (the right to buy shares at a specified price in the future) aim to allow employees (at all levels including directors) to benefit from the success of the business as well as shareholders. Share ownership should help to align the interests of employees with those of shareholders.	Administration costs, negative impact on employee motivation if the share price falls, dilution of ownership – the issue of additional shares means that each owns a smaller share of the company. Employees may have to stay with the company for a certain number of years before they qualify, so the motivation effect on new staff may be limited.
Arbitration – to resolve industrial disputes between workers and managers	An independent arbitrator will hear the arguments from both sides and decide on what they consider to be a fair solution. Both sides can agree beforehand whether this settlement is binding, that is they have to accept it.	Neither stakeholder group will be likely to receive exactly what they wanted. The costs of the business might rise if the arbitrator proposes higher wages or better work conditions than the employer was originally offering.
Worker participation – to improve communication, decision-making and reduce potential conflicts between workers and managers, e.g. works councils, employee directors	Workers have a real contribution to make in many business decisions. Participation can motivate staff to work more effectively	Some managers believe that participation wastes time and resources, e.g. in meetings that are just 'talking shops', and that the role of the manager is to manage, not the workers. Some information cannot be disclosed to staff other than senior managers, e.g. sensitive details about future product launches.

Preview from Notesale.co.uk
Page 25 of 46

FORCE-FIELD ANALYSIS

FORCE-FIELD ANALYSIS: an analytical process used to map the opposing forces within an environment (e.g. business) where change is taking place

Steps are…

1. outline proposal for change (middle)
2. list forces for change and forces against change in two different columns on either side
3. assign estimated score for each force (1=weak, 5=strong)

ADVANTAGES	DISADVANTAGES
○ helps managers weigh up importance of the 2 types of forces ○ helps identify people most likely to be affected by the change ○ encourages examination of how to strengthen positive forces and reduce the negative ones ○ using a leadership style that reduces opposition to change is better than forcing undesirable change through an autocratic manner	○ requires full participation of everyone involved to provide accurate info for effective analysis – sometimes full participation isn't possible; this means it won't provide a realistic picture of supporting/opposing forces ○ may cause division in the groups between those for and against the decision ○ based on assumptions, not facts

Preview from Notesale.co.uk
Page 45 of 46

GANTT CHARTS

GANTT CHART: a visual representation of a project schedule in which a series of horizontal lines shows the amount of work planned in certain periods of time

Allows managers to see quickly…

1. what main activities are
2. when each activity begins/ends
3. how long each is scheduled to last
4. where activities overlap
5. start and end date of entire project (can be used to inform customers)

creating a Gantt chart…

1. identify most important tasks/activities
2. identify relationships between them
3. input activities into a software or template