

Unit 1: Business organisation and Management

- Businesses operate in the private or public sector, although recently the distinction between them has become less clear.

Public sector:

- Covers activities that are within the control or direction of governments.
- Do not have outside shareholders and are solely accountable to the government for their performance.
- Often do not publish financial information, although in many democratic countries there are independent accountants and advisors which will monitor their efficiency.

Eg: state health, education and police.

Private sector:

- Owned by individuals and not run by the state.
- These organizations generally operate with the main objective of making profit, although charities and independent schools would not.
- Businesses in the private sector include “public and private” limited companies. The word “public” here means that the shares are traded on a stock market and available to any member of the public to buy and sell.

Profit - based organizations:

- Sole traders or sole proprietors
- Partnerships
- Companies or corporations

Non – profit organizations:

- If an organisation is taking resource input and then turning it into output, they are a business, by definition. A charity will use the time of volunteers and paid help and use the charitable donations to produce services which fulfil the objectives of the organization.
- Another example – pressure groups. These include political parties, trade unionists, local protest action groups.
- All these non-profit organisations need to be established carefully and comply with legal requirements.
- Charities tend to be run along business lines: they aim to minimize costs in order to minimise net revenue and therefore charitable donations. They also seek to allocate or inform the public about their area of expertise or concern.
- Charities therefore focus their objectives on money raising, education and lobbying. These would be the same for pressure groups.