

Introduction to Business Organization

Chapter #1



Organization:-

We use this term very commonly in our everyday life e.g.

- 1- CFE
- 2- Police
- 3- Toyota

“Organizations are social arrangement for the controlled performance of collective goals” (Buchanan & Huczynski)

1- Collective Goals: organizations are defined by their goals. The main goal of a school is to educate pupils. It will therefore be organized differently to a company that aims to make profits.

2- Social Arrangement: someone working alone cannot be classed as an organization. Organizations are structured to allow people to work together towards a common goal. Usually, the larger the organization, the more formal its structures.

3- Controlled Performance: an organization will have systems and procedures in place to ensure that group goals are achieved. For a company this could involve setting sales targets, or periodically assessing the performance of staff members.

4- Synergy:

Illustration 1- A Hockey Team

A hockey team can be described as an organization because

- 1- Number of Players
- 2- Team has an Objective
- 3- Need to maintain a system- training- – goals
- 4- Each member – specific skill –
- 5- Spirit synergy, everyone work to gather.



Comprehension on Content

Among the given, which of the following would be considered to be an organization?

- (i) A Sole Trader
- (ii) A Hockey Club
- (iii) A College

- a) (i), (ii) and (iii)
- b) (i) and (ii) only
- c) (i) and (iii) only
- d) (ii) and (iii) only



COC#1 D

A sole trader would normally be someone working on their own (“A” -individually selling products), so there would be no collective goals.

Q3: An organization is a social arrangement which pursues collective _____ which controls its own performance and which has a boundary separating it from its environment. Which of the following words best completes this sentence?

- A- Profits
- B- Stakeholders
- C- Goals
- D- Tactics

Q3: C: According to Buchanan and Huczynski “Organization is a social arrangement for the controlled performance of Collective goals.”

G2. Which one of the following CANNOT be called an organization

- A- Gourmet
- B- Toyota
- C- Honda
- D- A Hockey Player



A hockey player is cannot be called an organization

Q2:Ch1.1BPP13- 'An organization is a social arrangement which pursues collective _____ which controls its own performance and which has a boundary separating it from its environment.'
Which of the following words best completes this sentence?

- A Profits
- B Stakeholders
- C Goals
- D Tactics



Ch1.1BPP13- Correct answer is C:

Rationale: Collective goals or aims are a feature of organizations.

Q1:Ch1.2BPP13- What is the term given to the idea that the combined output of a number of individuals working together will exceed that of the same individuals working separately?

- A Sympathy
- B Specialization
- C Synergy
- D Systems thinking

Ch1.2BPP13- Correct answer is C:

Rationale: Synergy is the $2 + 2 = 5$ factor, and is one of the key reasons for the formation of teams and organizations.

Q3:4FTC_13: A Ltd is a company which specializes in factory. It has recently purchased B Ltd, which runs a chain of recreational resorts. A has allowed B to build several new resorts on land which is owned by A, but which it is no longer able to use. The resorts have proven highly profitable and popular. Which of the following best explains the reason for the improved performance of the combined entity?

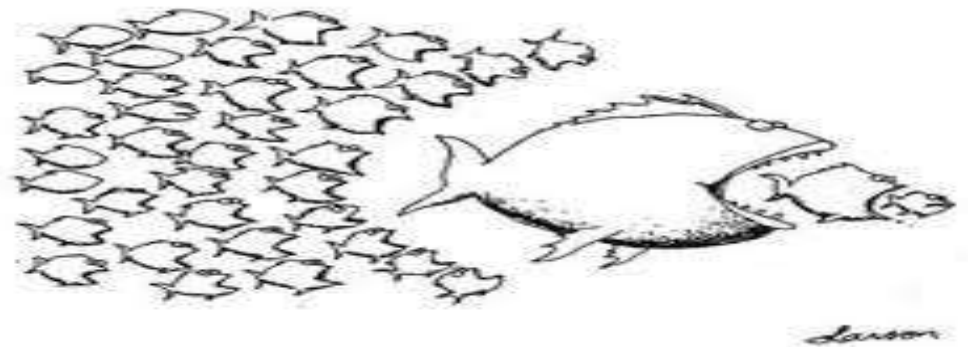
- A Specialization
- B Social Interactivity
- C Synergy
- D Service

4FTC_13: Correct answer is C:

Rationale: Synergy is the $2 + 2 = 5$ factor, and is one of the key reasons for the formation of teams and organizations.

Q4:1FTC_13: Which of the following is NOT a key feature of an organization?

- A- Controlled Performance
- B- Collective Goals
- C- Social Arrangements
- D- Creation of a product or service



FTC1_13- Correct Answer is D:

Organization do not have to create a product or service in order to be classified as an organization. For example, an orchestra may be classed as an organization, but it does not necessarily create a product

Why do we need organizations?

1- Share Skills and Knowledge Skills sharing and knowledge create a synergy

2- Specialization

3- Pool Resources

Specialization is perhaps the oldest organization device. It occurs when organizations or individual workers concentrate on a limited type of activity

It was first used in car production at Ford and is associated with the work of Taylor, which we will be discussing later.

The car production process was broken down into many separate tasks and each worker was required to specialize in only one small aspect of the total process. This benefits the manufacturer in three ways.

- ✍ Simple tasks encourage the use of highly specific equipment, e.g. power wrenches that speed up the manufacturing.
- ✍ Semi- skilled labour can be employed rather than highly skilled operatives.
- ✍ Workers are only responsible for one process and so are able to develop a high level of expertise and increase their output per period

Test Your Understanding #2

Jared is organizing a social event. Which of the following would be benefits of him forming a committee to manage the planning process and the event itself?

- i) It would help to overcome his limitation by bringing on board other people with different skills to him
 - ii) It would save time through the joint efforts of everyone on the committee
 - iii) It would help to satisfy Jared's social needs.
 - iv) All members of the committee would have to be skilled in all aspects of managing the social event
- A. i), ii) and iii) only
 - B. i), iii) and iv) only
 - C. All of the above
 - D. None of the above

TYU#2- Correct answer is A:

Rationale: Organization (Which this committee could be classified as allow for specialization. Not all of the members would have to be skilled at performing all of the necessary tasks

Classification of Organization:- based on profit

Profit Seeking Organizations

Some organizations, such as companies and partnerships, see their owners.

Such organization are often referred to as 'profit seeking'

The objective of wealth maximization is usually expanded into three primary objectives

- To continue in existence (survival)
- To maintain growth and development
- To make a profit.

Not for Profit Organization

Other organization do not see profitable as their main objective. Such not-not-profit organization (NFPs or NPOs) are unlikely to have financial objective as primary.

The objective of NFPs can vary tremendously:

- Hospitals could be said to exist to treat patients
- Councils often state their 'mission' as caring for their communities.
- A charity may have as its main objective relief victims of disasters and help people prevent, prepare for , and respond to emergencies.
- Government organizations usually exist to implement government policy

Classification of Organization:-

Not for Profit Organization

One of the specific category of NFPs is a mutual organization. Mutual organization are voluntary not-for-profit association formed for the purpose of raising funds by subscriptions of members, out of which common services can be provided to those members.

Mutual organization include

- Some building societies
- Trade unions
- Some working-men's clubs.

Not for Profit - NGO

Red Cross

Greenpeace

Amnesty International



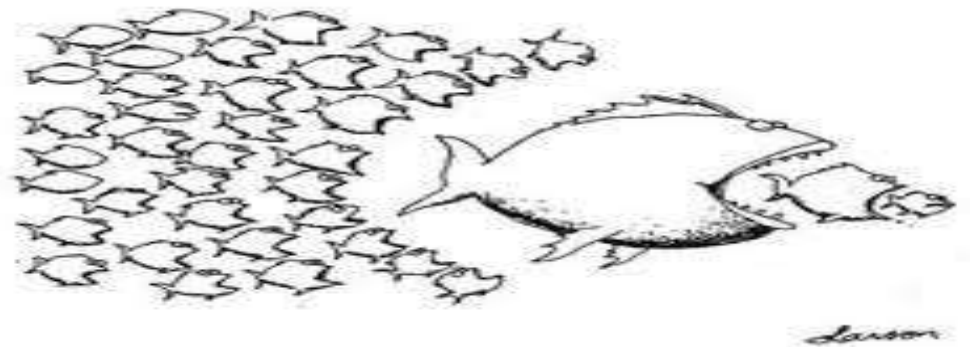
Q10:10FTC_14: Consider the following statement:

Charities would usually be classified as a type of non-governmental organization (NGO)

Is this statement TRUE or FALSE

A- True

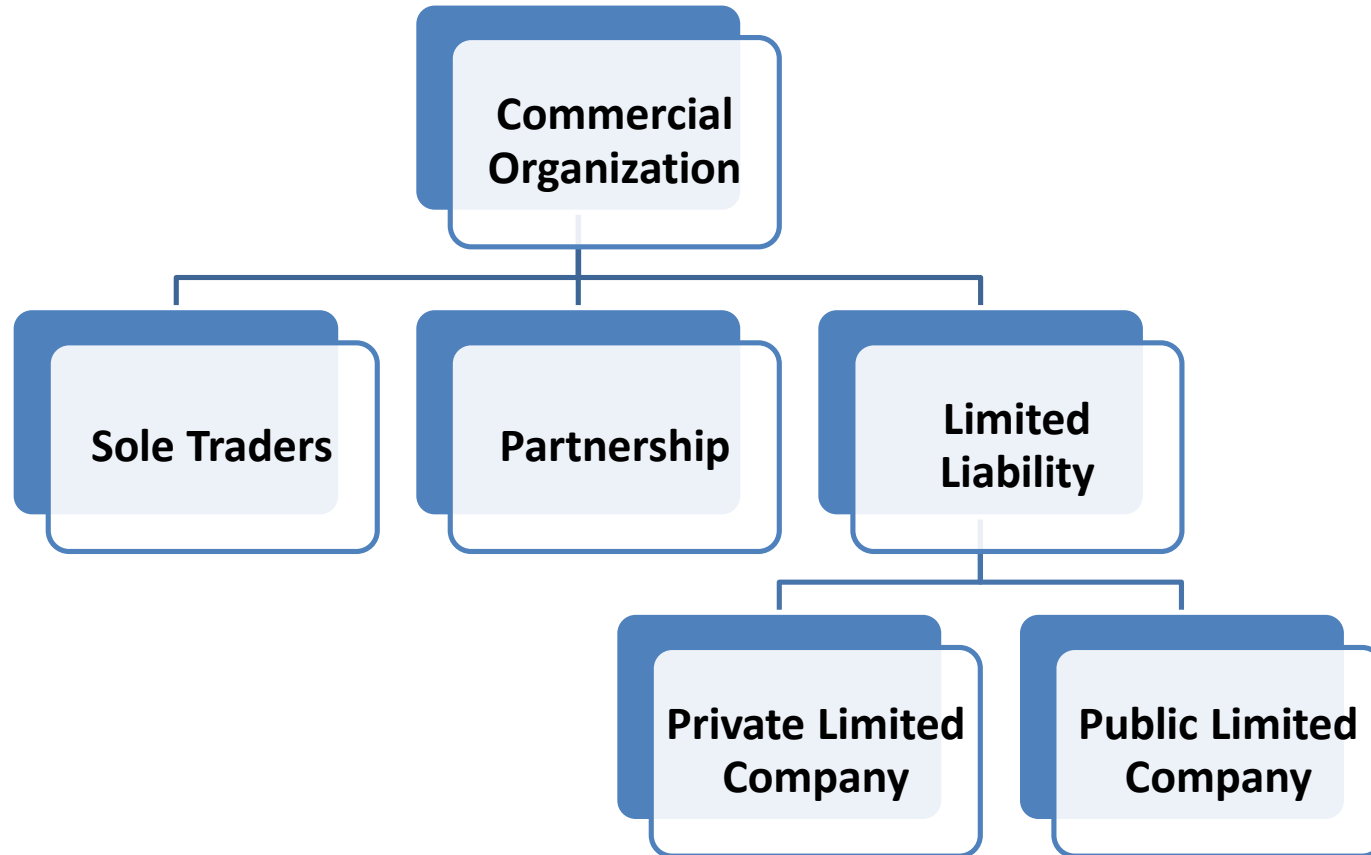
B- False



10FTC_14- Correct Answer is A:

NGOs are any organization that do not have profit as a primary goal and are not directly linked to the government. Most charities would fall into this category.

Classification of the profit seeking or Commercial Organization **(Write)**



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Q5:5FTC13- Which of the following statements regarding limited companies is correct?

- A. Public limited companies have access to a wider pool of finance than partnerships or sole traders
- B. Both public and private limited companies are allowed to sell shares to the public
- C. Companies are always owned by many different investors
- D. Shareholders are liable for any debts the company may incur

FTC5-13: Correct Option is A:

As public limited companies are able to sell their shares to the public, they will often find it easier to raise large amounts of capital for growth, if needed. This may be much harder for partnerships and sole traders. Only public companies can sell shares to the public, companies may be owned by only one shareholder and shareholders enjoy limited liability.

Q7:8FTC13- Westeros is an organisation which imports computers into country A and sells them the public in order to make a profit. It is owned by fifteen individual investors, each of whom owns an equal number of shares in Westeros. Westeros is not a public limited company.

Which of the following is likely to be the most appropriate source of finance for Westeros?

- A. Central government funding
- B. The existing owners of Westeros
- C. Issue of shares to the public
- D. Donations from the public

8FTC-13: Correct Option is B: Westeros is a profit-seeking organisation - given that its ten owners own 'shares', it must be a private limited company. As such, only B is likely to be appropriate from the options provided. Central government funding is usually for public sector organizations, donations would usually be the major source of funding for charities and Westeros cannot issue shares to the public as it is a private limited company.

Classification of Organization:- based on ownership/control

Public Sector Organization

The public sector is that part of the economy that is concerned with providing basic government services and is thus controlled by government organizations or its any bureau.

In most of the countries

- police
- military
- public road
- primary education
- Healthcare for poor

Private Sector Organization

The private sector, comprising non-government organizations, is that part of nation's economy that is not controlled by the government.

- Businesses
- Charities
- Clubs

Q8: Test your understanding#3

Many schools run fund-raising events such as fetes, where the intention is to make a profit. This makes them 'profit-seeking'.

- a) True
- b) False

TYU#3 False

Schools run fund-raising activities to help pay for extra books, e.g. to improve the quality of education given to pupils. The primary objective is educational, not profit. The money made at the fete is thus a means not an end.

Q10: 6FTC13- Consider the following list of different organizations:

- (i) Government departments
- (ii) Partnerships
- (iii) Charities
- (iv) Companies

Which of these organizations would normally be classified as BOTH a not-for-profit organisation AND a private sector organisation?

- A. (i) and (iii) only
- B. (iii) only
- C. (i)only
- D. (ii) and (iii) only

6FTC-13: Correct Option is B: Partnerships and companies would both usually be profit seeking. While government departments are likely to be not-for-profit, they would be part of the public sector. Therefore only charities would be likely to be both public AND not-for-profit.

Co-operatives are organized solely to meet the needs of the member-owners. Non-governmental organizations (NGOs) do not have profit as a primary goal and are not linked to national governments. Charities may be examples of NGOs. Private limited companies have shareholders, not members.

Classification of Organization:-



Cooperatives

Cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural need and aspirations through a jointly owned and democratically controlled enterprise.

Cooperative are thus businesses with the following characteristics.

- They are owned and democratically controlled by their members – the people who buy their goods or use their services. They are not owned by investors.
- Cooperatives are organized solely to meet the needs of the member owners, not to accumulate capital for investors.

Q11:7FTC13- 'An organisation that is owned and democratically controlled by its members.'

To which type of organisation does this definition relate?

- A. Charities
- B. Non-governmental organizations
- C. Co-operatives
- D. Private limited companies

7FTC-13: Correct Option is C:

As per definition

Test your understanding#4

Which of the following are usually seen as the primary objectives of companies?

- (i) To maximize the wealth of shareholders
- (ii) To protect the environment
- (iii) To make a profit

- A. (i), (ii) and (iii)
- B. (i) and (ii) only
- C. (ii) and (iii) only
- D. (i) and (iii) only

TYU#4 D

While protecting the environment is to be encouraged and is reinforced within statute to some degree, it is not a primary objective of the company.

Q12:Test your understanding#5

Which of the following organization is most likely to be classified as part of the public sector.

- A. A charity
- B. A social club
- C. A school
- D. A public limited company

TYU#5 C

Q14:2FTC-13: Which of the following organizations is normally found in the public sector?

- A- Education
- B- Charities
- C- Clubs
- D- Businesses



2FTC-13: Correct Answer is A

Education is the correct answer because the other organizations are normally found in the private sector.

Q13:3FTC13- The public sector is normally concerned with:

A- making profit from the sale of goods

B- providing services to specific groups funded from charitable donations

C- the provision of basic government services

D- raising funds by subscriptions from members to provide common services

3FTC13: Correct Option is C:

C is the correct answer because this is the main activity in the public sector. Options A and B relate to the private sector and D to a mutual organization.

Q10:9FTC13- Consider the following statements:

- (i) Not-for-profit organisations (NFPs) have varied objectives, which depend on the needs of their members or the sections of society they were created to benefit.
- (ii) The primary objective of government-funded organisations is to reduce costs of their operations and thus minimise the burden on tax payers.

Which of these statements is/are correct?

- A. (i) only
- B. (ii) only
- C. Both
- D. Neither

9FTC-13: Correct Option is A: NFPs may have radically different objectives - a charity may aim to help, say, animals under threat of extinction while a hospital may wish to treat its patients as effectively as possible.

Government funded organizations are usually concerned with providing basic government services. This does not always involve minimizing the costs of their operations.

Sectors in which Organization Operate:

Organization work in different markets like

Agriculture: Production , processing, and packaging of foodstuffs.

Mining:- Extraction and processing of minerals

Finance:- This includes banks and other companies that profit through investments and the lending of money to others.

Retailers:- Sale of goods produced by manufacturers to consumers.

Service:- Production of intangible good and services.

Transportation:- Movements of goods between locations.

