1.2 Types of Organization

- Private and public sectors
- Starting a business
- Reason for starting a business Profit based organization
- Non government organization
1. Private sector companies
   - definitions
     - Are owned, financed and controlled by private individuals and organizations, rather than by the government
   - Aim and motive
     - Profits
   - Types of private sector companies
     - Sole p.
     - Partnership
     - Private limited companies
     - Public limited companies (PLCs)
     - Franchises

2. Public sector companies
   - Definitions
     - Are under the ownership, financed, and control of the government
   - Aims and motives
     - To provide basic good and services to the public
   - Companies
     - Schools
     - Hospitals

<table>
<thead>
<tr>
<th></th>
<th>School</th>
<th>Health care</th>
<th>Telecom</th>
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</thead>
<tbody>
<tr>
<td>Private</td>
<td>Mks</td>
<td>Bahrain specialist</td>
<td>Viva</td>
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<td></td>
<td>Bahrain school</td>
<td>Ibn nafees</td>
<td>Zain</td>
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<tr>
<td>public</td>
<td>Gov't school</td>
<td>Salmaniya</td>
<td>Batelco</td>
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Private:
- Expensive

Public:
Reason For Starting a Business

- Profit
- Reputation
- Want to be in control (want to be your own boss)
- Job security
- Hobbies
Starting a business

Starting a business is a risky adventure

To start a business you need
Factors of production
  Land
  Labor
  Capital
  Entrepreneurship
- Profit making businesses
  - Small companies
    - Sole trader (sole proprietorship)
      - Advantages
        - Don’t need to share the profit
        - Your own boss
      - Disadvantages
        - Unlimited liabilities
    - Partnership (2 to 20 people)
      - Advantages
        - More capital
        - Division of labor and specialization
      - Disadvantages
        - Unlimited liability
  - Big companies
    - Private limited
      - Company that can be opened between a family or a group of friends
      - Need 2 major documents
        - Memorandum of association
        - Article of association
      - Advantages
        - Limited liability
        - Capital growth
      - Disadvantage
        - Long decision making
    - Public limited
      - Need 2 major documents
        - Memorandum of association
        - Article of association
      - Anyone can buy the shares
      - Advantages
        - Lot of capital
        - Limited liabilities
      - Disadvantage
        - Decision making is very long
- Non profit making companies
  - Non governmental organization
  - Charities
Business and Management - Form 5:
1.2 Types of Organizations

Lesson 1: Private & Public Sector Organizations
Lesson 2: Starting a Business
Lesson 3: Reasons for Starting a Business

1. Focus Question
1. What are the differences between the private and public sectors?
2. What are some business objectives?
2a. Where do businesses operate?

Business Activity:
- Primary Sector –
  - extraction of raw materials from the earth – mining, quarrying, fishing, agriculture, forestry
- Secondary Sector –
  - Processing of raw materials into finished or semi-finished products – manufacturing
- Tertiary Sector –
  - Service industries – leisure, transport, finance, distribution, retailing, wholesaling, communications

2b. Where do businesses operate?

Multiple Business Activity
- e.g. British Petroleum involved in:
  - Oil exploration and drilling (Primary)
  - Refining oil – production of gas, petroleum, bitumen, lubricants, etc. (Manufacturing)
  - Distribution of petrol from refineries to petrol stations and sales of petrol to consumer (Tertiary)
  - Research and Development (Tertiary)

3a. Private Sector
- Business activity owned, financed, and controlled by private individuals; not owned by the government.
- Main goal of most private sector businesses is to make a profit.
  - Sole Traders
Partnerships
- Private Limited Companies
- Public Limited Companies (PLCs)
- Co-operatives
- Franchises
- Charities

- Homework...look these terms up J

3b. Objectives of Private Sector Business

4a. Public Sector

- Business Activity owned, financed and controlled by the state through government or local authorities.
- These are run to provide essential goods and services.
- In most cases, their aim is not making a profit.
  - Government – key departments set policy and monitor implementation
  - Local Authorities – County Councils, District Councils, Parish Councils
  - Health Trusts
  - Public Corporations – BBC

4b. Public Sector

So...why do some organizations belong to the public sector?

- Access –
  - Basic services are available to all regardless of location or income.
    - Education, health care, public parks, etc.
- Quality –
  - To avoid waste: high quality services that do not cut corners.
    - Postal services, national defence, etc.
- Affordability –
  - services offered at prices that are cheaper than private sector or free at the point of use.
- Equity –
  - available to anyone whatever their background, status, income, class, race, religion, etc.
  - To protect citizens and businesses using the police, courts and etc.
  - To reduce unemployment, governments are a large employer of teachers, doctors, and nurses.

4c. Range of Business Offered by the Public Sector

5a. Privatization

Today, many public sector companies have been privatized.
Which means, sold off to the private sector.

- Box 1.2a in your text lists some benefits.

- Now... who keeps these companies in check?
- How do we know if they are conducting and performing in a proper manner?
  - Regulatory bodies have been set up by the government to monitor the conduct and performance of privatized companies.
  - They safeguard the interest of the general public.

- So... are privatized companies a good thing?

5b. Business Objectives: Public and Private Sector Aims - Activity

- What are the main objectives of those who provide business activities in the public sector?
- What are the main objectives of business activity in the private sector?
- Could the links between private and public sector business activity lead to conflict in terms of meeting objectives?
- How might the business activity you investigate be financed?

5b. Business Objectives: Public and Private Sector Aims - Activity

- Image: Hospitals and schools are good examples of public sector organizations.
  - But what business services does each provide, and
  - What are the objectives of these?

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5c. Business Objectives: Public and Private Sector Aims - Activity

- Let's look at some mission statements / objective of some private and public sector businesses.
- See websites.

2. Starting a business

- Thomas Edison defined genius as 1% inspiration and 99% perspiration, he could have been talking about...

- **starting a business.**

1. Focus Question

1. Why is starting a business such a risky project?
2. Describe your ideal businesses.
3. List the things you think starting a business requires.

2a. Starting a Business

- People need capital (money) to start a business.
- Starting a business requires research on a variety of issues, including:
○ How much it will cost to start the business,
○ Where to locate the business, and
○ The cost of advertising in newspapers, magazines, etc.
  ● Businesses need publicity materials, such as banners to introduce the business to the community; signs; and business cards.

• Most businesses in America are small businesses.
  ○ Many small businesses fail but the ones that succeed do so because their owners take the time to carefully plan the business.

• 2b. Starting a Business

• So it is a risky project because investors and owners are venturing into the unknown.
  ○ Underestimation of the challenges
  ○ High start up costs
  ● See pg 21, Box 1.2b

• So why do people do it?
  ○ $$$$$-profit-$$$$$
  ○ The key incentive for taking any risk.

• 2c. Starting a Business

• So...who takes the risk in setting up a business?
  ○ The entrepreneur.
    ● They manage, plan, and organize the other three factors of production to provide goods and services.
      ○ What are the other three factors of production?
        ● Land, Labour, and Capital.
    ● They will also go through a decision-making process (discusses later) to decide:
      ○ Where the firm wants to be.
      ○ How it is going to get there.
      ○ How success will be monitored.

• Factors to consider when setting up a business:

• 3. Reasons for Starting a Business

• 1. Focus Question

1. What are some reasons for setting up a business?
  ● ...
  2. How do you identify market opportunities?
  ● ...

• 2a. Reasons for Starting a Business

• There are many reasons why people start a business.
  ○ Do you know why?
    ● That’s RIGHT!
- GET CASH!!!

- What does G.E.T C.A.S.H. stand for?

- ...

- 2b. Reasons for Starting a Business

  **Growth:**
  - Some assets will grow or increase (appreciate) in value over time. Such as...
    - Land, property.
    - This is called **Capital Growth**.
      - It is possible that the capital growth is worth more than the owner’s salary.

  **Earnings:**
  - “You can never get rich earning money from working for someone else.” – Chinese saying.
  - Setting up a business may outweigh the costs, even though the risks are high.

- 2c. Reasons for Starting a Business

  **Transference / Inheritance:**
  - In many cultures it is normal to pass on assets.
  - Many self-employed people view their business as something they can pass on to their children.

  **Challenge:**
  - Some see setting up and running a business as challenging.

- 2d. Reasons for Starting a Business

  **Autonomy:**
  - Do you like working for someone else?
  - Do you like following someone else’s rules and regulations?
  - OR...Do you like freedom? Independence? Flexibility?
  - Would you like to be your own boss?

- 2e. Reasons for Starting a Business

  **Security:**
  - More job security if you are your own boss?
  - Who is going to fire you?
  - Being self-employed makes it potentially easier to accumulate personal wealth to provide for early retirement.

  **Hobbies:**
  - Some people turn their hobbies into a business.
  - Successful entrepreneurs have a passion for what they do.