

MANAGEMENT

Unit 3. Organizational Management

Topics Covered:

- Forms of Ownership

- Proprietorship

- Cooperative Societies

- Partnership

- Public sector

- Joint Stock

- Private sector

- Assignment

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Ownership

- It means not waiting for others to act and caring about the outcome as much as an owner of the company would.
- It is being accountable for the results of our actions.
- Taking ownership shows others that they could trust us to do the right thing.
- Types: There are different types of business ownership like:
 1. Single ownership
 2. Partnership
 3. Joint stock
 4. Cooperative organization
 5. Public sector
 6. Private sector

1. Single Ownership:

- When an individual exercises and enjoys rights like possession of assets, power to determine policies of operation etc in his own interest.
- It is the business owned by one man.
- Merits :-
 1. Easy to establish.
 2. Simple (small business can be easily handled)
 3. Expenses in starting the business is minimal.
 4. Owner is free to make all decisions.
 5. Easy to operate and very flexible.
 6. Owner enjoys all profits.
 7. Minimum legal restrictions, chances of corruption are very less.
 8. Owner can keep secrecy like raw materials used, method of manufacture etc.
- Also called proprietorship.
- Demerits :-
 1. Business may not be successful if the owner has limited

money, lacks experience.

- Difficult to raise capital for expanding the business, hence limited growth.
- Limited opportunities for employees to grow (bonuses, promotion etc)
- Great competition.
- It has limited life, hence unstable in nature.
- Only suitable for small business or firms.

2. Partnership :

- When any single business expands, individual owner may face difficulties and wish to associate with more persons who can invest or have special skill, so that business could produce more profit. Hence combination of individual traders is called partnership.
- There are various types of partners like:
 - a) Active partner: Who take active part in management of business.
 - b) Sleeping partner: who do not take any active part in business but shares profit, losses and contributes capital.
 - c) Secret partner: who are not publically known but take active part in business.
 - d) Nominal partner: They only contributes in terms of their goodwill and credit, not anything else.
 - e) Minor partner: legally not allowed but may exist on owner's will.
 - f) Partner at will: Partners who contributes till their will.
 - g) Partners in profit only: Partners who share only profit and donot contribute in anything else.
- Duties of Partners:-
 - a) Be faithful to one another.
 - b) Render true accounts and full information about everything related to business.
 - c) Cooperate and accommodate each other.

d) Have confidence in each other.

e) Respect each other view.

- Types :-

a) General partnership.

- Advantages :-

(i) Incentive for success is high.

(ii) Easy to form and inexpensive.

(iii) Firm possesses better talents, skills.

(iv) Large capital is available.

(v) Partners have full control over business.

(vi) Can borrow money from banks easily.

(vii) Share in loss.

- Disadvantages -

- ~~It is~~ not suitable for law firms, medical clinics, small engineering firms etc.

- Disadvantages -

(i) Unlimited liability to each partner.

(ii) Danger of distrust among partners.

(iii) Profits are shared

(iv) All partners suffer because of wrong steps taken by one partner.

b) Limited partnership:

- Advantages :-

(i) Non-interference in management of firm.

(ii) Liabilities are limited to amount of their investment.

- Disadvantage :-

(i) Limited partner, though invests in business, has no voice in management.

3. Joint Stock :

- A joint stock co-operative society is an association of individual, called shareholders who join together for profit.
- In this more than 20 persons are needed for carrying any business except banking business.

- Features :

- i) Large business scope
- ii) Large availability of capital.
- iii) Everybody is shareholder.
- iv) High rate of growth.
- v) Complicated business can be easily run.

- Types :

- i) Private limited joint stock company.
- ii) Public limited joint stock company.

(i) Private limited company :-

- Capital is collected from private partners.
- Companies need not file documents like list of director.
- A private company must get its accounts audited.
- Much like partnership but with big capital, 2 to 50 members.

(ii) Public limited company :-

- Capital is collected by public by issuing shares.
- Shareholders cannot be less than seven, ^{no} maximum limit.
- Has to file documents like list of directors.
- Has to hold a general meeting every year and yearly auditing.

- Merits of Joint Stock :-

- i) Huge sum of money can be raised.
- ii) Shares are transferable.
- iii) Risk of loss is divided.
- iv) Stable, efficient and flexible.
- v) Company can sustain for longer period of time.

- Demerits :-

- i) Company is managed by big shareholders only.
- ii) Difficult to maintain secrecy.
- iii) Huge documentation
- iv) Lack of team spirit.
- v) Divided responsibility.

4. Cooperative organization / society :

- It is a commercial enterprise owned and managed by and for the benefit of customers or members of same enterprise.
- Mainly helped villages, farming products and services are mainly provided through these societies.

- Types :-

- i) Consumer's co-operative society
- ii) Producer's co-operative society
- iii) Co-operative marketing society
- iv) Co-operative credit society
- v) Co-operative farming society
- vi) Housing co-operative society

- Merits :-

- i) Easy and open membership
- ii) Democratic control
- iii) Elimination of middlemen's profit
- iv) Stable life
- v) Good profits
- vi) Lower risk.

- Demerits :-

- i) Limited capital
- ii) Lack of motivation
- iii) Management issue.
- iv) Lack of co-operation
- v) Dependence on government.

5. Public Sector (Government Sector) :

- A public enterprise is one that is:

- i) Owned by the state,
- ii) Managed by the state, or
- iii) Owned and managed by the state.

- Objectives:

- i) To avoid concentration of power in few hands
- ii) To create employment activities
- iii) To promote rapid economic development
- iv) To provide basic infrastructure.
- v) To minimize exploitation of workers and consumers.
- vi) To look after well-being and welfare of public.

- Merits:

- i) Equal distribution of power.
- ii) All the objectives stated above (six points).

- Demerits:-

- i) Delay in decision making
- ii) Rarely attains efficiency like private enterprise
- iii) Mostly run at loss.
- iv) Too much interference by Government and politicians.
- v) Heavy administrative expenses.
- vi) Workers avoid work.

6. Private Sector :

- It serves personal interests and is a non-government sector.

- Profit is main objective, run by businessman.

- Wastage of material is minimum.

- No interference in its internal affairs by politicians or government.

- Leads to concentration of wealth in hands of few.

- Lead to unbalanced growth of industries.

Assignment

Q.1) Give examples of companies that are:

- a) Public sector
- b) Private sector

Q.2) Differentiate between:
a) Public and Private limited Joint Stock Company.

b) Public and Private sector company.

Q.3) Explain about organizational structure.

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