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Topic 1


The Business Organisation

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Session Objectives

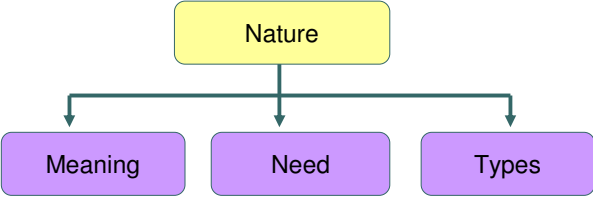
- Define organisation
- Identify the different types of organisation
- Describe the main business functions
- Explain the characteristics of the strategic, tactical and operational levels in the organisation in the context of the Anthony hierarchy



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Nature of Organisations



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graph TD
    Nature[Nature] --> Meaning[Meaning]
    Nature --> Need[Need]
    Nature --> Types[Types]
  
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Organisations: Meaning

- Group of people working together to achieve common goals
- Social arrangements for controlled performance of collective goals
- Buchanan and Huczynski



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Key Elements

- Social arrangements
- Controlled performance
- Collective goals



Need for organisations

- Pool skills and knowledge
- Facilitate specialisation
- Pool resources



Need for Organisations

- Opportunity to save time
- Fulfil social needs
- Become power centres



How Organisations Facilitate Specialisation

- Individual workers can concentrate on a limited type of activity
- Allows individual workers to:
 - build higher skill levels and knowledge
 - become more efficient
- Key aspect of Specialisation is division of labour



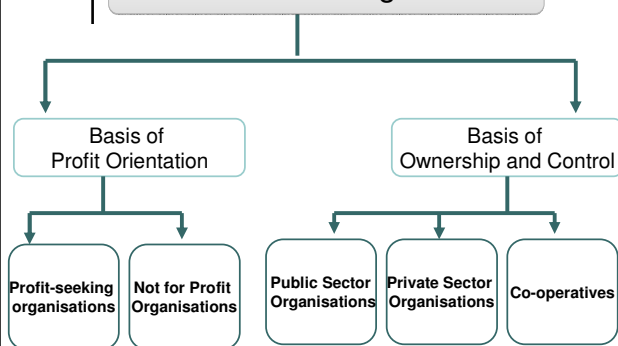
Division of labour

- *"The extent to which the organisation's work is separated into different jobs to be done by different people."* -Moorhead and Griffin
- Concept was first given by Taylor
- It was first used in car production at Ford

Division of labour: Benefits

- Simple tasks encourage use of highly specific equipment
- Semi-skilled labour can be employed in place of expensive highly skilled
- Workers are only responsible for one process and so are able to develop a high level of expertise.

Classification of Organisations



Profit-Seeking Organisation

- Companies and partnerships having the main objective as maximising the wealth of its owners
- Primary objectives include:
 - Survival
 - Growth
 - Make profit



Objectives of Profit Seeking Organisations: Peter Drucker

- Market standing
- Innovation
- Productivity
- Physical and financial resources
- Profitability
- Manager performance and development
- Worker performance and attitude
- Public responsibility

Not-for-Profit Organisations (NFPs)

- Do not have financial objectives as primary
- Seek to satisfy specific needs of their members or specific sectors
- Include:
 - Schools
 - Charities
 - Clubs



Mutual Organisations

- Type of Not-for-Profit organisation
- Raise funds by the subscriptions of members
- Use these funds for providing common services to members
- Examples:
 - Trade unions
 - Building societies

Public Sector Organisations

- Provide basic government services
- Controlled by government organisations
- Examples:
 - Royal mail
 - Police
 - Military
 - NHS



Private Sector Organisations

- Non-government organisations
- Not controlled by government
- Examples
 - Businesses
 - Charities
 - Clubs



Co-operatives

- *An autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise*
 - (International Cooperative Alliance Statement 1995)
- Similar to mutual organisations

Main Business Functions

- Human Resources
- Sales and Marketing
- Research and Development
- Production/Operations
- Purchasing
- Customer Service
- Finance and Accounts
- Administration



Human Resources

- Recruitment and retention
 - Job descriptions
 - Person Specifications
- Dismissal
- Redundancy
- Motivation
- Professional development and training
- Health and safety and conditions at work
- Liaison with trade unions



Sales and Marketing

- Market research
- Promotion strategies
- Pricing strategies
- Sales strategies
- The sales team
- Product – advice on new product development, product improvement, extension strategies, target markets



Research and Development

- New product development
- Product improvements
- Competitive advantage
- Value added
- Product testing
- Efficiency gains
- Cost savings



Production/Operations

- Acquiring resources
- Planning output – labour, capital, land
- Monitoring costs
- Projections on future output
- Production methods
 - Batch
 - Flow
 - Job
 - Cell
- Efficiency



Purchasing

- Acquiring goods and services necessary for business



Customer Service

- Monitoring distribution
- After-sales service
- Handling consumer enquiries
- Offering advice to consumers
- Dealing with customer complaints
- Publicity and public relations



Finance and Accounts

- Cash flow
 - Monitoring income/revenue
 - Monitoring expenditure
- Preparing accounts
- Raising finance
 - Shares
 - Loans
- Links with all other functional areas

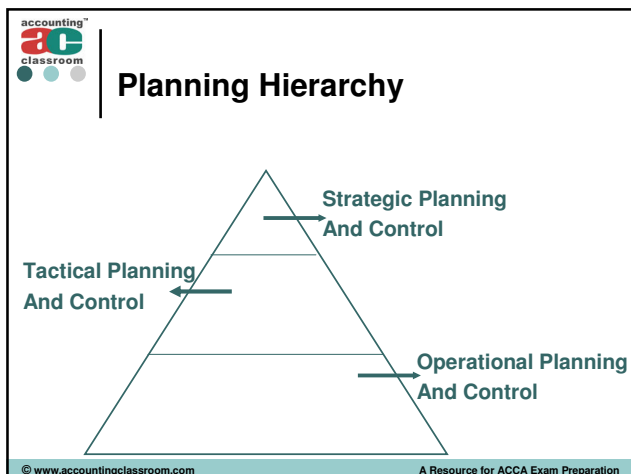


Administration

- Managing estates
 - health and safety, maintenance, security
- Reception
- Clerical work
 - reporting, recording, record keeping, communication
- Overview of quality control

Co-ordination Mechanism in an Organisation

- Budget-setting process
- Regular meetings between the managers
- Inter-department communication
- Clear, well-documented reporting lines
- Encouraging Direct Supervision
- Standardisation of processes, outputs and skills and knowledge



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- A **process**
- Of **deciding on objectives** of the organisation
- On **changes in these objectives**
- On **resources** used to attain these objectives
- **Policies** that govern the acquisition, use and disposition of these resources

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Examples: **Strategic Planning**

- Selection of products
- Markets to sell the product in
- Required level of company profitability
- Purchase and disposal of companies
- Purchase and disposal of major fixed assets
- Total manning needs
- Raising new funds

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Strategic Planning Process

- Strategic Analysis
 - External analysis of markets, competitors, business environment
 - Internal analysis of the firm's resources , competences etc
 - Stakeholder's analysis

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Strategic Planning Process




- Strategic Choice
 - Basis of strategy
 - Where do you want to compete
 - How to get there
- Strategic Implementation

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Management Control

- A process by which the managers assure that resources are obtained and used effectively and efficiently in the accomplishment of the organisation's objectives.
- Also called **Tactical planning**
- **Examples:** setting budgets for sales, production etc.




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Operational Control

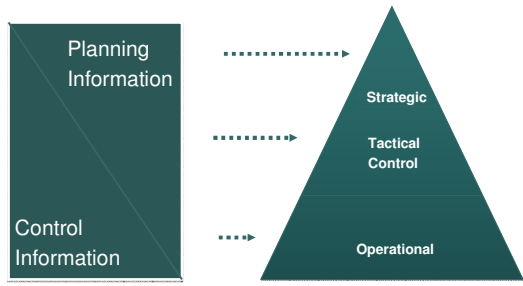
- Also called **operational planning**
- Process of assuring that specific tasks are carried out effectively and efficiently
- **Example:** allocation of particular staff to particular tasks, handling customer complaints



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Type of Information Requirements



The diagram illustrates the flow of information requirements across three levels of control. On the left, a vertical rectangle is divided into two sections: 'Planning Information' at the top and 'Control Information' at the bottom. On the right, a triangle is divided into three horizontal sections: 'Strategic' at the top, 'Tactical Control' in the middle, and 'Operational' at the bottom. Three horizontal dotted arrows point from the Planning Information section to the Strategic, Tactical Control, and Operational sections. Three horizontal dotted arrows point from the Control Information section to the Tactical Control and Operational sections.

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