

Assessment 1

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BSc (Hons) Business Management with Foundation

Cohort 2

**BMP3002
Business in Practice**

Types of Companies

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Introduction

In this report, there is a discussion about different types of companies and their legal entities in the business environment. In addition, it also illuminates about various internal and external factors that have a significant influence on business operations and functioning.

Section 1: Different types of companies and how they work

Micro business:

Microbusinesses range from recognized, long standing family businesses to fresher start-ups having great development potential and often play a significant role in maintaining the economic viability and social cohesion of various regions in the UK, specifically rural and underprivileged urban societies. According to Hall (2018), a micro business has less than ten personnel and accounts for a turnover of up to £2 million. Micro businesses have to face unique challenges as of their capacity and size, their owners most of the time forced to emphasis on meeting and managing short-term necessities. Taking an example of UK, there are 5.6 million microbusinesses in the country employed 0-9 people and such microbusinesses represent for 33 per cent of total employment as well as 21 per cent of country turnover (Rhodes, 2019).

Small business:

The small business can be defined with a number of employees and the annual turnover where it must be 10-50 employees with an annual turnover of up to £10million. These businesses are helpful in providing jobs and support the economy both on a local and national scale. It is also an independent operated and owned organisation that is limited in revenue and size as depend on the sector. These businesses are typically privately held sole proprietorships, partnerships or corporations. These businesses be present in every sector and some of examples can consist of, architectural firms, privately owned restaurants, local bakery and so forth. Small businesses such as daycare and retirement homes are highly controlled, and on the other hand, some small businesses like home accounting could only need a corporate permit (Rhodes, 2019).

Medium size business:

It includes those businesses, which has a turnover up to £50 million and has employed up to 250 people. These corporations develop from the slow and firm growth of successful small business and when the company gains more profits and income, the management starts retaining significant portion of capital for hiring, machineries and buildings. Hence, this evidently develops a bridge amid small business and large enterprises (The Company Warehouse, 2012). Some of the examples of medium size businesses in the UK includes Crawford Healthcare with nearly 130 employees, Hunter MacDonald, plan.com and so forth.

Large size business:

In large size businesses, those enterprises who have 250 plus personnel and a capital turnover of more than £50 million are included. These businesses have larger network coverage in the domestic market and also majorly having presence in the other countries. Most of the times, large enterprises also support micro and small business as per their market potential and competence. Large size business also has characteristics to have a complex management hierarchy and great volume of business communications. Furthermore, contribution of large-scale business is also high in terms of employment, environment sustainability and fostering of international relations (Chron.com, 2011). HSBC Holdings can be one of the examples of large-scale business in UK.

Section 2: Different companies from sole traders to cooperatives and Limited Liability Partnerships

Sole trader business:

A sole trader business is a setup by a person self-employed and run his or her own business as an individual and merely responsible for the business and its debts. In simple words, the owner and business are effectively one and the same in this kind of business and therefore, losses made by the business must be paid from the owner's profit representing as unlimited liability. Some of its characteristics that make sole trader business one of the popular form include ease of setup, simplicity, nominal costs and unlimited liability (Williams, 2018). Some of the common businesses in sole trader

include running a booking business, offering home healthcare, computer repair services, financial planner and catering company.

Partnership:

When two or more individuals build a business together, it automatically creates a partnership business where each of the partners share profit in an adequate proportion after sharing an agreement preferably with the help of an attorney. One of the major characteristics of partnership business is their unlimited liability and therefore, all partners are individually and jointly liable for the corporate arrears and responsibilities. In addition, there is also a sharing of profit and loss in an agreed ratio mentioned in the agreement. Transfer of interest is also a characteristic of partnership where mutual approval of all the partners is necessary for transferring the interest in the corporate to any outside party (Williams, 2018). Unlike the sole traders, the decision-making is done with the joint will of all the partners. Some of the top business examples in partnership include Warner Bros., Hewlett Packard (HP), McDonald and Twitter.

Limited liability business:

The limited liability business is often termed as a hybrid business arrangement as it syndicates the liability protection of a firm with tax management and ease of management of a partnership. Limited liability business is one of the popular business forms with business individuals operating smaller companies, however, there is one potential disadvantage also as due to its new business form, courts have not yet established a body of legal model regulating these. These businesses are bound by same rigid rules of corporations, however, flexible when comes to taxes, presenting various benefits so that the business can make tax plans that best suited. These businesses are also more expensive to set up in comparison to partnership and some of the best examples under this form of business includes Blockbuster, Anheuser-Busch and Westinghouse.

Public limited liability business:

In this form of business, ownership is divided into shares that are publicly tradable generally in a stock exchange. These businesses have a great advantage where the owner can raise capital through public issue of shares, sharing of risks while widening the shareholder base, have better growth and expansion opportunities and

transferability of shares (Birt, 2013). In these businesses, the owners have to show higher level of transparency in terms of business performance and decisions. In Public limited liability business, financial institutions including banks are more willing to extend the finance specially the one who listed. Some of the common examples of these forms of businesses include Rolls-Royce Holdings PLC, and the vast oil company British Petroleum is listed as BP PLC

Cooperative:

In cooperative, the business is held and administered by those who use its services. This form of business can be organized as legal body or it can be an unincorporated association. The main objective of cooperative is to provide service to their users and owners and therefore, profit making is the second more priority in such businesses. There is also a limited return on equity capital and accordingly, the return in investment in the form of dividends is limited. Some of the common characteristics of these businesses include fiscal concessions, development of human value, democratic management and consumer protection(Orencia, 2017). Some of the common examples of cooperatives include Weaver Street Market, Ocean Spray and Do it Best.

Section 3: Different businesses structures and external factors affecting business

Identification of different organizational structures and explaining how does organisational structure affect business productivity

In any businesses, organisation structure determines the way in which power, authority, roles and responsibilities are dispersed and how information flows amid the various levels of hierarchy in an enterprise. The two most common form of organisational structures is divisional and functional.

In divisional organisational structure, the functions are classified into divisions as per products or service lines and are most suited for large and dynamic business firms. Mostly, there is an autonomy of decisions in the hand of managers and this makes easy for the company to fix responsibility for performance and productivity (Townsend and Dundon, 2015). In terms of productivity, divisions are not as productivity as in the

straight functional structures as some economies of scale are lost. However, this structure can be best used when an organisation has different places or clients.

In functional organisational structure, it is one of the most common models found in businesses where there are smaller groups centred on specialized functional areas like marketing, finance, IT, human resource and operations. It is one of the strong and efficient forms of organisational structure where different employee groups are formed depending on their work speciality (Townsend and Dundon, 2015). In terms of productivity, this structure dismisses creativity and market adaptability whereas too much job specialization also reduced employee morale and actually lower productivity.

How different external factors affect the performance of a business – PESTLE Analysis

If a business seeks to gain long-term success and sustainability in the market, it is necessary to completely understand what external factors impact both in positive and negative aspects and this can be best assessed with the use of PESTLE framework, a tool to identify the external forces causing impact on an organisation decision making and functions (Ho, 2014).



- **Political Factors** – It is one of the most significant factors must be assessed due to its impact on business performance in terms of policy changes and new government regulations and procedures. Taking example of Primark, an Irish fast fashion retailer but also having operations and stores in the UK. After UK exit from EU, there is a significant jump of cost for Primark as due to declining in pound and therefore impacts on company profit margin (Langford, 2019).
- **Economic Factors** – If the country economy is stable and strong, there are more chances and prospects for the businesses to gain significant opportunities while raising performance. In relating with Primark, Brexit cause falls in the value of GBP (bbc.com, 2019), however, it will be beneficial for Primark as there will be a translation benefit due to low exchange rates. Hence, if the management proactively took this and develop important strategies, there will be chances to gain more profits and income cap.
- **Social Factors** – These factors are associated to the consumer demographics and also includes cultural level factors and trends. In association with Primark, the company requires to start spending in plus size clothing ranges in UK as the country have rising obesity and due to these, many female shoppers avoiding purchasing at various retailers as of lack of plus size ranges (Elven, 2018). Following this trend, Primark has an opportunity to gain first mover advantage in the UK fast fashion industry and outcompete other big retailers such as Burberry, Zara and H&M.
- **Technological Factors** – There is a significant level of technological development all over the world and with increase in e-commerce practices and digitalization, companies have great opportunities to increase their business at global level (Shaw, 2018). Primark UK performance can be negatively influenced with emergent of online players such as Amazon, Boohoos and Asos. As Primark does not operate online channel platform, its store sales can also be reduced and therefore, the company must develop or outsource its online selling platform.
- **Environmental Factors** – This aspect of the PESTLE framework deals with companies' performance on environmental indicators and policies. For example, in UK, consumers are becoming aware and conscious to the firm adopting well environmental practices like paper packaging and recycled

materials. Primark biggest competitor in UK i.e. H&M has already come up with sustainable clothing lines where its products are made of organic cotton as well as other environment friendly materials (Samaha, 2018). In order to improve brand awareness and avoid government pressure, Primark must start following the same trend and practices.

- **Legal Factors** – It concerns with the factors related to government and state laws regarding the market or industry causing impact on organisation business functioning and practices. For instance, Primark in UK has to follow the new workplace pension legislation and so add 3% to their employee workplace pension for eligible British employees (gov.uk, 2020).

Conclusion

In the limelight of above discussion, this report helps in understanding the different types of companies and their legal entities. In addition, what are the different external and internal environmental factors that cause impact on business decision making are also being highlighted with showing real life company example. The divisional and functional business structure is explained with showing practices in which it affects the productivity within the organisation and workplace.

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Assessment 1

ORIGINALITY REPORT

1 %	1 %	0 %	0 %
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

1	medium.com Internet Source	1 %
2	123writing.com Internet Source	<1 %

Exclude quotes Off
Exclude bibliography On

Exclude matches < 5 words

Assessment 1

GRADEMARK REPORT

FINAL GRADE

73/100

GENERAL COMMENTS

Instructor

Thank you for submitting your assignment. You have been provided with some specific annotated feedback in the text to assist you in developing your work. Please feel free to come and speak to myself about any of it or the summative feedback below.

1) As part of the learning needs for the module and subsequent assessments you are required to meet the learning outcomes as detailed in your module Guide. For this assessment they are:

LO1: Differentiate between different types of companies and their legal entities - Met

LO2: Describe different internal and external factors which impact on businesses – Met

2) Please also find below the criteria that relates to the making scheme for HE Level 6. You have been marked in accordance with those criteria for this assignment.

Relevance (to the title/brief/ Learning Outcomes) - Excellent

Knowledge/Understanding (cognitive awareness of the subject area) – Excellent

Relevance to the title/brief is intermittent or missing - Very Good

Argument/Analysis (appropriate to the level) - Very good

Inadequate arguments and no analysis - Excellent

Structure (planning and flow) - Excellent

Presentation (format/layout, use of tables, figures & Appendices) - Excellent

Written English (style, clarity, spelling & grammar)
- Excellent

Research (quality & range of research sources
employed) - Excellent

Referencing (in the text, in the Bibliography/Reference
List) - Excellent

3) Comments:

Directly relevant to title. Addresses the main assumptions of the title and the requirements of the brief. Demonstrates an excellent knowledge/understanding of theory and practice for FE3 level through the identification and summary of key themes. Makes excellent use of appropriate arguments and theoretical models. Presents a comprehensive summary of material resulting in clear, logical conclusions. Coherently articulated and logically structured. An appropriate format is used. The presentational style & layout is correct for the type of assignment. Effective inclusion of figures, tables, plates (FTP), where appropriate. A well written answer with standard spelling and grammar. Style is clear, and academic. A wide range of sources drawn upon. Sources well cited in the text and in the reference list – with only minor errors. Inclusion of FTP, where appropriate. A clearly written answer with standard spelling and grammar. Style is clear, and academic. A range of sources drawn upon. Most sources cited accurately in the text and in the reference list.

Used sound arguments and theoretical models. Presented a sound critical evaluation of the material resulting in clear and logical conclusions.

A very well written answer with standard spelling and grammar. Style is clear and academic.

Sources accurately cited in the text and a wide range of appropriate references cited in reference list in the correct style.

4) Areas for Further Development:

You need to focus more on

demonstration of an exceptional knowledge of theory and practice for this level. Also need to demonstrate the ability to expertly identify and critically appraise the most important issues, themes and questions. Need

more originality in conceptual understanding.

Marking Tutor: Syed Jaffery

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PAGE 2

PAGE 3



Comment 1

You can elaborate it further



Comment 2

Should have provided references

PAGE 4



Comment 3

not sure about if this is correct



Comment 4

Good Explanation

PAGE 5



Comment 5

good



Comment 6

well explained

PAGE 6



Comment 7

good

PAGE 7



Comment 8

well explained

PAGE 8



Comment 9

good

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PAGE 10

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