

Business in Practice - Types of Companies

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BSc (Hons) Business Management with Foundation

Cohort 2

**BMP3002
Business in Practice**

Types of Companies

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Introduction

The aim of this report is to depict a clear view of different types of companies and Business environment. As well as businesses classification by size and legal entities including examples. Highlights different business structures, divisional and functional structures will be discussed and you will be introduced with PESTLE analysis, which is a used to identify different external factors that may have impact on the businesses.

Section 1: Different types of companies and how they work

According with the authorities of the United Kingdom, companies are divided into three different categories considering their size and turnover. Small , Medium, Large and within small there is additional Micro group for very small businesses (The Company Warehouse, 2012).

Micro business

Micro business or a single person enterprise which contains 1-9 employees and have a turnover under £2 million for example hairdresser or bakery. Micro businesses usually started with a small capital, often owned and managed by the same person. Managers are closely involved day-to-day running business and personally know their employees (The Company Warehouse, 2012).

Small business

Small business have 10-49 employees and turnover under £10 million, for example restaurant or private hotel. Small businesses have limited financial resources and face difficulties to survive. Usually have informal management style (The Company Warehouse, 2012).

Medium size business

Medium business have 50-249 employees and turnover under £50 million, for example factory or hotel. Medium size bus Commonly Confused low financial capability, access less skilled personnel, have difficulties to find loyal customers (The Company Warehouse, 2012).

Large size business

Large business have 250 employees or more and turnover over £50 million, for example Tesco or M&S. Large size business have greater access to funding, economy of scale, brand recognition and bigger profit (Quain, 2018).

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

Sole trader

² "Sole Proprietorship is that form of business ownership which is owned and control by single individual. He receives all the profits and risks all of his property in the success or failure of the enterprise" ²  (Gupta, 2015). A sole trader and business are one and the same, no legal entity is applied and owner faces unlimited liability, even entitled to all

the profits a sole traders are in full responsibility of business debts, management and decision making, business do not need ¹ to publish any information to public, all financial information is confidential. Sole proprietorship benefits are flexibility, freedom and no legal formalities are required to start trading, one or more staff members can be employed. Sole trader is responsible for paying its own income taxes and this can be done online or thru paper application. This type of businesses can be electricians, plumbers, decorators hairdressers, who are all traditional trades and have independent control , motivation and skills to maximize their profit, although sole proprietorship demands long working hours and in case of illness ¹ they may be forced to shut the business(Gupta, 2015).

Partnership

³ “A legal form of business operation between two or more individuals who share management and profits” (Entrepreneur, n.d.). Partnership is often formed of a sole proprietorship, when business grows and responsibilities raises leaving one person unable to survive and meet all business demands, then ² two or more people join together and combine their capital and skills to carry business together (Gupta, 2015). Partnerships are the most common form of business organisation in some professions, such as law and accountancy, because it offers flexibility and privacy. Partners are considered self-employed and have to register with HMRC as soon as start trading. It is very important to choose reliable and suitable person for partnership. Poor decisions of a partner is a responsibility of all partnership members. There are two types of partnership: General Partnership and Limited Liability Partnership (LLP). ³ In a general partnership, the partners manage the company, share profit and assume responsibility for the partnership's debts and other obligations. A LLP is combination of both when

the general partners manage the business and take the whole risk, limited partners or sometimes called sleeping or silent ³ partners serve as investors only with no control over the company and not subject to the same liabilities as the general partners. When starting a partnership it is advisable to prepare a Deed of Partnership which sets out : invested capital, business owners, how the profit ¹ will be shared, how many votes each partner will have and the case of any partners decision to leave. ¹ If there is no Deed of Partnership then under The Partnerships Act 1890 the law states that each partner is equal and gets an equal share of the profits and the same voting power as any other partner (Sutherland and Williams, 2019).

Limited liability

Limited companies offer limited liability, meaning that the business has its own separate legal identity, offering its shareholders a limited liability. Private limited company (LTD) is managed by private shareholders and shares can be sold to family members, employees or friends only, which can be disadvantage for raising capital by selling shares to general public. Private ⁴ Ltd company can be started with just £2 share capital and must be registered in Company house, pay corporation tax and ¹ submit a copy of its annual accounts to the Registrar each year. Each shareholder investment into capital is divided into equal percentage of shares and number of these shares indicates entitled profit responsibilities, debts and legal liabilities of the company. LTD is managed ¹ by Directors who are appointed by the shareholders, although shareholders have complete control of the company (Company Bug, 2020).
Examples of LTD in UK: New look, Virgin Atlantic.

Public limited liability

² A Public limited company (PLC) is similar to private limited company, only PLC shares are available to public and can be freely listed and traded in Stock Exchange, which give an advantage of raising capital and expanding the company, although share prices subject to fluctuation. To become a public company some requirements has to be met: two company directors, two shareholders, a company secretary and minimum of £50 thousand of issued share capital, also the costs of consultants and financial advisors can be expensive (Company Bug, 2020). Examples of PLC in UK : Barclays, M&S group.

Cooperative

The International Co-Operative Alliance defines a cooperative, or co-op, as “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” (NCBA CLUSA, 2019). Cooperative is a private business created by members who have personal interests in the company, using or providing supplies, products or services, offering skills, and willing to work together to meet those interests. All members can run the business and share the responsibilities and decision making, which gives motivation to work hard. Company holds strong democratic principles and even some members have bigger shares, they are equal amongst others and each member is entitled to have one vote. Shareholders can be volunteers, members of the community, staff members and has the right to join the society of cooperative and continue as long as they wish. The cooperatives are at risk of poor management skills and often select board of directors who are responsible

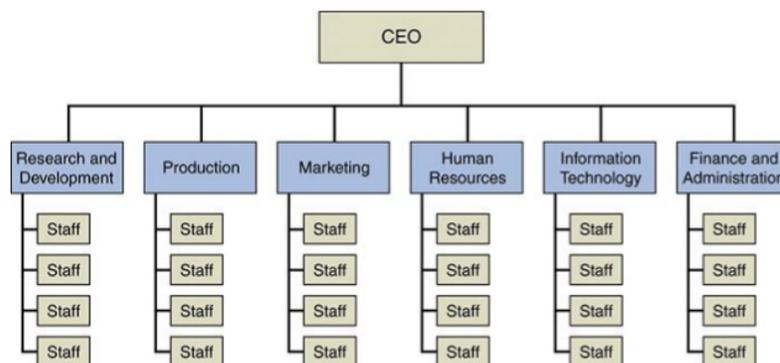
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for accomplishing business mission, hiring outside staff and setting up operational policies. Cooperative aim is to identify the economic, cultural and social needs of the organisation members and commit serving those needs and strengthening the community, grow financially, develop new skills (NCBA CLUSA, 2019).

Section 3: Different businesses structures and external factors affecting business

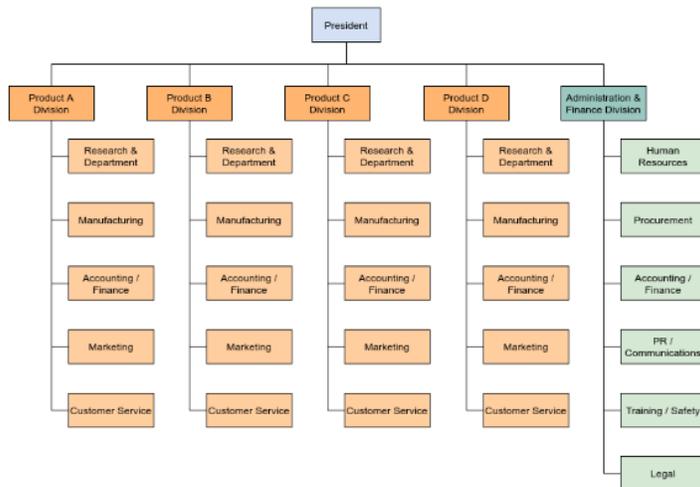
Functional organisational structure

This structure is oldest and most common in organisations. This model separates company into general, strictly differentiated job functions. Functional organizational structure allocates all organisational elements into clearly divided areas of responsibility. Advantages are clear responsibilities , easy scalable, string specialization amongst employees, high working efficiency, fast decision making. Disadvantages are lack of understanding of other job functions, low product , target group and market orientation, lack of communication potentially decreasing flexibility and innovation (lonos, 2018).



Divisional organisational structure

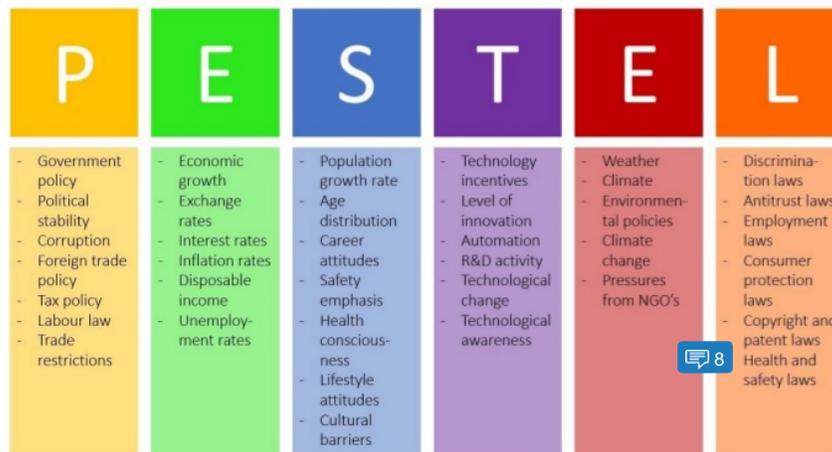
Divisional structure become suitable when a company grow and expands. A divisional structure comprehends separate sections on the basis of products, services or geographical areas. Under this structure, individually working as a separate company, each division functions managing its own capital and tasks. This structure have a clear line of ownership and benefits with strategic focused view of business to achieve goals, but on the other hand it can be expensive due to duplication of functions inside each division and tends to create unhealthy competition and negative politics between various divisions (Hesselberg, 2018).



The organizational structures helps define a clear path of the company and standard routines for achieving allocated duties on day to day basis. Without structure the chain of command becomes vague, management and employees can lose their focus and motivation which causes confusion and bad decision making. This can have a negative impact on the company. To avoid that companies need a clear structure to perform efficiently and successfully (Ionos, 2018).

How different external factors affect the performance of a business

– PESTLE Analysis



The PESTLE analysis is a tool of used to help ascertain value of the business considering different external factors and operations which are unruled by the business. The model will enable the organisation to identify the market conditions on market entry and to develop an implementation plan accordingly (Business-to-you, 2016). PESTLE factors:

Political - Governments interposes in the economy or a specific industry, for example if government raises corporation taxes, this will have impact on profit.

Economic - Most critical factors and can have direct or indirect long term impact on a company, such as product price changes, profit. For example if economy is low and consumers have no or low income leading them to stop buying products or services, and leaving businesses unable to survive.

Social - The population, traditions, demographic characteristics, religious beliefs, ethnical values, perceptions and value towards the business. For example a English

cuisine restaurant will never survive in area where highest population is Muslims, considering religious believes and rules they follow.

Technological - Innovations in technology play a vital part in industry and may affect the business advantageously or harmfully.

Environmental - These factors have come to the forefront only relatively recently, due to negative environmental impact and targets set by government to reduce the risks and go eco-friendly.

Legal – Law regulations, rules, guidelines to ensure ethically directed business (Perera, 2017).

Conclusion

In the final analysis, considering all the research, this report shows the understanding of different types of companies, how they work and how they can be similar to one another ,what advantages and disadvantages they have. A variety of factors of growth, size and organisational structures has been highlighted in terms of organisations functions and varying sizes. Thus proves that accumulating knowledge about different organisation in the market place and choosing the suitable business structure also considering all external factors it is crucial for business to grow and succeed.

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GRADEMARK REPORT

FINAL GRADE

65/100

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) - Very Good

Knowledge/Understanding (cognitive awareness of the subject area) - Very Good

Relevance to the title/brief is intermittent - Very Good

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

Adequate arguments and analysis - Very Good

Structure (planning and flow) - Very Good

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

Written English (style, clarity, spelling & grammar) -
Very Good

Research (quality & range of research sources
employed) - Very Good

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

3) Comments:

You have Addressed the assumptions of the briefs. Generally, addresses the title and used relevant issues very well. Demonstrates a very good knowledge of theory and practice for this level through the identification and critical appraisal of some key issues, themes and questions. Presented largely coherent arguments. Evidence of attempted analysis and critical evaluation, with some descriptive or narrative passages. For the most part coherently articulated and logically structured. An acceptable format is used. Conclusions are fairly clear and logical. You have defined the characteristic and some examples of micro, small and medium size business and large organisation. Also, you define the characteristic and example of sole trader, partnership, limited liability, public liability business and cooperative companies and explained how it works. You have also explained the value and importance of different business structure and also explained organisational structure and its effect on business productivity. You have also use PESTLE and explained the External factors.

Made creative use of appropriate arguments and theoretical models The presentational style & layout is correct for the type of assignment. Inclusion of FTP but lacks selectivity. Competently written with minor lapses in spelling and grammar. Style is readable and academic in the main. Demonstrated some distinctive or independent thinking and Presented an excellent critical evaluation of the material results in clear, logical and illuminating conclusions. Coherently articulated and logically structured.

4) Areas for Further Development:

Over all it was a good work, however to improve, focus more on knowledge/understanding of theory and practice for this level and Makes exceptional use of appropriate arguments and/or theoretical models.

Marking Tutor: Syed Jaffery

PAGE 1

PAGE 2

PAGE 3



Comment 1

good explanation

PAGE 4

QM

Commonly Confused

Commonly Confused Words:

Words that have similar sounds but different meanings often cause trouble for student writers. Please watch for such confusions in your writing.

Some of the more common of these common confusions include:

Accept (to receive) and except (to leave out)

Affect (to influence) and effect (result or to accomplish)

Allusion (an indirect reference) and illusion (a false perception)

Its (possessive form of "it") and it's (contraction of "it is")

Their (possessive form of "they"), there (indication of location, and they're (contraction of "they are")

Then (next or at that time) and than (used in comparisons)

To (toward), too (also or excessively), and two (number)

Your (possessive form of "you") and you're (contraction of "you are")



Comment 2

you could have elaborated it further

PAGE 5



Comment 3

need proper references

QM

Insert:

Insert word

PAGE 6



Comment 4

good



Comment 5

good



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Comment 6

well explained



Comment 7

good



Comment 8

references needed