

# Chapter 5

## Business Organization

- 5-1 Business in the U.S. Economy
- 5-2 Forms of Business Ownership
- 5-3 Organizational Structure for Businesses

## LESSON 5-1

# Business in the U.S. Economy

## Goals

- Describe the changing status of U.S. employment.
- Discuss the role of business in the U.S. economy.
- Describe three major types of businesses.

# Key Terms

- contingent worker
- producer
- intermediary
- service business

# THE CHANGING U.S. JOB MARKET

- Employment data
  - Jobs Reports (monthly)
  - Unemployment rates
- Pressures on employees
  - Consistent over time
    - Low level employees working more & more hours
    - Managers having to be accessible around the clock.

# THE CHANGING U.S. JOB MARKET

## ■ Pressure on Employees

### ■ The Contingent Worker

- An employee having no implicit contract for long-term employment (temps).
  - Work only when called
  - Employers are not required to provide contingent workers with benefits

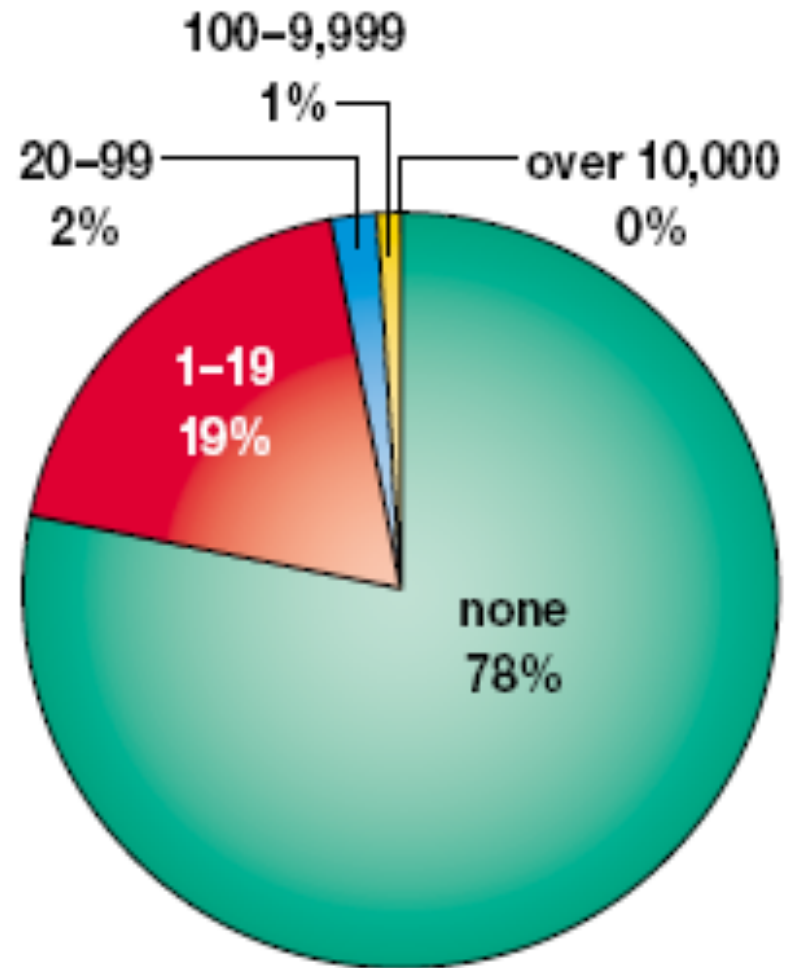
# >> CHECKPOINT

List several groups that will increase as a percentage of the total U.S. workforce in the next decade.

# BUSINESS AND THE ECONOMY

- Size of businesses
- Roles of business
- Impact on a community

# NUMBER OF EMPLOYEES IN U.S. BUSINESSES





# BUSINESS ACTIVITIES

- Generating ideas
- Raising capital
- Employing and training personnel
- Buying goods and services
- Marketing goods and services
- Maintaining business records

# >> CHECKPOINT

What are the six basic activities completed by all businesses?

# TYPES OF BUSINESSES

## ■ Producers

- Produce create the products and services used by individuals and other businesses.

## ■ Intermediaries

- Businesses involved in selling the goods and services of producers to customers and other businesses.

## ■ Service businesses

- Carries out activities that are consumed by its customers (provide services)

# >> CHECKPOINT

How does a manufacturer differ from an extractor?

## LESSON 5-2

# Forms of Business Ownership

## Goals

- Understand the three major forms of business ownership.
- Determine when each form of business ownership is most appropriate.
- Recognize other specialized business ownership forms.

# Key Terms

- proprietorship
- partnership
- corporation
- partnership agreement
- articles of incorporation
- franchise

# BUSINESS OWNERSHIP

- Proprietorship –
  - A business owned and run by just one person

# BUSINESS OWNERSHIP

## ■ Partnership –

- A business owned and controlled by two or more people.



# BUSINESS OWNERSHIP

- Corporation –
  - A separate legal entity formed by documents filed with your state.
    - Owned by one or more shareholders, and managed by a board of directors.

# FORMS OF OWNERSHIP

| Forms of Ownership Among U.S. Business |                             |                           |                           |                          |
|--|-----------------------------|---------------------------|---------------------------|--------------------------|
| Form                                   | Number of businesses (2000) | Total revenue (thousands) | Percent of all businesses | Percent of total revenue |
| Proprietorship                         | 17,904,731                  | \$ 1,020,957,284          | 72%                       | 5%                       |
| Corporation                            | 5,045,274                   | 17,636,561,349            | 20%                       | 85%                      |
| Partnership                            | 1,338,796                   | 1,829,568,091             | 5%                        | 8%                       |
| Other                                  | 718,704                     | 344,751,557               | 3%                        | 2%                       |

# >> CHECKPOINT

What are the differences between the three main forms of business ownership?

# CHOOSING A FORM OF BUSINESS OWNERSHIP

- Choosing a proprietorship
  - Easy to start
  - How most businesses start
  - Often formed from hobbies
  - Great for people that desire total independence

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# CHOOSING A FORM OF BUSINESS OWNERSHIP

- Choosing a partnership
  - Partnership Agreement – is a written agreement among all owners.

## Partnership Agreement

# CHOOSING A FORM OF BUSINESS OWNERSHIP

- Choosing a corporation
  - Articles of incorporation – a written legal document that defines ownership and operating procedures and conditions for the business.

# CHOOSING A FORM OF BUSINESS OWNERSHIP

- Choosing a corporation cont.
  - Corporations are treated as an “individual” by governments
    - Must follow the laws of the state in which they are organized
    - Must file “Articles of Incorporation” with the appropriate state government office

# CHOOSING A FORM OF BUSINESS OWNERSHIP

- Choosing a corporation cont.
  - Corporate bylaws
  - Board of directors

## The Boardroom Scene





# >> CHECKPOINT

Which form of business ownership is the most complex and difficult to form?

# OTHER FORMS OF OWNERSHIP

- Specialized partnerships and corporations
  - Limited Liability partnership
    - Identifies investors who cannot lose more than the amount of their investment.
    - Cannot participate in day-to-day management of the business.

# OTHER FORMS OF OWNERSHIP

- Specialized partnerships and corporations
  - Joint venture
    - Two or more businesses operate for a limited time on a specific project.
  - S-corporation
    - The limited liability of a corporation
  - Limited Liability company
  - Nonprofit corporation

# OTHER FORMS OF OWNERSHIP

- Specialized partnerships and corporations
  - Limited Liability company (LLC)
    - Provides liability protection for owners
  - Nonprofit corporation
    - Engage in activities that benefit the public

# OTHER FORMS OF OWNERSHIP

- Cooperatives and franchises
  - Cooperative – Owned by members, serves its members needs, and is managed in their interest.
  - Franchise – a written contract granting permission to operate a business to sell products and services in a set way.

# >> CHECKPOINT

What are the other specialized forms of business ownership?

## LESSON 5-3

# Organizational Structure for Businesses

## Goals

- Understand important principles in designing an effective organization.
- Compare alternative organizational structures for businesses.

# Key Terms

- mission statement
  - Short, specific written statement of the reason a business exists and what it wants to achieve
- Goal
  - Precise statement of results the business expects to achieve; defines what needs to be accomplished to determine if the business is successful
- Policies
  - Guidelines used in making consistent decisions
- Procedures
  - Descriptions of the way work is to be done
- organization chart
  - Diagram showing the structure of an organization, classifications of work and jobs and relationships among those classifications



# Setting the Direction

- Goal: A precise statement of results the business expects to achieve.
  - Short in scope
  - Are modified regularly
    - To improve profitability
    - To increase efficiency
    - To capture a bigger market share
    - To provide better customer service
    - To improve employee training
    - To reduce carbon emissions

# The Mission...

## ■ The Mission

# DESIGNING AN EFFECTIVE BUSINESS ORGANIZATION

- Setting direction
- Principles of effective organization
  - Responsibility, authority, and accountability
  - Unity of command
  - Span of control

# Policies

- Guidelines used for making consistent decisions.

# Procedures

- Descriptions of the way work is to be done.

# >> CHECKPOINT

What is the difference between a mission statement and a goal?

# TYPES OF ORGANIZATIONAL STRUCTURES

## ■ Functional organization structure

- Work is arranged within main business functions (production, operations, marketing and human resources)
- People work with others who have the same skills
- Drawback – people become more focused on their specific function than on the success of the whole business
- People have little interaction with those outside of their function

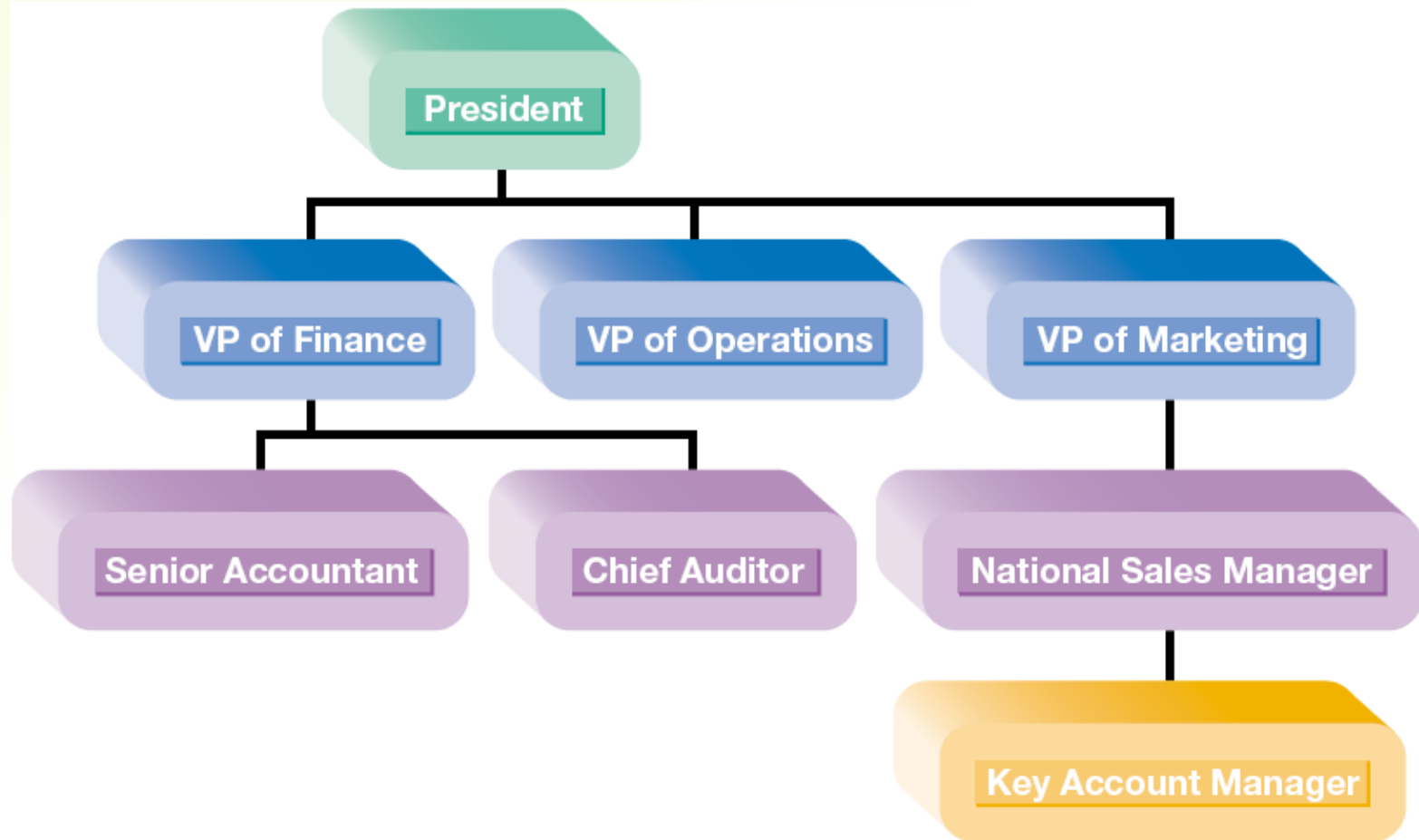
# TYPES OF ORGANIZATIONAL STRUCTURES cont.

## ■ Matrix organizational structure

- Work is structured around specific projects, products or customer groups
- People with varied backgrounds are assigned together because their expertise is required for the project or customer
- Can be exciting and motivating to work with different people
- Can be confusing and inefficient without effective leadership and communication



# BUSINESS ORGANIZATION CHART



# >> CHECKPOINT

What problems can result from the use of a functional organizational structure?