

# SECTION ONE

## Business Aims, Types and Organisations



### Learning Objectives

To develop a knowledge and critical understanding of

- the context within which business is organised
- the aims of business
- the different types of business
- how businesses are organised
- how businesses grow
- the resources and assistance available to businesses
- business planning.

To develop an appreciation of

- the ethical and moral issues associated with business aims
- social and moral issues of the growth of large firms



# UNIT 1.1

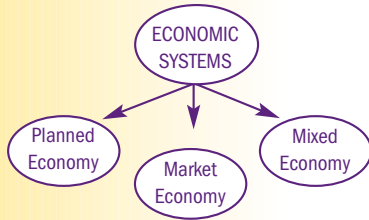
# Business Context



Before we really get into the subject of Business Studies, this section aims to give a broad overview of the business world. Firstly, you should be aware that various countries allow businesses to operate in different ways. There are three main economic systems – planned, market and mixed.

## Economic Systems

In some cases, the government plays a very prominent role and plans how much will be produced and how much resources will be used. That is known as a **planned economy**. In other cases, the government plays a less prominent role, leaving business decisions to the business people. That is known as a **market economy**. In other countries a mixture of these two systems operate and that is known as a **mixed economy**.



Let's look at these three types of economy, now in slightly more detail.



## Planned economy

A planned economy is also sometimes called a **command economy**. This type of economy once was operated in all countries which were under a Communist regime, however it is now very rare and Cuba and North Korea are probably the only examples left.

In a planned economy there is public ownership which means that the government owns all the land and property. There is no private property in a planned economy

Figure 1.1



A market economy has both good and bad points:

<i>Advantages</i>	<i>Disadvantages</i>
Consumers dictate what is produced so their needs are satisfied	Businesses are motivated by profit so they will not produce goods which are not profitable
Business is efficient because it aims to make the maximum amount of profit	There is a great difference between the rich and the poor
There is strong competition so producers are keen to produce exactly what is needed	The government does not provide services such as education or health. This means that these services are available only to those who can afford to pay for them
Competition keeps prices lower	
There is a great variety of goods on offer so the consumer has a vast choice	
Employee motivation is high and workers are rewarded for hard work	

## ACTIVITY

If you were living in America or the Philippines you would benefit from the additional competition there is in a market economy. State one advantage which you would gain as a consumer in those countries because of the high level of competition.

## Mixed economy

A situation where privately owned and publicly owned businesses both exist is known as a mixed economy. This is the most popular type of economy since it permits free enterprise but, at the same time, ensures that the basic needs of all citizens are met. We have a mixed



**Figure 1.3**

An example of publicly and privately owned businesses existing alongside each other in Enniskillen

economy in Great Britain and Ireland where the majority of businesses are privately owned and exist alongside other businesses which are publicly owned and run by the government.

This type of economy has all the features of the market economy with the government involving itself in business only in order to ensure that Health and Safety regulations are carried out and that consumers are treated fairly. However the government does provide public services, such as health, fire, education, public transport, water supply, electricity supply and defence, which must be available to everyone living in the country. These services are partially financed by rates and taxes which are taken from everyone, and partially by central government funds.

A mixed economy provides the best of both worlds, although it has its critics:

<i>Advantages</i>	<i>Disadvantages</i>
All the benefits of competition exist as in the market economy which keeps prices lower and provides a great variety of goods	Demand for health services in particular is so high that waiting lists are very long and the service is often slow
Employee motivation is high because employees are rewarded for hard work	This means that many people still pay for their treatment while others cannot afford to do so
There is good opportunity for enterprise	
Public services are provided for everyone	

## ACTIVITY

In this country the government provides the services of education, health, fire control and electricity. Copy the following table and complete the spaces to show the advantages and disadvantages of these services being provided by the government.

<i>Service</i>	<i>Advantage</i>	<i>Disadvantage</i>
Education		
Health		
Electricity		
Fire		

## ACTIVITY

Trace or photocopy a map of the world. Label two countries which have a planned economy and colour them red. Next, label two countries which have a market economy and colour them green. Finally, label two countries which have a mixed economy and colour them yellow.