

Business Organisations

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Learning Objectives

- Understand the concept of a business organisation and identify its role in the economy.
- Analyse the key objectives which the business organisation aims to achieve.
- Analyse the type of business and evaluate the merits and demerits of each.
- Evaluate the impact of departmentalisation, span of control, and centralisation versus decentralisation.
- Learn the significance of organisational culture and its importance in business.
- Learn influences of culture in behaviour, performance, and decision-making.
- Understand the principles of corporate governance and the roles of boards of directors, executives, and shareholders.
- Evaluate how organisations make their decision and the role of managers in achieving organisational objectives.
- Explore decision-making processes within organisations and the role of managers in achieving strategic objectives.

Introduction

- It is group of people that collectively works and contribute equally to achieve a minimum organisational objectives.
- It is basically a structure comprising owners, employees and customers.
- Some of the key characteristics of business organisations are:
 - ❖ Oriented to achieve specified objectives.
 - ❖ Structure identifies roles, responsibilities, and relationships within the organisation.
 - ❖ Resources such as human, financial and others to achieve the objectives.
 - ❖ Coordination between members and various units to achieve strategic objectives.



Key Functions of Organisations

- **Production of Goods and Services** involves creating, assembling, and distributing goods or services that **meet market demand**.
- **Marketing and Sales** consists of market research, advertising, branding, and sales strategies **to motivate demand**.
- **Finance and Accounting** looks into the financial issues like budgeting, financial reporting to **ensure financial stability**.
- **Human Resource Management** ensure the organisation has **the talent and skills it needs** and looks into matters like hiring, training and managing employees.
- **Research and Development (R&D)** prioritises innovation, new production and improving current production strategy **to maintain market competitiveness**.



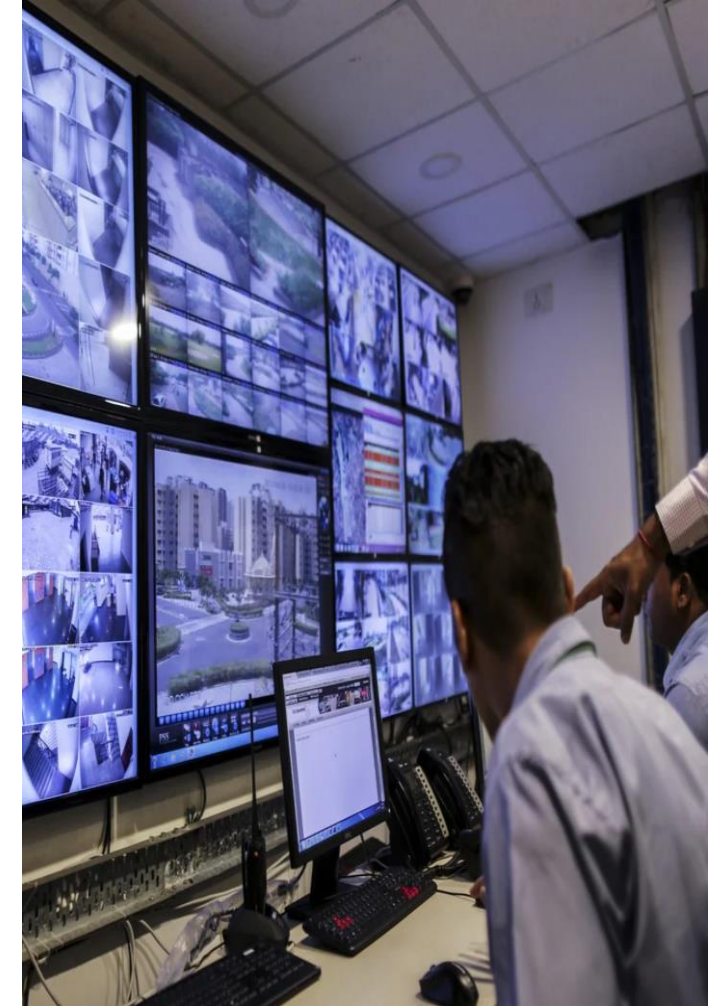
Key Functions of Organisations, Cont.

- **Operations and Supply Chain Management** ensures the **efficient use of resources** in day-to-day operation of the organisation.
- **Information Technology (IT)** to **control, minimise and manage errors** attributed to humans for higher productivity and efficiency.
- **Customer Service** for higher customer **retention, satisfaction, and building long-term relationships** by providing service before, during and after the successful sales.
- **Governance and Leadership** set **goals and strategies** which helps business organisation to align its activities to its mission and objectives.



Role of Management in Organisations

- **Planning** establishes organisational goals which helps the organisation in determining the best course of action to achieve them. It also prioritises resource identification, allocation and predicting future.
- **Organising** arranges tasks, people, and resources while implementing plans to ensure effective service delivery.
- **Leading** by providing direction and leadership to the team through motivation and influences which encourage them to achieve common goals.
- **Controlling** through monitoring and evaluating organisation's action towards its objectives and deploying corrective measures whenever necessary.



Role of Management in Organisations

- **Decision-Making** for making informed decisions (strategic, tactical, and operational) at all levels of the organisation.
- **Communication** as clear and effective communication at various level of organisation streamline work to achieve the predetermined objectives.
- **Developing and Motivating Employees** by creating environment that nurtures employee growth and motivation.
- **Managing Change** which helps the organisation adapt to internal and external changes to ensure smooth transitions.



Types of Business Organisations

- **Sole Proprietorship** as the name itself suggest it is the business that is owned by a single owner.

❖Key Features:

- **Control** to the sole proprietor over business decisions, operations, and profits.
- **Responsibility** to the proprietor himself/herself regarding financial, legal, and operational issues.
- **Liability** to the owner which includes business all debts.
- **Taxation** where the proprietor himself/herself is held responsible for clearing all governmental dues.

❖Advantages:

- Cost efficient due to simplicity.
- Higher degree of flexibility in decision making due to direct control.
- Much lesser tax as income is reported on personal tax returns.

Types of Business Organisations, Cont.

❖ Disadvantages:

- **Constrained ability** to raise finances and/or expand business.
- Full **personal liabilities** on all legal issues and dues.
- Limited business life-span as **organisation last till owner's life**.
- **Partnerships** between at **least two individuals who share** the responsibilities, profits, and liabilities.

❖ Key Features:

- **Control** the shared nature of the business means **all the partners have control but their authority may vary** based on the nature of partnership agreement.
- **Liability** for the business debts depends on the **nature of the partnership** such that general partnership have unlimited liability while in limited partnership liability is restricted to their investment.
- **Taxation** to avoid double taxation, profits are passed through to the **individual partners and taxed**.

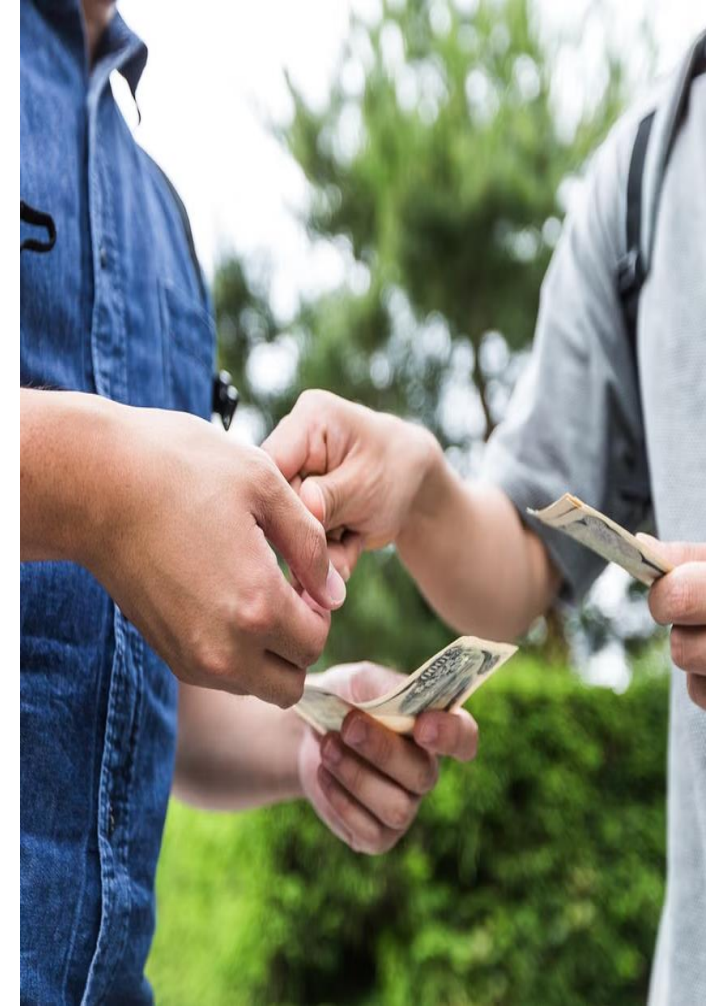
Types of Business Organisations, Cont.

❖ Advantages:

- In comparison to sole ownership, it is easier to raise capital.
- It makes work easy due to shared responsibility and combined expertise.
- Management structure is flexible due to profit-sharing arrangements.

❖ Disadvantages:

- Partnership means all individual are personally liable for business debts.
- Partnership means higher potential for disagreement.
- Partnership mean shared profit which reduces individual earnings.



Types of Business Organisations, Cont.

- **Corporations** are created under state or national law as a separate legal entity from its owners.

❖Key Features:

- **Control** to a **board of directors and executive officers** who do not typically engage in day-to-day operations.
- **Liability** is **limited in nature** which means stakeholders personal assets are not at risk if the corporation faces legal or financial issues.
- **Taxation** is **double in nature** as organisation is subjected to corporate taxes and shareholders taxed on dividends.

❖Advantages:

- Shareholders have **limited liability**.
- The sale of stock makes it easier for the organisation **to raise funds**.
- The death or departure of shareholders **do not affect its existence**.

Types of Business Organisations, Cont.

❖ Disadvantages:

- **Double taxation** on corporate profits and shareholder dividends.
- It is **complex and costly** due to regulatory requirements.
- Compliance and reporting requirements add up to its **administrative burden**.
- **Limited Liability Companies (LLCs)** is a **hybrid structure** that combines the limited liability of a corporation with the tax benefits of a partnership.

❖ Key Features:

- **Control** is managed by **owners or appointed managers** which gives the organisation flexibility.
- **Liability** due to limited liability, **members are not personally liable** for the debts.
- **Taxation** is **passed through to the owners**, who report it on their personal tax returns.

❖ Advantages:

Types of Business Organisations, Cont.

- Members have **limited liability** which helps in protecting their personal assets.
- Its management is, member-managed or manager-managed, which gives organisation its flexibility.
- Profits are only **taxed once**.

❖ Disadvantages:

- The organisation may be subjected to **varying state-level taxes or fees**.
- The **agreement may be complex** which require careful study.
- Compared to a corporation, it may have **limited ability to raise funds**.

- **Cooperatives** are business **owned and operated by its members** who use its services or products.

❖ Key Features:

- **Control** regardless of the level of ownership or investment, each **member have equal voting rights**.
- **Liability** is limited which means members are not personally liable beyond their investment.
- **Taxation** is generally on the income of cooperatives.

Types of Business Organisations, Cont.

❖ Advantages:

- All members have **equal authority** in decision making and profit.
- It often offer **goods or services at a lower price** than profit-oriented organisation.
- It encourages **community involvement** for mutual benefit.

❖ Disadvantages:

- Due to democratic governance, **decision making may be slow.**
- Since cooperatives do not issue stock, it **faces challenges in raising capital.**
- Members share profit among themselves which **constraints financial health** of the organisation.
- **Non-Profit Organisations** other than generating profit, it focuses on **charitable, educational, or social causes.**



Types of Business Organisations, Cont.

❖Key Features:

- Control** to a **board of directors** such that with day-to-day operation is run by an executive team or staff.
- Liability** due to **limited liability**, directors and staffs are not liable to assets from business debts.
- Taxation**, these kind of organisations are **exempted from tax** if they meet certain specified conditions.

❖Advantages:

- Since, they are **exempted from taxes**, they usually do not face financial crisis.
- They are allowed to **seek financial assistance** from other organisations.
- They focuses on **social issues** rather than generating profits.

❖Disadvantages:

Types of Business Organisations, Cont.

- Due to requirement to invest in organisational objectives, such organisation **limits financial growth of founder**.
- It has to comply with strict legal codes which many times **distract investors**.
- **Franchise** is such business organisation in which the **owner (franchisor) use others (franchisees) brand, systems, and support**.

❖ Key Features:

- **Control** to **franchisees with a proven business model**, brand, and ongoing support from franchisor.
- **Liability**, **franchisor retains ownership of the brand** while franchisees are responsible for the operational aspects of their businesses.
- **Taxation** as franchisees pay royalties or fees to the franchisor while **franchises are typically taxed as independent businesses**.

❖ Advantages:

Types of Business Organisations, Cont.

❖ Advantages:

- Proven business model and brand recognition helps in setting foot in crowded market.
- Franchisees receives continuous support from the franchisor in various aspects.
- Compared to independent business organisations, they face less chances of failure.

❖ Disadvantages:

- Franchisees must pay upfront fees and ongoing royalties.
- Limited operational freedom and flexibility in decision-making.
- Franchise agreements can be complex and restrict local adaptations.
- **Joint Venture** is a kind of business organisation in which two or more organisations collaborate and share resources, risks, and rewards.

Types of Business Organisations, Cont.

❖Key Features:

- **Control** is shared between the partners who shares resources, expertise, or capital.
- **Liability** is shared between partners based on agreement.
- **Taxation** the business itself is not taxed however the partners are taxed their return.

❖Advantages:

- Access to additional resources, expertise, and capital.
- Reduced risk by sharing responsibilities and liabilities.
- Opportunity to enter new markets or industries.

❖Disadvantages:

- Potential conflicts between partners due to differing goals or management styles.
- Profit sharing can minimise individual earnings.
- Complexity in setting and managing, requiring clear agreements on roles and responsibilities.

Key Components of Organisational Structure

- **Work Specialisation:**

- ❖ It is the process of dividing **organisational activities into separate jobs.**
- ❖ Higher work specialisation means more efficiency but declined flexibility and job satisfaction.

- **Departmentalisation:**

- ❖ It is the process of **grouping the jobs together** based on function, product, geography, and process.

- **Chain of Command:**

- ❖ It refers to line of authority in an organisation that **outlines who reports to whom** and the flow of decision-making.



Key Components of Organisational Structure, Cont.

- **Span of Control:**

- It refers to the number of employees who directly report to manager.
- A wider span leads to a flatter structure and few level of hierarchy while narrow span earn taller hierarchy.

- **Centralisation vs. Decentralisation:**

- In a centralised structure the higher-level authority takes decision for lower-level authority to implement.
- The decentralised system pushes decision-making authority to lower levels of the organisation.

- **Formalisation:**

- It refers to the extent to which jobs in organisation is standardised.
- The higher degree of formalisation means strict rules for employees and more structured jobs.

Types of Organisational Structures

- **Simple Structure:**

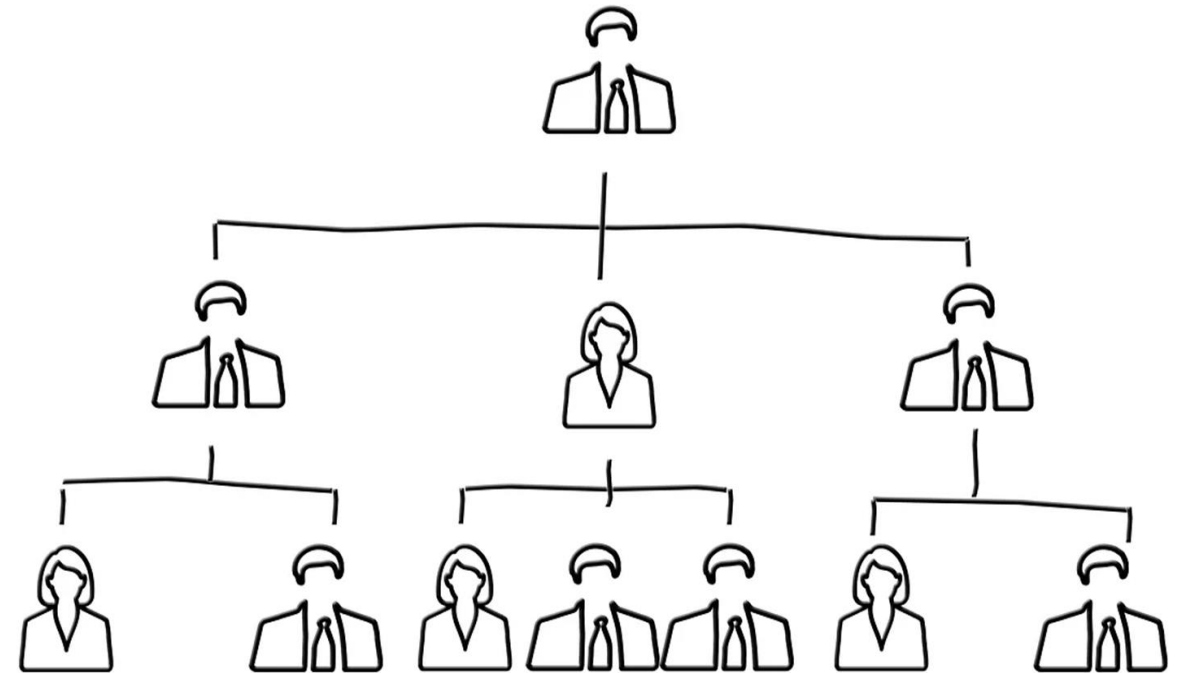
- ❖ Common to startup business, it is characterised by **low departmentalisation, wide span and centralised** decision making.

- **Functional Structure:**

- ❖ Here, the employees are **grouped based on their specialised roles** which promotes efficiency but may create silos and limit collaboration across different group.

- **Divisional Structure:**

- ❖ Developed around products, services or geographies, each division are **semi-independent and owns their resources**.



Types of Organisational Structures, Cont.

- **Matrix Structure:**

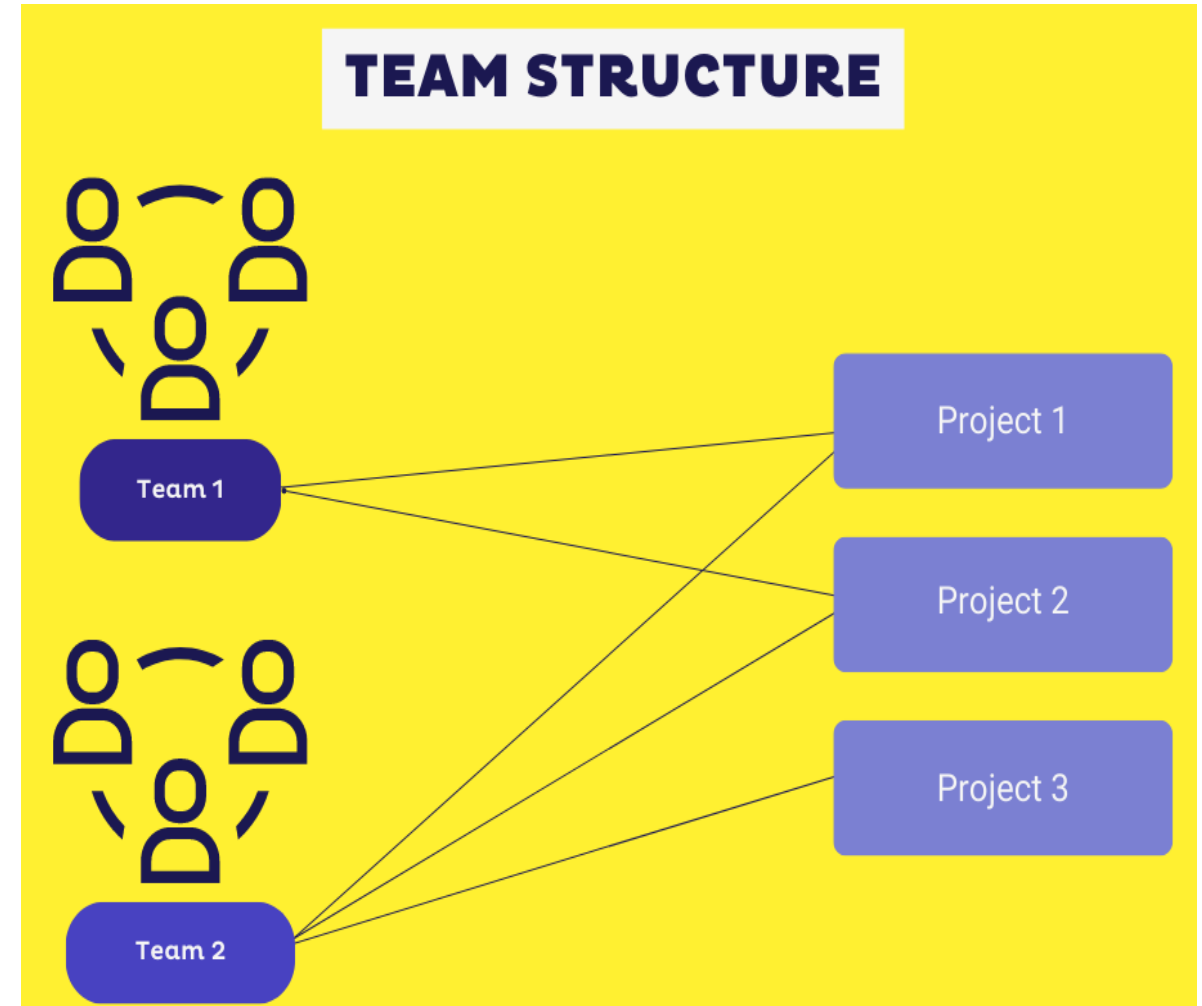
- ❖ It focuses on combining functional and divisional approaches to foster collaboration and flexibility as employees report both to functional and divisional managers.

- **Team-based Structure:**

- ❖ It encourages adaptability and employee involvement as organisation manages employees into smaller cross-functional teams with decision making authority.

- **Network Structure:**

- ❖ It is primarily used by organisation that outsource most of its operation and relies on partnerships and networking.



Advantages of Organisational Structure

- **Clear Roles and Responsibilities** reduces confusion and helps employees focus on their tasks effectively as employees understand their roles, duties, and where they fit.
- **Improved Coordination and Communication** within and across departments so that it is easier to coordinate efforts and share information.
- **Specialisation and Expertise** allow employees to develop specialised skills and knowledge that assist them to focus on specific roles.
- **Efficiency in Task Division** as structure divides task among employees according to their strengths and abilities.
- **Clear Chain of Command and Authority** guarantee that employees know whom they report to and who is the decision-making authority each level.
- **Facilitates Growth and Scalability** as well-defined organisational structure identifies roles and responsibilities of all within the organisation.

Challenges of Organisational Structure

- **Lack of Flexibility** due to highly formalised and centralised structure that limits employee's decision-making power.
- **Increased Bureaucracy** as complex structure increases bureaucratic burden that many times decreases organisational efficiency.
- **Conflict and Power Struggles** in the structure like matrix where there can be ambiguity and conflicting priorities which leads to confusion and internal conflict.
- **Silos and Lack of Collaboration** leads to missed opportunities for innovation as employees in same department may become isolated from the other part.
- **Inefficiency in Coordination** when each division operates independently (Ex: Divisional Structure) leading to effort-duplication, higher operational cost and organisational inefficiency.
- **Overload of Management** especially in tall hierarchical systems in which managers are expected to oversee a large number of employee.
- **Resistance to Change** as employees in traditional and centralised structure resist to adopt new structures or roles.

Organisational Culture & Its Elements

- It is the **shared beliefs, norms and values** which influences individual's behaviour within the business organisation.
- It identifies how people **interact with their colleagues, finishes their responsibilities and communicate** to stakeholders.
- Basically, it is the **personality of the business organisation** that affects everything within the organisation.
- Some of its key elements are:
 - ❖ **Values** are principal beliefs which **represent what the organization stands for**. It provides framework for employees to align their activities to meet organisational goals.
 - ❖ **Norms** are **unwritten codes or rules** that defines how employees should behave in different situations.
 - ❖ **Symbols** signifies the organisation's **culture, values, or history** and includes logos, office design, dress codes, and rituals.



Organisational Culture & Its Elements, Cont.

- ❖ **Language** reflects the organisation's culture which include jargon, metaphors, and communication styles within an organisation.
- ❖ **Rituals and Ceremonies** are regular activities or events which reflect and celebrate the organisation's culture and values.
- ❖ **Stories and Myths** are formal and informal stories which communicate the history, values, and heroes of the organisation.
- ❖ **Heroes and Leaders** are role models who embody the values and ideals of the organisation and whose contribution to the organisation is always admired.
- ❖ **Assumptions** are deeply rooted unconscious beliefs which are taken for granted and sets the fundamental assumptions about how the world works and how the organisation should function.



Types of Organisational Culture

- **Clan Culture:**

- ❖ It focuses on collaboration, teamwork, and a homely working environment that values loyalty, employee involvement, and a strong sense of belongingness.
- ❖ It advocates for high employee engagement but faces challenges in decision-making speed.

- **Adhocracy Culture:**

- ❖ Since it is flexible, dynamic and encourages experimentation, it emphasise on innovation, creativity and risk-taking.
- ❖ Though it promotes high creativity, it sometimes lack structure and direction.



Types of Organisational Culture, Cont.

- **Market Culture:**

- ❖ It prioritises results, competition, and obtaining measurable outcomes and meeting target.
- ❖ Its performance driven behaviour may sometime pressurise and exhausts employees.

- **Hierarchy Culture:**

- ❖ It emphasise structure, roles and organisational policies to focus on control, stability, and efficiency.
- ❖ Though it provides stability and clear organisational expectation, it may however hinder innovation and creativity.



Importance of Organisational Culture

- **Defines Shared Values and Beliefs** guide employees' actions and decisions within the organisation.
- **Influences Behaviour** as strong organisational culture has major impact on employee's behaviour, including how they interact with each other and communicate with the higher authority.
- **Promotes Stability** as consistency means employee knows what to expect that leads to more predictable outcome and less confusion.
- **Enhances Employee Commitment** as positive organisational culture promotes employee loyalty and dedication towards the organisational mission and values.
- **Facilitates Communication** as organisational culture identifies who should employees consult within the team and higher managerial level.
- **Supports Change and Innovation** even though organisational culture advocates for stability, it supports creativity and improvement resulting in organisational change.
- **Aligns Employees with Organisational Goals** as organisational culture encourages employees to align their work and achieve organisational goals.

Influence of Organisational Culture

- **Employee Engagement:**

- ❖ **Sense of Belonging** as organisational culture promotes the sense of belongingness in the employees that make them feel **connected to the organisation's values and goals**.
- ❖ **Alignment with Values** make **employees motivated to work more meaningful** in alignment with organisational values.
- ❖ **Empowerment** enhances **autonomy and responsibility in employees** that drives engagement as employees feel their contributions matters in attaining organisational goals and objectives.
- ❖ **Open Communication** makes employees feel **valued and heard** which increases their sense of belongingness to the organisation.
- ❖ **Recognition and Reward** **strengthens engagement** by reinforcing employees' commitment to their work and the organisation.



Influence of Organisational Culture, Cont.

- **Customer Satisfaction:**

- ❖ **Consistency in Service Delivery** as strong, customer-oriented culture ensures employees align their approach to customer service that results in higher customer satisfaction.
- ❖ **Empathy and Customer Focus** encourage employees to empathise with customers and understand their needs which leads to better service, increased customer satisfaction, and stronger loyalty.
- ❖ **Employee Morale and Attitude** as positive culture creates the environment where employees are motivated and take pride in their work that echoes in their interactions with customers.
- ❖ **Customer-Centric Decision-Making** encourages employees to prioritise customer needs while making strategic business decisions.
- ❖ **Empowerment Employee to Resolve Issues** as employee autonomy helps in quicker resolutions and better customer experiences since it promotes problem-solving and decision-making at all levels.

Influence of Organisational Culture, Cont.

- **Innovation:**

- ❖ **Encouragement of Creativity** by fostering the business environment where **employees are encouraged to think beyond the line** that helps the organisation to stay competitive and responsive to market changes.
- ❖ **Risk-Taking and Experimentation** by fostering an environment where employee feel that **failure is part of the learning process**, not something to be punished.
- ❖ **Collaboration and Knowledge Sharing** across departments that leads to **new innovative solutions and business approaches**.
- ❖ **Support for New Ideas** by business managers/leaders who backs innovation and provides resources for development which **encourages employees to bring new business ideas forward**.
- ❖ **Adaptability to Change** allows business organisation quickly to **grab new trends, adopt cutting-edge technologies, and innovative** to meet evolving market demands.

Management and Leaderships

▪ Management:

- ❖ It is the **process** that ensure that the organisation is operating efficiently and effectively toward its objectives.
- ❖ Management is responsible for:
 - Overseeing the **day-to-day operations** of the organisation.
 - **Taking strategic and operational decisions** that outline how resources will be allocated, what goals should be prioritised and setting the timeline for achieving these goals.
 - **Organising resources and structuring the organisation** by delegating tasks, defining roles, and ensuring the right people are at the right positions.
 - **Monitor the progress and take corrective actions** which includes assessing performance against goals, identifying deviations, and implementing changes to improve efficiency.
 - **Decision making** that affect the operations, strategic direction, and growth of the organisation.
 - **Coordinating** between staffs and department to ensure there is no duplication and misalignment.

Management and Leaderships, Cont.

▪ Leadership:

- ❖ It is to **ability** to inspire, motivate, and direct others by influencing and guiding toward the common goals.
- ❖ Leadership is responsible for:
 - **Setting the vision and direction** for the organisation to achieve its target.
 - **Motivating the team** by creating an environment where employees feel valued.
 - **Inspiring and influencing** others through charisma, personal integrity, and the ability to engage with employees.
 - **Making strategic decisions** based on vision, intuition, and long-term objectives that shape organisation.
 - **Excellent communication** to the team about organisation's vision, goals, and values.
 - **Empowerment and delegation** by giving the team autonomy and responsibility to make decisions.

Types of Leadership Styles

- **Autocratic Leadership:**

- ❖ This kind of leadership makes **decisions without consulting** other members of the team.
- ❖ Though it is **helpful in situation where quick decision are required**, it however limit team creativity and engagement.

- **Democratic Leadership:**

- ❖ This kind of leadership **equally values and prioritise inputs** from the lower-level authority.
- ❖ Such leadership **fosters collaboration and boosts morale** that often leads to more creative solutions.



Types of Leadership Styles

- **Transformational Leadership:**

- ❖ Such leadership **create a shared vision and foster innovation** by inspiring and motivating employees to exceed expectation.
- ❖ They focus on **personal growth and development** of their team members.

- **Transactional Leadership:**

- ❖ Such kind of leadership focuses on **structure, rewards, and punishments**.
- ❖ They also provide **clear instructions and expect compliance**, using rewards for meeting goals and punishments for failing.



Decision-Making Process in Organisation

- **Identifying the Problem or Opportunity** by defining issues, developing corrective measures and converting problems in business growth opportunities.
- **Gathering Information** involves collecting both internal and external data which help clarify the situation and potential solutions.
- **Identifying Alternatives** by brainstorming and generating multiple solutions to ensure that the best option is selected.
- **Evaluating Alternatives** by determining feasibility, costs and benefits of all the possible solutions which aligns with organisational goals.
- **Making the Decision** by choosing the best alternative that suits the organisation the most.
- **Implementing the Decision** by executing the best possible solution to resolve the issue.
- **Monitoring and Evaluating the Results** by developing the effective feedback loop to assess the effectiveness of the strategy being used.
- **Reviewing and Learning from the Decision** by analysing success and failure of the process.

Business Strategies & Types

- It refers to organisational actions and decisions which were undertaken to achieve its long-term goals and objectives.
- Business strategies help organisation to out-smart its rivals in the crowded market.
- Some of its types are:

❖ Cost Leadership Strategy:

- This allows the business organisation to become the low-cost producer in the industry, attracting cost sensitive customers.
- It focuses on efficiency and productivity by streamlining operation to reduce cost.



Business Strategies & Types, Cont.

❖ Differentiation Strategy:

- It allows business organisation to offer unique products or services that are valued by customers.
- It focuses on preparing unique products to enhance customer service experience.

❖ Focus Strategy:

- It focuses either on cost leadership or differentiation to target a specific segment of the market.
- It tailors products or services by identifying small or lower market with specific needs.



Operational Considerations

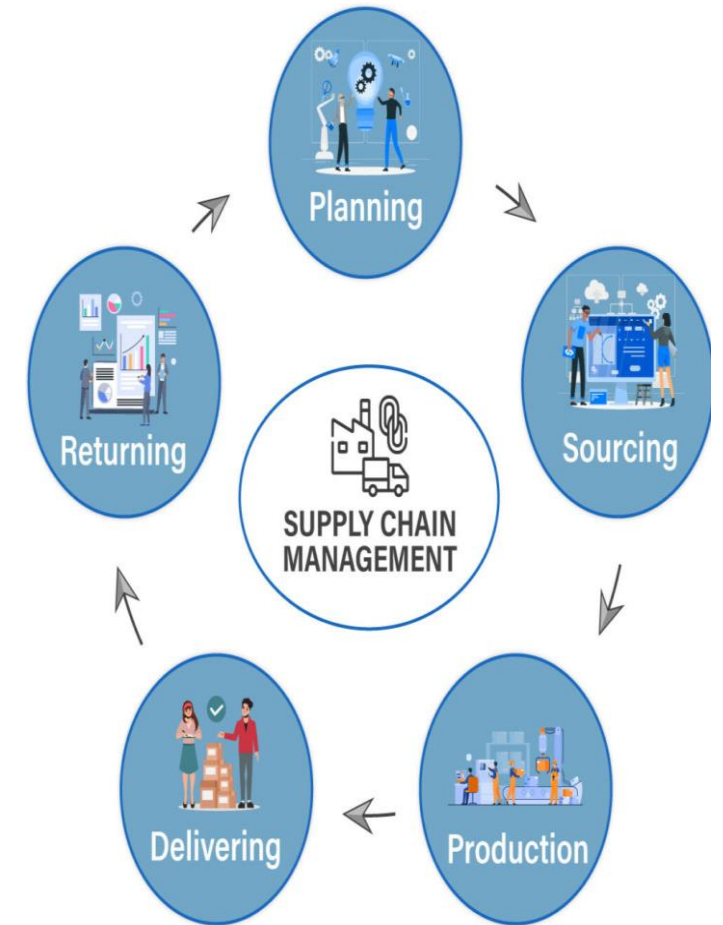
- It is the arrangement of roles, responsibilities, authority, and communication which defines the hierarchy and the workflows.
- It is of follow following types:
 - ❖ **Functional Structure** organises employees based on roles.
 - ❖ **Divisional Structure** focuses on products, market, and service such that each division works as separate unit.
 - ❖ **Matrix Structure** is the combination of the above two.

Some of the key points to be considered are:

- **Resource Allocation** focuses on distributing resources across different units of organisation.
- **Coordination and Control** to ensure that all the units works in unison to achieve common objectives.
- **Human Resource Management** focuses on recruiting , developing , and retaining skilled and motivated employees.

Operational Considerations, Cont.

- **Communication Systems** are the tools and processes by which employees communicate to coordinate such that all departments align activities to achieve common objectives.
- **Operational Efficiency and Cost Management** focuses on delivering a high-quality products and service in efficient manner.
- **Risk Management and Crisis Response** is the process of identifying risks and preparing mitigation plan before risks cause any significant damages.
- **Supply Chain Management** focuses on purchasing, processing and supplying the final products in the market.
- **Sustainability and Environmental Considerations** is an effort by any business organisation to **minimise their carbon footprint** during the purchasing, processing and delivering of the service to customers.



Emerging Trends

- **Digital Transformation** prioritises integrating digital technologies across all units of the organisation.
- **Remote and Hybrid Work Models** with high priority on organisational flexibility and communication allowing employees to remotely coordinate their work for common objectives.
- **Agile and Flexible Organisational Structures** to promptly react to any significant market and business environment change.
- **Data-Driven Decision Making** for accurate forecasting and operational efficiency by deploying Artificial Intelligence (AI) to analyse big data.
- **Employee Wellbeing and Mental Health Focus** by prioritising on wellness programmes, mental health campaigns, stress management and others.
- **Diversity, Equity, and Inclusion (DEI)** by fostering environment in which all employees are treated equally and provided with equal opportunities.
- **Collaborative and Transformational Leadership** such that organisation encourage employees to take responsibility and make strategic decision.

Case Study: Sole Proprietorship

- **Industry:** German based Small Bakery.
- **Problem faced:**
 - ❖ **Financial Constraints** due to sole proprietorship which restrict the expansion.
 - ❖ **Lack of Business Structure** leads to operational inefficiency and managing daily business.
 - ❖ **Competition** from financially stronger large bakery chains with multiple outlets.
 - ❖ **Regulatory Compliance** primarily with evolving health and safety regulations.
- **Strategy employed:**
 - ❖ **Streamlining Operations** by managing daily operations and staff allocation.
 - ❖ **Cost-Cutting Measures** by controlling waste and managing inventory to increase efficiency.
 - ❖ **Diversification of Products** by introducing a variety of products to attract many consumers as possible.
 - ❖ **Compliance Focus** to ensure that the industry meets health and safety standards.

Case Study: Sole Proprietorship, Cont.

- **Result:**

- ❖ **Improved Cash Flow** due to streamlined operations and reduced waste
- ❖ **Increased Market Share** due to introduction of diversified products.
- ❖ **Stronger Customer Loyalty** with the local community which leads to repetitive visits.
- ❖ **Regulatory Compliance Achieved** which prevented the bakery from legal liability due to non-compliance.



Case Study: Partnership (OHG / KG)

- **Industry:** A small design firm.
- **Problem:**
 - ❖ **Differences in Business Vision** due to various partners wanting to achieving various thing. Ex: One partner giving priority to growth and other prioritising profit.
 - ❖ **Conflict in Decision-Making** as each partner may perceive the same thing differently.
 - ❖ **Resource Allocation** due to conflicting interests. Ex: One partner giving priority to technology and other prioritising more designers.
- **Strategies Used:**
 - ❖ **Defined Role** to divide responsibilities between partners.
 - ❖ **Establishing Regular Communication** by identifying communication channels for coordination.
 - ❖ **Joint Financial Planning** to ensure budget equally priorities concerns of all partners.

Case Study: Partnership (OHG / KG)

- **Result:**

- ❖ **Improved Business Alignment** due to clearly defined roles and regular communication between partners.
- ❖ **Enhanced Decision-Making Process** due to regular communication while help settling disputes peacefully.
- ❖ **Balanced Growth** as each partners concerns are equally prioritised and budgeted accordingly.



Case Study: Entrepreneurship (UG)

- **Industry: Automotive Manufacturing**

- **Problems:**

- ❖ **Declining Market Share** due to stiff competition from emerging electric vehicle (EV) manufacturers.
- ❖ **Innovation Stagnation** as there is no new offering due to stagnation which resulted in continuous **production of outdated products** discouraging young and tech-savvy consumers.
- ❖ **Operational Inefficiencies** due to high cost and outdated equipment which resulted in declining efficiency and profitability.

- **Strategies Used:**

- ❖ **Adoption of Electric Vehicles (EVs)** by investing heavily on research and development to start producing EVs.
- ❖ **Corporate Restructuring** by optimising cost, investing in new tools which cuts the operational cost.

Case Study: Entrepreneurship (UG), Cont.

- ❖ **Strategic Partnerships & Alliances** particularly with AI and autonomous driving industries to enhance its offerings and attract a tech-savvy customer base.
- **Results:**
 - ❖ **Improved Market Share** as more environmentally conscious start buying newly available EVs.
 - ❖ **Increased Innovation** due to high investment in research and development which turns it into leader in autonomous driving technology.
 - ❖ **Cost Reduction & Efficiency** as investment in modern machinery helped reduce operational costs of the organisation.



Case Study: GmbH

- **Industry:** Food Manufacturing (GmbH model)
- **Problems:**
 - ❖ **Supply Chain Disruptions** resulted in production delays to meet the demand on time.
 - ❖ **Declining Profit Margins** due to rising cost of the raw materials, competition from the other such industries and ever-increasing labour cost.
 - ❖ **Stagnant Market Growth** due to increased competition from both local and international producers.
- **Strategies Used:**
 - ❖ **Diversification of Suppliers** to reduce reliance on a single source.
 - ❖ **Lean Manufacturing Implementation** to streamline the production, improve efficiency and cut cost.
 - ❖ **Market Expansion and Branding** by targeting both retail chains and online platforms.

Case Study: GmbH, Cont.

- **Results:**

- ❖ **Reliable Supply Chain** to mitigate the disruption which ensure that there is no service delays.
- ❖ **Improved Profit Margins** due to lean manufacturing strategy.
- ❖ **Increased Market Share** as successful branding allowed the business to retain new customers.

Case Study: Public company (AG)

- **Industry:** Automotive Manufacturing (Volkswagen AG)
- **Problems:**
 - ❖ **Reputational Crisis and Governance Failure** due to emissions scandal which highlighted weaknesses in corporate governance and ethical oversight.
 - ❖ **Strategic Misalignment with Market Trends** due to more reliance on outdated technology.
 - ❖ **Complex Organisational Structure** which slowed decision-making and reduced reaction.
- **Strategies Used:**
 - ❖ **Strategic Renewal and Digital Transformation** by deploying platforms to realign with current trends.
 - ❖ **Governance and Compliance Reform** to restore accountability and transparency of the business.
 - ❖ **Organisational Restructuring** due to decentralization of decision-making process.

Case Study: Public company (AG), Cont.

- **Results**

- ❖ **Repositioning as an EV Leader** as the result of increased focus on EVs production.
- ❖ **Improved Stakeholder Confidence** due to good governance and sustainability commitment.
- ❖ **Enhanced Strategic Flexibility** due to rapid responsiveness to global market changes and technological innovation.

Case Study: Cooperative (Genossenschaft)

- **Industry:** IT & Financial Software Services (DATEV eG)
- **Problems:**
 - ❖ **Technological Disruption** due to digital transformation and cloud computing possessing challenges on traditional software model.
 - ❖ **Member Diversity and Decision Complexity** lead to slowed strategic decision-making.
 - ❖ **Increasing Market Competition** as the result of agile fintech and SaaS providers.
- **Strategies Used:**
 - ❖ **Strategic Digital Transformation** as the result of investment in cloud-based platforms and cybersecurity infrastructure.
 - ❖ **Participative Governance Model Enhancement** through strong communication and voting mechanism.
 - ❖ **Innovation and Partnership Strategy** to enhance innovation and expand digital service ecosystems.

Case Study: Cooperative (Genossenschaft), Cont.

- **Results:**

- ❖ **Sustained Competitive Position** by transitioning toward cloud-based services.
- ❖ **High Member Retention and Loyalty** as the result of participative governance.
- ❖ **Stable Financial Growth** as diversified digital services improved revenue streams.

Case Study: Branch Office

- **Industry:** E-Commerce & Logistics (Amazon Deutschland Services GmbH)
- **Problems:**
 - ❖ **Operational Coordination Challenges** as the result of communication gap and delays.
 - ❖ **Regulatory and Labour Compliance Issues** increased operational complexity and rising cost.
 - ❖ **Public and Political Scrutiny** especially on working conditions and taxation.
- **Strategies Used:**
 - ❖ **Localisation within Global Strategy** by adapting global policies to local and cultural requirements.
 - ❖ **Process Optimisation and Automation** improved efficiency and reduce dependency on manual processes.
 - ❖ **Stakeholder and Compliance Management** for strengthening HR policies and working conditions.

Case Study: Branch Office, Cont.

- **Results:**

- ❖ **Improved Operational Efficiency** due to automation and standardised operational processes.
- ❖ **Better Regulatory Alignment** reduced legal risks and stabilized labor relations.
- ❖ **Sustained Market Leadership** as strong branding means a dominant player in e-commerce market.

Case Study: Joint Venture

- **Industry:** Automotive Manufacturing (BMW Brilliance Automotive)
- **Problems:**
 - ❖ **Cross-Cultural Management Challenges** created difficulties in coordination and slowed decision-making.
 - ❖ **Strategic Control and Ownership Concerns** created due to governance complexity.
 - ❖ **Market Entry Risk** as the result of regulatory uncertainty, competition from other players, and high investment risk.
- **Strategies Used:**
 - ❖ **Strategic Alliance** for focusing on joint venture to share financial risk, combine local market knowledge, and comply with foreign investment regulations.
 - ❖ **Integrated Governance** through agreements, shared board representation, and performance control systems.
 - ❖ **Localisation Strategy** by prioritising the needs of the local community while maintaining quality.

Case Study: Joint Venture, Cont.

- **Results:**

- ❖ **Successful Market Penetration** as the result of joint venture by becoming one of BMW's largest production and sales bases globally.
- ❖ **Risk Sharing and Cost Efficiency** help reduce financial liability while increasing manufacturing capacity.
- ❖ **Strengthened Global Competitive Position** contributed to increased BMW's global revenue and maintaining long-term strategic growth.

Case study key facts about Mercedes/BMW/Audi Merger

- **Key Facts:**

- **Formed:** 2019
- **Legal Form:** GmbH (Limited Liability Company)
- **Goal:** To create unified software backbone for next-generation vehicles.
- **Result:** Accelerated capability but later restructured due to strategic differences.
- **Lesson:** Pre-competitive collaboration works for base layers; differentiation remains at brand level.



Conclusion

- Business organisation is the structure for conducting economic activities.
- The structure of the organisation influences various aspects of the business institution.
- The optimal use of resources and competitive advantage is due to effective organisational design.
- Good governance and accountability ensure ethical decision making, mitigating risks and others.
- Organisation's ability for sustained performance in competitive markets depends on the internal structure of the organisation.
- The organisational structure help address uncertainty, technological change to remain relevant.

Discussion Questions

- What are the key characteristics of sole proprietorships, partnerships, and corporations?
- Organisational design influence efficiency and effectiveness. Explain.
- In what ways do internal resources and capabilities shape organisational performance?
- List structural changes which are necessary in response to digital transformation.
- How can organisations balance profit objectives with social responsibility?
- List the difference between centralisation and decentralisation.

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Thank you



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