**1.2.1 Types of Organizations**

Private vs. Public Sector:

* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ sector**: organizations owned, controlled and managed by private individuals, usually for the purpose of making profit.
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ sector:** organizations owned, controlled and managed by the government.
	+ Public ownership is much less common these days as it is felt that businesses are much more efficient if they are privately owned.

 

* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_:** the selling of government-owned industries to private investors.
	+ Advantages:
		- Reduces \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ – private firms are more efficient
		- Improved quality – competition
		- Encourages innovation/invention – profit motive
		- Increases \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ – competition
	+ Disadvantages:
		- Monopolies can fall into private hands – exploit the consumers with high prices.
		- \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ – private firms may tend to pollute more in order to save money.
* **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_:** the removal of government rules, controls, and restrictions on production and trade.

**Starting a Business:**

* People (usually) start a business to make money. This is termed *\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*

4 Key Elements to Starting a Business

1. **A product/service** – What product or service are you going to sell?
	* Develop, create, and sell a brand new unique product. – patent it!!!
	* 'Me too' products are basically adapted copies of existing products or services.
	* Service activities are usually cheaper to set up and operate.
2. **A \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ edge** – Does the business have a unique selling point (USP)? What sets your product out from the rest?
3. **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** – Depending on its structure, a company can have different sources of finance (e.g. bank loan, shareholder capital, self-financed, venture capitalist, etc).
4. **Personal skills** – Does the company’s employees possess the necessary skills to run a successful business? (accounting, marketing, etc).

Problems Faced By Start-Up Businesses

1. Finance:
	* + Hard to raise \_\_\_\_\_\_\_\_\_\_\_.
		+ No security for loans, such as property or personal guaranty.
		+ A new business has no track record for a bank to assess, thus the \_\_\_\_\_ are greater for banks.
2. Location:
	* + Costs can be minimized if the business starts at \_\_\_\_\_\_\_.
		+ A good location might be very \_\_\_\_\_\_\_\_\_\_\_\_.
3. Delivering a customer base + brand loyalty + repeat business:
	* + Building good relations with customers take a long time and costs a lot.
		+ Investing in after-sales service or “custom-made” offers is challenging for a new business.
4. Poor cash flow:
	* + Many start-ups fail because they don’t manage their \_\_\_\_\_\_\_\_\_ in the early years.
		+ Managing \_\_\_\_\_\_\_\_\_ for a new business might include:
			1. Chasing new customers for payments
			2. Slowing down payments to suppliers.
5. Personality of the entrepreneurs:
	* + Do they have the desire to make the business work at all costs?
6. HR management skills:
	* + Are the managers able to manage & \_\_\_\_\_\_\_ a workforce?

Activity – **Build a Business Worksheet on Edmodo**