

FACULTY OF JURIDICAL SCIENCES

Lecture-3



Business Organization

Business organization, an entity formed for the purpose of carrying on commercial enterprise. Such an organization is predicated on systems of law governing contract and exchange, property rights, and incorporation.

Business enterprises customarily take one of three forms: individual proprietorships, partnerships, or limited-liability companies (or corporations)

In the first form, a single person holds the entire operation as his personal property, usually managing it on a day-to-day basis. Most businesses are of this type. The second form, the partnership, may have from 2 to 50 or more members, as in the case of large law and accounting firms, brokerage houses, and advertising agencies. This form of business is owned by the partners themselves; they may receive varying shares of the profits depending on their investment or contribution. Whenever a member leaves or a new member is added, the firm must be reconstituted as a new partnership. The third form, the limited-liability company, or corporation, denotes incorporated groups of persons—that is, a number of persons considered as a legal entity (or fictive “person”) with property, powers, and liabilities separate from those of its members. This type of company is also legally separate from the individuals who work for it, whether they be shareholders or employees or both; it can enter into legal relations with them, make contracts with them, and sue and be sued by them. Most large industrial and commercial organizations are limited-liability companies.

Business Organization is an entity formed for the purpose of carrying on commercial enterprise that describes how businesses are structured and how to produce goods or services and meet needs of the customers.

Scope of the Business Organization

The scope of the business organization has expanded considerably after the Industrial Revolution. The production process is now quite complicated. An organization needs to determine what each person will do and how many jurisdictions each will have. The role of business organizations in different forms of business ownership is briefly discussed.

(1) In exclusive property

Business form, the structure of the organization, is straightforward. The entrepreneur usually introduces his capital. Only he is the sole organizer, financier, decision-maker, operator, and controller and, above all, responsible for the success and failures of business. In general, there is a subdivision of the main work rule into small groups.

(2) In the form of business association

The property, each partner, provides capital, labor, and administration under an agreement that the partners determine among themselves to what extent each partner must participate in the administration. The pattern of distribution of activities, determination of tasks, delegation of authority, etc., depends on the nature and size of the company. As the association's business is usually executed on a small scale, the structure of the business organization is relatively simple, temporary, and informal.

(3) In the form of business enterprise

There is a regular pattern of organization. The work of an organization starts even before its incorporation by the promoters. This work of organization continues after incorporation. An organizational chart of liabilities is prepared. The duties and liabilities of the personnel employed are defined; the procedures are reduced. The methods are discussed and presented to the staff in clear terms. The scope of business organizations that incorporate businesses is quite broad and complicated.