VIDYA BHAWAN BALIKA VIDYA PITH

शक्ति उत्थान आश्रम लखीसराय बिहार

Class 11 commerce Sub. BST. Date 6.9.2020

Teacher name – Ajay Kumar Sharma

FORMS OF BUSINESS ORGANISATION

Limitations of JOINT STOCK COMPANY

The major limitations of a company form of organisation are as follows:

(i) Complexity in formation: The formation of a company requires greater time, effort and extensive knowledge of legal requirements and the procedures involved. As compared to sole proprietorship and partnership form of organisations, formation of a company is more complex.

(ii) Lack of secrecy: The Companies Act requires each public company to provide from time-to-time a lot of information to the office of the registrar of companies. Such information is available to the general public also. It is, therefore, difficult to maintain complete secrecy about the operations of company.

(iii) Impersonal work environment: Separation of ownership and management leads to situations in which there is lack of effort as well as personal involvement on the part of the officers of a company. The large size of a company further makes it difficult for the owners and top management to maintain personal contact with the employees, customers and creditors.

(iv) Numerous regulations: The functioning of a company is subject to many legal provisions and compulsions. A company is burdened with numerous restrictions in respect of aspects including audit, voting, filing of reports and preparation of documents, and is required to obtain various certificates from different agencies, viz., registrar, SEBI, etc. This reduces the freedom of operations of a company and takes away a lot of time, effort and money.

(v) Delay in decision making: Companies are democratically managed through the Board of Directors which is followed by the top management, middle management and lower level management. Communication as well as approval of various proposals may cause delays not only in taking decisions but also in acting upon them.

(vi) Oligarchic management: In theory, a company is a democratic institution wherein the Board of Directors are representatives of the shareholders who are the owners. In practice, however, in most large sized organisations having a multitude of shareholders; the owners have minimal influence in terms of controlling or running the business. It is so because the shareholders are spread all over the country and a very small percentage attend the general meetings. The Board of Directors as such enjoy considerable freedom in exercising their power which they sometimes use even contrary to the interests of the shareholders. Dissatisfied shareholders in such a situation have no option but to sell their shares and exit the company. As the directors virtually enjoy the rights to take all major decisions, it leads to rule by a few.

(vii) Conflict in interests: There may be conflict of interest amongst various stakeholders of a company. The employees, for example, may be interested in higher salaries, consumers desire higher quality products at lower prices, and the shareholders want higher returns in the form of dividends and increase in the intrinsic value of their shares. These demands pose problems in managing the company as it often becomes difficult to satisfy such diverse interests.

Table 2.3 Difference between a Public Company and Private Company

Basis	Public company	Private company
Members	Minimum - 7 Maximum - unlimited	Minimum - 2 Maximum - 200
Minimum number of directors	Three	Two
Index of members	Compulsory	Not compulsory
Transfer of shares	No restriction	Restriction on transfer
Invitation to public to subscribe to shares	Can invite the public to subscribe to its shares or debentures	Cannot invite the public to subscribe to its securities

Bharat Heavy Electricals Limited — A Public Company's Journey in Quality

Bharat Heavy Electricals Limited (BHEL) is the largest engineering and manufacturing enterprise in India today in the energy-related/ infrastructure sector.
BHEL was established more than 40 years ago, ushering in the indigenous heavy electrical equipment industry in India — a dream that has been more than realised with a well-recognised track record of performance. The company has been earning profits continuously since 1971-72 and paying dividends since 1976-77.

BHEL manufactures over 180 products under 30 major product groups and caters to core sectors of the Indian economy, viz., power generation and transmission, transportation, telecommunication, renewable energy, etc.

BHEL has acquired certifications to Quality Management Systems (ISO 9001), Environmental Management Systems (ISO 14001) and Occupational Health and Safety Management Systems (OHSAS 18001) and is also well on its journey towards Total Quality Management.

Major achievements of BHEL include:

- Installed equipment for over 90,000 MW of power generation — for utilities, captive and industrial users.
- Supplied over 2,25,000 MVA transformer capacity and other equipment operating in transmission and distribution network up to 400 kV (AC and DC).
- Supplied over 25,000 motors with Drive Control System to power projects, petrochemicals, refineries, steel, aluminium, fertiliser, cement plants, etc.
- Supplied traction electrics and AC/DC locos to power over 12,000 kms railway network.
- Supplied over one million valves to power plants and other industries.

BHEL's vision is to become a world-class engineering enterprise, committed to enhancing stakeholder value. The company is striving to give shape to its aspirations and fulfil the expectations of the country to become a global player.

The greatest strength of BHEL is its highly skilled and committed 43,500 employees. Every employee is given an equal opportunity to develop himself and grow in his career. Continuous training and retraining, career planning, a positive work culture and participative style of management — all these have engendered development of a committed and motivated workforce setting new benchmarks in terms of productivity, quality and responsiveness.

Source: *website of BHEL*