

Professional Issues in IT



Organization

Organization

- ❑ A group of people working together in a formal way
- ❑ Commercial organization
- ❑ Non-profit organization
- ❑ Public organization

Types of commercial organizations

- ❑ Sole Proprietorship
 - One person
- ❑ Partnership
 - Two or more partners
- ❑ Limited Liability Company (LLC)
 - A legal person with separate independent existence

Sole Proprietorship

- ❑ A person starts a business without org
- ❑ Simple
- ❑ Single Taxation
- ❑ Unlimited Liability
- ❑ Limited Growth
- ❑ Difficult to attract capital

Partnership

- ❑ the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all.
- ❑ Still Simple
- ❑ Single Taxation
- ❑ Unlimited Liability
- ❑ Limited Growth
- ❑ Difficult to attract capital

Limited Liability Company (LLC)

- ❑ A legal person has a continuing existence independent of its members
- ❑ Limited Liability
- ❑ Ease of creation
- ❑ Flexibility

Limited Liability Company (LLC)

- ❑ Corporate legal identity (Legal Person)
- ❑ The ownership of the company is divided into a number (usually large) of shares
- ❑ Limited liability
 - The most that shareholders stand to lose is the money they paid for their shares.

Limited Liability Company (LLC)

- ❑ Private Limited
- ❑ Public Limited
 - Traded on stock exchange

Limited Liability Company (LLC)

- ❑ Article of association
- ❑ Shareholders/ Directors/ Officers/ Employees
- ❑ Shareholders vote and elect Directors
- ❑ Directors are called the “Board of Directors” and must meet regularly, vote to approve or disapprove actions and must have meeting minutes
- ❑ Officers execute the orders of the Board

Takeovers

- ❑ A being taken over by a larger company B
 - B acquires all shares of A
 - By paying them in Cash
 - Or in its own shares
 - Or mixture of both
- ❑ Owners as directors, continue to work with new company
- ❑ Reasons for selling
 - Convert on-paper money to real money
 - Need for further capital investment

Takeovers

- ❑ Reasons for takeovers
 - Expanding the customer base
 - Expanding its range of offerings
 - Acquiring new skilled staff
 - Economies of scale
 - Vertical integration
 - Eliminating a competitor
- ❑ Strict regulations for public company takeover

Takeovers

- ❑ Facebook buys WhatsApp (\$19 billion, 2014)
- ❑ Microsoft buys LinkedIn (\$26 bn, 2016)
- ❑ IBM acquires Red Hat for \$34 billion (Oct. 28, 2018)
- ❑ Dell buys EMC (\$67 bn, 2015)

Mergers

- ❑ New company is formed, which buys the shares of both
- ❑ Mergers on large scale can effect on competition and public interest
- ❑ May subject to examination under monopolies act

Management Buyouts

- ❑ When company management decides to buy all shares from the owners
- ❑ Usually require a lot of capital
 - Loan + mortgage?
- ❑ Conflict of interest

Outsourcing

- ❑ User services of specialized companies for various activities
- ❑ focus on cores business related goals
- ❑ Cost of services visible – easy to control
- ❑ Specialist companies produce effective systems
- ❑ More experience than user companies
- ❑ Better career path for IT professionals
- ❑ Overall it saves money
- ❑ Off-shoring

Reference

- ▣ Frank Bott - Professional Issues in Information Technology – Chapter 3