

## 1.2B: Types of Organisation: Activity



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### 1.2 TYPES OF ORGANISATION: ACTIVITY B

Read the case study information below and answer the questions that follow.

#### FOOTIE LTD TO STAY PRIVATE AFTER RULING OUT FLOAT



Footie Ltd, the shoemaker and retailer, is to remain a private company. The directors received overwhelming advice against converting to a PLC. The company has no further need of capital to fund further expansion, and is now one of the world's largest private limited companies. In 2014, after a decade of declining fortunes, it came within five votes of opting for a takeover by Shoeworks PLC. But in April this year, it announced annual profits up from \$42.7 million to \$50.8 million on sales of \$825 million. That was its third year of record

profits, reflecting its strategy of reducing its reliance on its own manufacture and investing in its brands and shops.

Footie Ltd is now more of a retailer and wholesaler than manufacturer, owning or franchising 650 shops and importing shoes from abroad. Five years ago, 75% of its shoes were manufactured in Footie's European factories. Now it is just 25%, with 40% of the business based in Asia. Jane Parker, chief executive, has claimed that Footie is the largest conventional shoe brand in the world, having sold 48 million pairs last year. She said the business was expanding rapidly in all markets and this growth requires a lot of capital. "We can continue to build the business with benefits of moving to lower-cost countries and with investment in our brands and retailing operations."

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Despite ruling out a float for now, the company said it would continue to examine “the most appropriate legal structure to meet shareholders’ interests on the basis of its strategy for future growth and the conditions in the footwear market,” Miss Parker said.

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### 25 marks, 45 minutes

1. Explain **two** differences between a private limited company and a public limited company. **[4 marks]**
2. Explain whether Footie **Ltd** and Footie **PLC** would be in the private or public sector. **[4 marks]**
3. Examine possible reasons for the directors deciding to keep Footie Ltd a private limited company **[7 marks]**
4. Analyse the main benefits to the business and existing shareholders if the company did ‘go public’ through an IPO **[10 marks]**