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# 1 Company types and structures

## Types of company

Here is a simplified list of the different types of legal structures for a business.

- *Sole trader* (BrE)/*Sole proprietor* (AmE). This is a one-person business. The person may describe themselves as 'self-employed' (eg the owner of a small shop), or as a 'freelancer' if they are a professional who works for different clients (eg a photographer).
- *Partnership*. A group of people who work together as equals (eg a firm of lawyers or architects). They share the risks and the profits.
- *Private company*. The shares of the company are privately owned, usually by a small number of people. These shareholders typically include the founder of the company, possibly some close family members, and perhaps a few business associates who provided money for the company.
- *Public company* (BrE)/*Corporation* (AmE). These are the large companies that are listed on stock exchanges like Germany's DAX, France's CAC or the UK's FTSE. They are called public because anyone can buy their shares. Note: do not confuse a state-owned enterprise with a public company.

## Departments

The list of departments below is typical for many business – each one corresponds to a business function. Companies also have other departments related to their own particular business activity.

- *Production* might also include *Purchasing* and *Quality Assurance (QA)*.
- *Operations* refers to all the internal processes of a company and might include, for example, *Logistics*.
- *Sales* might also include *Business Development*.
- *Customer Services* might include *Technical Support*.
- *Marketing* might include *Market Research*.
- *Communications* refers to all promotional activities including a strong focus on *Public Relations (PR)*.
- *Finance* has many subdivisions, such as *Financial Control*, *Treasury*, *Accounts* and *Payroll* (= managing salary payments).
- *Human Resources (HR)*.
- *Information Technology (IT)*.
- *Research and Development (R&D)*.
- *Legal*.

As well as departments, an international company may also have divisions organized according to geographical area or major product lines.

## Individuals within the structure

The Chief Executive Officer (CEO) runs the company. The level below CEO is Chief ... Officer, for example Chief Financial Officer (CFO).

*The CFO is part of the senior management team.*

*The CFO reports to the CEO (= has the CEO as their boss).*

*The CFO is in charge of (= responsible for) all the financial side of the business.*

The next level down might be country level for a large international organization, or departmental level. A job title here might be Sales Director or Head of Sales or VP (= Vice President) Sales.

*The Sales Director for Sweden liaises closely with (= talks to in order to work better with) the Chief Marketing Officer at Head Office in the States.*

Below this are people with job titles like *Manager*, *Officer*, *Coordinator*, etc. The words *Assistant* or *Deputy* may also occur at any level.

*I'm the Business Development Officer for Sweden.*

*My line manager (= person directly above me/person who I report to) is the Sales Director.*

*The Sales Director delegates (= gives) a lot of the work to me.*

We say ...

*senior people at a higher level*

*junior people at a lower level*

## Company culture

The structure of a company is often closely connected to its culture. In a small company it's easier to be dynamic and innovative, whereas in a large company things are often slow-moving and bureaucratic.

Similarly, if the company is hierarchical (many levels), then people at the bottom aren't allowed to take initiatives without permission from their seniors; decision-making and communication are top-down. If the structure is flat (few levels), then the flow of information can be more bottom-up.

In all cases you hope that the company culture is honest, open and transparent (= not trying to keep things secret).

- 1 Read the text for general understanding.
- 2 Read it again and underline the words you don't know. Check their meaning.

- 3 Highlight words you know passively, but don't use actively. Choose some to write sentences of your own.
- 4 Check pronunciation at [macmillandictionary.com](http://macmillandictionary.com)



1.1 Underline the correct word in italics.

- My brother is a plumber. He's *autonomous* / *self-employed*.
- The people who own a private company might include the founder of the company, some family members, and perhaps a few business *associates* / *companions*.
- In a public company anybody can buy the *actions* / *shares*.
- A public company is *listed* / *posted* on a stock exchange.
- Our railways were recently privatized. I think the service was better before, when they were a *public company* / *state-owned enterprise*.
- The Purchasing Department is responsible for *buying parts and raw materials* / *making the final product*.
- If you have a complaint, please contact *Consumer Services* / *Customer Services*.
- All recruitment and selection is done by our *Human Relations* / *Human Resources* Department.
- Innovation is the key to our success and we have recently expanded the *Research and Design* / *Research and Development* Department.
- In the Legal Department we have three *lawyers* / *advocates* trained in commercial law.
- It's the CEO's job to *control* / *run* the company.
- Our Business Development Officer is *responsible for* / *the responsible for* finding new business opportunities.
- I can't take that decision. It will have to be referred to *higher people* / *more senior people*.
- That decision will have to be taken at a *higher level* / *a more superior level*.
- In the department there are six Sales Representatives and their *line director* / *line manager*.
- The Sales Department has to *liaise* / *liaison* closely with Marketing.
- She *is part of* / *makes part of* a team of designers.
- I am the Financial Controller, and I *relate directly* / *report directly* to the Finance Director.

1.2 Complete each sentence with a verb from the box.

answers   arranges   checks  
collects   deals   maintains

- The Quality Assurance Section checks that the products have no defects.
- The Logistics Department \_\_\_\_\_ the transport of goods and materials.
- Technical Support \_\_\_\_\_ specific questions from customers about how to use the product.
- The Market Research Section \_\_\_\_\_ and analyzes information about the needs of consumers.
- The Accounts Department \_\_\_\_\_ with invoices and payments.
- The IT Department \_\_\_\_\_ the computer network.

1.3 Complete the text about operations with the words and phrases in the box.

back-office functions   behind the scenes  
day-to-day basis   liaise closely   makes a profit  
meet their needs   recruit   step on anyone's toes

Everyone knows the functions of company departments such as Marketing and Finance. Marketing is about promoting the company, and making sure that customers can find products that <sup>1</sup> \_\_\_\_\_. Finance is about controlling the resources of a company to make sure that the business <sup>2</sup> \_\_\_\_\_.

But what about Operations? The department name is less well-known, yet many large companies are run on a <sup>3</sup> \_\_\_\_\_ by Operations Managers.

Operations is about the internal processes of a company. In a manufacturing company an Operations Manager will make sure the production process is running smoothly. In a hotel they are responsible for bookings, front desk, maintenance, etc. In a bank they look after the administration of accounts and other

<sup>4</sup> \_\_\_\_\_. Operations Managers have to <sup>5</sup> \_\_\_\_\_ with people from other departments. In the factory, it is with Purchasing Managers who buy the raw materials. In the hotel, it is with Human Resources Managers who <sup>6</sup> \_\_\_\_\_ new staff. In the bank it is with IT Managers who work <sup>7</sup> \_\_\_\_\_ to keep everything running. So the Operations Manager has to be careful not to <sup>8</sup> \_\_\_\_\_.

1.4 Read what Pieter says about company culture at his previous company and his current company. The text has eight wrong words. Find them and correct them.

“ In my last job I worked for a large telecommunications company. It used to be the estate-owned monopoly, but they privatized it in the nineties. Unfortunately, the cultural there hasn't really changed. Decision-making is very slow-moving and bureaucracy – everything has to be agreed all the way up the chain before action can be taken.

I didn't really like working there, and I moved to a smaller competitor two years ago. It's much better now – I have more responsible because my boss trusts me and he relegates a lot of interesting projects to me. Everybody knows what is going on and can make a contribution – communication works well in both directions, both bottom-down and top-up. It's a dynamic, innovation company and we're growing fast. I hope to continue working here for several more years.

See page 146 for some discussion topics.

## Planning

An entrepreneur sees a gap in the market and wants to found (= start) a new company. First some planning is necessary. The entrepreneur has to:

- Do market research and develop the product.
- Think about pricing, distribution channels, and promotion.
- Raise capital ('capital' = money used to start or invest in a business).

The capital might come from the founder's own funds, loans from the bank, or money invested by other people/business partners.

## Start-up

The founder is now ready to set up (= start) the business. The first steps are to rent premises (= the buildings that a company uses), purchase equipment and supplies, and employ and train staff. The company can now begin its operations.

One thing is certain: the first few years will be difficult. Sometimes a start-up company can get help from venture capital (= money invested in a new business by a specialist company who work in high-growth areas like new technology). VC money is used to run the business, pay salaries, etc in the early years. In exchange the VC company will take part ownership of the company and hope to sell it later for a large profit.

## Growth

In a successful business the number of customers grows, turnover increases, and eventually the company breaks even and then makes a profit. The company employs more staff and divides them into different functions: operations, sales, marketing, accounts, etc. The company develops a network of suppliers. The brand name starts to become well-known among customers.

What happens if the business needs to raise additional capital to expand its operations? There are various options.

- The company can ask the bank for a loan.
- The company can issue new shares and sell them to outside investors.

- The company can attract private equity. Private equity is very similar to venture capital, but it comes at a later stage in the company's growth.

## Maturity

All being well, the company continues to grow. This growth may be organic (through increased sales and developing the product range) or by acquisitions/take-overs (buying other companies).

## Exit strategies

There are various exit strategies available to the owners if they want to sell the company.

- The business can be sold as a going concern (= as an established, profitable business) to other private individuals.
- The business can be sold to a competitor, or to a large foreign company wanting to enter the market. The company that is taken over may or may not keep its brand name.
- The company goes public. This means it is listed on a stock exchange and its shares are sold to individual and institutional investors. The original owners may continue to run the company.

## Risks

The majority of businesses fail (= go out of business). There are many reasons, which include:

- The founder can't get a loan, perhaps because of insufficient collateral (= property you agree to give the bank if you fail to give back the money you borrowed).
- The company can't meet its monthly repayments to the bank.
- The company fails to get enough customers.
- Competition from other companies.
- Changes in the market (demand for the products falls).
- Poor management of cash flow and/or insufficient capital.
- Management problems (eg the founder finds it difficult to delegate work to other people).
- Failure to integrate an acquired business after a take-over.



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## Exercises

### 2.1 Rearrange the letters to make words. Use the definitions in brackets to help you.

- entrepeenur entrepreneur  
(someone who starts a company and makes business deals)
- citapal \_\_\_\_\_  
(money used to start or invest in a business)
- funoder \_\_\_\_\_  
(someone who starts an organization)
- prmeeiss \_\_\_\_\_  
(the buildings that a company uses)
- purchase \_\_\_\_\_  
(*formal* buy something)
- tunvorer \_\_\_\_\_  
(the money a business makes = revenue)
- seahrs \_\_\_\_\_  
(the equal parts of a company which people can buy and sell)
- actisiquion \_\_\_\_\_  
(buying another company; = take-over)
- cotellaral \_\_\_\_\_  
(property or money that you promise to give the bank if you cannot pay back a debt)
- damend \_\_\_\_\_  
(the desire or need that customers have for a product)

### 2.2 Match an item on the left with an item on the right to make phrases from the text opposite.

- |                |                         |
|----------------|-------------------------|
| 1 start-up     | equity                  |
| 2 exit         | name                    |
| 3 brand        | company                 |
| 4 a going      | market                  |
| 5 private      | concern                 |
| 6 a gap in the | strategy                |
| <hr/>          |                         |
| 7 do           | a profit                |
| 8 employ       | capital                 |
| 9 fail         | staff                   |
| 10 make        | some market research    |
| 11 raise       | to get enough customers |
| 12 rent        | premises                |

### 2.3 Complete the sentences with phrases from Exercise 2.2.

- The founder of the company is going to retire next year. I think he'll probably sell the business as \_\_\_\_\_. But first he needs to \_\_\_\_\_ to see who might be interested in taking over the business.
- If the company is going to expand, they will need to \_\_\_\_\_. They can either ask the bank, issue new shares, or try to attract \_\_\_\_\_.
- She wants to start her own business and she thinks she can see \_\_\_\_\_. She has money of her own, so the first steps are to \_\_\_\_\_ in a suitable location, purchase equipment and employ staff.

### 2.4 Underline the correct word in italics.

- The bank *lends* you / *borrow*s you money.
- You *lend* money / *borrow* money from the bank.
- So 'lend' is temporary *giving* / *taking*.
- And 'borrow' is temporary *giving* / *taking*.
- The bank gives you a *lend* / a *loan*.

### 2.5 Complete the table below.

Verb	Noun
1 _____	development
2 distribute _____	_____ (activity)
3 promote _____	_____ (activity)
4 _____	employment
5 own _____	_____ (activity)
6 grow _____	_____
7 _____	expansion
8 compete _____	_____ (company)
_____	_____ (activity)
9 fail _____	_____
10 _____	acquisition

### 2.6 Complete sentence b) with one word. The meaning must be the same as sentence a). All the words appear opposite.

- How are we going to distribute our product?
  - What distribution channels are we going to use?
- She was the founder of the business.
  - She set \_\_\_\_\_ the business.
- The company is growing strongly.
  - The company has strong \_\_\_\_\_.
- This year the company will make neither a profit nor a loss.
  - This year the company will break \_\_\_\_\_.
- Who supplies them?
  - Who are their \_\_\_\_\_s?
- A lot of people know their brand name.
  - Their brand name is very well-\_\_\_\_\_.
- They're an established business and they make a profit.
  - They're an established, \_\_\_\_\_ business.
- The company is going to be listed on the stock exchange.
  - The company is going to go \_\_\_\_\_.
- Why did the business fail?
  - Why did they go \_\_\_\_\_ of business?
- Their customers were late in paying them so they couldn't pay their bills.
  - Their customers were late in paying them so they had cash \_\_\_\_\_ problems.

See page 146 for some discussion topics.