

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



2 Start-up and growth

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/takeovers (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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