

Business and Businesses - Corporate Structure and Legal Status

- **sole trader** (sole traders) N-C
sole proprietor (sole proprietors) N-C

A **sole trader** is a person who owns their own business and does not have a partner or any shareholders.

The **sole proprietor** of a business *is* the owner of the business, when it is owned by only one person.

Finance for a sole trader usually comes from the individual's own savings or from family and friends.

... a firm of solicitors of which he was the sole proprietor.

- **partnership** (partnerships)

Partnership or a **partnership** is a relationship in which two or more people, businesses, or industries work together as partners.

... the partnership between Germany's banks and its businesses. Alex and Mikhail were in partnership then: Mikhail handled the creative side; Alex was the financier.

- **limited company** (limited companies) N-C **limited liability company** (limited liability companies) N-C [Ltd abbreviation]

A **limited company** or **limited liability company** is a company whose owners are legally responsible for only a part of any money that it may owe if it goes bankrupt.

The word **Limited** or the abbreviation '**ltd**' is used in the name of a company to show that it is a limited company.

They had plans to turn the club into a limited company.

There are advantages in being a limited liability company.

He is the founder of international sports management limited.

- **plc** N-CT

In Britain a **plc** is a company whose shares can be bought by the public.

Plc is usually used after the name of a company and is an abbreviation for 'public limited company'. E.g. ... British Telecommunication plc.

This licence would not allow him to trade as a plc.

- **franchise** (franchises, franchising, franchised) N-C

A **franchise** is an authority that is sold to someone by an organization, allowing them to sell its goods or services or to take part in an activity which the organization controls.

... the franchise to build and operate the tunnel.

Talk to other franchise holders and ask them what they think of the parent company.

VERB

If a company **franchises** its business, it sells franchises to other companies, allowing them to sell its goods or services.

She has recently franchised her business.

It takes hundreds of thousands of dollars to get into the franchised pizza business.

- **Franchisee** (franchisees) N-C **franchiser** (franchisers) N-C **franchising** N-UN

A **franchisee** is a person or group of people who buy a particular franchise. A **franchiser** is an organization which sells franchises. **Franchising** is the act of selling franchises in a business.

Gianfranco Ferre, the Italian fashion house, has seen its main British franchisee go bust.

One of the most important aspects of franchising is the reduced risk of business failure it offers to franchisees.

- **holding company** (holding companies) N-C
- A **holding company** is a company that has enough shares in one or more other companies to be able to control the other companies.

...a Montreal-based holding company with interests in telecommunications, gas and natural resources.

- **subsidiary** (subsidiaries) N-C
- **parent company** (parent companies) N-C **wholly-owned subsidiary** (wholly-owned subsidiaries) N-C

A **subsidiary** is a company which is part of a larger and more important company, known as the **parent company**. A **wholly-owned subsidiary** is a company whose shares are all owned by another company.

...British Asia Airways, a Subsidiary of British Airways.

Each unit including the parent company has its own, local management.

The Locomotive Construction Company Ltd is a wholly-owned subsidiary ———

- **sister company** (sister companies) N-C
- **Sister companies** are two or more companies which are owned by the *same* parent organization.

...Midland Bank's sister company, the Hang Seng Bank.

- **associated company** (associated companies) N-C

An **associated company** is a company in which between 20% and 50% of the shares are owned by another company or group.

A large shareholding should provide considerable influence (but not control) over the associated company.

- **group** (groups) N-C

A **group** is a number of separate commercial or industrial firms which all have the same owner.

The group made a pre-tax profit of £1.05 million.

PRACTISE YOUR VOCABULARY

1 Which terms refer to organizations that control another company, and which refer to companies whose shares are held by another company?

a a holding company b an associated company c a parent company

d a subsidiary (company)

2 Look at the four diagrams showing corporate relationships and complete each sentence with one of the terms below.

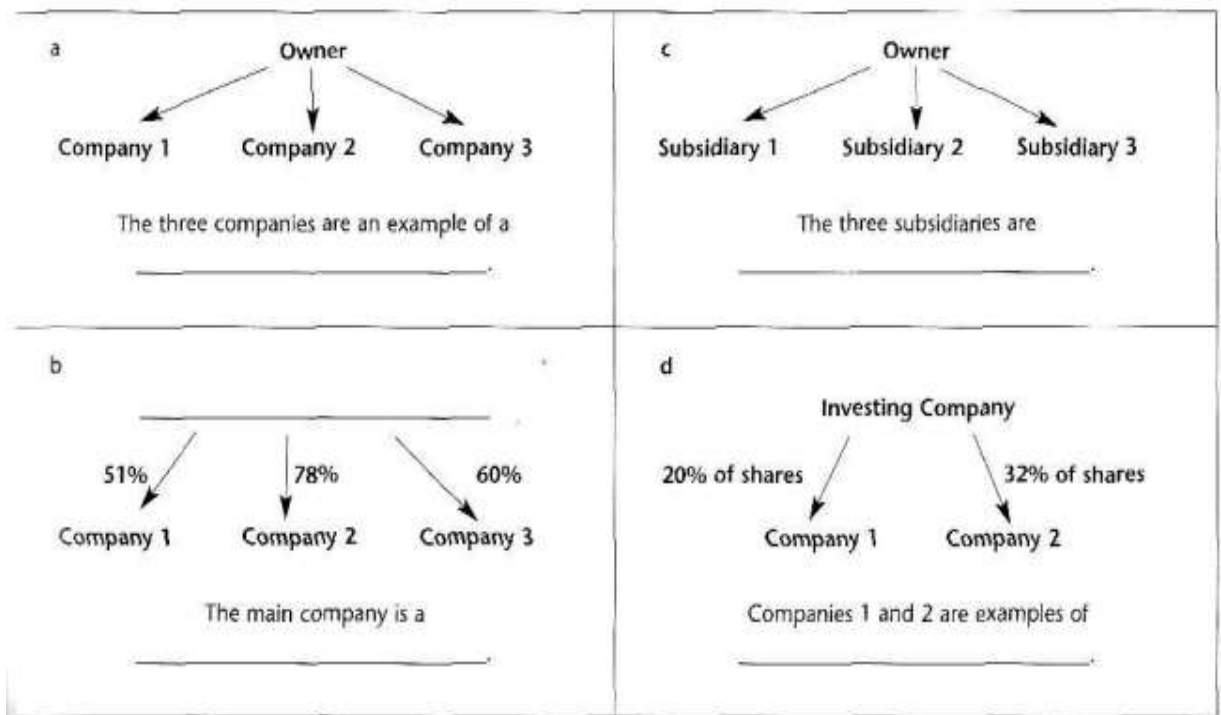
sister companies

group

Associated companies

holding company

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3 Use each term in **the box to complete the paragraph.**

Franchisees franchise franchise agreement franchising franchiser

A company that wants to expand rapidly may choose _____ as a method. Ultramoda, an Italian clothing company, is an example of a _____ operation. Ultramoda is the _____ and sells the right to sell goods using its name to _____. These other businesses, which sign a _____ with Ultramoda, are usually small businesses, whereas the franchiser is a large international company.

4 Read the information about the four companies below and say which matches each of the terms in the box.

a sole trader/sole proprietor a partnership a limited company

- a) Mike Cobb set up an art gallery last year. He owns the gallery and manages it by himself.
- b) Craftplay is a medium-sized firm whose shares are available on the stock market.
- c) Ovensclean went bankrupt last year, but its shareholders were not made responsible for all the money it owed.
- d) Brothers Gianfranco and Giancarlo Belen recently set up an import-export company. They run the business together

● **strategy** (strategies) N-COUNT

A **strategy** is a plan or set of plans intended to achieve something, especially over a long period.

What should our marketing strategy have achieved?

Community involvement is now integral to company strategy.

● **grow** (grows, growing, grew, grown) VERB

If someone **grows** a business, they take actions that will cause it to increase in wealth, size, or importance.

To grow the business, he needs to develop management expertise and innovation across his team.

A lot of smaller enterprises have problems raising capital to grow their business.

● **expansion strategy** (expansion strategies) N-COUNT

An **expansion strategy** is a set of planned policies and actions intended to make a company bigger or more successful.

This confidence has enabled NWV to pursue an aggressive expansion strategy. Last year the firm tripled its business on the Continent.

● **acquisition** (acquisitions) N-VAR

If a company or business person makes an **acquisition**, they buy another company or part of a company.

...the acquisition of a profitable paper recycling company.

The high street bank beat six other bidders to make the acquisition.

● **takeover** (takeovers) N-COUNT

A **takeover** is the act of gaining control of a company by buying more of its shares than anyone else.

...the proposed £3.4 billion takeover of Midland Bank by the Hong Kong and Shanghai.

Now the French group is ready to launch a takeover bid for the whole company.

Common Collocations

a hostile takeover	a proposed takeover
a takeover offer	a takeover battle
a takeover bid	

● **joint venture** (joint ventures) N-COUNT

A **joint venture** is a business or project in which two or more companies or individuals have invested, with the intention of working together.

Financial News Network announced today that it will be sold to a joint venture created by Dow Jones and Westinghouse Broadcasting.

Chiroscience recently signed a joint-venture agreement with Medeva, giving Medeva the rights to license some of its discoveries.

● **consortium** (consortia or consortiums) N-COUNT

A **consortium** is a group of people or firms who have agreed to co-operate with each other.

The consortium includes some of the biggest building contractors in Britain.

These teams will be asked to form consortia to take over the new health authorities being set up from next April.

Four consortiums are bidding for two contracts to modernise track, signalling, stations and trains.

● **join forces** (joins forces, joining forces, joined forces) PHRASE

If you **join forces** with someone, you work together in order to achieve a common aim.

Both groups joined forces to persuade voters to approve a tax break for the industry.

William joined forces with businessman Nicholas Court to launch the new vehicle.

● **merge** (merges, merging, merged) VERB

merger (mergers) N-COUNT

If one company **merges** with another, or is **merged** with another, they combine to form a single company. You can also say that two companies **merge**, or **are merged**. A **merger** is the joining together of two separate companies or organizations so that they become one.

The C&G has said it will pay the bonus only to widows and widowers when it merges with Lloyds in August.

He sees sense in merging the two agencies while both are new.

...a merger between two of Britain's biggest trades unions.

...the proposed merger of two Japanese banks.

● **global reach** N-UNCOUNT

When people talk about the **global reach** of a company or industry, they mean its ability to have customers in many different parts of the world.

The company does not yet have the global reach of its bigger competitors.

It would have to grow by acquisitions or joint ventures to achieve global reach.

● **local partner** (local partners) N-COUNT

A company's **local partners** are companies based in foreign countries with whom they form a partnership in order to help them to start doing business in that country.

On-line banking services were already popular in the USA and Microsoft would seek local partners to develop the service in Australia.

➤ **vertical integration:** Topic 1.1; **franchise:** Topic 2.4; **ailing:** Topic 7.4

Business and Businesses - Business Strategy

5 Look at the terms in the box and find two terms that refer to:

- a) two or more companies working together
- b) an increase in the size of the business
- c) gaining control of another company
- d) coming together formally or informally

acquisition

expansion

join forces

consortium

grow the business

merge

joint venture

takeover

6 Are the following statements true or false?

- a) In a consortium, the companies concerned continue to exist independently of each other.
- b) Only one company invests in a joint venture.
- c) A merger is intended to be temporary.
- d) In a takeover, one of the companies may not like the idea of union.
- e) During an acquisition, one company may be taken over by another.
- f) Local partners are businesses which are based in a company's local area.
- g) If a company joins forces with another company, one company takes control of the other.

7 Use the terms in the box to complete the paragraph.

local partner	global reach	business strategy	expansion strategy
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A common _____ designed to increase to increase market share is selling into new markets. It can be quite difficult to break into an overseas market, and finding a _____ can be very helpful. Their knowledge of local conditions makes it easier for the company to establish itself. If a company pursues such an _____ aggressively they will eventually have an international presence or _____

8 Match the business strategies with the situations below.

takeover

joint venture

local partner

- a) Cool-Cola is a British company. They would like to launch their product in Japan, and would like a Japanese company to help them to do this. They need a _____
- b) Supersavers is an ailing supermarket chain. BigFood plans to buy enough shares to take control of the company. It is planning a _____
- c) Max and Sarah have put their money together to develop a new computer game for the British market. This is a _____