

## TOPIC 9A: GENERAL BUSINESS KNOWLEDGE

A business, also known as a company, enterprise, corporation, or firm, is a legally recognized organization designed to provide products, services, or both to consumers in exchange for money. The operations of a business are commonly organized to have the following internal divisions or operations for efficiency and effectiveness:

- Financial -the division that manages the monetary resources and financial accounting of a company
- Marketing -the division that develops and manages the activities involved in offering products/services to the consumer including advertising, shipping, storing, and selling
- Human Resources -the division in an organization that interviews, appoints, or keeps records of employees
- Strategic - the division responsible for the plan, method, or series of plans for obtaining a specific goal or result, which also develops long and short term goals
- Operations –the division whose team is responsible for overseeing and managing the daily tasks of the company in areas such as supervision, sales, customer service, security and housekeeping. This ensures ongoing production and advancements
- Customer Service -the division responsible for providing solutions, information, and resolution to consumers of services/products offered by the company
- Information Technology –the division that manages and monitors the internal technology for effective communication and ongoing computer services

Each division has a specific role in the overall operations of the company. All must work and communicate together to ensure that the company makes a profit, provides the services/products they are in business to offer and satisfies their stakeholders and customers. Depending on the type of business or organization, for example a non-profit organization, these divisions are still required to ensure those operations are as successful as a for-profit company.

### Company Mission Statements

A **mission statement** is a formal, short, written statement of the purpose of a company or organization. The mission statement should guide the actions of the organization, express the overall goal, provide a sense of direction, and guide decision-making. It provides the framework or context within which the company's strategies are formulated”.

### Some Familiar Company Mission Statements:

Ford Motor Company: "We are a global family with a proud heritage passionately committed to providing personal mobility for people around the world."

Wal-Mart: "We save people money so they can live better."

## Company Vision Statement and Values

A company **vision statement** is often referred to as a picture of the company's direction for the future. The vision statement is a company's inspiration, the basis for the strategic planning. A vision statement may apply to an entire company or to a single division of that company. Whether for all or part of an organization, the vision statement answers the question, "What do we want our organization to be?" When a company creates a vision statement, it is articulating the dreams and hopes for the business. It sets a focus and reminds the company stakeholders of what the company aspires to build. While a vision statement doesn't tell how to get there, it does set the direction for the business planning. That's why it's important when developing a vision statement that the creators dare to dream without restrictions about the future of the business. It is also important that a vision statement captures the passion of the business. Unlike the mission statement, a vision statement is for the company and its stakeholders, not for customers or clients.

**Values** are the answer to the question of what we believe in. Values can be defined as those things that are important to or valued by someone. That someone can be an individual or, collectively, an organization. One place where values are important is in relation to the company's vision. One of the imperatives for organizational vision is that it must be based on and consistent with the organization's values. Values are the embodiment of what an organization stands for, and should be the basis for the behavior of its members.

## Company Vision and Values Statements

Vision of Ford Motor Company: Become the main company of the world in products and services of the car.

Values of Ford:

### Integrity

We conduct our business with fairness, honesty and transparency so that we can at all times withstand public scrutiny. We will never undermine the heritage of trust that comes with our brand.

### Spirit of Entrepreneurship

We encourage innovative ideas for individual and organizational development. This thinking will be fostered, encouraged and recognized for enhancing business. We will take delight in stretching our goals and each of us will have a sense of ownership and responsibility for all our business dealings.

### Agility

We encourage an organizational culture and structure that has capacity for change. Flexibility and adaptability will be critical to our operations. We will aim for nimble, flexible and customized responses at all times to all our stakeholders.



### Passion for Excellence

All our activities are driven by a passion for excellence. We will strive, uncompromisingly, to achieve the highest standards in our daily work and in the quality of the goods and services we offer. We will endeavor to achieve the "best in class" status in all our processes and results.

### Unity

We work cohesively with our staff, customers and business partners around the world, leveraging synergies and building strong networks based on collaboration and mutual cooperation.

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### Vision of Wal-Mart:

To be the "Worldwide leader in retail."

### Values of Wal-Mart:

Our unique culture has helped make Wal-Mart one of the world's most admired companies. Since Sam Walton opened the first Wal-Mart in 1962, our culture has rested on three basic values. We live out these values every day in the way we serve our customers and each other.



#### 1. Respect for the Individual

We're hardworking, ordinary people who've teamed up to accomplish extraordinary things. While our backgrounds and personal beliefs are very different, we never take each other for granted. We encourage those around us to express their thoughts and ideas. We treat each other with dignity. This is the most basic way we show respect.

#### 2. Service to our Customers

Our customers are the reason we're in business, so we should treat them that way. We offer quality merchandise at the lowest prices, and we do it with the best customer service possible. We look for every opportunity where we can exceed our customers' expectations. That's when we're at our very best.

#### 3. Striving for Excellence

We're proud of our accomplishments but never satisfied. We constantly reach further to bring new ideas and goals to life. We model ourselves after Sam Walton, who was never satisfied until prices were as low as they could be or that a product's quality was as high as customers deserved and expected. We always ask: Is this the best I can do? This demonstrates the passion we have for our business, for our customers and for our communities.

Ethics is the behavior that a business practices in its daily interactions with the world. The ethics of a particular business can be diverse. They apply not only to how the business interacts with the world at large, but also to their one-on-one dealings with a single customer. To some people, businesses are interested in making money and that is the bottom line. Making money is not wrong in itself; it is the manner in which some businesses conduct themselves that brings up the question of ethical behavior. Running a business requires consideration of a number of issues outside the common goal of making money, and one of these issues is ethics. As a business grows and develops, it can impact the lives and circumstances of people in ways we can only imagine - through bringing jobs, creating wealth and inspiring others to grow their businesses. An important part of engaging in this process understands business ethics which, if not up to scrutiny, can leave you with a bad reputation and can even ruin your business, not to mention distancing employees, suppliers and the local community. Business ethics is especially important in dealing with customers. Maintaining integrity in the customer service side of your business is crucial to building client relationships and to assisting the overall marketing efforts. Some businesses are prepared to sacrifice customer service for money.

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On the administrative side of business, it's important to adopt an ethical approach which takes into account of your various responsibilities as a business - to shareholders, employees and the community at large. Embracing these concepts of ethics as part of the way business is conducted is vital to ensuring an honest, successful company with the potential to grow and develop for the future.



One man's concept of what is ethical and for the best may be completely different from another man's concept, so it's important to establish a collective set of ethics that represent the entire organization rather than just adopting a piecemeal approach. This can be instilled through training, through creating business policies and even through careful selection at the Human Resources stage. It is also important for there to be enforcement mechanisms within the business so that ethics remain a forefront consideration in day-to-day trade to ensure a unified, morally sound approach to doing business.

### Code of Ethics

A code of ethics is established by a business to define acceptable behavior as well as establish high standards of business practice for the company. A code of ethics provides the business with an identity for developing best business practices, including appropriate workplace behavior.

### The Bottom Line for Business Success

If a company wants to make money, then the company must invest money. The same principle applies to keeping quality employees on staff and motivating them to do their job well. A good business owner or manager must value his or her employees as much as he or she values clients. Like any other investment, caring about employees will pay dividends, particularly when they are confronted with difficult decisions in which they can choose to benefit the company or perhaps unethically benefit themselves. A motivated and happy worker will choose the company every time.



## Basics of Business

In order to make a business succeed, the company must have a product or service that is in demand, they must be able to deliver what they are selling, and they must be able to make a profit. This is usually very complex, and requires careful planning and implementation.

Here are the major reasons most companies fail:

- inadequate profits
- poor planning
- insufficient initial capital
- too many operating expenses
- not controlling costs (poor financial management)
- disaster
- inadequate sales
- poor marketing including overestimating demand
- lack of management controls
- depending too much on a single client or individual
- poor decision making
- growing too fast
- not providing good service
- poor internal and external communication
- failure to adequately train staff

# BUSINESS STRUCTURES AND LEGAL RESPONSIBILITIES

## Sole Proprietorship

A sole proprietorship is a business structure in which an individual and his/her company are considered a single entity for tax and liability purposes. The owner does not pay income tax separately for the company, but he/she reports business income or losses on his/her individual income tax return. The owner is inseparable from the sole proprietorship, so he/she is liable for any business debts.

## Partnership

A partnership is easy to form and can provide additional financial resources. Two or more people share ownership of a single business. They each can hire/fire employees, borrow money and operate the business. Profits are taxed as personal income and the partners are personally liable for debts and taxes. Personal assets can be seized if the partnership does not satisfy their debts and obligations. When establishing a partnership, a written agreement is crucial to ensure equality and fairness.

## Corporation

A corporation is owned by shareholders and is operated separately from its owners. This structure limits the owners from any personal liability. The board of directors is the liable body, although the stockholders may have to guarantee loans. Therefore, the corporate structure may be advantageous because it allows assets to be raised more easily through the sale of stocks and can continue to operate without direct owner involvement.

## Limited Liability Company (LLC)

A legal structure that provides limited liability features of a corporation and plus the tax effectiveness and operational flexibility of a partnership, is called a Limited Liability Company. An LLC is viewed as a partnership for income tax purposes. Owners of Limited Liability Companies are called "members." These are comparable to stockholders in a corporation.

## Non-Profit

An organization whose primary objective is to support or to actively engage in activities of public or private interest without any monetary profit is referred to as a Non-Profit or a Not-For-Profit organization (NPO). NPOs are active in a range of areas, including the environment, humanitarian aid, animal protection, education, the arts, social issues, charities, health care, politics, religion, research, sports or other endeavors and are usually operated by volunteers, compensated staff, or a combination of both. The more senior-level positions are compensated. NPOs are typically funded by donations from the private or public sources, or both.

