

What is a company today?

► The word company is a general term which can be replaced by firm or corporation, according to the context. The word business can also be used to refer to a company.

Companies can be small, medium sized (SME) or big. They can be global, meaning they are present in many parts of the world. A new breed of companies, called start-ups, are innovative and fast growing businesses generally launched by one person or a small team from a simple computer on a table corner.

Companies manufacture and market goods and services. They are managed by an executive team headed by the Chief Executive Officer (CEO), sometimes called the chairman.

Companies are made of several departments (i.e. the sales department, the human resources department, the accounting department, the R&D → research and development department etc.) and generally have their headquarters in their hometown (i.e. Coca Cola in Atlanta, Georgia, USA).

Companies manufacturing products often operate their own factories, but they can also outsource the manufacturing process (i.e. Renault's Dacia is manufactured in Romanian factories). Companies can outsource any department when operating internally would increase the costs.

The GAFAM: Google, Apple, Facebook, Amazon and Microsoft are called the "big" five or the GAFAM. They represent the most active and innovative global US companies focused on high technology and artificial intelligence (AI).

The BATX: The GAFAM's domination is being challenged by the Chinese BATX, along with the South Korean consumer electronics company Samsung. These initials stand for four Chinese companies similar to the GAFAM:

- Baidu (the Chinese Google)
- Alibaba (the equivalent of Amazon)

Question time

1. What are the Chinese BATX? How do these Chinese companies operate and where?
2. Explain what external and internal problems a company may face.

- Tencent (a social network like Facebook)
- Xiaomi (the Chinese equivalent of Apple)

I External problems

- Companies depend on the general economic and political context which can have a disastrous impact on their bottom lines. For example, the economic downturn triggered by the subprime crisis of 2008 forced many companies of goods and services to file for bankruptcy.
- They also depend on the cost of raw materials.
- Natural disasters such as floods, earthquakes, hurricanes, tsunamis, droughts can seriously damage a company.
- Climate change and environmental change can transform the demand for goods: for example, if global temperatures rise, demand for cold weather products such as heating might decline.
- Massive social unrest can also pose a threat to companies. When strikes affect the transport network, employees are late or stuck at home.
- New legislation imposing new standards can force companies to abruptly change the manufacturing of their products, or their strategy. This type of changes can come with huge financial cost.

There are no real solutions to avoid external problems except being constantly on the watch to be able to prevent a disaster.

II Internal problems

Companies also have to face internal problems although they should be easier to prevent than external ones:

- Problems in the managing team may have negative consequences on a company, affecting its profitability.
- Lack of trust between the employer and the employees can constitute an obstacle for the company's growth.
- A wrong strategic move may also have long lasting consequences.
- A bad public image due to a company's mistreatments of its workforce, at home or abroad.
- A bad public image because the company has betrayed consumers' trust.
- Faulty products can also damage a company's image with consequences on its sales.



Companies are social and economic structures providing goods or services to customers. But next to companies, whether they are (1) small and medium-sized companies (SMCs), (2) single or sole proprietorship like Ikea, (3) partnerships, (4) private limited companies (Ltd) with shareholders but not quoted on the stock exchange or (5) public limited companies (Plcs), there are charities playing a bigger part in our societies as well as public benefit corporations (PBCs).

1. What is a charity?

A charity is a social enterprise whose goal is to complete a social mission. Charities do not make profits, or reinvest their profits into good things in order to continue doing good deeds that will benefit society as a whole. Charities often fund their good work through donations and fundraising, but can also sell products or services. But charities have become much more professionalised. For instance, the Emmaus megastore on the outskirts of Preston, a northern English city, the biggest charity shop in the UK, resembles other retail outlets. Indeed, non-profit organisations operate more and more like businesses with goals to reach, effective marketing techniques, trained volunteers and a business plan.

2. Reasons for this major shift

Governments in the USA, in the UK, and the EU keep on funding charities but do it through contracts. Charities now need to bid for contracts with performance targets, such as finding work for 100 jobless people within a month, and compete therefore with rivals.

Moreover, British charities provide welfare assistance to recipients in exchange of "vouchers" given by the British government. Food banks,

Social work? Is it still the province of charities and government programmes?

for instance, provide a few days' worth of meals to people who have received a voucher by their local council. For instance, the Trussell Trust, the biggest food bank organisation, which has more than 400 food banks across the country, gets vouchers and not subsidies. It also helps people access other sources of help.

Finally, charities have increased their retailing department when the crisis hit. They offer a wider range of goods with even brand-new goods, and therefore compete with for-profit organisations.

3. Charitable businesses and public benefit corporations (PBCs)

There are 165,000 registered charities in England and Wales alone. By comparison, the UK has nearly 30 times as many companies. Some may think there are too many but it shows that charities fill in a social gap. They may differ in size and in goals but provide a service that the state has abandoned. In the USA the new business structure, the PBC, has introduced "public good" in the company's charter. In other words, PBCs are for-profit organisations with a charitable purpose but are taxed like any other corporations. For example, Patagonia decided to donate all 2016 Black Friday sales (\$10 million in total) to non-profit organisations. Today, there are almost 4,000 public benefit corporations (PBCs) across the USA, including well-known brands such as Patagonia, Kickstarter, and This American Life. This corporate structure exists across 31 American states. So are companies turning charitable work into a corporate principle? Have charities led the way to committing companies to be financially involved? It is certainly a sign that earning money should serve the better good.

Questions

1. What is the difference between a company and a charity?
2. Why has the border between companies and charities become confused?

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