

Lesson 04 : ENTERPRISE.

The general terms for the organizations that produce and sell goods and services are **business, enterprise, company, firm (US corporation)**. The word **concern** is used mainly to refer to a large organization. **An enterprise** is a property complex used for performing entrepreneurial activity. It comprises all types of property used for this activity including:

1. plots of land
2. buildings and constructions, highway transportation facilities and rail facilities
3. equipment
4. inventory
5. raw materials
6. products
7. debts
8. incorporeal rights (company name, trademark, service mark).

The enterprise is an independent economic entity based on professionally organized workforce, capable of manufacturing products demanded by consumers using capital goods available. So, it uses economic resources for producing goods and rendering services for the purpose of satisfying social needs. The enterprise is an institution which creates the wealth of a country and from which this wealth is distributed among all people in a society. Regardless of its size, an enterprise, after it is registered by the state authorities, opens an account with a bank and becomes legally autonomous. Like people, enterprises bear certain names. Usually enterprises are named after their owners (“Ford”, “Christian Dior”, “Nina Ricci”) or their names reflect the type of their economic activity (“Moldcell”, “Gazprom”, “General Motors”).

An immense amount of enterprises in each country implies their classification according to the following criteria:

- 1) By type of primary profit-generating activity enterprises are classified into: industrial, agricultural, commercial, service, investment, insurance enterprises and others.
- 2) By the source of origin of the registered capital enterprises are classified into:
 - a) public enterprises – they are owned by the government. They don’t have the title to the property available, but only exercise the control right;
 - b) private enterprises – they belong to private individuals;

c) mixed enterprises – they contain both public and private capital. Here the government assigns the patrimony to the enterprise which has the title to the property. The government cannot freely dispose of the enterprise's property, it has the right to dispose of the shares that belong to it in the enterprise;

d) enterprises with foreign investments – they can either belong entirely to a foreign investor or have a mixed capital invested both by a foreigner and a national.

3) By number of employees enterprises are classified into:

a) **small enterprises** – they have less than 100 employees;

b) **medium-sized enterprises** – between 100 and 500 employees;

c) **large-scale enterprises** – their staff exceeds 500 employees.

This classification differs from country to country: in our Republic, for example, there are **microenterprises** (they employ less than 20 people), **small enterprises** (they have 20 – 75 employees) and *large-scale enterprises* (the number of their employees exceeds 75 people).

4) By form of business ownership enterprises may be:

a) *sole proprietorships*;

b) *partnerships*;

c) *corporations*.

5) By the objective of the company's activity there are:

a) **commercial enterprises** – these are for-profit organizations which exist to earn and redistribute taxable wealth to employees and shareholders. They are run for the benefit of their owners.

b) **non-commercial enterprises** – these are non-profit organizations (abbreviated as NPOs, also known as a not-for-profit organizations). They do not distribute their surplus funds to owners or shareholders, but instead use them to help pursue their goals. Examples of NPOs include charities, trade unions, and educational and public arts organizations. They are in most countries exempt from income and property taxation and exist solely to provide programs and services that are of self-benefit.

Medium-sized and large-scale enterprises usually have headquarters, branch offices and subsidiary enterprises.

Headquarters or head office is the location of the central administrative office of the company or enterprise. It is an office where top management of the enterprise, board of directors, secretariat and other important management departments are located. The head office of a company deals with coordinating the regional offices and developing the global strategy for running the business.

Branch office (from Latin filialis) is an economically autonomous subdivision of a legal entity which is situated somewhere other than the firm's main office location and exercises all or any part of the main office's functions including the functions of the regional offices. Branch offices are not legal entities. They are vested by the legal entities that have founded them and operate on the basis of the adopted regulations. Branch managers are appointed by the legal entity and act on the power of attorney basis.

Subsidiary enterprise is an enterprise set up as a legal entity by another enterprise called **holding** (the parent company or promoter) by means of transferring part of its property under the operating control of the former. The promoter of the subsidiary enterprise adopts the organization charter, appoints its manager and exercises another kind of proprietary rights in relation to this subsidiary. So, the holding is a "parent company" and subsidiaries are "sister companies" to each other. Together, the holding and its subsidiaries form a **group** (e.g. a newspaper group). A large group is called a **giant**.

Generally, a firm starts by producing one good or service, called *core business*. As the company gets bigger, it also produces other different products. A group containing a lot of different companies in different businesses is a **conglomerate** (e.g. a media conglomerate). As companies grow, they may also expand geographically. At present, many companies are **multinational** with manufacturing plants and trading locations in several countries worldwide.

Act 01 : A) Find synonyms (1-5), antonyms (6-10) in the text to the following words and phrases:

- | | |
|------------------------------|----------------------|
| 1. staff = | 6. public enterprise |
| 2. constitution = | 7. small enterprise |
| 3. to be released from sth = | 8. shortage |
| 4. founder = | 9. tax-exempt |
| 5. factory = | 10. Headquarters |

Act 02: Give answers to the following questions:

1. What is an enterprise?
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2. What are the criteria according to which enterprises are classified?
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3. What is the similarity and difference between a public enterprise and a mixed one?

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4. How are enterprises classified in the Republic of Moldova according to the number of employees?

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5. What is the difference between commercial and non-commercial enterprises?

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6. What is the similarity and difference between a branch office and a subsidiary enterprise?

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7. What is the difference between a group and a conglomerate?

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8. What is a multinational company?

Act 03 Complete the text below with the following words:

Board, buys, enhance, friendly, launch, persuade, poison pill, sell, white knight, hostile

A firm that wants to take over another company can (1)..... a raid, that is, it simply (2) a large quantity of shares of the target company in the stock market. A “dawn raid” consists of buying shares early in the morning, before the market has time to notice the increasing price. This will immediately (3)..... the share price, and may (4)..... A sufficient number of shareholders to (5)..... , for the raider to

take control of the target company. If a raid is not successful, a predator can make a takeover bid: a public offer to the company’s shareholders to buy their shares at a particular price during a particular period. A (6).....takeover has the consent of the directors of the target company; a (7)..... takeover bid is one undertaken against the wishes of the (8..... of directors. Defense against a hostile takeover includes the (9.....a protective action taken to repel a raider, such as spending all the company’s cash reserve, in order to make it less attractive. If such measures do not work, the company attempts to find a (10)..... another buyer whom they prefer.

Act 03: Match the types of businesses with their definitions.

Type of business	Definition
1. Financial businesses	a) deliver goods and individuals from location to location, generating a profit on the carriage costs
2. Information businesses	b) generate profit from the selling, renting, and development of properties, homes, and buildings.
3. Industrial companies	c) generate profit through investment and management of capital
4. Real estate businesses	d) offer intangible goods or services and typically generate a profit by charging for labor or other services provided to government, other businesses, or consumers
5. Retailers	e) produce public services, such as heat, electricity, or sewage treatment, and are usually government chartered
6. Service businesses	f) generate profits primarily from the resale of intellectual property and include movie studios, publishers and packaged software companies.
7. Transportation businesses	g) produce products from raw materials or component parts, which they then sell at a profit.

Good Luck.