

# CHAPTER 2

# Types of Business

## KEY TERMS

sole proprietorship  
unlimited liability  
partnership  
corporation  
shareholders  
private corporation  
public corporation  
Crown corporation  
non-profit corporation  
limited liability  
co-operative  
franchise  
globalization  
small business  
home-based business  
ethics  
social responsibility

## Specific Expectations

After studying this chapter, you will be able to

- compare the features of sole proprietorships, partnerships, corporations (public, private, and Crown), and co-operatives
- explain why a person or group of people may choose to establish one type of business rather than another
- identify the types of businesses and business sectors that have experienced the greatest growth in recent years

Once people decide to go into business, they need to choose a type of business to own. Should it be a sole proprietorship? A partnership? A corporation? A co-operative? Or perhaps a franchise? By examining the advantages and disadvantages of each type, you will understand why different people choose one type and avoid others.

Recent developments in the business environment have caused many businesses to change direction. New technologies have been created. Global business has increased. The number of small businesses, especially in the service sector, has grown. And business people have become more aware of their responsibility to society and to the natural environment.

## *Clearnet*

In 1985, a small Pickering, Ontario, company was helping businesses send messages by two-way radio. Its name was Clearnet. The company sold airtime to businesses that used dispatch radios: taxis, couriers, and emergency service vehicles. Bob Simmonds, who ran the private company, had graduated from the University of Toronto's engineering science program. He came from a family of entrepreneurs. His long-range goal was to create a wireless network that would allow Canadians to use cellular phones to communicate across the country. In 1987, Bob hired George Cope to be president, and Bob became the chairman.

Clearnet developed new technologies to reach its goals. It would use a broadcast bandwidth called radio spectrum, which is the channel over which cellular phones operate. The federal government wanted to encourage innovation in the use of this bandwidth. So, Industry Canada licensed radio spectrum to companies that had enough subscribers to warrant the licenses. The process is similar to that of radio stations getting licenses for their broadcast bandwidth.

Clearnet had enough foresight to license as much radio spectrum as it could, at a time when others weren't paying much attention to it. The company kept developing its technology. Clearnet formed partnerships with other companies—Motorola Canada Ltd. and Nextel Communications—so that it could use their innovations as well as its own.

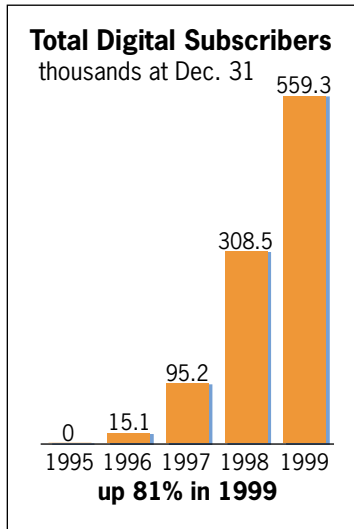
Then, in 1994, Clearnet announced that it was going to build its own digital wireless network over the next three years. What a challenge! At the time there was almost no market for cellular phones. Clearnet was also going to compete with some very large and powerful companies—Rogers Cantel Mobile Communications Inc. and BCE Mobile Communications Inc.—in developing the new industry of wireless communications. Bob Simmonds and George Cope took the risk



**Figure 2-1** Bob Simmonds and George Cope (who are standing at the back of this group) used their imagination and knowledge of technology to build Clearnet into a highly successful Canadian business.

**Figure 2-2** Clearnet's engaging marketing campaigns have made sure that Canadians don't forget about the company and the services it offers consumers.





**Figure 2-3** The growth in Clearnet's cellphone subscribers from 1995 to 2000 has been astonishing. What are some of the reasons for this growth?

because they believed that someday Canadians would want to communicate with each other using the convenience of wireless technologies.

The investment in technology and development was larger than the private company could handle, so Clearnet decided to become a public company. In October 1994, it raised \$112 million by selling its first stock offering. Clearnet hired more engineers and other employees to develop the new network.

By 1999, the Canadian wireless industry was adding subscribers by the million. Approximately 22.5 percent of the Canadian population used cell phones. Clearnet also offered new products, which expanded the market beyond conventional voice service and moved it into digital technology. New applications allowed customers to use their mobile phones to get access to the Internet. According to George Cope, "the future is the wireless Internet." In January 2000, he said, "In a few years there will be more mobile phones with Web browsers than there will be personal computers."

On August 21, 2000, Clearnet, the small private company that grew into a major public Canadian corporation, announced that it was being sold to Telus Corp. for \$6.6 billion. The combined companies made Telus the largest telecommunications company in Canada. And what happened to Bob Simmonds and George Cope? George Cope became the president and CEO of Telus, and Bob Simmonds kept a financial interest in Telus and will no doubt go on to develop new far-sighted technologies for our future.

As you work your way through this chapter on types of business ownership and change, keep Bob Simmonds, George Cope, and Clearnet in mind. How does Clearnet embody the growth and the changes happening in the Canadian business environment? How does it represent the current trends in Canadian business? How did its owners and managers take advantage of those trends?

# Types of Business Ownership

Deciding which type of business ownership you want to establish needs serious thought. If you are a sole proprietor, you would own the business. That has its advantages, but it also has some disadvantages. In a partnership, you would share both ownership and responsibility. On the other hand, perhaps you should form a corporation, or join a co-operative, or buy a franchise. Each of these types of businesses has its benefits and its risks, as you will see in Figure 2-4.

Over time, the form of business ownership you use can change, as it did for Clearnet. A small private business may grow to become a large public corporation as it expands its manufacturing plants or service operations. Or a sole proprietor may be the only owner and employee but decide that incorporating is a good choice. Or someone who starts a business as a sole proprietor may decide that he or she needs a partner as the business expands. The partner may bring in money to invest in expanding the business, or may be an expert in a particular skill that is important to the business.

## Sole Proprietorship

A **sole proprietorship** is a business owned and operated by one person. The owner is responsible for all operations of the business and assumes all the risks.

More than one million sole proprietorships exist in Canada, which means that this is the most common form of business in the country. Many of the businesses that provide you and your family with services are sole proprietorships—the car repair centre, your favourite restaurant, the accountant your parents use to help them prepare their income tax, and the salon where you get your hair cut.

### Advantages of a Sole Proprietorship

Two of the main advantages of being a sole proprietor are that you keep all the profits and can make all the decisions. If you like being your own boss and would take pride in owning your own business, you might want to become a sole proprietor.

As a sole proprietor, you can quickly take a new direction when you see a business opportunity. In a partnership or larger corporation, it may take a long time and many meetings before the business can change course. And, by the time a decision is made, your business opportunity may be lost.

### Biz.Bites

The sole proprietors in your community may be

- architects
- artists
- authors
- baby-sitters
- carpenters
- computer specialists
- construction consultants
- digital designers
- ecotourism guides
- engineers
- environmental consultants
- farmers
- gardeners
- industrial designers
- inventors
- photographers
- researchers
- song-writers
- Web designers

## Types of Business Ownership

Type of Business Ownership	Some Advantages	Some Disadvantages
Sole proprietorship	<ul style="list-style-type: none"> <li>• Owner makes all decisions and is his or her own boss.</li> <li>• Owner keeps all the profits.</li> <li>• All financial information can be kept secret.</li> <li>• This type of business is easy to start or close.</li> </ul>	<ul style="list-style-type: none"> <li>• Owner has responsibility for all debts.</li> <li>• Costs and time commitment can be high.</li> <li>• Funding can be difficult to obtain.</li> <li>• Owner is responsible for all aspects of the business.</li> <li>• Owner doesn't have fringe benefits.</li> </ul>
Partnership	<ul style="list-style-type: none"> <li>• Partners co-own the business.</li> <li>• They share responsibilities.</li> <li>• They may have greater financial resources than a sole proprietor.</li> <li>• They share business losses.</li> <li>• They share time commitment.</li> </ul>	<ul style="list-style-type: none"> <li>• Partners have unlimited personal liability for all the other partners.</li> <li>• They may have conflicts.</li> <li>• Profits are shared.</li> <li>• Partnerships are more difficult to close down than sole proprietorships.</li> </ul>
Public Corporation	<ul style="list-style-type: none"> <li>• The owners are shareholders. They have limited liability for the debts of the corporation and share the profits.</li> <li>• Usually shareholders do not operate the company. They hire employees to do so.</li> <li>• Corporations can usually raise funds more easily than sole proprietors or partners.</li> <li>• Corporations usually have a lower tax rate than private owners.</li> <li>• A corporation can continue to exist after the death of its owners.</li> </ul>	<ul style="list-style-type: none"> <li>• Corporations have more complicated structures than sole proprietorships or partnerships.</li> <li>• Employees who are not owners may not be committed to the business.</li> <li>• Corporations must publish annual reports, which could give away important secrets to competitors.</li> <li>• The value of company shares can change depending on changes in the stock market.</li> </ul>
Cooperative	<ul style="list-style-type: none"> <li>• Members own and control the business.</li> <li>• Members share the start-up costs and the running of the business.</li> <li>• They share the financial risk.</li> <li>• Members may pay less for goods and services and get more for those they sell.</li> </ul>	<ul style="list-style-type: none"> <li>• Because each member only has one vote, members may not want to invest money for expansion.</li> <li>• Because of the number of members, making decisions can be difficult.</li> <li>• Members can have conflicts.</li> </ul>
Franchise	<ul style="list-style-type: none"> <li>• Franchisees buy a business with a good reputation.</li> <li>• Franchisors supply training and financial knowledge.</li> <li>• Franchisors usually provide packaging, advertising, and equipment to the franchisee.</li> </ul>	<ul style="list-style-type: none"> <li>• Franchises can be expensive to buy.</li> <li>• Franchisees may have to follow a lot of rules laid down by the franchisors.</li> <li>• If a franchisor's business fails, so will the franchisee's business.</li> </ul>

**Figure 2-4** As you read the descriptions of these types of business in the following pages, think about which type suits you best. Why would you choose to start up one type of business rather than another?

In a sole proprietorship, all financial information can be kept confidential. Keeping some aspects of the business confidential can be important for success. For example, an Internet Web designer may not want competitors to know how much money she is making on a popular new service she is offering to her clients.

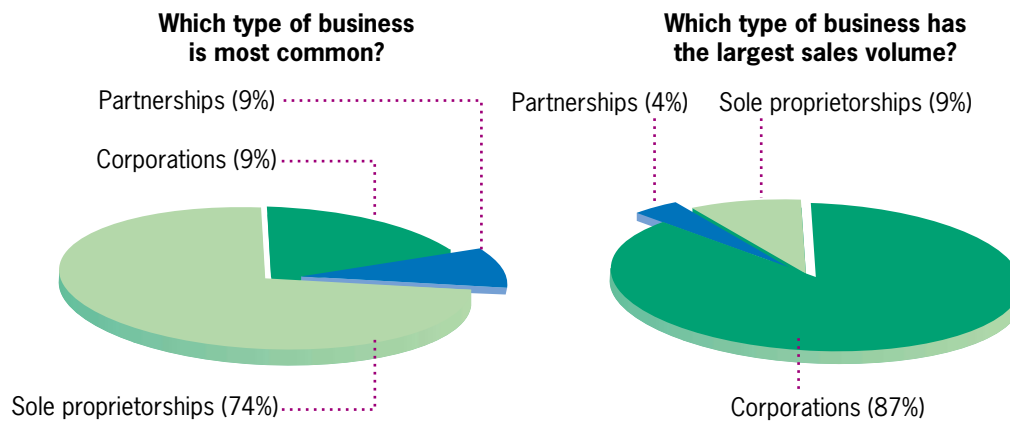
Sole proprietorships are also easy to start up and close down. They can be straightforward to organize and have low start-up costs. The increasing acceptance of businesses that operate from home-based offices has added to the appeal of starting a sole proprietorship.

### Disadvantages of a Sole Proprietorship

While the independence of sole proprietorship may be very appealing, it has its downside. As a sole proprietor, you really are on your own. The owner and the business are legally the same thing. So, you are responsible for paying all the debts, or liabilities, of the business. This responsibility is called **unlimited liability**. If your business debts are greater than the profits, you will have to pay the debts from your personal income or the sale of your assets. A sole proprietor who gets into too much debt runs the risk of losing his or her home, car, and savings.

You have to know yourself well before you try a sole proprietorship. You need to be able to face such risks and challenges.

Sole proprietors may also find it difficult to obtain funding to expand, or even to cover everyday expenses. And your everyday costs can be high. You may need to buy equipment and supplies and pay for advertising, rent, and utilities. Borrowing money from the banks may be difficult because they usually require collateral when lending money. *Collateral* is



**Figure 2-5**

Sole proprietorships are the most common form of business ownership in Canada (74%), but they only have 9% of the sales volume. Compare these two pie charts. What conclusions could you draw about the relative sales and profits of sole proprietorships and corporations?

security that a borrower offers against a loan, such as property pledged as guarantee for repayment of the loan.

As a sole proprietor you are responsible for all aspects of operating a business: production, sales, marketing, and accounting. However, you might not have the expertise to make the best business decisions in each area. You may produce wonderful Web sites in your Web design business. You may have all the creative and technical skills you need, but may have few accounting skills. If you want your business to succeed, you will either need to hire an accountant or take the time to learn the skills to manage money.

In addition, the time commitment can sometimes be great. Ask the owner of a convenience store how many hours a day he or she works. Many sole proprietors work 12 hours a day, 7 days a week, and rarely take a vacation. In addition, sole proprietors do not have the fringe benefits that employees of large corporations enjoy: insurance, vacation pay, and a set number of hours to work per week.

**Figure 2-6** Brian Basset, who creates the Adam@Home comic strip, runs his small business from home. So he knows that solving problems as a sole proprietor sometimes requires very quick thinking.

### Adam @ Home



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## Partnership

A **partnership** is a form of business organization in which two or more people own and operate the business together.

Partnerships are more complex to set up than sole proprietorships. Since more than one person is involved, the partnership must be created by either a verbal or written agreement. It is best to have an experienced lawyer draft a written partnership agreement. If there are any disputes in the future, the terms will be upheld in court.

Whenever two or more people form a business, they need to consider—and agree on—many issues, including

- how much time and money each partner will put into the business
- how the profits will be shared
- who will make decisions about different aspects of the business
- who will manage the employees
- how the partnership might be ended

All partners must sign the partnership agreement which includes

- the name and location of the business
- its purpose
- the amount of the partners' investment
- the way that the profits and losses are to be divided
- the duties and responsibilities of each partner
- the procedures for ending the partnership

## Advantages of a Partnership

As with sole proprietorships, partnerships are relatively inexpensive to set up and may be relatively easy to organize. The start-up costs often involve only lawyers' and government registration fees, which could add up to approximately \$1000.

Usually, but not always, all the partners provide the financial resources to start the business, rent an office, buy necessary equipment, hire employees, and pay for marketing. If more financing is needed, partners can often borrow more easily from a bank than sole proprietors can because the partners can combine their personal assets for collateral.

If you have a partner, you can share the responsibilities of running your business. Each partner brings his or her own expertise, knowledge, and skills. You may be better at keeping track of costs and finances, and your partner may be better at communicating with clients. Together, you can provide better management and operation than if each of you ran a sole proprietorship. Sharing responsibilities reduces the risk of business failure. And, if the business is not doing well, you and your partner share the debt according to your partnership agreement. Partners have another advantage over sole proprietors. They can take a vacation or a sick day because their partner can manage alone for awhile.



**Figure 2-7** Many professionals—lawyers, accountants, dentists, and doctors—have found it more profitable to form partnerships than to be sole proprietors.

### Biz.Bites

Roots, which now has more than 80 stores across Canada, started in 1973 as a partnership between Don Green and Michael Budman. Roots has been so successful that the company was chosen to provide clothing for the Canadian team at the 1998 Nagano Winter Olympics and the 2000 Sydney Summer Olympics.



## Disadvantages of a Partnership

Partners who take an active role in operating the business have unlimited liability for the debts of the business. Even if two partners are sharing profits 50-50, each is 100 percent liable for any debts of the business. So, in a partnership, your financial risk is similar to that of a sole proprietorship. Your personal assets—home, car, and personal savings accounts—may have to be used to pay off your business debts.

If the business is successful, you and your partner share the profits of the business according to the terms of your partnership agreement. This is the case even if you feel that you are contributing more than your partner.

Conflicts can arise in partnerships. For example, if you have put up more money to start the business, but your partner spends more hours per week working in the business, you may each start to believe you should get more of the profits than the other person.

Probably conflicts are the most common problems faced by partners. You and your partner may disagree about how much money to spend or how much risk is acceptable. You may also have very different ideas about ethics. Many partnerships are dissolved because partners are unable to resolve differences. And it can be difficult to end a partnership unless you have clearly stated the terms in your partnership agreement.

### Web Connect

<http://www.mcgrawhill.ca/links/exploringbiz>

How do you start up a sole proprietorship or a partnership? What are the most important factors to consider? And how do you stay on the path towards success? Human Resources Canada offers some useful guidelines.

## Corporation

A **corporation** is a legal entity that exists independently of its owners, who are called shareholders. Inco, Bombardier, and Nortel Networks are owned by thousands of people, and each of these huge companies is a separate legal entity. According to Industry Canada, “a corporation has the same rights and obligations under Canadian law as a natural person.” A corporation can acquire money and other assets, or it can go into debt, just like a person can. A corporation can even be found guilty of committing a crime.

Corporations may be very complex in nature, as you can see in Figure 2-9. **Shareholders**, the people who buy shares in a company, are all part owners of the company. These shareholders elect the *board of directors*, who direct the overall affairs of the corporation and

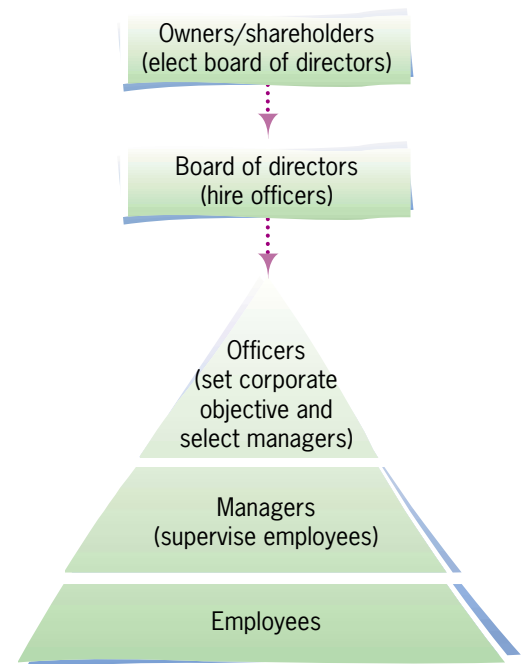
who hire the *officers*. These officers (for example, the president of the corporation) decide the objectives for the company and hire the *managers*. Managers, in turn, supervise the employees.

Corporations are classified as private corporations, public corporations, Crown corporations, or non-profit corporations.

- A **private corporation** can have up to 50 shareholders. Its shares are not offered to the public. A single person who incorporates may have only one shareholder: him- or herself. Although private corporations are usually small, they do not have to be. Until recently, the Eatons department store chain, which is now owned by Sears Canada, was a private corporation.
- A **public corporation** does not have restrictions on its number of shareholders. Its shares can be sold to the general public. These shares are bought and sold (traded) on stock exchanges, such as the Toronto Stock Exchange and the Vancouver Stock Exchange. (The stock market will be discussed in more detail in Chapter 11.) Canadian public corporations include McGraw-Hill Ryerson Ltd., Inco, and Magna International Inc.
- **Crown corporations** are owned by federal, provincial, or municipal governments. The function of Crown corporations is usually to provide a special service to the public. Some examples of Crown corporations are the Bank of Canada, the Royal Canadian Mint, Canada Post, and the Canadian Broadcasting Corp. (CBC).



**Figure 2-8** Inco became a corporation in 1916 when it began mining nickel, copper and other metals in Ontario's Sudbury Basin. Today Inco supplies about 24% of the world's demand for nickel, and its products are used in everything from the kitchen sink to computers.



**Figure 2-9** This diagram illustrates the structure of a large public corporation. Why would a corporation like Bombardier or Telus Corporation need such a complex structure to keep it running smoothly?



**Figure 2-10** The Royal Canadian Mint is a Crown corporation that has one shareholder—the Canadian government. The Mint employs some of Canada’s most highly-skilled metal designers.

- **Non-profit corporations** are not organized to make a profit. Their purpose is to undertake fundraising, to do research, or to lobby for a particular cause in order to help people. The United Way and Children with Diabetes are non-profit corporations, as are many hospitals, religious organizations, museums, and athletic and artistic organizations.

A corporation is brought into existence by drawing up and filing with the proper government agency a document called the *articles of incorporation*. Most people need a lawyer and accountant to help them write this document.

Like Clearnet, corporations can begin small and grow to be very large. In a small corporation, a director of the corporation may also be

the manager, but in large corporations managers and directors may operate separately and may even come into conflict.

## Corporate Expansion

During the 1900s and early 2000s, a number of large corporations joined to expand their markets, to increase productivity, and especially to become more competitive in global markets.

Some companies grew because of mergers and others through acquisitions. A *merger* occurs when two companies unite to form one company. For example, in 1998, Loblaws and Provigo of Quebec merged to form one very large supermarket chain. An *acquisition* occurs when one company buys another company. When Telus acquired Clearnet in August 2000, Telus became the largest telecommunications company in Canada at that time.

## Advantages of a Corporation

One of the main advantages for those who share ownership in a corporation is that they are only liable for the company’s debts to the extent of their financial involvement. This is called **limited liability**. This means if you, as a shareholder, invest \$5000 in a corporation and the corporation fails, you will lose your \$5000 but no other money or possessions. Even if a corporation owes money, you are not liable for its debts. On the other

hand, the corporation itself does not have limited liability, so the corporation can lose everything it owns.

A corporation usually has more financial resources than sole proprietorships or partnerships because of the money shareholders invest in it. For example, Clearnet's first sale of shares gave the company \$12 million to expand and develop new technology. Corporations use their financial resources to grow. They can build more manufacturing plants, buy more materials, and hire more employees. In addition, if a corporation needs a loan, it has more assets to use as security. The banks know that the corporation's products, buildings, and equipment can be sold to pay back the loan.

Corporations also pay tax at a different rate than that of private individuals. This tax rate difference is one of the reasons why a sole proprietor might incorporate. If your tax rate as a sole proprietor is 40 or 50 percent of your year's earnings, and your tax rate as a corporation would be approximately 23 percent, you might think seriously about incorporating. However, you have to be careful. Tax regulations are complex, especially for corporations, and an error in judgment can be costly.

Finally, a corporation has a life apart from its owners. It is a legal entity. The death or retirement of a shareholder does not mean the end of the corporation. Ownership is easily transferable, unlike a sole proprietorship or a partnership.

### Disadvantages of a Corporation

A corporation has a more complicated structure than a sole proprietorship. Usually a lawyer and an accountant are needed not only to start up a corporation, but also to keep it running smoothly. Because of government regulations, more reporting is required of a corporation than of a sole proprietorship or a partnership. Also, a corporation must be registered in every province in which it does business, and the registering process can be time-consuming and expensive. Closing down a corporation can also be more complex and expensive than closing a sole proprietorship or a partnership.

In sole proprietorships and partnerships, the owners usually run the company and work for it. In a small corporation, the shareholders may also work in the business. But in a large corporation, the business is managed by employees who may or may not also be shareholders. Employees



**Figure 2-11** Nortel Networks is a large Canadian corporation in the Internet and communications technology field. At the end of 2000, shareholders had \$28 760 million dollars (U.S.) invested in Nortel.

### Biz.Bites

Investing in technology stocks can be risky. Take a look at the changes in Nortel Network stock prices on the Toronto Stock Exchange over a period of 6 months. Prices are rounded off.

Nov. 2000	\$100.00
Dec. 2000	\$60.00
Jan. 2001	\$50.00
Feb. 2001	\$60.00
Mar. 2001	\$30.00
Apr. 2001	\$20.00

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Most public corporations now publish their annual reports on the Internet. Review the contents of one large corporation's annual reports to see whether or not you would like to become a shareholder.

may not have the same level of commitment to the business as the owners of a sole proprietorship or a partnership.

In addition, public corporations are legally required to publish an *annual report* outlining their financial position. This financial information could benefit competitors. If your profits increased greatly because one of the products sold much more than your other products, your competitors might decide to develop something similar.

Finally, although selling stock can provide a public corporation with financial resources, changes in the stock market can drastically change the value of the stock and the corporation. If the value of a share drops from \$100 to \$25, the corporation will have less money to work with and have more difficulty borrowing money from the banks.

## Co-operatives

**Co-operatives**, also called co-ops, are businesses owned and operated by a group of people with a strong common interest. The start-up costs are shared among the members of the co-operative. Members own and control the business and make all business decisions.

As you can see in Figure 2-12, there are different types of co-ops. Many farmers belong to producer co-ops. The members bring crops to a central location to sell them. The co-op is able to monitor the supply of the crop and control its sale and price. The farmers do not compete against each other or undercut each other's prices.

Co-ops also allow the farmers to combine to buy equipment and seeds at reduced costs, and to share expertise. Saskatchewan Wheat Pool is a well-known Canadian co-op that markets and sells wheat and wheat products within our country and around the world.

In consumer co-ops, consumers join together to operate a business that provides them with goods and services. They divide profits among the members in proportion to the amount of business that each member does with the co-op. This system encourages members to do as much business as possible with the co-op.

Credit Unions, such as the Kenora District Credit Union in Kenora, Ontario, are financial co-ops. Credit unions and *caisses populaires*, (a popular financial institution in Québec) are something like banks, except that the profits are distributed annually to their members.



**Figure 2-12** Co-op Atlantic is a wholesale co-operative that offers agricultural, food, groceries, real estate, and even petroleum products and services to 170 co-ops and their 226 000 members. How might smaller co-ops benefit from the services offered by Co-op Atlantic?

## Advantages of a Co-operative

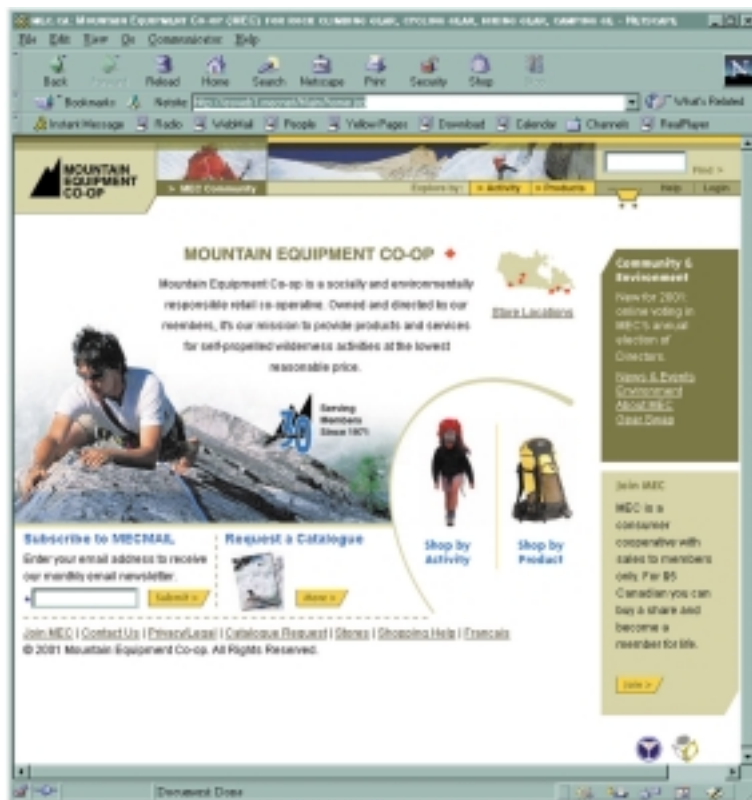
As a member of a co-op, you help run the business and share in financial decisions. Members are able to call on each others' different skills to run the business. Because of this shared ownership, the level of risk is less than it would be for a sole proprietor or a partner. Your liability would be limited to the amount of your share in the capital of the co-op.

Because each member gets only one vote on issues that affect business operations, no one person or group of people can dominate. (In a public corporation, shareholders have votes according to the number of shares that they own.) The people who own the most shares control the company. In co-ops the profits are divided so that members who do a high volume of business with the co-op receive more of the profits.

Co-ops offer their members favourable prices because they buy goods in large quantities, which usually gets them a discount on the cost price. If you were a sole proprietor and needed new computer equipment, you would need to search for the best price at various retail businesses. In a co-op, you would likely pay a better price for the equipment because the co-op buys in bulk.

**Figure 2-13**

Mountain Equipment Co-op offers, at its Web site, news and listings of events that members are likely to be interested in. Its members are very concerned about social and environmental responsibility.



Co-ops also control the sale and price of goods produced by members. This helps members get the best price. Some types of co-operatives even help members run their own businesses more efficiently by offering training and expert help.

### Disadvantages of a Co-operative

Most co-ops have difficulty raising additional funds to expand their business. Members may not want to invest more money. After all, they have only the same amount of control over the business as someone who has invested much less. Having only one vote can be an advantage and a disadvantage.

Decision-making can be difficult because of the number of people involved. Think about your own experience with large groups. What happens when your whole class has to decide on an issue? Isn't it usually harder to get everyone to agree than when you work with a small group? And aren't you less likely to make your vote count in a large group?

Another disadvantage of a co-operative is that the commitment of the members may vary. Some may have more money at stake or take the business more seriously than others. This can cause resentment or hostility among members.

## Franchise

Franchising is one of the fastest-growing forms of business ownership. A *franchisor* sells to another person (the *franchisee*) the rights to use the business name and to sell a product or service in a given territory. Franchises are available in many different business sectors. You can buy one in anything from advertising and marketing to computer sales, fast food, funeral homes, campgrounds, and wine making.

A **franchise agreement** is the written contract between the franchise seller and buyer. Franchise agreements generally permit the franchisee to use the franchisor's name, products, and packaging. The franchisor will usually specify how the franchise is to be operated, what products are to be sold, how the advertising is to be done, and so on.

Cara Operations Ltd. is a large franchise organization operating in Canada. Cara owns and franchises Harvey's, Swiss Chalet, Second Cup, Kelsey's, Outback Steakhouse, Montana's Cookhouse Saloon, and Cara (airline catering).

In Canada, franchises employ more than one million people directly, provide many more jobs indirectly, and generate annual sales of \$100 billion. The most common categories of franchise units are fast-food restaurants and automotive products and services.

### Advantages of a Franchise

Franchisees can buy a business with a proven track record and a nationally recognized name. For example, if you buy a McDonald's franchise, you know that people will recognize the name of your business. You know there will likely be a market for your product.

Franchisees have personal ownership of their business, just like sole proprietors or partners. In addition, the franchisor has ironed out many business problems and agrees to share training, management, and financing expertise with the franchisee. If the business involves a complex production process, this can be a big advantage.

### Web Connect

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Did you know there are co-ops everywhere in Canada, including the Arctic? Or that there are co-ops for health care, housing, community development, insurance, and funeral arrangements? Find out more about co-ops and the services they offer their members.

### Biz.Bites

On average, a new franchise is opened, somewhere in the world, every two hours every day of the year.





**Figure 2-14** Yogen Früz, whose franchisees sell frozen yogurt products, began in 1986 with a single outlet in Toronto. The store was so successful that the owners decided to sell franchises. The first franchise operation opened in London, Ontario, in 1987.

One important way in which the franchisor helps the franchisee is in finding a suitable location. The franchisor also provides all the packaging, advertising, and equipment. Finally, the franchisor usually agrees not to open another operation nearby.

### Disadvantages of a Franchise

Among the risks facing people who become franchisees is the expense. Franchises can be expensive to buy. A person buying a McDonald's franchise has to have at least \$300 000 on hand. The franchisee is also required to pay an ongoing operating fee (or royalty) to the franchisor as well as to buy products only from the franchisor. This reduces the franchisee's profits.

Owning a franchise may be similar to owning your own business but it is not quite the same. Some franchisors have many rules and regulations, and as a franchisee you may have little say in how the day-to-day operations are run. In addition, unlike a sole proprietorship or a partnership, franchisees depend on the success of the franchisor. If the franchisor fails, then your business will fail.

## Check Your Understanding

### Knowledge/Understanding

- 1 The name of a business often indicates its ownership. Collect the names of eight businesses in your community and challenge your fellow students to identify the form of ownership from their names.
- 2 Define, in your own words, each of the types of business ownership discussed in this section of Chapter 2. Then explain the risks that someone in each type of business would face. Finally, name three examples of each type of business ownership in your community.

### Thinking/Inquiry

- 3 Review the advantages of becoming a member of a co-operative. Which of these advantages would be most important to you? Compare the reasons for your choice with those of your classmates. Why do different people have different views on this subject?
- 4 Darach McGee meets Andrea Rettegthy, a university classmate. After discussing old times, Darach and Andrea discover that they are both interested in opening a business that would provide a disc jockey service. They are each prepared to invest \$4000 in this new venture. Write a brief report answering the following questions. Explain the reasons for your answers.
  - a) Would it be to their advantage to form a partnership or to each form a sole proprietorship offering the same service?
  - b) What are the factors they should consider before they decide?

### Communication

- 5 Working with a partner, select a business that you would both be interested in starting up. Then brainstorm some of the issues you would need to resolve to start and run this type of business. Decide whether it would be better for you to own this business as partners, sole proprietors, or a corporation. Report your decision—and the reasons for your decision—in a brief oral presentation for your classmates.

### Application

- 6 Select a partner and create a role-play in which one of you is considering starting a new business and the other is offering advice. Each of you should consider the type of business, the risks in starting the business, and the resources and skills needed to succeed.

### Skills Appendix

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writing reports

### Skills Appendix

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oral presentations

### Skills Appendix

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decision-making

## Connecting Business with *Home*

### ***Kitchen Table Tycoons***

About 14 years ago, lawyer Doug Chalke sat behind his desk in a Vancouver office tower and decided he'd much rather be at home. Chalke did not want to quit his family law practice. He was just tired of "going to the office."

Today, Doug and his wife, Angie, work out of their home, offering mediation counselling primarily to couples going through divorce. They say they have one of the busiest practices in Canada, and would never work in a conventional office again.

Thousands of other Canadians have discovered the same satisfaction. The 1996 census found that 474 000 Canadians were self-employed and working from home. "It is growing," says Douglas Gray, a Vancouver lawyer who has written a guide to running a small business from a home office. "You tend to find this kind of business evolving after people are laid off from their jobs, or when they get severance packages, or if they have houses that are paid off and they are financially secure." David Baxter of the Vancouver-based Urban Futures Institute adds that people who work at home often have a specialized skill that doesn't require a formal office.

Working from home is not as easy as it seems. The Chalkes had to turn their living room—and later their carport—into an office. People in a home office also have to remember to dress appropriately if their clients come.

However, the financial advantages of working at home can be significant. If your main place of business is your home and you set aside a room for the business, you can save on income taxes. Revenue Canada lets you deduct a portion of the cost of running a home from your gross income.



**Figure 2-15** Working from home can be a challenge when the sun is shining and the lawn needs mowing, or when the kitchen sink is full of dishes that need to be washed.

The cost of office furniture and equipment can also be deducted. The lower your income, the less taxes you have to pay.

**Source:** Adapted from Jennifer Hunter, "Kitchen-table Tycoons," *The Maclean's Guide to Personal Finance*, January 1, 1999, page 87.

### **ACTIVITIES**

- 1 Describe some of the advantages and disadvantages of starting a home-based business.
- 2 Why might some people who start home-based businesses choose to incorporate?
- 3 Why are a growing number of Canadians starting home-based businesses?

## Growth in Canadian Business

The business environment constantly changes. To survive, people in business must be prepared to take advantage of the opportunities that change offers. As you saw in the Business Profile, Clearnet recognized the business opportunities in a wireless network long before most Canadians had any idea of how popular cellphones would become.

What changes have helped Canadian businesses to grow? There have been many in recent years, but these few stand out.

- advances in technologies, especially in information technologies
- an increase in global business connections
- the growth of the small business and service sectors
- a greater emphasis on the natural environment
- a focus on business ethics and social responsibility

## Changing Technology

Over the last 150 years, technology has changed at an increasingly rapid rate. During the 1800s, uses for electricity were discovered. Railways, steel-making, automobiles, and machinery for agriculture and industry were developed. During the 1900s, new technologies gave us refrigeration, airplanes, plastics, motion pictures, satellites, atomic energy, and computers. All of these changes have affected business.

**Figure 2-16** Telespace Ltd., which is a Canadian company started in 1980, is one of the leading satellite communications consulting companies in the world. Telespace has helped the governments of Canada, Brazil, Thailand, Norway, and Israel set up communications satellite programs.



## Technology Timeline: 1900 – 2000

1902	Air conditioning
1903	Airplane
1908	Model T Ford
1914	Panama Canal
1920	KDKA, the first regular commercial radio station
1926	Liquid-fueled rocket
1927	Television
1929	Commercial frozen food
1938	Nylon
1939	Prototype of first digital computer
1942	Atomic reaction
1945	Atomic bomb
1947	Polaroid camera
1948	Electric guitar
1951	UNIVAC 1 (first commercial computer)
1953	Heart-lung machine
1957	Polio vaccine
1958	Space satellites (Sputnik and Explorer I)
1965	Minicomputer
1969	Moon landing
1972	First video game
1974	Barcode on products
1980	Video camera
1981	Space shuttle
1982	Artificial heart

Recent changes have been so great that the phenomenon is called the *technological revolution*. New technologies change the way businesses produce, buy, and sell goods and services, the way they communicate with each other, and the way they obtain financial and other resources.

Technological advances in communications and computers have contributed to other trends and affected millions of jobs and the way millions of people work.

## The Information Age

Competition among businesses is very fierce. And one of the things that gives companies a competitive edge is information. For this reason, governments all over the world are developing information systems to help businesses in their countries compete. Telespace Ltd. (see Figure 2-16) helps many countries set up their satellite telephone systems.

Today, information technologies, such as laptop and palm-held computers and cellular phones, give employees fast access to information. This information can help a business operate efficiently and quickly.

For example, at Federal Express, employees use information technologies to find out where parcels are and when they will arrive at their destination. Customers can track the movement of their shipments over FedEx's Web site. Couriers use handheld computers to record the movement of parcels and envelopes. Federal Express has one of the world's largest computer and telecommunications networks. The company even has its own air network of Boeing 727s to deliver its customers' parcels.

Thanks to the Internet, businesses can search the world to find the best quality and price for production materials and other resources. Financing to expand a business may come from New York or from Tokyo. Production arrangements may be made with a company in Brazil or in China. And as for customers? They may live anywhere on the planet.

## Increased Globalization

Canadians have been doing business with other countries since Europeans settled along the east coast in the 1600s to fish for cod and send their catches back to Europe. Canadian companies no longer just send their natural resources to Europe and buy manufactured goods from European businesses.

In the twenty-first century, Canadian businesses produce, market, finance, and manage globally: from Asia to South America, from Europe to the Persian Gulf. Businesses from other countries also operate in Canada. Toyota and Honda are two Japanese companies that produce automobiles in Canada. The information age and communication technology have reduced the impact of the geographic barriers. Doing business internationally is called **globalization**. Globalization gives Canadian businesses, such as Magna, Nortel Networks, and Bombardier, the chance to increase their profits.

Magna International, a large Canadian manufacturer of automobile parts, is a global company. It employs more than 59 000 people in 198 manufacturing and research and development facilities in Canada, the United States, Brazil, Poland, Germany, Turkey, the Czech Republic, Italy, Japan, Korea, and India. Magna designs, engineers and manufactures exterior and interior vehicle systems, using the latest technology and components from different countries.

Globalization has also increased competition for markets. Because more businesses try to get the same customers and because of advances in technology, businesses have had to become more efficient. Governments have also recognized the pressure of this increased competition and have established trading blocs. Such blocs encourage trade between member countries. Free-trade blocs are discussed in detail later, in Chapter 17.

## Growth of Small Business

Over the last 20 years, many Canadians have started small businesses. With every passing year, another record is set in the number of new small businesses that are registered in Canada.

A **small business** is one that is independently operated, not dominant in its field, and meets certain size limits in terms of employees and annual sales. In all sectors other than manufacturing, a small business is defined as one that has fewer than 50 employees. In the manufacturing sector, a small business is one that has fewer than 100 employees.

Many of these small businesses were started by entrepreneurs, people who saw a need or market trend, most often in the service sector, and tried to fill it. Small business owners tend to develop a close relationship with their customers, find out what they want, and try to serve them better than their competitors.

### Technology Timeline (continued)

1990	Hubble Telescope
1990	Human genome project
1990	The Internet's World Wide Web
1993	Pentium microprocessor
1995	DVD (digital versatile disc)
1997	Sojourner images from Mars
1997	Cloning of Dolly the sheep

**Figure 2-17** Use your imagination to extend this timeline into the future. What technologies do you expect will be developed during the next 10 years? How will they change business?

### Biz.Bites

- Of the 150 000 new businesses started each year, most are small businesses.
- About one million small businesses exist in our country, and another one million people are self-employed.
- Almost half of all Canadians are either self-employed or work for companies with fewer than 100 employees.



**Figure 2-18** Connie Parsons won the Young Entrepreneurs Award for Newfoundland from the Business Development Bank of Canada in October 2000. She runs her successful small business—the Connie Parsons School of Dance—in St John’s, Newfoundland. Connie teaches ballet, tap, jazz, modern stage, and ballroom dance. Her plans include opening more studios and a dancewear store.

For example, Connie Parsons’s goal (see Figure 2-18) is to provide the highest quality dance education to her students, to make them feel confident about their dance skills, and to deliver a very high standard of service. As a small business owner, she knows that she will attract and keep customers by satisfying their existing needs and anticipating their future needs.

Small businesses have also taken advantage of the trends towards computer technology and globalization. The technology of the Internet has allowed Canadian entrepreneurs to start small businesses in communities as remote as Davis Inlet in Labrador and Pelly Bay in Nunavut.

### Home-based Small Businesses

Many new and part-time small businesses are being operated from homes. Home-based businesses are considered the fastest growing form of small business. Some factors contributing to this trend are

- the growth of information technologies
- the growth of service businesses
- the disappearance of many traditional jobs
- people wanting to be their own boss or to change their lifestyle
- the appeal to women who have found their careers blocked because of sexual discrimination

As you read in *Connecting Business with Home*, people have many different reasons for establishing home-based businesses.

Many small, home-based businesses, have only one employee, the owner. People who are experts in fields such as business operations or computer programs may become consultants. Others, like writers, work from home because they work better alone. They can do projects for large companies because technology allows them to send projects to clients and get comments back using the Internet. Dressmakers and tailors have worked out of their homes for years to reduce their operating expenses.

### Biz.Bites

The latest estimates are that 50% of self-employed Canadians—about 9% of the total Canadian workforce—work from their homes.

## Career Connect Speaking for Yourself

Being able to talk comfortably and clearly is especially important if you are a small business owner. You need to be able to get your point across if you are going to convince your customer to buy your goods or services.

Business people need good oral communication skills to

- make presentations. To get a loan, for example, you need to convince a loan officer that you are a good business risk. To promote your business, you might talk to a group of business people at a meeting of the local chamber of commerce.
- negotiate an agreement. If you can clearly explain the reasons for a delay, your customers are less likely to be upset with your service.
- talk to strangers. If you can respond with a quick description, when someone asks what you do, you might end up with a new customer or supplier.
- leave clear voice mail messages for prospective clients. If you don't state your name, phone number, and the reason for your call, you aren't likely to get a return call.

Talking is only effective if your listener receives the same message you tried to send. How can you make your communications clear?

You may be surprised to learn that the language you use is only one aspect of good communications. Tone and body language also play an important part in getting your message across.

- Language includes the words we use and the way we put them together. If you get a job at Sam the Record Man, you'll need to use "business-like" language. When you greet a customer, you would say "May I help you?" rather than "What ya' want?"

- Tone is the sound and quality of your voice. Business people make a strong impact if they sound confident. If you asked a sales associate at a sports store whether a skateboard had smooth action, and he said "Sure" in a hesitant way, how would you feel? Would you buy that board?
- Body language includes the messages you send through your gestures and physical actions. If another student makes a class presentation and doesn't look at anyone, how do you and your classmates feel?

### ACTIVITIES

- 1 With a partner, prepare two scripts for the following scenes. Practice with each other. The second script should communicate better than the first. Next, role-play one scene to a small group. Afterwards ask for comments on language, tone, and body language.
  - A prospective employee applies for a job to a store manager. In the first script, the applicant is nervous. In the second script, the applicant is more confident.
  - A student asks a teacher, who doesn't like to give extensions, for an extension on a project. First, the student uses unclear language to present his or her reasons. The second time the language is clear.
  - A student, who has a reputation as a clown, tries to convince a vice-principal that he or she should make the announcement for a fundraiser at an assembly. First, the student's body language does not back up what she or he is saying. The second time it does.



## Growth of the Service Sector

The most significant growth of small businesses in Canada has been in the service sector. As you learned in Chapter 1, service businesses provide a service to customers. These services involve a wide range of jobs: travel agents, consultants, editors, store clerks, hazardous waste collectors, lawyers, doctors, and communications specialists.

One reason for this growth is that Canadians have more money and less time than they had 50 years ago. People are willing to pay others to care for their children, to prepare and serve their food, to do their accounts, or even to wrap presents for them.

The success of the Molly Maid franchise happened largely because people are willing to pay others to clean their homes. The company markets its services by advertising that they give their customers more time to do all the other things they need or want to do.

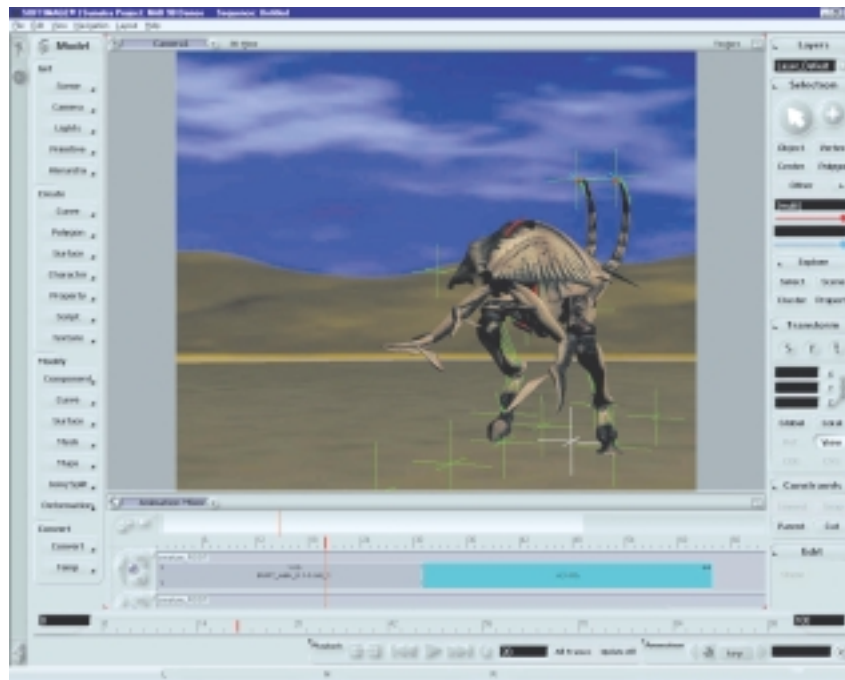
Another reason for the service sector's growth is that fewer manufacturing jobs are available to Canadians. Technological advances in robotics and automation means fewer people are needed to run manufacturing plants. Between 1960 and 1999, the percentage of the total workforce in manufacturing fell from 30 percent to 15 percent.

### Biz.Bites

Over 27% of new businesses are in the business and personal service sectors of the economy. Over 75% of all jobs in Canada are in the service sector.

**Figure 2-19**

Softimage Inc., a Canadian company specializing in computer graphics, provides software products and services to the motion picture industry. This screen shot shows a stage in the development of the dinosaur animation for *Jurassic Park*.



Some large companies rely more on outside service businesses than they did in the past. And the trend is likely to continue, especially in the areas of computer programming, communications, telecommunications, and financial planning. In addition, because Canada has an aging population, services that are critical to the elderly, such as health care, are likely to be more in demand.

## Growing Concern for the Environment

Worldwide concern for the environment has had a significant impact on the way businesses are run. Among the concerns are

- the depletion of the ozone layer. Many scientists associate this with global warming and the burning of certain kinds of fuels.
- toxic waste in our water systems. The seriousness of such waste was brought home to people in Ontario in the summer of 2000 by the tragedy in the town of Walkerton. At least six people died and hundreds more became seriously ill from drinking contaminated water.
- huge amounts of waste and garbage. Industrialized countries produce waste from toxic gases, chemicals, disposable products, and overpackaging.

The extent of the dangers of industrial pollution is illustrated by the problem of persistent organic pollutants (POPs) in the Canadian Inuit community. Because of global climate patterns, POPs (which are used in pesticides, insecticides, and industrial applications), travel from tropical and temperate climates through the atmosphere to the Arctic. In the Arctic, these toxic chemicals move through the food chain to the Inuit. According to Chuck Birchall of the Canadian Arctic Resources Committee, “Many Inuit have levels of POPs in their bodies well in excess of the ‘level of concern’ defined by Health Canada.”



**Figure 2-20** In order to eliminate the danger of POPs to Canadian Inuit peoples, governments and businesses from around the world need to agree to reduce industrial pollutants. Why does this problem need an international solution?

### Web Connect

<http://www.mcgrawhill.ca/links/exploringbiz>

The Canadian Arctic Resources Committee continues to work to clean up the Canadian Arctic environment. Find out more about this organization and its concerns. What is the current status of POPs in the Arctic?

In 1999, the federal government passed the new *Canadian Environmental Protection Act*, which focuses on “pollution prevention and the protection of the environment and human health in order to contribute to sustainable development.” Sustainable economic development meets the needs of the present without endangering the environment for future generations. Canadian businesses are required to follow the provisions in this act and to incorporate environmentally responsible policies in their normal operations.

### Business Opportunities

The growing concern for the environment has provided entrepreneurs with business opportunities. As we are encouraged to reduce, reuse, and recycle, many businesses are rethinking how to dispose of their garbage and to reduce the amount they produce. Today, service stations, trucking companies, and car dealerships pay significant fees to dispose of used motor oil. Environmental consultants work with many companies, advising them on how to safely dispose of toxic waste products.

Two Canadian companies are working on innovative solutions to deal with the pollution from our use of cars and trucks. Ballard Fuel Cells of Vancouver is working with the automotive industry to develop clean, efficient, and reliable fuel cell engines to replace the internal combustion engine. For more information on Ballard Fuel Cells, see chapter 3. Westport Innovations Inc., also of Vancouver, is developing natural gas engines that will reduce pollution and costs for the trucking industry.

## Business Ethics and Social Responsibility

Closely connected to environmental concerns is the growing emphasis on ethics and social responsibility in business. **Ethics** are standards of conduct that society believes people should follow. Businesses, like individuals, must follow ethical standards and be socially responsible towards their employees, their immediate community, and the wider global community. **Social responsibility** is the duty to care for others whose actions can be affected in a damaging way. More consumers and workers are demanding that businesses show a genuine commitment to employees and communities.

Consumers exercise their power by supporting companies that practice ethical and socially responsible behaviour and by not supporting those companies that do not follow ethical standards.



**Figure 2-21** The Westray coal mine explosion in May 1992, killed 26 miners in Plymouth, Nova Scotia. These men are part of the rescue team. This tragedy shows the complexity of business decisions. The venture was risky, but economic concerns in an area of high unemployment were allowed to outweigh safety concerns—with tragic consequences.

A major force for change during the last 100 years has been the labour movement. Unions and the labour movement have addressed serious issues: dangerous working conditions, lack of pensions or compensation for injured workers, child labour, low pay, and long hours.

A company's ethics and values are part of its corporate culture and its code of behaviour. Corporate culture has an impact on the company's goals and policies and how it implements them. The culture also determines how the company treats its employees and customers.

Some goals of socially responsible businesses and citizens are

- to end discrimination of women and minorities in terms of hiring, promotion, salaries, and firing
- to halt the production and sale of weapons and land mines.
- to practice sustainable development and not to allow short-term economic considerations to replace longer-term, more socially responsible considerations (see Figure 2-21)
- to end white-collar crime (usually thefts by employees), which has become more complicated in the age of Internet finance
- to ensure that the Canadian marketplace remains fair and competitive by outlawing price fixing and bid rigging (secret agreements among competitors to control prices)
- to eliminate from the global market place dangerous drugs produced by pharmaceutical companies

## Check Your Understanding

### Knowledge/Understanding

- 1 Match up the chapter topics on growth in Canadian business in Column 1 with the examples in Column 2 and explain why you have chosen your matches.

#### Growth in Canadian Business

1. the use of technology in manufacturing
2. home-based business
3. concern for the environment
4. the use of information technology
5. business ethics and social responsibility
6. the service sector
7. small business

#### Examples

- a. a caterer who specializes in weddings
- b. a health and safety poster campaign in the workplace
- c. a virtual online shopping mall
- d. an automotive assembly line
- e. a freelance writer
- f. a convenience store
- g. a local newspaper that uses only recycled paper

- 2 Explain, in a paragraph, how either technology advances or globalization have created opportunities for Canadian business. Exchange your paragraph with a partner and offer each other suggestions on how your explanations could be improved. Then revise your paragraph.

### Thinking/Inquiry

- 3 Prepare a collage in response to the following questions:
- a) How has consumer demand for greater environmental and social responsibility influenced business in your community?
  - b) What effect has this demand had on business growth?

### Communication

- 4 Listen to a radio or television news reports on a business issue related to one of the changes discussed in business in this section. Use a decision-making organizer to show a possible solution to the problem.

### Application

- 5 Write a short illustrated report on how one company shows social responsibility towards its employees. Use your illustrations as evidence to support your opinion.

#### Skills Appendix

decision-making

#### Skills Appendix

writing reports

# Issues Affecting Business

Technology

## Steve Jobs and Apple Computer

While you may not recognize Steve Jobs' name, you will certainly be familiar with what he is famous for. He and his partner, Steve Wozniak, revolutionized the world of personal computers, making them easier to use by developing the mouse, icons, and pop-up menus. The two Steves got Apple Computers Inc. off the ground. Steve Jobs was in charge of the advertising, marketing, and product design. Steve Wozniak was the hardware designer. He had the technical and engineering expertise. They wanted to build a user-friendly computer that anyone could use for any purpose.

They both had the ability to understand people's wants and needs in a computer, so they created the first computer with a graphical user-friendly interface that was very easy to operate. Icons, for example, allowed users to click on a tiny symbol to open a program or file. Before that, users had to type in directions using codes and patterns that were tricky to remember.

Their friendship began at Hewlett Packard when Jobs was 13 and Wozniak was 18. Jobs was still in high school when HP hired him. Later they designed video games for Atari, a computer software company.

Eight years after working at Hewlett Packard, they joined forces using Steve Jobs' garage to build the personal computer that changed computing. They called it Apple, after Steve Jobs' favourite fruit. To fund their project, both men had to sell prized possessions. Jobs sold his Volkswagen, and Wozniak sold his scientific calculator.

In 1976, Apple was the first personal computer to be mass produced. With their first sale of 50 Apple computers at \$666 each, Apple Computers Inc. was born. Apple brought com-



**Figure 2-22** While he was still in high school, Steve Jobs attended Hewlett-Packard seminars on technology. This led to his being offered a summer job at HP—at the age of 13!

puters into people's homes. Before that time, the computer had been a tool that only governments and large businesses could afford. In 1977, Jobs and Wozniak created Apple II and gave it a sleek plastic covering and the Apple logo—the apple with a bite taken out of it. The Apple II was a more general-purpose computer. It was compact and simple to use. Apple II was created for a new market—school children.

When IBM began developing and manufacturing personal computers, it quickly passed Apple Computers in sales because its operating system was the industry's standard. The IBM computers were not compatible with Apple and its products.

To compete with IBM, Steve Jobs hired John Sculley from Pepsi Cola. In 1983, Sculley became Apple Computers' president. In 1984, Apple created the Macintosh computer. Where Apple II was geared towards home and small business



**Figure 2-23** The sleek, colourful design of Apple computers has helped the company market its product as “the coolest-looking computer on the planet.”

computer use, Macintosh was geared towards the medium and large business needs of the corporate workforce. The strengths of the Macintosh lay in its user friendliness, flexibility, and adaptability for carrying out creative work. Macintosh quickly became the favourite computer for graphic designers.

However, the creation of Apple II had a down side. Jobs and Wozniak began to have problems in their partnership because they had different ideas on setting a fair price for the computer. Jobs wanted to increase the price in order to make more money, while Wozniak strongly disagreed.

Another problem arose between the two of them with the creation of Macintosh because Jobs’ concept of the Macintosh took priority over Wozniak’s Apple II. In 1985, Wozniak left Apple Computers because of the conflict and opposition within management.

Steve Jobs ended up leaving the company shortly after that because of problems with the man he had hired to be the company’s president, John Sculley. Their differences in personality grew. John Sculley felt that Steve Jobs was creating problems for the company. Eventually Steve Jobs felt that he had been robbed of his power within the company, began to doubt his future in the company, and resigned.

After leaving Apple, Steve Jobs experienced success and failure. His failure was in trying to build a company called NeTX Inc. His success was in purchasing PIXAR in 1986 from Lucasfilm Ltd. Steve Jobs incorporated it as an independent company, and it has produced some very successful digital movies such as *A Bug’s Life*, *Toy Story* and *Toy Story 2*. In 1996, three years after John Sculley resigned, Steve Jobs returned to Apple Computer. He remains a major force in the computer technology industry. He proudly carries the titles of CEO of Apple Computers Inc. and CEO of PIXAR.

## ACTIVITIES

- 1 Why did Steve Jobs and Steve Wozniak form a partnership?
- 2 What were the short- and long-term consequences of the conflicts between Jobs and Wozniak and between Jobs and Sculley?
- 3 How does the advertisement in Figure 2-23 appeal to consumers? What target audience is it aimed at?

# Chapter Review

## Points to Remember

- A sole proprietorship is owned and operated by one person who is solely responsible for all aspects of the business.
- Partnerships are owned by two or more people who share responsibility for the business.
- A corporation is a legal entity that is separate from its shareholders. Shareholders have limited liability for a corporation's debts.
- A co-operative is owned and controlled by its members who share the responsibility and benefits of the business.
- Franchises have the right to use the franchisor's business name, products, and packaging.
- To be successful today, businesses must adapt to changes in technology, information management, and globalization.
- The rate of self-employment and small business growth in Canada continues to increase. Many small businesses are home-based.
- The service sector is expanding as people hire others to do work for them.
- Consumers are insisting that businesses behave in an environmentally and socially responsible manner.

## Activities

### Knowledge/Understanding

- 1 Name one sole proprietorship, partnership, corporation, co-operative, and franchise. Explain why you think the decision was made for the specific type of ownership in each case. What benefits do the business owners and consumers gain from each type of ownership?
- 2 Tell a brief story that illustrates how a Canadian business person has taken advantage of the growing trend towards either home-based or service businesses to create a successful small business. Use the elements of a story—plot, characterization, mood, dialogue, and setting—to keep your listeners interested in your story.



**Skills**  
**Appendix**  
researching

- 3 Suggest three ways that a small Canadian corporation might be affected by the combined forces of globalization and environmental protection. Explain the reasons for your choices.

### Thinking/Inquiry

- 1 Using Internet, media, and library resources, research a co-op and report your finding on the following: the history and evolution of the business, the way that people become members of the co-op, the mission and values of the co-op, the commitment that the co-op has made to social and environmental responsibility, and the reasons why this business has or has not enjoyed success.
- 2 Sean owns and operates a successful business selling carpet-cleaning machines. Sean is an expert salesman, and his business is doing well. He earns \$250 000 in profits annually. He wants to expand his business by providing more services to his customers, but he also wants to spend more time with his young family. Al is an expert mechanic, who owns a business that provides maintenance and repairs to carpet-cleaning machines. Al's business has been suffering. He has only managed to earn \$35 000 profit annually. He can no longer make a healthy profit in his repairs business because the cost of carpet-cleaning machines has been decreasing. Many carpet cleaners are replacing their machines rather than having them repaired. Al is also an expert carpet cleaner and makes a profit selling carpet-cleaning courses to people who want to start a carpet-cleaning businesses.
  - a) Identify the benefits and drawbacks of Al and Sean forming a business partnership.
  - b) If you were to provide advice to Al and Sean, what would you suggest they consider in their partnership agreement?

**Skills**  
**Appendix**  
critical thinking

### Communication

- 1 Work with your classmates to create a list of the franchise businesses in your community. Continue to work together to develop a business letter that you will use to request a franchise kit from some of the franchisors on your list.
  - a) In small groups, examine the franchise kits and develop an oral presentation from the perspective of the franchisor. Your classmates will act as potential franchisees. Your presentation should include information on the cost of the franchise, including royalties; the

**Skills**  
**Appendix**  
oral presentations,  
writing reports

- training and support provided by the franchisor; the obligations that the franchisee has to the franchisor; the advantages and disadvantages of owning the franchise; the franchisor's marketing and advertising programs; and the potential earnings of the franchise.
- b) As you listen to the presentations of other groups, write questions you need to ask in order to evaluate each franchise opportunity.
  - c) After all the presentations have been made, identify the franchise that you would be most likely to purchase. Write a brief report explaining the reasons for your choice.
- 2 Debate the issues around the following statement: "Technology creates jobs and business opportunities." For the purpose of this debate, focus your attention on jobs and business opportunities in Canada.
  - 3 Investigate the Westray mining disaster (see Figure 2-21) and explain how both government and business failed to protect the interests of the Westray mine workers. Prepare a three-minute radio report or a multimedia presentation on the causes of the tragedy.

### Skills Appendix

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building an argument

## Application

- 1 As a class, brainstorm ideas for starting your own summer business. Then work with a partner to select one summer business that you two might start together. Develop a partnership agreement for your business. What areas did you and your partner find easy to agree upon? What areas did you find it difficult to agree upon?
- 2 Write a newspaper story about how you became a successful business owner. Describe how your business evolved through at least two types of business ownership. Include in your story information about your background and about how the company started and how it achieved success. Your newspaper article should answer the questions who, what, where, when, why, and how. It should also have a headline and an illustration.

### Skills Appendix

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working in groups

## Internet Extension

- 1 Use Internet resources to research the business and careers of the future. Which businesses and careers will likely experience growth in the future? What type of education and training will be required?