

## Five Parts of a Business

There are two things to highlight when considering what a business is at its core. One is its purpose, which will be unique for every business. We'll cover the purpose of a business in the *Purpose of a Business*. The other is its key elements, which I call "parts", which is the same for every business.

**Every business has five essential parts that are necessary for a successful operation.** Each business must embody and embrace every part thoroughly in order for it to be a strong, steady business. Some argue that there are six parts, because they argue that scalability is the last. But, for now, we're not too worried about scalability.

### Five Parts of a Business



Let's break down the five points...

Firstly, a business must provide some kind of service or product to its clients or community. This may be to teach the French language, because French is great way to bring people together and people need to be taught grammar and vocabulary and need support and encouragement to practise. The service provided may be to coach people to tackle job interviews, because many people find interviews stressful. It may be to counsel people to reduce anxiety, because some people want the support and would like a confidential space to do this with a compassionate person. **Knowing what people need and want and figuring out how you are personally going to provide them what they need or want is the first step of business.** This step is called *Value Creation*.

Secondly, people need to know that the wonderful, helpful service exists. A business needs to make itself known otherwise people won't get the support they need. If people are struggling and they don't know your service exists – they'll suffer for longer (until another business owner can hopefully scoop them up and provide for their needs and wants instead). You will be unknown and your service and skills are wasted, which doesn't help anybody. **People need to know you and your service exist.** Once

they do, you need to tell them about your service so they can make an informed decision as to whether your service is right for them and they are ready for your service. **Helping people know about you and what you provide is called *Marketing*.**

Thirdly, once people know about you and your service, **the business needs a way of giving them that service.** There must be a way to literally provide people with what they want. There must be a physical or virtual space to meet clients. There needs to be a way to organise your time and energy so that you can give them your service or product. There needs to be communication about what they will give you in return for your services. There needs to be a means to communicate. There needs to be a way for the business owner to be compensated for their time and effort, whether this is directly from the client or through another means. **The process that considers the way to provide the service to client is *Sales*.**

Fourthly, the service needs to be what the business owner said it was. If the business owner misleads the client or simply doesn't deliver the service at the standard that the client was led to expect, understandably the client will be frustrated and disappointed. **The successful business**

**tells their client exactly what they can expect from the service and delivers that service at that standard and higher.** This is *Value Delivery*.

Lastly, the business needs to have some way of earning money and profiting. The business owner must sensibly manage the business' finances, paying themselves and any team members they may have. The business, like an individual, needs money to continue to provide its service and survive. Money does not need to come directly from the person who needs or wants the service, as there are other ways of bringing money into the business so it can operate and compensate the business owner. If the business does not make a profit and provide a salary for its team, the business will fail. It must be stressed - **if a transaction involving money does not take place at some point between the business and the client, there is not a business.** Instead, they have a passion project and have done the client a favor. A business must have a business relationship with its clients that involves a monetary transaction. **This transaction must be sufficient in order to make the time and effort that is required to provide the service worthwhile for the business owner and their team.** This process is called *Financing*.

**A business must have a business owner or manager who is able to create value, market, sell, deliver a service and manage finances.**

This applies to all types of business no matter the industry or purpose.

Each five parts of a business are equally as important as the other for the business to successfully and ethically operate and survive.

We will dive deeper into each of these five areas of business in much more detail throughout this course.