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What do accountants mean by a Business Model, and how does this definition differ, if at all, from that of Teece (2010)?
Katherine Schipper, talks about business model from an accountant´s point of view, saying that the business model is the use of several transactions of goods and financial resources looking after a profit motive. In what we can conclude that the perspective of an accountant about business model is in few words, a number result.
In the anonymous (2013) “ getting a better framework; the role of the business model in financial reporting”. Explain that there is not a stated concept of what a business model is, so they finally argue that a business model depends on what the Aim of the business is, I mean it depends on the type of the industry that the business is developing in, just like if it is about real state business, or clothing industry, or even an agro industry e. t. c. but the accountants match on, that the business model is relevant to give a financial report, for several reasons: it is necessary to know about the way that a company makes money (remember that an accountant concept starts from cash issues), they mean the entire process they follow to get a profit from what they actually do in the company. The role of the business model into a financial report is an important matter of fact for investors more than for the company it self, and this is because investors need to be sure about the ways the company makes money, and how much money it makes.
So we can conclude that for accountants, the business model is the basis for a financial report that must be in concordance with four quality characteristics:
- Comparable
- Verifiable
- Timeliness
- Understandable
Frame Richardson wrote an article about business model, where he explains that the business model is in few words, “ how a firm does business” including all the process from production until sells, but other authors believe that a business model is just the way a firm delivers its products and services to customers.
“ The business model can be seen as the conceptual and architectural implementation of a business strategy and as the foundation for the implementation of business processes” by Frame Richardson.
Although the result, or the aim of a business concept is money as a profit from an entire process, or a goal to achieve, in exchange of a certain good or service, it is truth also that other way to understand the concept is not giving such importance to the money as a result, but giving more importance to the value of the product and service to satisfy necessities of customers. If entrepreneurs analyze this concept of business model from this point of view, it will be more and better quality that will represent in more money for then as the aim result they are looking for after all.
Besides, the advantage that technology gives to entrepreneurs, makes easier to everybody commercialize all kind of goods and services, creating in this way a huge world of competence between companies and independent people; what means that the final customer has more options where to pick up and decide from more quality or less price. So in this order of ideas, a business model can´t just limit it self in how to get money from a sell, but also on how to give more value to a customer or how to give a better price in exchange of a good service or a great product.
But it is good to say, that this concept from Teece, is the essential meaning or goal of the concept of a business model, but it has for sure something more formal, it is the entire process that Frame Richardson mentioned. It has to include all aspects from preliminary studies, going through communications systems, delivering issues, client support staff, competition issues and the repeating process, all going after a profit achieve, while accountants see the business model as a basis for a financial report whether it can be used to convince investors for the business or to be helpful for the company´s president to take important decisions.
Choose a listed company and describe from the Annual Report what the Business Model of the entity is?
The company I choose is (British Telecom) “ BT Group” as one of the companies with presence in countries of South America (more exactly Colombia) as part of their strategy of business.
BT Group is a communication company which its main location is the United Kingdom, where they are the leading providing of consumer voice and broad band services, but that also has presence in several countries around the world, they also provide networked IT services for some of the largest companies in the world.
Corrado Sciolla is the president of global services of BT Group in Europe and Latin America, who says that Colombia is one of their main countries for their expansion process in South America. In an interview made by Portafolio magazine in Colombia, Corrado explains that the main service they offer in latin America is the Optical fiber for Internet Issues, and that some of their big customers in such place are the Technology Minister, Ecopetrol, Sab Miller´s company and Pacific Rubiales. The main competitor in Latin America is Carlos Slim with his communication company, that is the biggest company in that industry at the point that its owner is the richest man in the world. But their strategy to beat such competition is to identify corporation customers, to help them with the improvement of technology to communicate between themselves and their customers and providers into their companies.
They are organized in four groups which are focused on the needs of their customers:
- BT global services: they satisfy customer´s needs in more than 170 countries around the world, offering communication and entertainment service.
- BT Retail: Offering more than a local service, they are organized in this section in four other small groups like: Consumer; business; Ireland; Enterprises.
- BT Wholesale: Provide voice service an data communication service, such cellphone service, internet service and television service, using network outsourcing for operators.
- Open reach: It’s a local service in United Kingdom based also in network outsourcng.
The customer they have: are divided in other three groups which are:
- UK consumers
- Large corporate and public sector customers
- Wholesale customers
Which are satisfied in their needs by their four group organization system, just described before. This means their aim is to provide a quality service to customers, so the will be glad to repeat the process whenever they need a communication service. It is just like the Teece theory which says that the of a company can´t be the
final profit (money), the aim of a company must be the value of the service or the product that is going to be delivered to the final customer.
“ We believe that we have a sustainable business model. It is built on creating and delivering value for our customers. We are conﬁdent that the model supports our aim to grow the value of the business and our strategy for doing so by investing in and focusing on our six strategic priorities.” Annual report
The BT Group is focused not only in a huge target like big companies around the world who uses BT services as an ethical provider of communication services, but also for those local clients who uses the communication services and also entertainment service such TV channels and internet (WiFi). They are secure about what they goals are, and that is why they give the same importance to each kind of customer they have, from the small one like a family in United Kingdom to an entire public minister of a country. As it was mentioned before, the Aim of this company is to offer a good service to everyone who may need it.
Other Target that BT Group is focusing on, is the petroleum companies that are expanding all over the world, such Ecopetrol and Pacific Rubiales. BT Group is implementing the technologic platform to each of these companies, including the communication systems and connectivity by optical fiber, Satellite, and broadband. They are doing these, because they can see the huge potential of this kind of industry in the world, so they can be part of that while they get profit from it without forgetting the real values they offer to humanity.
So the business model that BT Group improves is based on a network and outsourcing model that offers a guarantee of satisfy their customers needs in an effective manner of celerity, quality and good price.
I choose this British company because I think it is more likely the Teece concept, just because they are giving an enormous meaning to values in their products and services to keep clients happy and satisfied while they achieve their profit and make more popular the company´s name all over the world and most important yet, getting more popular into big companies that need to implement good technology and communication technology so they can also offer good products and services to their clients too.
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