

Forms of Business Organizations

The table below is a comparison of three different types of business structures. Each one has their own distinct advantages and disadvantages that benefit both the employer and the employee.

FORMS OF BUSINESS ORGANIZATIONS		
FORM	ADVANTAGE	DISADVANTAGES
PROPRIETORSHIP	<ul style="list-style-type: none"> • the owner is close to both his customers and workers as he is an integral part of the daily operation • he/she is the management therefore he/she has total control over the company • the owner receives all of the profits 	<ul style="list-style-type: none"> • the owner assumes all of the risks in the company • there is limited capital available for expansion or new equipment • there is only one view of running the company, the owners!
PARTNERSHIP	<ul style="list-style-type: none"> • more capital can be raised • risks of running the business are now shared • there is more of a “management perspective” within the company 	<ul style="list-style-type: none"> • profits must be shared • the liability for the owners is now unlimited • partners are known to disagree and argue and • the company will dissolve if one partner leaves
CORPORATION	<ul style="list-style-type: none"> • increased capital through the sale of shares/stocks in the company • losses are now only limited to investment • increased number of managers creating better efficiency • ownership is transferable • larger growth potential • research and development takes place • risks are shared amongst the shareholders • can own property, lend and borrow money within the law and can sue in a court of law 	<ul style="list-style-type: none"> • limited share of ownership because of stock sales and could lead to non-desirable owners • state and federal regulations are stricter • business is subject to high corporate taxes • management is removed from customers and workers losing that “personal touch” • they can be sued in a court of law, including class-action cases