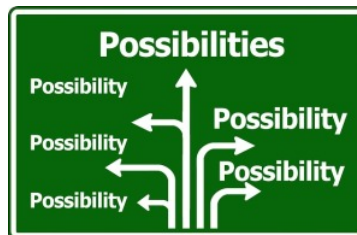


6.18: Putting It Together- Business Ownership

Synthesis



Now that you have come to the end of this module, you should understand that there is a range of possibilities for structuring, starting, and growing a business. Each choice has its advantages and disadvantages, and there is no single set of choices that will accommodate all businesses. Just knowing that there are choices to be made and a variety of possible paths is critical to the success of any business venture—large or small.

Summary

In this module you learned about the various legal forms for a business and the advantages and disadvantages of each. The following are key takeaways from this module:

Choosing an Organizational Type

Sole proprietorship, partnerships, corporations, and hybrids (LLC, LLP) are all possible options for the legal formation of a business. Each structure carries risks and rewards, costs and benefits. Which form of business ownership is best for an individual depends not only upon the nature of the business opportunity but also the level of personal exposure to risk the owner is willing to accept.

Sole Proprietorships

Sole proprietorships are the simplest and most common legal structure for a business. These businesses are owned and run by one person.

Partnerships

A partnership is a single business in which two or more people share ownership. There are two general types of partnership arrangements: general partnerships and limited partnerships.

Corporations

Although not the most *common* form of business ownership, corporations account for the majority of the *revenue* from business in the U.S. They are also the most complex type of organization to start and maintain. Types of corporations include C corporations, S corporations, and B corporations.

Hybrid Forms of Ownership

Fortunately there are options that enable the business owner to take advantage of limited personal liability and the benefits of partnership or corporate organization. These include the limited liability corporation (LLC) and limited liability partnership (LLP). Which type of ownership an owner selects will largely be determined by the size, objectives, and vision for the business.

Let's take a look at how these different forms of ownership compare to one another.

Comparing Characteristics of Business Ownership Types

Characteristic	Sole Proprietorship	Partnership	LLC	LLP	Corporation	S Corporation
Owner(s)	1 sole proprietor	2 or more partners	1 or more members	2 or more partners	1 or more shareholders	1 or more shareholders
Sole authority for decisions	Yes	No	No ^[1]	No	No ^[2]	No ^[3]

Characteristic	Sole Proprietorship	Partnership	LLC	LLP	Corporation	S Corporation
Easy setup	Yes	Yes	Yes	Yes	No	No
Minimal regulations	Yes	Yes	Yes	Yes	No	No
Single taxation	Yes	Yes	Yes	Yes	No	Yes
Easy access to expertise	No	Somewhat	Somewhat	Somewhat	Yes	Yes
Easy access to capital	No	Somewhat	Somewhat	Somewhat	Yes	Yes
Limited legal liability	No	No	Yes	Yes	Yes	Yes
Unlimited life	No	No	Possible	Possible	Yes	Yes
Easy transfer of ownership	No	No	No	No	Yes	Yes

Franchising

For aspiring business owners who do not have the time, vision, or resources to “start from scratch,” franchising is a viable alternative for business ownership. Everyone is familiar with franchises—many industries such as fast food are almost wholly comprised of franchises. As appealing as this may seem, there are still risks to franchising for both the franchisor and franchisee.

Mergers and Acquisitions

One of the quickest ways for a business to expand into other markets or products lines is either to merge or acquire/purchase another company. Although this is common in today’s business environment, there are still many complex factors to consider before deciding whether a merger or acquisition is the optimal solution.

Additional Resources

[U.S. Small Business Association \(SBA\) website](#)

1. Yes, if only one member ↵
2. Yes, if only one shareholder ↵
3. Yes, if only one shareholder ↵

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