LC Business – Ownership Structures

Sole trader

- A business that is owned and run by one person
- No formalities except registration of a business name
- Small businesses, often with family involvement

Sole trader: benefits

- Easily set up
- Few regulations
- Owner has full control and receives all profits
- Flexibility
- Privacy

Sole trader: drawbacks

- Heavy pressure and workload on owner
- Owner carries all the risks
- Shortage of capital
- Lack of expertise
- Owner has unlimited liability

Cut dotted horizontal lines. Fold vertical lines.

LC Business – Ownership Structures

Partnership

- A business run by between 2 to 20 people in order to make a profit
- No formalities except registration of business name
- Deed of Partnership may be drawn up
- At least one partner must have unlimited liability for debts

Partnership: benefits

- Easy, quick and cheap to set up
- Workload and risks are shared
- More expertise and capital available
- Subject to few regulations

Partnership: drawbacks

- Profits must be shared
- Partners have unlimited liability
- Partners may disagree
- The partnership ends if one partner dies

Cut dotted horizontal lines. Fold vertical lines.

LC Business – Ownership Structures

Private limited company

- Owned by shareholders (up to 50) through the purchase of shares
- Shareholders have limited liability
- Run by board of directors
- Decisions made at AGM, one share equals one vote
- Accounts must be audited annually

Private limited company: benefits

- Company is a separate legal entity from the owners/shareholders
- Limited liability encourages investment
- More scope to raise capital by issuing shares
- Banks more willing to lend
- Shares can be inherited when a shareholder dies

Private limited company: drawbacks

- Many formalities and costs when setting up
- Subject to many laws and regulations
- Annual returns must be sent to the Registrar of Companies
- Shares cannot be sold freely

Cut dotted horizontal lines. Fold vertical lines.

LC Business – Ownership Structures

Public limited company (PLC)

- Shares can be freely bought and sold by the public on stock exchange
- At least 7 shareholders, no maximum limits
- Highly regulated
- Annual returns, including accounts must be sent to the Registrar of Companies

PLC: benefits

- Can raise finance through issue of shares
- Shareholders have limited liability
- High-profile image and publicity
- Good credit status with banks
- Shares can be used to reward or motivate staff or as a form of payment in the takeover of another firm

PLC: drawbacks

- Company formation costs can be high
- There may be conflict between shareholders and board of directors
- Accounts and other info must be published every year
- Prone to takeover as the shares may be bought up on stock exchange

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LC Business – Ownership Structures

Co-operative societies (1)

A business that is owned and run democratically by at least seven owners who share a common interest, e.g. a producers' co-op involving farmers who all want a market for their milk. Each member has one vote regardless of shares.

Co-operative societies (2)

- Applications must be made to the Registrar of Friendly Societies to form a co-op
- Accounts and other info must be sent to Registrar of Societies each year
- Members invest different amounts
- Management committee elected by members who run the business

Co-op: benefits

- Members have limited liability
- All members have equal say in running of the business
- Co-op can expand by getting new members
- Co-ops have good credit status with banks and can borrow easily

Cut dotted horizontal lines. Fold vertical lines.

LC Business – Ownership Structures

Co-op: drawback

- Expansion limited to the number of new members the co-op can find
- Highly regulated
- Annual accounts and other info must be sent to Registrar of Friendly Societies
- Conflicts between interests of members and the management may arise
- Can be difficult to sale shares

State ownership

The government has set up a number of companies, called semi-state bodies or state-sponsored bodies, that are owned, financed and controlled by the state, e.g. Electric Ireland, RTÉ. All borrowings guaranteed by the state and the board of directors is appointed by the govt.

Strategic alliance/joint venture

- Two or more firms work together to complete a certain project or develop a product
- A separate company may be set up to carry out the venture or a legal agreement may be singed

Cut dotted horizontal lines. Fold vertical lines.

LC Business – Ownership Structures

Strategic alliance: benefits

- Firms can share costs and risks
- Smaller firms can combine to bid for larger projects
- Specialist firms can combine with other firms that have different expertise
- Marketing alliances with firms abroad: effective way to sell products to foreign markets

Strategic alliance: drawbacks

- Each firm lacks full control over project
- Serious disagreement can end the project, with loss of money for both firms

Franchises (1)

Under a franchise, a company that owns an established branded product or service allows another firm to produce and/or sell the product in return for a fee. A legal contract is drawn up between the franchiser and franchisee.

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LC Business – Ownership Structures

Franchises (2)

- Strict controls apply to how the franchise is operated
- The franchiser provides advertising and marketing support for the franchisee
- The franchisee invests capital in developing the franchise

Franchises: benefits

- Owners of the franchise can expand their business with minimal risk
- Franchiser can retain control over how the product is marketed
- Franchisee can start a new business with a proven record of success.
- Consumers benefit from high product standards in outlets worldwide

Franchises: drawbacks

- Franchisees are limited in what they can do in the business by the franchise agreement
- All units of the business affected by bad publicity
- Business may lack a personal touch with customers

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