

Strengths and weaknesses of business types

[Business](#)



Sole or single proprietorship. Under this type, the mechanics to start the business is simple. In most cases, the owner needs to have a Social Security Number and must comply with the requirements to obtain the necessary permits and licenses which vary according to the state where the entity is to be situated. Usually, a sole proprietorship evolves or develops to become partnership or even a corporation. The foremost advantage of a single proprietorship is convenience in management.

The owner does not have to consult with anyone as he or she does not have a partner/co-owner or a co-officer which are attendant to a partnership or a corporation respectively. In short, the proprietor can act at once whatever he or she deems necessary under a given situation. One weakness of a sole proprietorship is that the owner will have unlimited liability. Hence, in case of losses and the consequential delinquency in business loans, the creditors may resort to court action for the forfeiture or seizure of the business as well as the personal properties of the owner.

Partnership. There are three classes of partnership which are the general partnership, the limited partnership and the limited liability partnership. The difference lies in the liability of the individual partners, that is, whether unlimited or limited up the capital contribution of the concerned partner or limited to a certain extent as pre-determined. The advantage of partnership over a single proprietorship is that the capital structure of the former can be more extensive because the partners pool their industry and resources. Furthermore, a partnership projects a stronger status in organization. As a matter of fact, partnerships are sometimes confused with corporations.

The disadvantage of a partnership is that the drive and the spirit to exert efforts for success may be restrained because the sense of responsibility may be wanting. This is explained by the fact that the individual partner may not be challenged to earn maximum profits since the earnings are shared, either equally or proportionately. Controversy over ideas and decisions is also a drawback in partnerships; hence, actions are sometimes stalled unlike in a single proprietorship where the sole owner decides for himself alone and executes plans in swift manner. Likewise, complications may be brought about in the partnership setting due to possible lack of trust between and among the partners.

Corporation. The creation, existence and operations of a corporation are usually governed by special laws, rules and regulations enacted by the state having jurisdiction over the entity. These vary from state to state. One advantage of the corporation is that it displays an image of stability and longevity because it is an artificial being created by law with a fixed life term. Hence, the death or incapacity of any stockholder does not affect the corporation. Another advantage of the corporation is that the stockholder is liable only up to the amount of his shareholdings.

The corporation is impressed with the capability of getting huge and more capital for its business operations because if its image in the stock market is marked with credibility, it can attract more investors. A corporation is disadvantaged on the matter of organization because there are stern requirements to accomplish. Another thing, ordinary stockholders cannot have direct participation in the management of a corporation because

executive powers are vested in board of directors who run the affairs and activities of the entity.

In the instant business plan, it is best to first register it as a single proprietorship since it is still in the infancy stage. One or two years later, if things turn out for the better, the entity may evolve or develop either into a partnership or a corporation. Choosing partnership or corporate organization means a relatively bigger capital and more procedural intricacies and regulatory compliance with license and permit requirements. (Disadvantages of forming a corporation. Philippine Corporation Code. [internet]).

On the other hand, incipient capital funds may not entail big money in the case of a single or sole proprietorship. It is also worthy to note that the business will be situated in one contiguous area. Being so, there will be not many complexities in managing the operations of the entity. Also, not so much time has to be spent in putting things in order to establish a sole proprietorship business venture. (Badami, Knoi. Advantages of Sole Proprietorship. Indiahowto. com. [internet]).