

BUSINESS ORGANIZATIONS



BUSINESS ORGANIZATIONS

CHAPTER CONTENTS

- ***UNITED STATES BUSINESS PROFILE***
- ***SOLE PROPRIETORSHIPS***
- ***PARTNERSHIPS***
- ***CORPORATIONS***
- ***OTHER BUSINESS ORGANIZATIONS***

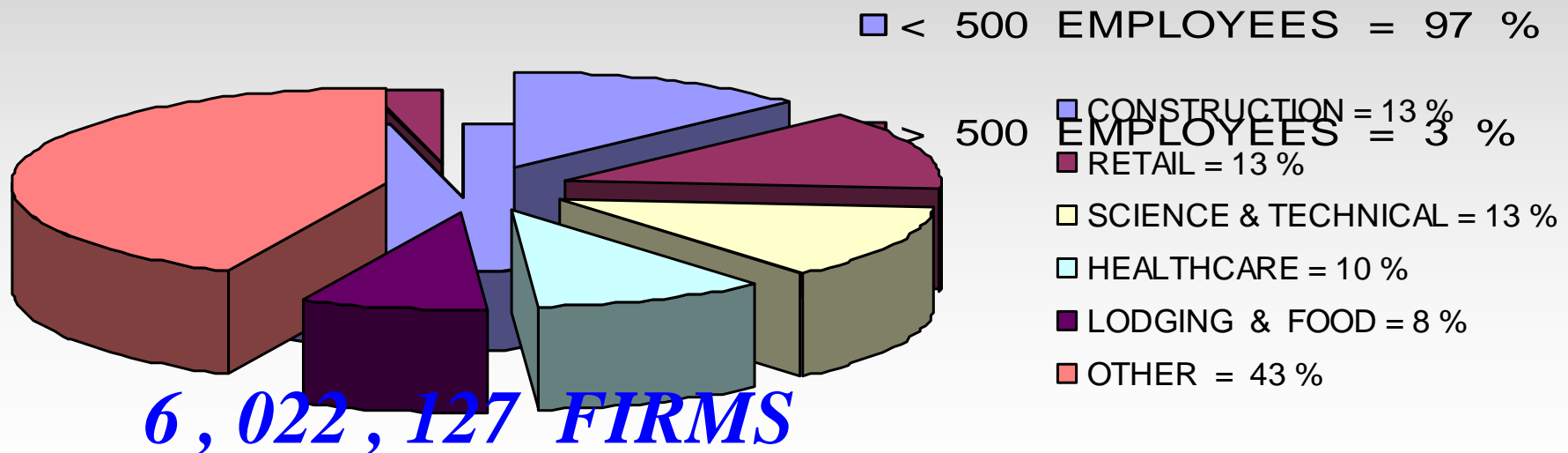


BUSINESS ORGANIZATIONS

UNITED STATES BUSINESS PROFILE > 2

KEY FACTS :

- MOST OF THE BUSINESSES ARE CONSIDERED SMALL BUSINESSES***
- WE ARE A SERVICES AND TECHNOLOGY ECONOMY***



BUSINESS ORGANIZATIONS

Demonstrable > Adjective . Capable of being shown

Synonym

Obvious

Apparent

Related

Evidence

Facts

Antonym

Hidden

The importance of oil is easily demonstrable .

- ***SUFFICIENT FINANCIAL BACKING***
- ***THE RIGHT PEOPLE***
- ***THE ABILITY TO CONTROL COSTS***



BUSINESS ORGANIZATIONS FACTORS THAT MAKE BUSINESSES SUCCESSFUL



- ***PUBLIC POLICY THAT HELPS RISK BE REASONABLY MANAGED AND PROVIDES POSITIVE INCENTIVES > EXAMPLES :***

- ***LOW TAXES***

- ***SENSIBLE REGULATION***

- ***FREE TRADE***

SOLE PROPRIETORSHIPS

***BUSINESS OWNED AND MANAGED
BY A SINGLE INDIVIDUAL***

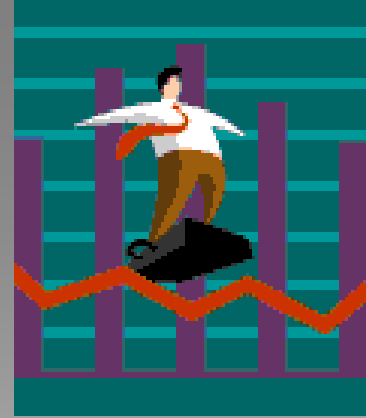


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*A SOLE PROPRIETOR IS USUALLY CONSIDERED AN **ENTREPRENEUR** - A PERSON WHO RISKS THEIR ASSETS TO MAKE A PROFIT **WHAT ARE THESE ??***

***ASSETS** - ITEMS OF VALUE TO WHICH AN INDIVIDUAL OR AN ORGANIZATION HOLDS A LEGAL CLAIM >*

EXAMPLES : CASH, TOOLS, BUILDINGS, GOODS PRODUCED, ETC.



A cartoon illustration of SpongeBob SquarePants, a yellow sponge character with large eyes, a wide smile, and a red tie. He is standing against a blue background with a pattern of white bubbles. The text is overlaid on the image.

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WHAT IS THE WORLD'S

MOST FAMOUS SOLE

PROPRIETORSHIP ??

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4 CHARACTERISTICS OF SOLE PROPRIETORSHIPS :

- OWNER EARNS ALL THE PROFITS***
- OWNER IS RESPONSIBLE FOR ALL THE DEBTS***
- THEY MAKE UP 75 % OF ALL BUSINESSES***
- PRODUCE ONLY 6 % OF ALL REVENUES***



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5 ADVANTAGES OF A SOLE PROPRIETORSHIP :

- ***EASY AND LOW COST TO START***
 - ***BUSINESS LICENSE AND NAME***
 - ***SITE PERMIT IF NEEDED***
- ***FEWER REGULATIONS ??***
- ***YOU GET TO KEEP ALL THE PROFIT***
- ***FULL MANAGEMENT CONTROL***
- ***EASY TO CLOSE THE BUSINESS***



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4 DISADVANTAGES OF A SOLE PROPRIETORSHIP :

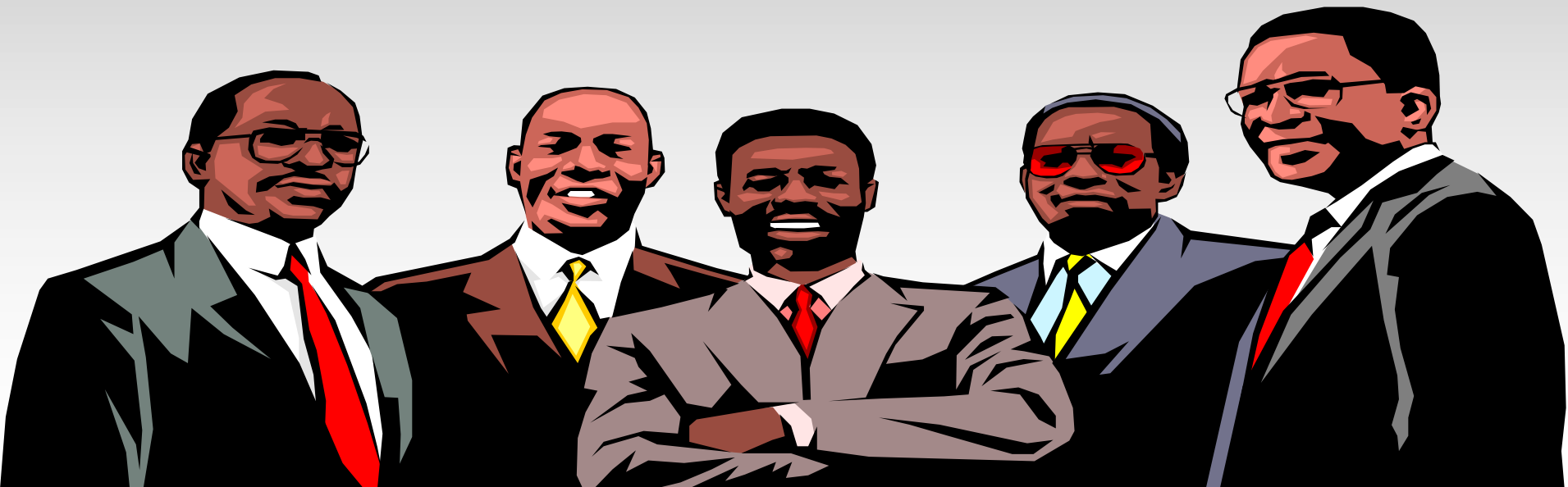
- ***UNLIMITED PERSONAL LIABILITY***
- ***USUALLY LIMITED RESOURCES TO GROW THE BUSINESS***
- ***DIFFICULTY RECRUITING AND RETAINING EMPLOYEES***
- ***PASSING ON OWNERSHIP IS SOMETIMES A PROBLEM***



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PARTNERSHIPS

***A BUSINESS ORGANIZATION OWNED BY
TWO OR MORE PERSONS WHO AGREE
ON A SPECIFIC DIVISION OF
RESPONSIBILITIES AND PROFITS***



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Liability > Noun . An obligation for which someone is responsible .

Synonym

Obligation

Related

Exposure

Antonym

Asset

A poor reputation for product quality had become a liability for the company .

PERSONAL LIABILITY - THE OTHERS JUST PUT IN \$\$



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3 TYPES OF PARTNERSHIPS :

- ***LIMITED LIABILITY - LLP*** > ALL PARTNERS ARE PARTIALLY LIABLE FOR ANOTHER PARTNER'S MISTAKES > TYPICAL EXAMPLES ARE LAW FIRMS, MEDICAL PRACTICES (MULTIPLE DOCTORS), AND ACCOUNTING FIRMS



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4 ADVANTAGES OF PARTNERSHIPS :

- ***EASY TO START***
 - ***LICENSE***
 - ***SITE PERMIT***
 - ***ARTICLES OF PARTNERSHIP - THE AGREEMENT ON RESPONSIBILITIES AND PROFITS IN WRITING***
- ***ADDITIONAL SPECIALIZED EXPERIENCE***
- ***GREATER RESOURCES / MORE ASSETS***
- ***TAX ADVANTAGES TO THE PARTNERS***



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2 DISADVANTAGES OF PARTNERSHIPS :

- UNLIMITED LIABILITY OF THE GENERAL PARTNER IF NOT AN LLP***
- POTENTIAL FOR INTERPERSONAL CONFLICT IS GREATER = DISAGREEMENTS AND BREAKUPS***



THE MOST COMMON CAUSE OF PARTNERSHIP BREAKUPS

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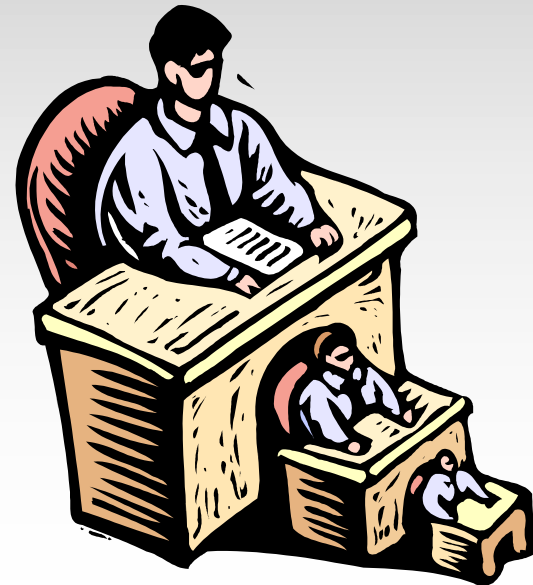
CORPORATIONS

A LEGAL ENTITY OWNED BY INDIVIDUAL STOCKHOLDERS

STOCK

A SHARE REPRESENTING A PORTION / PERCENTAGE OF OWNERSHIP IN A CORPORATION

HOW IS THE VALUE OF THE SHARE DETERMINED ?



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3 FACTORS THAT HELP DETERMINE THE VALUE OF A SHARE OF STOCK :

- ***VALUE OF THE COMPANY'S ASSETS LESS ITS DEBTS***
- ***PERCEIVED MARKET POTENTIAL > DRIVES THE DEMAND ASPECT OF DETERMINING THE VALUE***
- ***THE NUMBER OF SHARES AVAILABLE (OUTSTANDING) > DRIVES THE SUPPLY ASPECT OF DETERMINING THE VALUE***



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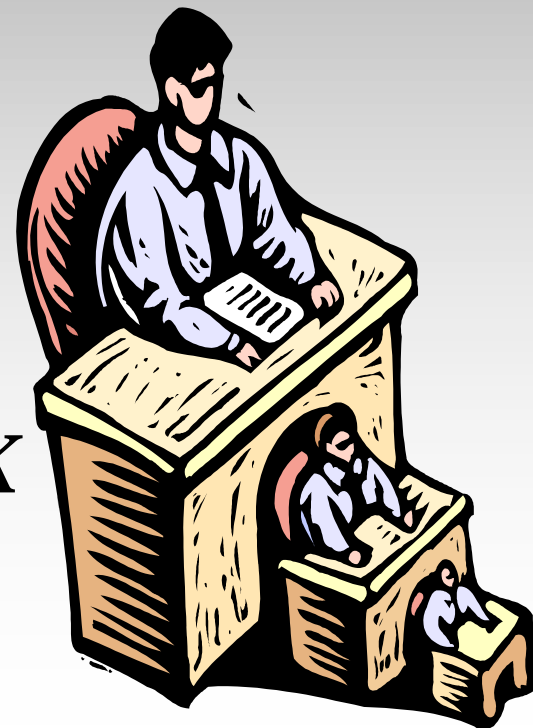
3 CHARACTERISTICS OF CORPORATIONS :

- ONLY 15 % OF ALL BUSINESSES***
- YET, 90 % OF ALL REVENUE***
- RUN BY A BOARD OF DIRECTORS WHO ARE RESPONSIBLE TO THE STOCKHOLDERS***



2 TYPES OF CORPORATIONS :

- PRIVATE (OR LLC) > STOCK SELECTIVELY SOLD TO A FEW PEOPLE > USUALLY***



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2 TYPES OF CORPORATIONS :

- ***..... FAMILY MEMBERS OR VERY BIG INVESTORS***
- ***PUBLIC*** > ***STOCK OFFERED TO THE PUBLIC AND SOLD ON THE OPEN MARKET***

4 ADVANTAGES OF CORPORATIONS :

- ***LIMITED LIABILITY FOR OWNERS***
- ***EASILY TRANSFERABLE OWNERSHIP***
- ***ABILITY TO ATTRACT FUNDING TO CREATE THE***



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4 ADVANTAGES OF CORPORATIONS :

- ***... CORPORATION OR TO GROW :***
 - ***SALE OF STOCK TO CREATE THE CORPORATION***
 - ***OBTAIN LOANS OR THE SALE OF BONDS TO EXPAND***
- ***ABILITY TO RECRUIT AND RETAIN EMPLOYEES > NOTE THE IMPORTANCE OF BENEFITS > HEALTH, PAID VACATION, AND 401 K ← WHAT IS THIS ?***



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3 DISADVANTAGES OF CORPORATIONS :

- ***MANY REGULATIONS MAKE THEM EXPENSIVE AND DIFFICULT TO START AS WELL AS MAINTAIN***
- ***FOUNDERS LOSE CONTROL AND INFLUENCE > OFTEN LEAVE WITH VALUABLE INFORMATION***



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3 DISADVANTAGES OF CORPORATIONS :

- DOUBLE / TRIPLE TAXATION > INCOME, DIVIDENDS, AND CAPITAL GAINS***



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Exclusive > Adjective . Not shared with others .

Synonym

Chosen

Sole

Related

Elect

Single

Antonym

Inclusive

Common

Their tickets gave them exclusive seating at the concert .

– TRAINING AND SUPPORT

***– STANDARDIZED PRODUCT
QUALITY***



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CORPORATIONS > SPECIAL SITUATIONS

- ***FRANCHISE - 5 ADVANTAGES :***
 - ***NATIONAL ADVERTISING***
 - ***FINANCIAL ASSISTANCE***
 - ***CENTRALIZED BUYING POWER***



OTHER SPECIAL SITUATIONS POSSIBLE FOR ALL BUSINESS STRUCTURES

MERGERS > WHEN 2 FIRMS COMBINE TO FORM A NEW FIRM > 2 TYPES :

- ***HORIZONTAL > TWO FIRMS IN THE ...***

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OTHER SPECIAL SITUATIONS POSSIBLE FOR ALL BUSINESS STRUCTURES

MERGERS > 2 TYPES :

- ***... SAME MARKET > EXAMPLE :
VERIZON / ALLTEL***
- ***VERTICAL > TWO FIRMS
IN DIFFERENT STAGES OF
THE SAME PRODUCT***



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***OTHER SPECIAL SITUATIONS POSSIBLE
FOR ALL BUSINESS STRUCTURES***

CONGLOMERATE - CREATED WHEN FIRMS
ACQUIRE OTHER COMPANIES IN RELATED
BUSINESSES (USUALLY ONLY
CORPORATIONS DO THIS) > EXAMPLE :



<http://www.ge.com>

MULTINATIONALS - COMPANIES THAT
HAVE AN OPERATING PRESENCE IN
MORE THAN ONE COUNTRY > TWO

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***OTHER SPECIAL SITUATIONS POSSIBLE
FOR ALL BUSINESS STRUCTURES***

... IMPORTANT FACTORS TO CONSIDER :

***• POSSIBLE FINANCIAL AND OPERATING
ADVANTAGES SUCH AS :***

– LOWER COST OF LABOR

– TAX INCENTIVES

– NEW MARKETS FOR EXPANSION

***• GREAT RISK IN THE EVENT OF
POLITICAL CHANGES > THEY
CAN LOSE ALL THEIR ASSETS***



BUSINESS ORGANIZATIONS

OTHER TYPES OF BUSINESS ORGANIZATIONS

- ***COOPERATIVE*** - A BUSINESS ORGANIZATION CREATED FOR THE SHARED BENEFIT OF THE MEMBERS WHO JOIN IT :
 - MEMBERS POOL MONEY TOGETHER TO HIRE MANAGERS
 - MANAGERS NEGOTIATE FOR BEST PRICES OR CONTRACT TERMS TO ACQUIRE THINGS ON BEHALF OF THE MEMBERS

BUSINESS ORGANIZATIONS

Leverage > Noun . To improve one's position , or situation , by using assets or strengths .

Synonym

Impose

Related

Lean / Push

Antonym

Avoid

He leveraged his good reputation to get the job that he wanted .

- PRODUCER - ORGANIZATIONS THAT HELP MEMBERS SELL THEIR GOODS > AGRICULTURALS AS EXAMPLES

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OTHER BUSINESS ORGANIZATIONS :



American
Red Cross

Together, we can save a life



American Medical Association

Physicians dedicated to the health of America



- ***NONPROFIT - CHARITIES SUCH AS THE RED CROSS AND SALVATION ARMY***
- ***PROFESSIONAL - SETS STANDARDS AND PROMOTES DEVELOPMENT OF A PROFESSION > AMA AND ABA***

BUSINESS ORGANIZATIONS

OTHER BUSINESS ORGANIZATIONS :

- ***BUSINESS ASSOCIATIONS*** -
***SET STANDARDS FOR
BUSINESS CONDUCT >
THE BETTER BUSINESS
BUREAU***
- ***TRADE ASSOCIATIONS*** -
***PROMOTES AN INDUSTRY >
EXAMPLE > THE CALIFORNIA
MILK ADVISORY BOARD***



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OTHER BUSINESS ORGANIZATIONS :

- ***LABOR UNIONS - AN ORGANIZED GROUP OF WORKERS WHOSE AIM IS IMPROVED WORKING CONDITIONS, WAGES, HOURS, AND BENEFITS > EXAMPLE : UNITED AUTO WORKERS***



BUSINESS ORGANIZATIONS

SUMMARY



- ***WHAT ARE THE ADVANTAGES AND DISADVANTAGES OF PARTNERSHIPS, SOLE PROPRIETORSHIPS, AND CORPORATIONS ?***
- ***WHAT ARE THE TYPES OF PARTNERSHIPS AND CORPORATIONS ?***
- ***WHAT ARE FRANCHISES AND THEIR ADVANTAGES / DISADVANTAGES ?***
- ***TYPES OF COOPERATIVES ?***

