

Business Organization in the United States

In the United States there are many business organizations. The most common form of business organizations are sole proprietorships, partnerships, and corporation.

Sole proprietorships:

In the United States the sole proprietorships is the most common form of business organization. Sole proprietorships are the business that have one person who own and manage the business, although the majority of business organizations in the United States are the sole proprietorships, which are the smallest business in size (brampton-business.com). Also they are relatively the most profitable. It is very easy to start a business like sole proprietorships and there are unlimited ways to start and exist this business. For example, you could start a sole proprietorship by going to the beach and in the summer and sell mineral water to people. Someone else might decide to buy a farm and sow seeds then harvest the crops and sell it to the market, or open a restaurant.

Economic strength:

1. It is very easy to start sole proprietorships.
2. It is very easy to manage a sole proprietorships. Decision may be made more quickly and have flexibility to change it at any time.
3. The owner may enjoy the profits without any sharing with other owner and you only pay individual income taxes you do not have to pay business income taxes (economics).
4. The sole proprietorships have the personal freedom by being their own boss. They also feel their satisfaction is worth more than a higher salary they might earn working for someone else (economics).
5. It is very easy to get of business at certain time.

Economic Weaknesses:

1. Unlimited liability, which mean the owner has the responsibility for all loses and debts of the business (learnthat.com).
2. It is very difficult to make more money and raise the finical capital. This means that the personal financial resources available to most sole proprietorships are limited (enterprisesoutheast.ca).
3. It has small and limited managerial experience. Because the owner has lack of knowledge in all types of work, he may have to hire others to do this work. Also, the owner is one person and he does not have the experience like other business organization.
4. It is very difficult to bring and attract qualified employees because the business is small and not famous.
5. Sole proprietorship is limited life and that means if the head of the organization die, retired, or sell the business, the organization itself will be endanger or end (enterprisesoutheast.ca).

Partnerships:

Partnerships are the businesses owned by more than one person. They are similar to sole proprietorships in strengths and weaknesses. There are many types of partnerships but the most common two are:

General partnership: one person is the manager and he responds for all business (brampton-business.com).

Limited partnership: at least one partner is not working in the daily running of the business (brampton-business.com).

Economic strengths:

1. It is easy to establish and manage it.
2. It can usually attract financial capital more easily than proprietorship.
3. It is always larger in size than proprietorship.
4. It can attract top talent more easily than proprietorship (economic).
5. It will have more benefit of more than one person working the business “*two or more heads better than one*”. (learnthat.com).

Economic weaknesses:

1. Each partner is fully responsible for the acts of all other partners. If one of the partners steals, does illegal work, or cause the firm to lose a huge amount of money, each partner is fully responsible for the loss.
2. It has limited life same as sole proprietorship, when a new partner join or sell the organization, the original organization legally to exist (economic).
3. It may be happen some conflicts and disagreement between partners that may lead up to separate the partners or harm the business (enterprisesoutheast.ca).

Corporations:

“Corporation is a form of business organization recognized by law as a separate legally entity having all the rights of an individual” (economic). The corporations are far more complex than sole proprietorships and partnerships. Corporations are have many partners called stockholders or shareholders who purchase stock, they become an owner in the firm. There are two types of stock, which the investor can purchase:

Common stock: “ represent basic ownership of a corporation. The owner of common stock usually receives one vote for each share of stock owned” (economic).

Preferred stock: “represent nonvoting ownership of the corporation. Owners of preferred stock receive dividends before common stockholders” (economic).

Economic strengths:

1. It is very easy to raise the financial capital. If the corporations want more money, it can sell stock to investor.
2. A corporation can attract the qualify employees and hire the best management to make the firm very successful.
3. A corporation has limited liability, which means the owners are not responsible about the firm but the corporation is fully responsible for its debts and obligations.
4. A corporation has unlimited life, which mean that business continues to exist even when ownership changes (enterprisesoutheast.ca).
5. It is very easy to transfer ownership. If a person owns stock in a corporation and he does not want to be an owner he can the stocks to another person and this person becomes an owner (tenonline.org).

Economic weaknesses:

1. It is very difficult for having permission to open corporation, there are more requires, and more paperwork and record-keeping than sole proprietorships (energiebp.com).
2. The owners have a little control or less freedom of activity on the business, and they cannot make any decision in the corporation because most investors are willing for getting dividend.
3. Taxes of corporations are more than other business organizations (enterprisesoutheast.ca).
4. It is very complicated to establish corporations because it too expensive and it will need a long time (enterprisesoutheast.ca).

To summarize, sole proprietorships, partnerships, and corporations are the most common business organizations in the United States but corporations are the most profitable organization and the most complex one.

Bibliography

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