Ownership Structures

Sole Trader

Characteristics

- One person.
- Uses money of the sole trader.

Advantages

- Easy to form.
- Don't need to publish accounts.
- Few relegations.
- Owner keeps all profits.

Disadvantages

- Unlimited liability.
- No continuity of existence.
- Hard to raise funds.
- Long working hours.

Public Limited Company (PLC)

Characteristics

- At least 7 people.
- Has articles of association and memorandum of association.
- Submit financial statements to the Register of Companies.

Advantages

- Limited liability.
- Can sell shares on stock market.
- Continuity of existence.
Disadvantages

- Lots of expenses.
- Lots of legal requirements.
- Lots of shareholders = diluted control.
- Target for takeovers.

Partnership

Characteristics

- Two or more people.
- No more than 20 people.
- Common between solicitors and doctors.

Advantages

- Shared decision making.
- Shared responsibility.
- Don't need to publish financial details.
- Easy to form.

Disadvantages

- Unlimited liability.
- Profits shared.
- No continuity if one partner dies.
- Disagreements can arise easily.

Franchising

Characteristics

A company that sells their business model to another company. They give them this in return for royalties.

Advantages

- Business is already known.
- Assistance from franchiser.
• Can buy in bulk.

**Disadvantages**

• Expensive.
• No space for innovation or creativity.
• Franchisee can’t sell the business without the franchisor’s permission.

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**Co-Operative**

**Characteristics**

• Each member has one vote.
• Mainly exist in industries.
• Must register with the Registrar of Friendly Societies.

**Advantages**

• Limited liability.
• Equal say.
• Everyone is committed.
• Good credit status.

**Disadvantages**

• Limited finance.
• Must pay the Registrar of Friendly Societies yearly.
• Expensive to form.

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**State Owned Enterprise**

**Characteristics**

• Set up and controlled by the government.
• Government provides the money.
Advantages

• Provide employment.
• Provide necessary services.
• Loans guaranteed.

Disadvantages

• Lots of money invested from government.
• Lack of knowledge.
• Lack of profit making.

Strategic Alliance

Characteristics

Two or more firms coming together for a common goal. They remain separate legal entities but share their resources and expertise.

Advantages

• Easy to form.
• Shared costs.
• Shared expertise.
• Provides access to other markets.

Disadvantages

• Disagreements are likely.
• Split control.