

WHAT TYPE OF COMPANY SHOULD WE START?



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Introduction

Starting and running your own business is one of the most common dreams that people share. The prospect of being your own boss, reaping the full rewards of your hard work or building something meaningful drives thousands of people to take the plunge each year.

In this presentation, we will introduce and provide knowledge about the types of companies, their advantages, and differences and invite you to answer questions that will help you decide.



GET TO KNOW ABOUT ENT_YOUTH PROJECT RESOURCES

- ✓ Guidelines of ENT_YOUTH
- ✓ SBPPO – ONLINE PLATFORM FOR YOUNG ENTREPRENEURS (<https://ent-youth.eu/>)
- ✓ NEW TOOLS for young entrepreneurs
- ✓ Mentoring and Coaching – guidance through ENT_YOUTH
- ✓ Extra materials and resources.

Agenda

◆ Solo proprietorship

◆ Partnership

◆ Corporation

◆ Solo proprietorship

◆ Nonprofit

◆ Limited Liability Company

◆ Franchise

◆ Online business



What company type is best for you? First answer the questions for yourself:



What is your budget?

What are your experiences?

Do you need to partner with someone?

What is your passion?

Do you know your competitors?

What are your skills and Expertise?

What lifestyle do you want?

Define your business idea

Types of company structures

Do you prefer a Local or Global focus?

What lifestyle do you want?

How much capital do you have access to?

Businesses range from one-man-bands to global corporations, all are valid and all can completely satisfy their owner's demands. The question really comes down to what you want the business to achieve for you personally.

Do you want what is known as a lifestyle business that will provide you with a good level of income until you retire?

Typical examples of these businesses are small consultancies or service providers such a website designers, management consultants, photographers, technical consultants, and so on. These businesses are capable of providing their owners with very comfortable incomes, good job satisfaction, and flexibility but they do not tend to build equity value.

Do you want a business that you can build over a long period then sell when you retire or hand over to your children?

- Examples of these business include shops, specialist manufacturing or service companies, and specialist suppliers or distributors. They are typically larger than the lifestyle business rarely attracts interest from outside investors who are looking for a quicker return or exist, but it does tend to develop assets against which finance can be secured for expansion.

Do you want a business that you can build rapidly for 5 years or so and then sell for significant return?

- This is a very different proposition and examples can be found in the novel technology, media, biomedical, and other high-growth areas of the economy. These businesses require high growth markets to give them the space to grow and tend to require large capital investments to make them work. The importance of the next few questions varies dramatically depending on your choice of business.

Don't forget to think about.....



What is your strengths and weakness?

Consider what skills, knowledge, or experience you have that could benefit running a business, and identify any areas in which you may need additional help or training. It is important to choose a business that you feel passionate about, and one that will allow you to use your strengths and talents.

Research and Business plan creation

Identify gaps in the market, understand your target audience, and analyze your competition. This will help you carve out a niche and tailor your business to meet specific needs. Consider the initial investment, ongoing expenses, and potential revenue streams. A solid business plan will be your roadmap, helping you navigate the financial landscape.

LET'S TALK ABOUT TYPES OF COMPANY...



SOLO PROPRIETORSHIP



The sole proprietorship is the simplest business structure and excellent choice for entrepreneurs that want complete control of their business. It's easy to set up, the entrepreneur makes business decisions, and all profits go to the owner.

The business owner is responsible for all aspects of the company, its finances, physical location, assets, and liabilities.

When you start a sole proprietorship, you are personally at risk for any debt your business incurs. No registration is required (apart from location-specific basics such as business permits, etc.) so getting started is quick and straightforward.

Advantages

- Easy to setup
- All profits go to the owner(s)
- Great for entrepreneurs who want complete control
- The owner is taxed as an individual on the income of the business as if he or she was employed
- Business assets are wholly owned by the proprietor

Disadvantages

- Owners are responsible for debt and legal matters
- Financial assistance is more difficult to get
- Limited growth
- Unlimited liability



PARTNERSHIP

A partnership involves two or more persons agreeing to carry on a business. Each partner is an equal owner who invests their money, time, and effort. In partnerships, each member owns a specific part of the business. The profits and responsibilities of this type of business are shared between its partners.

Ben & Jerry's is a great example of a partnership that worked out well.
Source: [Ben & Jerry's Facebook](#).



PLAN



ACTION



SOLUTION



Advantages

- Responsibilities and profits are shared between partners
- Experience and resources can be pooled
- No taxes paid by the company – that's done by partners

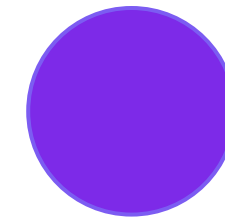
Disadvantages

- Might not be ideal for first-time business owners due to the complexity
- Can be expensive initially
- Lots of legal responsibilities, such as registration
- Disagreements among partners

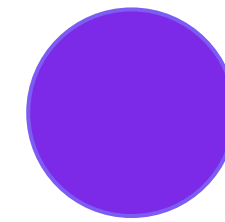


CORPORATION

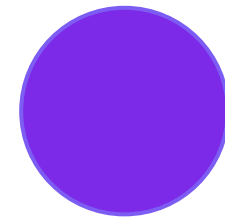
A corporation is a group of people or companies that come together to function as a single legal entity. The company is, therefore, separate from its owners. The continuance of this structure is not dependent on the exit of any of the stakeholders or directors. Investing in a corporation protects you from business risks.



This is a popular choice for major e-commerce companies such as Amazon and eBay. If you're inspired by these companies and plan to have an online store, perhaps you'll want to take the same route.



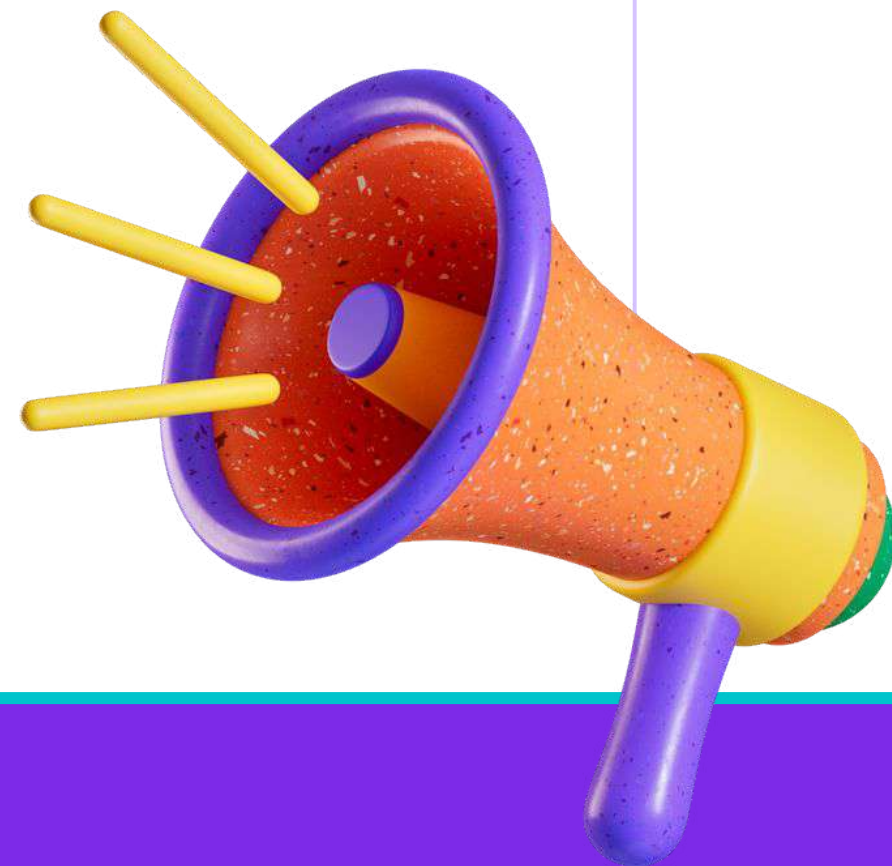
Corporations can run for many years – it won't risk getting closed down when one of the investors passes away or wishes to step away from the company. Ownership shares can be transferred to keep the company running.



There are different types of corporations, such as B corporations, S corporations, A corporations, and C corporations. The most common type is a C corporation, and this type lets the business deduct taxes in the same way as individuals.

Advantages

- Company has unlimited life ran by shareholders and directors
- Liability is limited
- Ownership shares may be transferred
- Obtaining capital is easy



Disatvantages

- Can be expensive to start
- Taxes can be applied twice
- Complicated to begin and keep running

LIMITED LIABILITY COMPANY

Limited Liability Company (LLC) is an entity created under state statutes as a legal business structure with specific regulations guiding it. This business type combines the characteristics of a corporation, sole proprietorship, and partnership. The state law enables the company to limit its potential liability to current and future shareholders. There's better protection of personal assets since liability is lower.



Starting an LLC can make it possible for owners, shareholders, and partners to limit risk to themselves. Their personal assets enjoy better protection since liability is lower.

This type of company is well-suited to first-time business owners because it isn't overly complicated to get started. The paperwork involved is less than with corporations.

Advantages

- Very easy to get started
- Can have an unlimited amount of shareholders
- Personal liability is lower
- Flexible profit distribution



Disatvantages

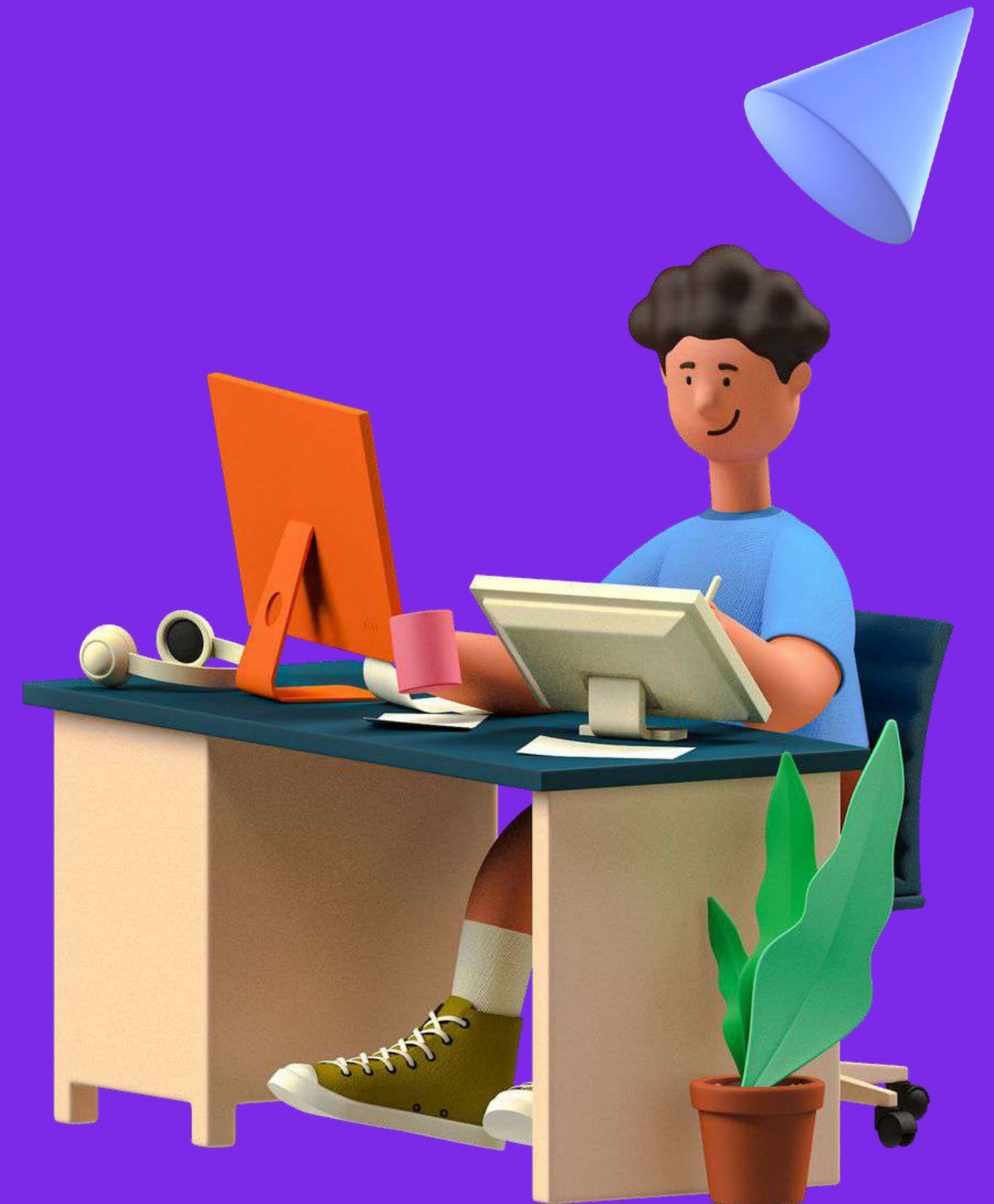
- Will likely be dissolved when a partner leaves
- Separate records must be kept at all times

NONPROFIT

A nonprofit organization is a type of organization that has been established to pursue a charitable purpose rather than to generate profits for its owners. Nonprofit organizations are typically exempt from certain types of taxes and have specific rules governing their activities and operations. This type of business requires careful planning and management as it does not generate profits for its owners.

Everything the company does is to benefit the public, so they are exempted from taxes on any profits made.

Funding for non-profit organizations can be limited and relies on the goodwill of others. This can make it challenging to keep things running.



Advantages

- Nonprofits enjoy various tax exemptions, including income, sales, and property taxes.
- Nonprofits can receive donations from individuals, corporations, and grants from foundations.
- Nonprofits often benefit from a higher level of public trust.
- The primary advantage of nonprofits is their ability to create positive social change.

Disadvantages

- Nonprofits are restricted in their revenue-generating activities
- Many nonprofits heavily depend on volunteers.
- Nonprofits are subject to public scrutiny, and any mismanagement or perceived misuse of funds can damage their reputation.
- Reliance on donations and grants can lead to financial instability.
- Nonprofits face administrative burdens, including paperwork for compliance, reporting, and maintaining tax-exempt status.



FRANCHISE

A franchise is an arrangement whereby a franchisor grants a franchisee the right to operate their business using the franchisor's name and trademarked products.

Franchises are attractive to entrepreneurs because they provide an established brand, products, and services with proven success.

However, it is important to note that franchises may require substantial startup costs and ongoing fees that can limit potential profits.

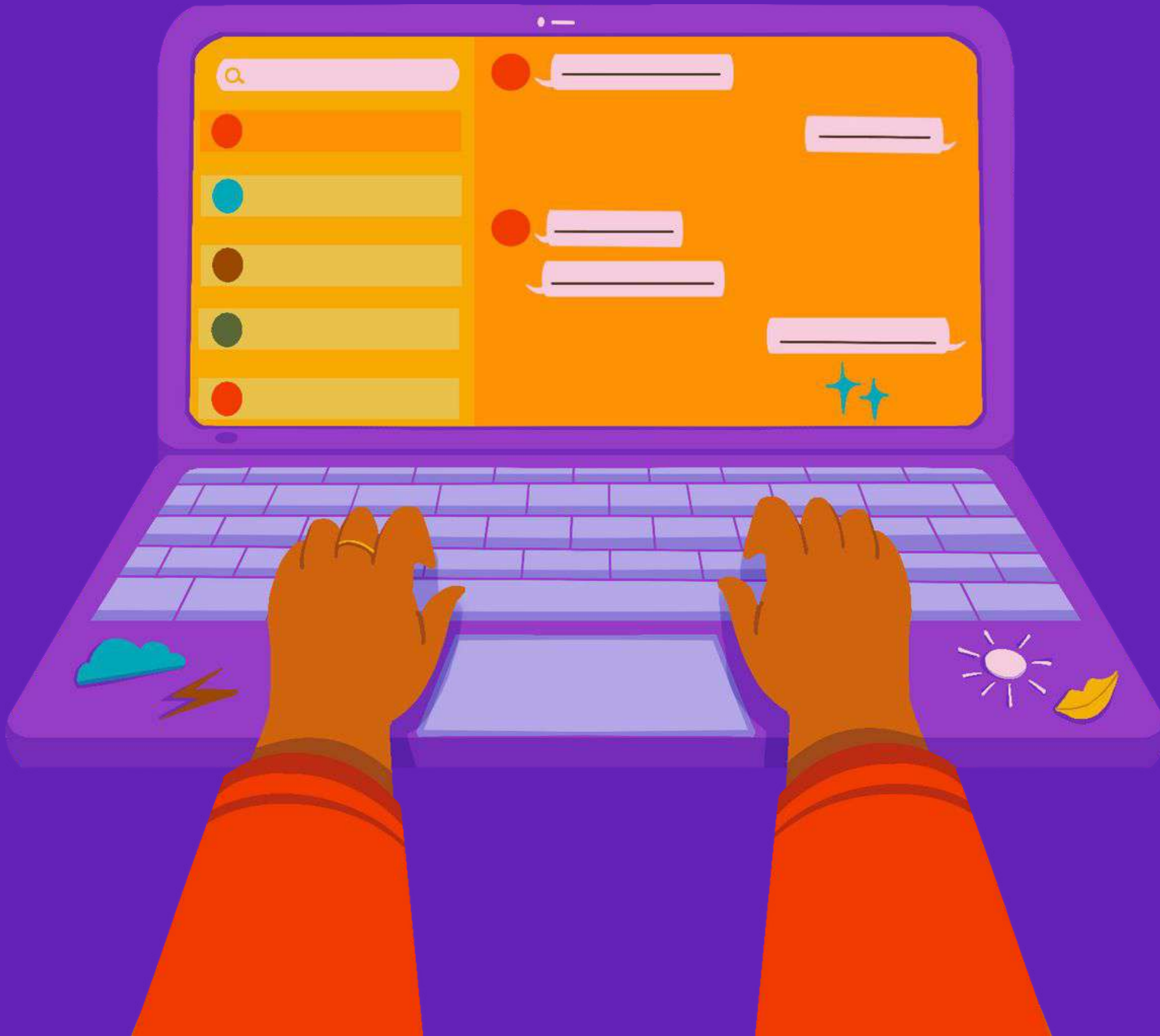
Advantages

- Franchises come with built-in brand recognition. This can attract customers more easily than starting a business from scratch.
- Franchisors provide a proven business model, including operational guidelines, marketing strategies, and support systems. This reduces the risk of failure compared to independent startups.
- Franchise owners receive training and ongoing support from the franchisor. This support can cover various aspects, from day-to-day operations to marketing and management.
- Franchisees often benefit from bulk purchasing power, making supplies and inventory more affordable.

Disadvantages

- The upfront costs of purchasing a franchise can be substantial. This includes the franchise fee, equipment, and other initial investments.
- Franchisees are required to pay ongoing royalty fees to the franchisor, typically a percentage of their revenue.
- Franchisees must adhere to the franchisor's rules and regulations. This can limit creative freedom and decision-making independence.
- The actions of one franchisee can impact the overall brand.
- Franchise agreements come with strict contractual obligations.
- Franchisees have limited flexibility in adapting to local market needs.

ONLINE BUSINESS



Online businesses are becoming increasingly popular due to their low cost and potential for high profits.

This type of business allows entrepreneurs to reach customers all over the world without ever having to leave their homes.

There are many different types of businesses you can start depending on your skills, resources, interests, and goals.

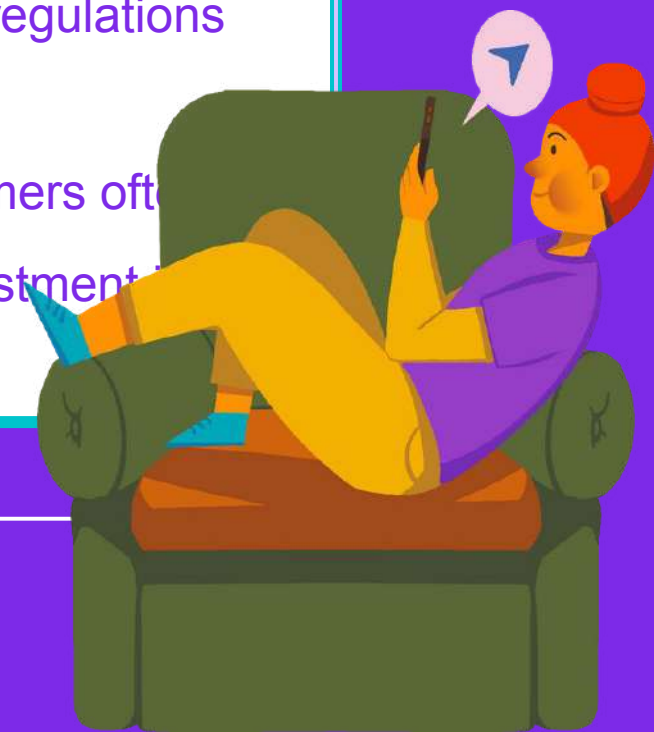
It is important to understand the different types of businesses in order to determine which one would be most suitable for you.

Advantages

- Lower startup costs – starting an online business generally requires lower initial investments compared to a traditional business since there's no need for physical premises.
- Global reach – an online business can reach customers from around the world, regardless of its physical location.
- Flexible working hours – an online business allows for flexible working hours, making it easier to fit work around your lifestyle.
- Automation – many business processes can be automated, such as customer service, inventory management, and marketing, reducing the need for daily oversight.
- Enhanced analytics – various analytical tools make it easy to track customer behavior, optimize sales, and manage marketing strategies more effectively.

Disadvantages

- High competition – the online space attracts many businesses, so competition is intense, and standing out in the market can be challenging.
- Technical issues – an online business depends heavily on technology; any technical problems or security issues can impact operations and reputation.
- Building customer trust – it's essential to invest in security, reputation, and excellent customer service, as trust is a key factor for online shoppers.
- Legal and tax requirements – Online businesses, especially those operating internationally, face various legal and tax regulations that can be complex and costly to comply with.
- Dependence on digital Marketing – Attracting customers often requires active engagement on social media or investment in SEO and PPC advertising, which can be costly and



PITCH & Mind Map PRACTICE:

Objective: youth participants explore different entrepreneurial traits and industries to find their perfect business match.

Game elements:

Trait selection: youth participants start by selecting their entrepreneurial traits (creativity, leadership, problem-solving).

Industry Exploration: players choose from a list of simplified (tech, food, arts, etc.).

Speed Pitch: players have a quick opportunity to pitch a simple business idea related to their matched industry and their traits. The others provide feedback and vote on the most compelling pitch.

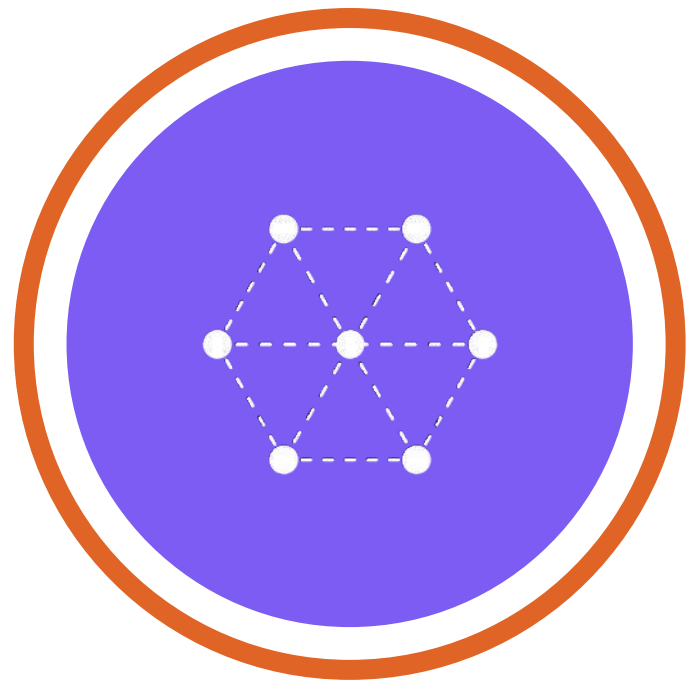
Time limit to increase creativity: 30 minutes.



"A business can be organized in one of several ways, and the form its owners choose will affect the company's and owners legal liability and income tax treatment."



The benefits of starting your own business



Financial
freedom

...



Flexibility

...



Creativity
freedom

...



Opportunity
for growth

CONCLUSION

- For young aspiring entrepreneurs, the ideal business choice involves aligning personal passion with market opportunities.
- Consider what you love and know well, explore niches with growth potential, and ensure your chosen venture allows for scalability.
- The key is to blend your interests with market demand, setting the stage for a successful and fulfilling entrepreneurial journey.



Debriefing and next steps

- Lastly, don't underestimate the importance of adaptability. The business landscape is ever-changing, so be prepared to pivot when necessary. Flexibility and a willingness to evolve can be the keys to long-term sustainability.
- In the next topic, we will talk about „Investments and grants“.



Any Question



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