

Business Ownership and Small Business Part 2

Understanding Canadian Business 7 Edition

Other Types of Corporations

Professional Corporations

- A professional corporation is a Canadian controlled private corporation engaged in providing professional services.
- Professions that can incorporate include accountants, architects, lawyers, physicians, dentists and engineers.

Other Types of Corporations

Non-Resident Corporations

- A non-resident corporation conducts business in Canada but has its head office outside Canada. Eg Foreign Airlines

Non-Profit Corporations

- A non-profit corporation is formed for charitable or socially beneficial purposes

Corporate Governance

- Refers to the process and policies that determine how an organization interacts with its stakeholders- both internal and external.
- Rules outline how the organization is to be managed by the board of directors and the officers.
- Those who serve on boards may be held personally liable for the misconduct of the organization

Corporate Expansion

- A *merger* is the result of two firms forming one company.
- An *acquisition* is one company's purchase of the property and obligations of another company

Corporate Expansion

- A Vertical Merger is the joining of two companies involved in different stages of related businesses. Eg soft drink and artificial sweetener.
- Horizontal Merger – the joining of two firms in the same industry. Eg Soft drink and water
- Conglomerate Merger – the joining of firms in completely unrelated industries. Eg soft drink and snack food

Leveraged Buyout

- An attempt by employees, management, or a group of investors to purchase an organization primarily through borrowing.

Franchising

- A franchise agreement is an arrangement whereby someone with a good idea for a business sells the rights to use the business name and sell its goods and services in a given territory.
- Franchisor – a company that develops a product concept and sells others the rights to make and sell the products

Franchising

- Franchise – the right to use a specific business name and sell its goods and services in a give territory.
- Franchisee – a person who buys a franchise.

Advantages of Franchises

1. Management and marketing assistance
2. Personal Ownership
3. Nationally recognized name
4. Financial advice and assistance
5. Lower failure rate

Disadvantages of Franchises

1. Large start-up costs
2. Shared Profit
3. Management regulation
4. Coattail effects – Failed franchises
5. Restrictions on selling
6. Fraudulent franchisors

Home-Based Franchises

- Advantages
- Relief from the stress of commuting, extra time for family activities and low overhead expenses.
- Disadvantages
- Feeling of isolation

E-commence in Franchising

- PropertyGuys.com
- Formed in Moncton, NB in 1998

Franchising in International Markets

- Yogen Fruz started by 19 years olds who wanted to buy a franchise but no one would sell it to them. 20 countries
- Couche – Tard (aka Circle K) 2000 stores in Canada , 3000 in US and 3500 in 7 countries
- Beavertails started in Ottawa in 1978, 130 stores in 7 countries

Co-operatives

- A co-operative is an organization owned by members and customers who pay an annual membership fee and share in any profits.