

1. Business Activity

1.1 enterprise and entrepreneurship

Developing a business:

Spot an opportunity - is there a gap in the market?

Develop ideas - new products or services

Satisfy the needs and wants of the customers

Characteristics of an entrepreneur:

Creative - good at coming up with new ideas

Determined - unlikely to give up on something

Risk taking - more likely to take risks to achieve their goals

Confident - they're confident in what they do and say

Risks

Rewards

- | | |
|--------------------|--------------------|
| • Financial loss | • Profit |
| • Lack of security | • Business success |
| • Business failure | • Independence |

1.2 business planning

A business plan: is a formal document which shows how a business will run

Elements of a business plan:

- The business idea
- Business aims and objectives
- Target market
- Location
- Sources of finance
- Forecast costs revenue, profits
- Marketing
- Operations
- Employment

Benefits of a business plan:

Reduces risk of failure

Share business ideas with stakeholders

Identify resources needed

Drawbacks of a business plan:

Time Consuming

Can be inaccurate/unrealistic

Can create a false sense of security

1.4 business aims and objectives

Aims are goals the business wants to achieve

Objectives are smaller targets the business wants to achieve

Startup business aims and objectives:

- **Survival** - to survive its first year
- **Break-even** - to break-even in its first year
- **Recognition** - to be recognised and develop a good reputation - finding new customers

Established business aims and objectives:

- **Profit** - to make or increase profits as much as possible
- **Market share** - increased sales compared to other competition
- **Growth** - to expand into new markets

1.5 stakeholders in business

Stakeholders: are groups of people who have an interest in a business

Internal stakeholders are people from inside the business

External stakeholders are people from outside the business

Owners (internal) - profit, survival, growth

Employees (internal) - fair wages, treated well

Customers (external) - good quality products and services, fair prices

Suppliers (external) - fair deals, prompt payments

Government (external) - tax payments

Community (external) - consideration for community needs (noise, traffic, pollution etc)

Unlimited liability: if a business has debts that it can't pay off then the owners are responsible for them e.g. sole trader and partnerships

Limited liability: means that if the business has debts then it's not the owners responsibility - they only lose the money they've invested into the business e.g. PLCs and LTDs

1.6 business growth

Organic growth: growing from inside the business -selling more products:

- **Increasing output** - investing in new machinery, workforce - increases volume and quality of products
- **Gaining new customers** - expanding into international markets
- **Developing new products** - increasing the product portfolio
- **Increasing market share** - increasing promotional activity, establishing new distribution channels

✓ pace of growth is manageable

✓ less risky

X lack of finance may limit growth

External growth is when businesses grow from outside the business:

- **Merge:** join with another existing business
- **Horizontal takeover:** buying a business in the stage of selling similar products
- **Vertical takeover:** buying a business that supplies or benefits the current business
- **Diversify:** make different product types e.g. Virgin - Virgin hotels, Virgin cars, Virgin atlantic etc

✓ greater control of the supply chain

✓ can increase brand visibility

X redundancy

1.3 business ownership

Type of ownerships	Definition	Advantages	Disadvantages
Sole Traders	Business owned by one person	Make all their own decisions Profits don't get split	Work overload Unlimited liability
Partnerships	Business owned by two or more people	More skills Shared overload	Harder to make decisions Unlimited liability
PLCs Public Limited Company	Shares are open to anyone on the stock market	Easier access to capital Limited liability	Higher costs Potential takeovers
LTDs Private Limited Company	Shares can only be accessed by invited people	Limited liability Easier access to capital	Time consuming to set up Longer to make decisions