

1.1 Being an Entrepreneur

What do I need to know?

1. What is an entrepreneur?
2. What motivates an entrepreneur?
3. What skills and characteristics are important for an entrepreneur to have?
4. How can these skills and characteristics be applied to the business world?



Skills and Characteristics

Application to the Business World

Confident

Believing ideas will become successful

Motivated

Wanting the business to do well

Determined

Not allowing difficulties to affect the business

Results-focused

Taking action with the end result in mind

Initiative

Taking action without being told

Decision-making

Make decisions quickly and under pressure

Analytical ability

Using logical reasoning

Communication

Able to communicate with a variety of stakeholders

Financial Motivator

An entrepreneur who is motivated to do well by the money they can earn.

e.g. Jahmilla is motivated to work hard so that she can earn £100,000 to buy a private jet.

Personal Motivator

An entrepreneur who is motivated through personal reasons of their own.

e.g. Anson is motivated to work hard at his new business idea so he can finally take his mum on holiday to Thailand.

Social Motivator

An entrepreneur who is motivated by helping other people.

e.g. Emre is motivated to work hard at his entrepreneurial idea because he wants to help others.

Key Words

1) Entrepreneur

Someone who is willing to put their career and financial security at risk to pursue a business idea.

2) Motivation

The reason or driving force behind an individual's behaviour or actions e.g. Miss Paras gets up at 4:00 am every morning to go to the gym because she is motivated to lose weight for her holiday to Jamaica.

3) Skills

The ability to do something well e.g. time-management

4) Characteristics

A quality that someone may have e.g. honesty

1.2 Business Aims and Objectives - Financial

What do I need to know?	Aims	Objectives
1. What are aims? 2. What are objectives? 3. What financial aims and objectives might a business have? 4. What is the difference between break even and profitability? 5. What is the difference between revenue and profit maximisation?	Aims are the bigger goals that the business wants to achieve <i>Eg. Increase revenue</i>	Objectives are the smaller steps required to meet the aim <i>Eg. promote the product using social media to create more awareness</i>

Breakeven	Profitability
This is where the business' total revenue is equal to its total costs TR = TC Formula: $\frac{\text{Fixed costs}}{\text{Selling price} - \text{variable costs}}$	Profit is the owners reward for investing in the business Profit or loss = Sales revenue – Total costs
Increasing Revenue	Profit Maximisation
Over time a business needs to increase the money they are making from sales (sales revenue). To do this they could: • Increase prices • Up-sell their products • Cross sell • Offer bundle deals • Increase marketing/advertising	A business will try to ensure they make the most possible profit from each product/service they sell

1.2 Business Aims and Objectives – Non-Financial

What do I need to know?

1. What is customer satisfaction?
2. What is business expansion?
3. What are the different ways business can expand?
4. What is employee engagement and satisfaction?
5. What is diversification in business?
6. How can a business diversify?
7. What is corporate social responsibility?

Non-financial aims/objectives	Application to the Business World
Customer satisfaction	Making customers happy so they are more likely to return and be loyal to the business
Expansion	Purchasing new premises or employing new staff
Employee engagement/satisfaction	Happy employees provide excellent customer service and work harder. Often satisfied employees stay in the business longer
Diversification	Expanding the range of products sold within the market
Ethical/corporate responsibility	Consider social and environmental factors when completing their business operations

Market segmentation / Diversification:

Reasons why businesses need to segment their market:

- Benefits they require
- Amount of money they are able/willing to pay
 - Quantity of goods they require
 - Quality of goods they require
- Time and location at which they wish to purchase the goods

CSR = Corporate social responsibility

Stakeholder	Ethical / corporate responsibility
Investors/ shareholders	To provide a good return for the money they have invested in the business
Employees/ manager	Paid a fair wage and have safe working conditions
Customers	Good quality products at a fair price
Suppliers	To purchase goods on a regular basis and pay all invoices on time
Environmental groups	Have environmentally friendly operations

1.3 Legal structures

What do I need to know?

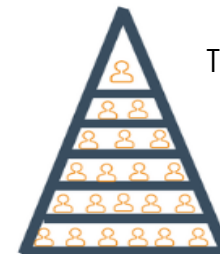
1. What is a sole trader?
2. What is a partnership?
3. What is a PLC and LTD?
4. What is a franchise?
5. What is a co-operative?
6. What are the features of a flat organisational structure?
7. What are the features of a tall organisational structure?
8. Why a business might restructure?

Public sector	Private sector
Businesses that are owned by the government – there are very few remaining Eg. Royal mail	Businesses that are owned by private individuals Eg. Sole traders, partnerships, PLCs, LTDs

Key Words

1) Hierarchy	Refers to the number of layers of authority within the organisation
2) Chain of command	The line of communication and authority within a business
3) Span of control	The number of people for which an individual or organisation is responsible
3) Delayering	When businesses remove layers of authority to allow faster and more effective communication
4) Redundancy	When the business reduces the number of workers as there is no longer any work for certain employees

Organisational structure	Definition and examples
Sole trader	A business owned and controlled by one person Eg. plumber or electrician
Partnership	A business owned and controlled by 2-20 individuals Eg. solicitor or estate agents
Public limited company	A business owned by shareholders that can be anyone Eg. Marks and Spencer
Private limited company	A business owned by shareholders who are friends and family of the entrepreneur Eg. JCB Ltd
Franchise	The franchisor grants a licence to another business so they can sell its brand or business idea Eg. McDonalds
Co-operative	A business owned by their staff, who are members of the firm Eg. Co-operative Press



Tall organisation Vs Flat organisation



1.4 Stakeholder engagement

What do I need to know?

1. What is an internal stakeholder?
2. What is an external stakeholder?
3. What are the interests of each stakeholder?

Internal stakeholder	External stakeholder?
These are stakeholders within an organisation • Owners • Managers • Employees • Workers	These are stakeholders outside of an organisation • Customers • Suppliers • Shareholders • Local community • Government • Financial providers

Businesses that engage with their stakeholders are likely to:

- Have increased staff motivation and retention
- A good reputation
- New ideas
- Increased share price

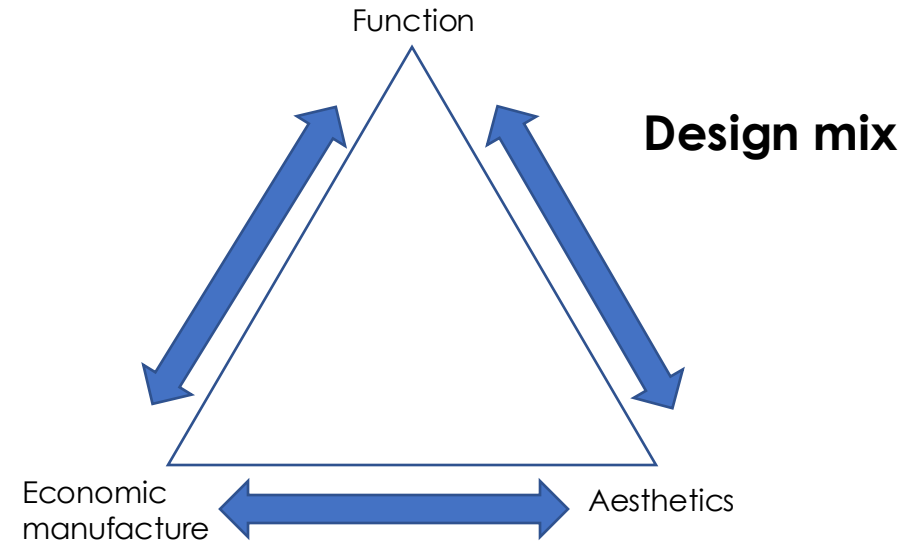
Stakeholder	Engagement
Owners	Interested in how the business is doing eg. profit and loss each year.
Shareholders	Interested in if the business is likely to continue in the future. They want to know that their share investment is safe and how much dividends they will earn.
Management	Managers require up-to-date information so they can plan for the long term future of the business.
Government	Checks compliance with legislation eg. health and safety and finance records
Employees / workers	Need to be assured of their job security. They are interested in the working conditions of the business and being paid on time.
Customers	Need to be certain the business will sell them a high quality product that gives 'value for money'
Suppliers	Need to ensure the business will pay on time and assured that the business will purchase from them in the future.
Local community	Mostly provide the employees for the organisation. Also concerned about pollution and noise.

2.1 Marketing Mix - Product

What do I need to know?

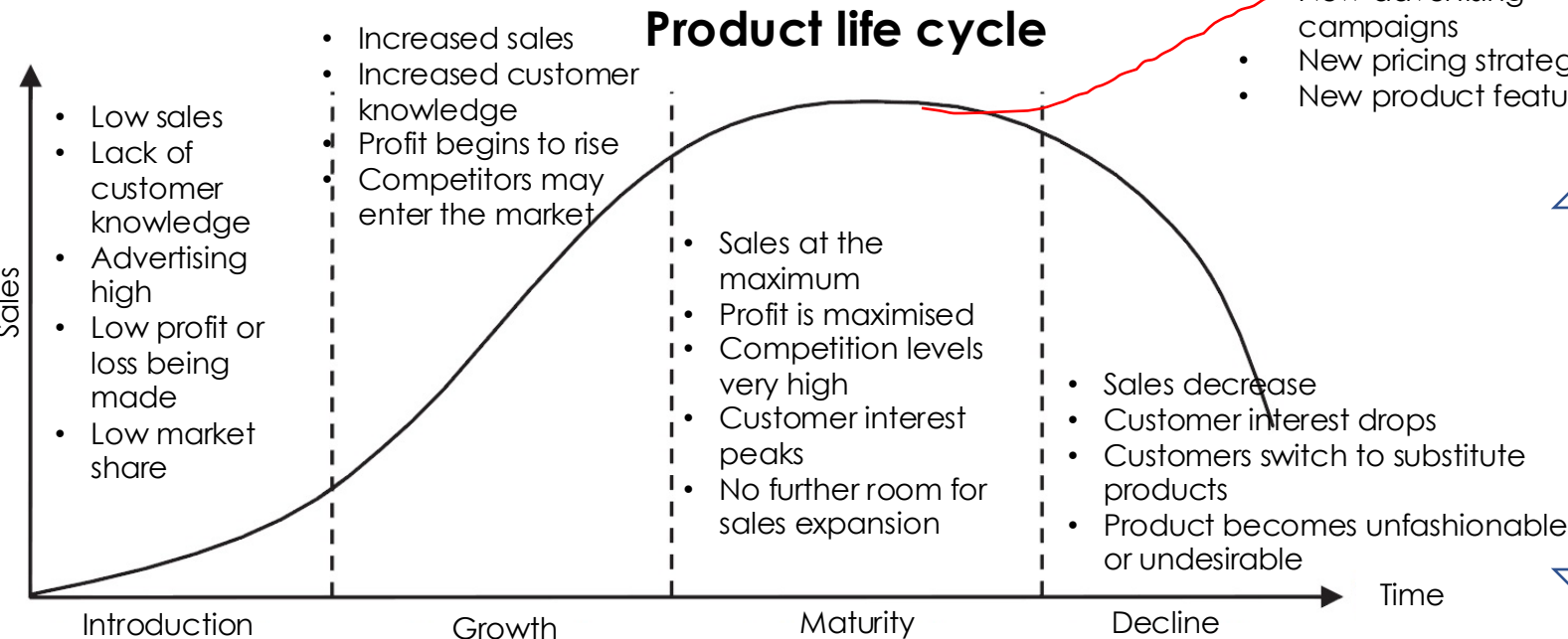
1. What is a tangible product?
2. What is an intangible product?
3. What are the features of each stage of the product life cycle?
4. What are some extension strategies?
5. What is the Boston Matrix?

Tangible	Intangible
Physical items that exist in the real world	Products that have no physical being
Eg. A car, a mobile phone, a teddy bear	Eg. Car insurance, mobile phone networks

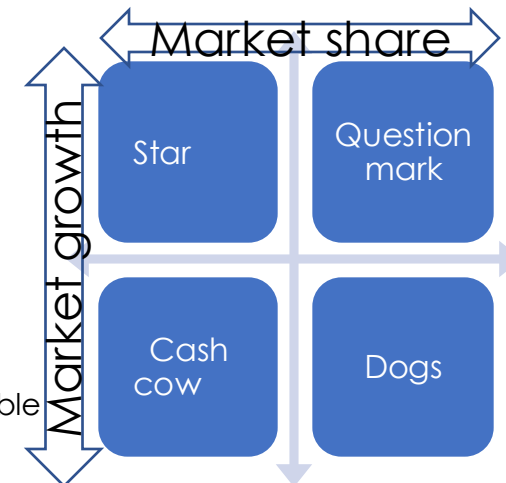


Extension:

- New advertising campaigns
- New pricing strategy
- New product features



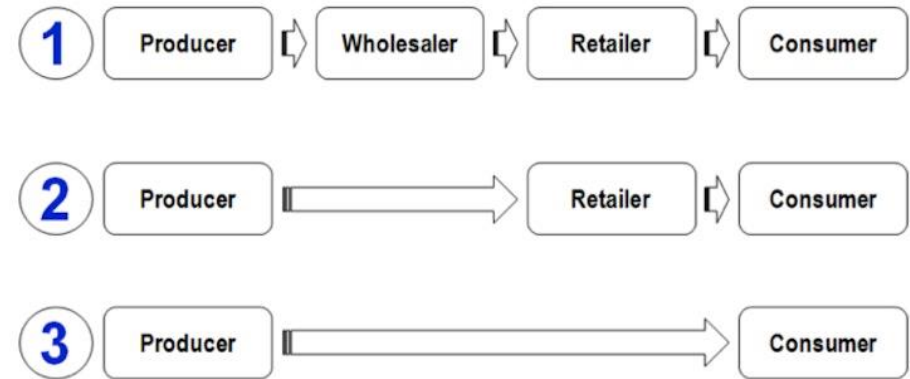
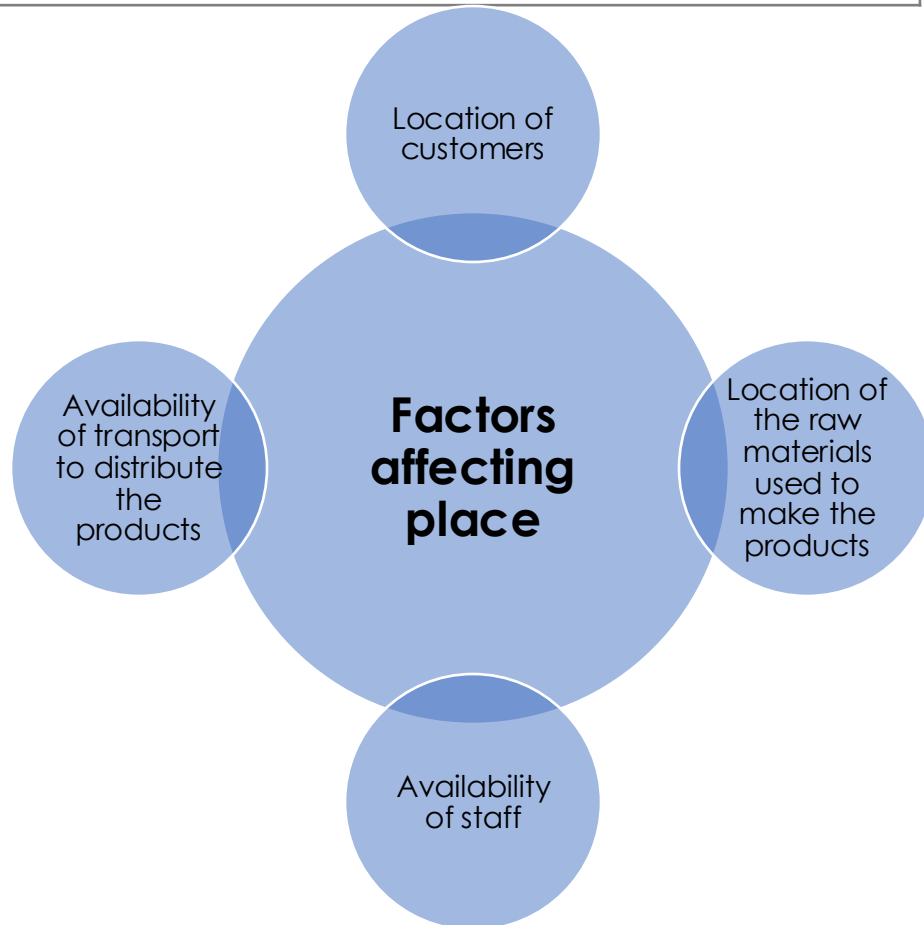
Boston Matrix



2.1 Marketing Mix - Place

What do I need to know?

1. What are the factors that affect where a product/service is sold?
2. What are the channels of distribution?
3. What are the advantages and disadvantages of using E-commerce?



E-commerce

(Selling goods through a website directly to customers)

Advantages:

- Low cost
- Quick and easy for customers
- No need to pay for the 'middle man'

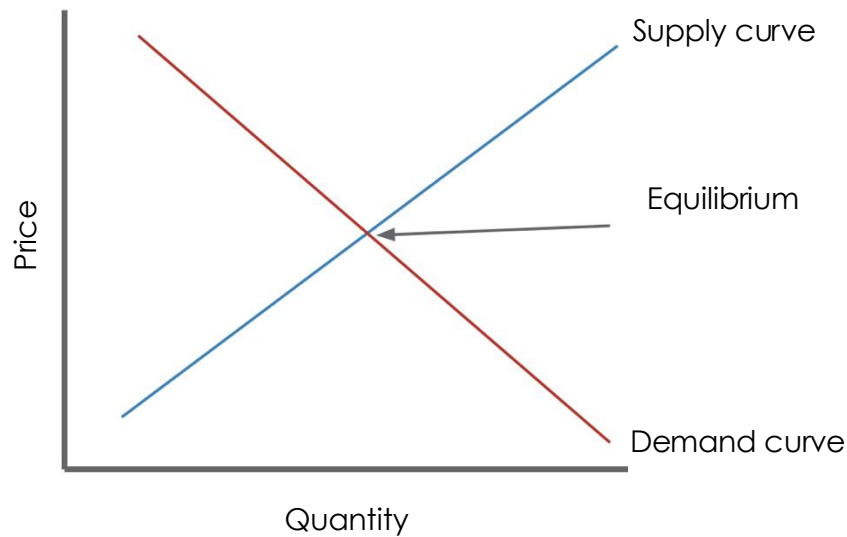
Disadvantages

- Risk the products may not be as they look online to customers
- Consumers may be concerned about giving bank details online

2.1 Marketing Mix - Price

What do I need to know?

1. What is equilibrium price?
2. What is price skimming?
3. What is price penetration?
4. What is psychological pricing?
5. What is loss leader pricing?
6. What is competitive pricing?
7. What is promotional pricing?
8. What are the advantages and disadvantages for these pricing strategies?



Pricing strategy	Price tactic
Price skimming	The business introduces the product at a high price and then gradually lowers it over time. Eg. Dyson bag less cleaner
Price penetration	The business introduces the product at a lower price than usual to attract customers. It gradually increases the price over time. Eg. selling a new flavour of crisps for cheaper
Psychological	The business sets a price that appears to be attractive to a customer. Eg. selling a holiday for £999 instead of £1000
Loss leader	The business is willing to make a loss on a product in order to get customers to purchase the product. It then increases the price once the customer likes the product.
Competitive	The business sets a price that is similar to that of a local competitor. Eg. supermarkets price matching goods.
Promotional	The business temporarily reduces the price of a product to increase interest in it.

2.1 Marketing Mix - Promotion

What do I need to know?	Ways of advertising	Advantages	Disadvantages
1. What is advertising? 2. What is sales promotion? 3. What is personal selling? 4. What is direct marketing? 5. What are promotional objectives?	Leaflets	• Cheap to produce • Targeted to customers in the local area • Easy to distribute • Easy to read and have good visual impact	• Often thrown away once read • Can be seen as junk mail and not read • They are not usually kept therefore have do not have long term impact
Promotional Objectives • Increasing consumer knowledge • Increasing market share • Communicating with customers • Encouraging purchasing • Developing customer loyalty	Social media	• Cheap and easy to distribute • Can be used to update customers about offers and new products • Access to international markets	• Less useful for targeting older people • Require daily monitoring to prevent inappropriate behaviour • Risks of negative reviews or hacking
	Newspapers	• Low cost • Can target local customers • National newspapers are more widely read than local newspapers • National newspapers have wider reach • Effective in targeting the older generation	• National newspaper advertising is very expensive • Unless the advert is in prime position, there may be competition for the readers attention • Less effective at targeting the younger generation
	Magazines	• Targeted advertisement • People tend to keep magazines, unlike leaflets • People often pass on magazines to others	• Deadlines for advertisements can be months in advance • Costs can be high • Magazines contain lots of adverts, it is possible the business' advert will be lost among them
Key terms 1) Sales promotion – Short term boost of sales 2) Personal selling – A sales person sells a product to a client face to face 3) Direct marketing – Selling products directly to the public eg. online or telephone sales	Radio	• Targeted advertisement • Can be produced quickly • Cheaper than TV adverts	• Often used as background noise • Prime slots are more expensive eg. morning • No way to save an advert so all information needs to be taken in at once

2.2 Market research and Markets

What do I need to know?	Type of research	Examples	Advantages	Disadvantages
- What is the difference between qualitative and quantitative data? - What is primary research? - What are some examples of primary research? - What is secondary research? - What are some examples of secondary research? - What is a mass market? - What is a niche market?	Primary (Field) Gathering data and information that has not been collected before	- Interviews - Observations - Questionnaires - Surveys - Focus groups - Consumer trials	- Relevant and up-to-date information - Specific to the business completing the research - Only available to the business doing the research, giving it a competitive advantage	- Costly and time-consuming - A sample size that is too small may provide biased results - Consumers are not always willing to take part
Quantitative Vs Qualitative Quantitative data is factual numerical data and qualitative is information about peoples opinions and views	Secondary (Desk) Gathering data and information that has already been collected	- Books, trade magazines, newspapers - Published company reports - Internal data - Competitors' data - Government publications and statistics - Purchased research material	- Cheaper than primary (sometimes free) - Information usually based on a wide sample - Information is readily available therefore not time consuming	- Information is available to all businesses - Not specific information - Could be out of date therefore irrelevant in current conditions
Mass Vs Niche Market Mass markets is one in which goods or services are produced in large quantities and are aimed at most of the market A niche market is one in which goods or services are produced in small quantities and aimed at a particular segment of the market	Market-orientated business Produces goods based on consumer wants and needs. It will undertake high levels of market research to find out customers' wants and needs		Product-orientated business Produces only goods that it is good at making. It has low levels of engagement with its potential customers	

3.1 Operations Management

What do I need to know?

1. What is outsourcing?
2. What is lean production?
3. How can you maintain and improve quality?
4. What is job production?
5. What is batch production?
6. What is flow production?

Job Production

One product is made at a time. Every product will be slightly different and usually made by hand/machine. The products will be expensive and time consuming to make.
Eg. Paintings, Handmade jumpers, Bespoke jewellery

Batch Production

Small quantities of identical products are made. This method uses machinery and manpower. The products tend to be relatively expensive due to the labour costs. Each batch will be slightly different.
Eg. Coloured paint, Knitting wool

Outsourcing

When businesses grow, they are often not able to complete all business tasks themselves. They need to outsource some of their operations by paying another business to do the work
eg. website design

Kaizen

A Japanese concept that focuses on gradual and continuous improvement

Just in time

Stock arrives on the production line just as it is needed. This minimizes the amount of stock that has to be stored, and so reduces storage costs

Maintaining and improving quality

1. Quality control
2. Benchmarking
3. Quality assurance
4. Total quality management (TQM)



Cell production

Divides the production process into a series of small stages. Ensures teams complete a full unit of production

Mass production

This is usually completed on a production line and involves the assembly of different components or items. It is usually completed by machine and relatively cheap to operate.
Eg. Cars, T-shirts

Continuous Flow Production

This is similar to mass production except that the production line is operated 24 hours a day, 7 days a week. This reduces the costs of stopping and starting production. Few workers are required.
Eg. Canned baked beans, Mass-produced loaves of bread

4.1 Customer service

What do I need to know?

1. What are the benefits of providing good customer service?
2. How is customer service measured?
3. What do employees need to provide excellent customer service?

Ways to measure customer service

- Customer satisfaction scores
- Repeat business data
- Levels of complaints/compliments
- Customer surveys
- Mystery shoppers
- Social media
- Online surveys
- Customer comment cards
- Comments made to staff members
- Telephone/email surveys
- Email contact forms

Employees will need

- Good communication skills
- Patience to understand customers' needs and wants
- Attention to detail – It is important that employees focus on customer requirements
- Good product knowledge
- Excellent personal presentation skills

Benefits of good customer service

- Provide word of mouth promotion
- Improve business reputation
- Encourage repeat business
- Set the business apart from its competitors
- Provide brand awareness
- Ensure customer loyalty and encourage customers to purchase from their business in the future



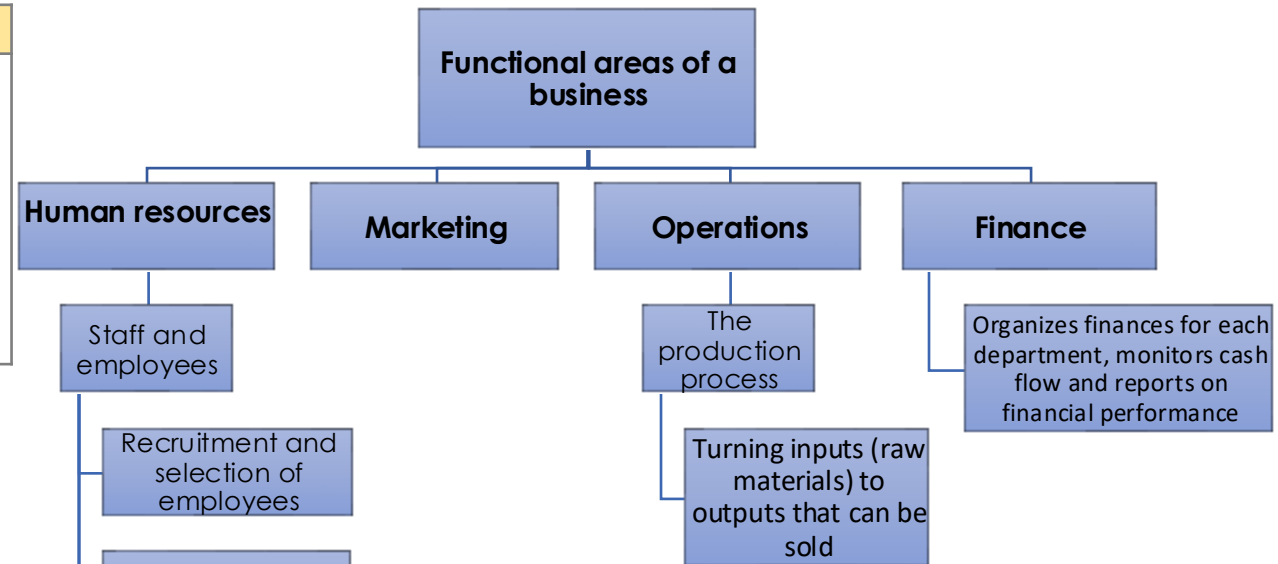
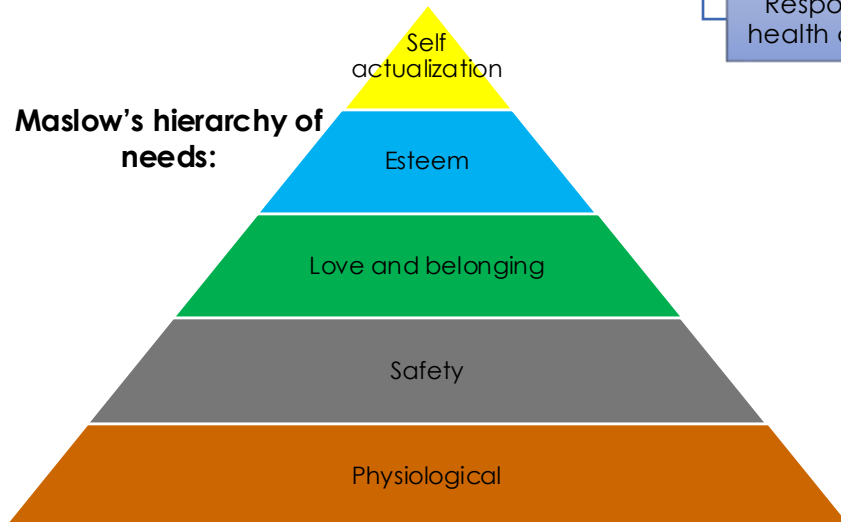
4.2 Internal influences on business

What do I need to know?

1. What are the functional areas of a business?
2. What is Maslow's motivation theory?
3. What is Mayo's motivation theory?
4. What is Herzberg's motivation theory?
5. What is the operations department responsible for??

Maslow's motivation theory

- Most our actions are governed by our needs
- We are motivated to satisfy a hierarchy of 5 sets of needs
- Each set of needs has to be fulfilled totally before the next
- By the time all needs have been catered for, the individual will be motivated by self-actualisation (development)



Herzberg's motivation theory

- Frederick Herzberg asked 200 accountants and engineers about the incidents in their jobs that gave them strong feelings of satisfaction/dissatisfaction
- Workers will not be motivated by hygiene factors but if these hygiene factors are not met then it can lead to dissatisfaction which could result in poor productivity

Mayo's motivation theory

- Mayo showed that worker productivity is influenced by far more than purely scientific factors such as tools, methods and incentives.
- Mayo conducted his Hawthorne experiments in Chicago where he experimented with working conditions eg. lighting and hours of work. The findings showed that no matter what changes, productivity increased- even when conditions were worse!
- The results showed that workers are motivated by changes to their environment due to management interest which made employees feel valued and increased team spirit

4.2 Internal challenges of growth

What do I need to know?

1. What are the challenges of growth for a business?
2. How can maintaining customer service levels challenge growth?
3. How can diseconomies of scale challenge growth?

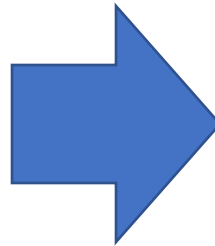
Maintaining customer service levels

To ensure business growth, a business needs to ensure that its customer service levels are consistent and maintained. If they vary from one week to the next then it is likely that customers will take their business elsewhere, with more reliable service. This will prevent business growth.

Economies of scale

As a business grows, it benefits from a reduction in average costs of production. This is called economies of scale and gives larger firms a competitive advantage over smaller firm

Purchasing	The bigger the size of orders, the lower the cost to purchase each individual competent becomes
Technical	The bigger the business, the more access they have to the latest technology and equipment
Managerial	As businesses grow, they are able to employ specialist managers. These managers know how to get the best value for each pound spent eg. in production, marketing etc which reduces the cost of output
Advertising	As firms grow, each pound spent on advertising has a greater benefit for the firm



Diseconomies of scale

- When diseconomies of scale appear, the average costs of production rise with output
 - Diseconomies of scale include problems with communication
- As a firm grows and levels of hierarchy increases, efficiency and communication can break down
- This leads to increasing inefficiency and therefore increasing average costs
- In larger firms it may be harder to co-ordinate, satisfy and motivate workers meaning they do not give their best
- As businesses grow in size, they can be increasingly harder to control

5.1 External influences

What do I need to know?	External influence	How they affect businesses
- What is GDP? - What are interest rates? - What is the living wage? - How can changes in fashions and trends affect a business? - What is the competitive environment? - How can the level of employment affect a business? - How can the availability of local skills affect a business? - What changes to legislation have affected businesses? - How can changes in VAT, income tax and corporation tax affect businesses?	GDP	This is the measure of the market value of all the goods and services produced during a period of time in a specific country or region. The figure is used for international comparisons.
	Interest rates	This is the cost of borrowing money or the benefit that is gained from saving money. Low interest rates encourage customers to buy as there is no benefit from saving. High interest rates result in customers buying fewer goods and there is more incentive to save.
	Living wage	This is the minimum amount of money that businesses must pay their employees. An increase means businesses have to pay higher wages therefore costs increase. However, it means individuals will have more money which they are likely to spend on goods and services.
	Changes in fashions and trends	A business must keep up with current trends to survive (eg. blockbuster). Businesses will also need to be able to sell off old outdated stock at a lower price.
	Changes in the competitive environment	The economy is always changing, and businesses need to be able to survive during the different climates eg. during a recession or downturn.
	Availability of skills locally	Organisations in remote areas often struggle to employ high quality staff so employees may need to be bought in from elsewhere. This can incur extra costs.
	Changes to legislation and tax rates	A business must comply with all current legislation. There are costs involved in this eg. health and safety checks, copyright etc. VAT – Changes in VAT can either increase or decrease the price of a product (an increase might affect sales) Income tax – If income tax is higher then people have less disposable income to spend in businesses Corporation tax – This is paid on company profits. If there is an increase in rates then the business has less retained profit that can be used to expand or pay shareholders.