

Impacts of Enterprise on the Economy

- **Employment Creation**
 - Employing workers into business
 - If business expands, possibly causes suppliers to employ more workers
 - More income for workers to spend; greater circulation of money in the economy
- **Economic Growth**
 - Increase in product output means a growth in Gross Domestic Product
 - Increased living standards for the population, through larger choice of products
 - Increased output and consumption leads to increased tax revenues for government
- **Firms' survival and growth**
 - Expansion leads to important businesses in the business world
 - Enhancing the customers, economies and countries needs
 - Takes place of declining businesses
- **Innovation and Technological change**
 - Dynamism added to economy through innovative businesses
 - Businesses become more competitive with more creative products and services
 - Increased use of technology in firms, helps to advance businesses and makes more higher quality products for consumers
- **Exports**
 - Through expansion abroad, businesses can bring more international competitiveness
 - Increase the value of the export market
- **Personal Development**
 - Starting and managing a business aids in developing the skills of the nation
 - Will encourage others to set up to help then further benefit the economy
 - Successful start-ups will help an individual reach self-actualisation
- **Increased Social Cohesion**
 - Unemployment leads to serious social problems
 - Enterprises bring jobs and income to achieve social cohesion
 - Enterprises provide a good example for others to follow

Industrialisation – a growing importance of the secondary sector manufacturing industries in developing countries.

Advantages	Disadvantages
Total national output (GDP) increases and this raises standards of living	The chance of work in manufacturing can encourage a huge movement of people from the countryside to the towns, which leads to housing and social problems
Increasing output of goods can result in lower imports and higher exports of such products	
Value is added to the countries' output of raw materials, rather than just exporting these as basic, unprocessed products	Imports of raw materials and components are often much needed, which can increase the country's import costs
Expanding and profitable firms will pay more tax to the government	Much of the growth of manufacturing industry is due to the expansion of multinational companies
Expanding manufacturing businesses will result in more jobs being created	

Holding Companies – a business organisation that owns and controls a number of separate businesses, but does not unite them into one unified company. They often have separate businesses in different markets altogether. The holding company has diversified interests.

Public Corporations – businesses enterprise owned and controlled by the state. They often do not have profit as a main objective.

Advantages	Disadvantages
Managed with social objectives rather than solely with profit objectives	Tendency towards inefficiency due to lack of strict profit target
Loss-making services might still be kept operating if the social benefit is great enough	Government may interfere in business decisions for political reasons
Finance raised mainly from the government	Subsidies can encourage inefficiencies

Family-owned Businesses – businesses actively owned and managed by at least two members of the same family

Advantages	Disadvantages
Commitment/dedication	Succession/Continuity problems
Reliability and pride	Informality in setting practices and procedures
Knowledge and Continuity; training provided from young age	Traditional/Lack of innovation
	Family Conflict

Stakeholders

Stakeholders – individuals or groups that have a direct interest in the activities of a business. Stakeholders can influence what a business does, and as how will be affected by the business, they will try to get the business to do what they want.

Stakeholder Theory/Concept – the view that businesses and their managers have responsibilities to a wide range of groups, not just shareholders.

Stakeholder Group	Objectives
Customers	Good prices, good quality goods, good company image
Employees	Good working conditions, good pay, job security, good corporate image
Local Community	Good employer, non-polluting, social responsibility
Management	Power, prospects, pay and perks, good corporate image
Shareholders	Good return on investment, healthy share price and dividend rate, good corporate image, max short-term profits, long-term growth
Government	Pays taxes, meets legislative requirements, provides employment
Suppliers	Good prices, stable demand, good corporate image, prompt payers, long-term growth (as to increase orders to suppliers)
Banks/Lenders	Paid back in full when repayments due, receive interest on loans
Competitors	Compete by lawful means, differentiate its products from other businesses, compare and contrast performance with other businesses

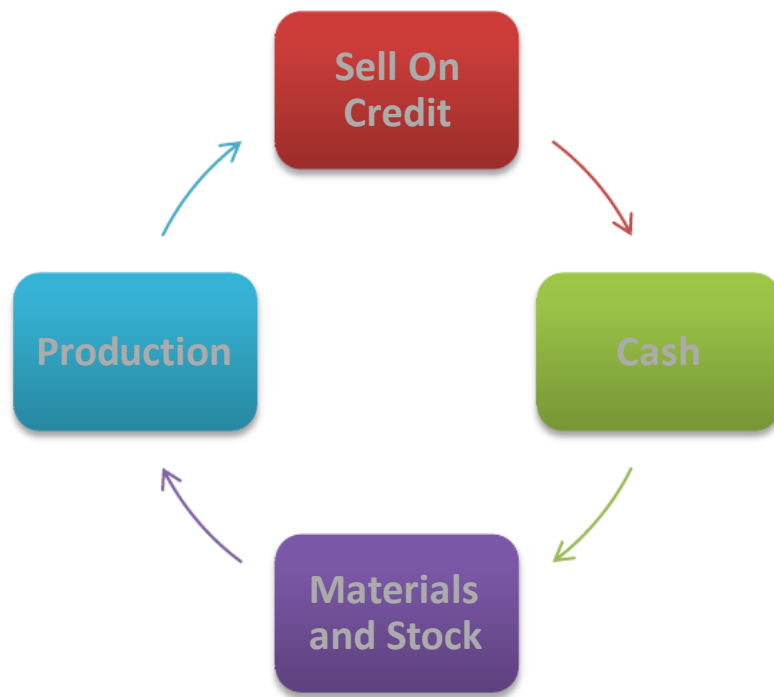
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Social Enterprises

Social Enterprise – a business with mainly social objectives that reinvests most of its profits into benefiting society rather than maximising profits. They directly produce goods or resources and use social aims and ethical ways to achieve them. They need surplus or profit to survive.

Triple Bottom Line – three main aims of Social Enterprises:

- **Social** – provide jobs or support for local, often disadvantaged communities
- **Economic** – make a profit to reinvest some of it back into the business and provide some return to owners
- **Environmental** – to protect the environment and to manage the business in an environmentally sustainable way



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Other Sources of Finance

Venture Capital – risk capital invested in business start-ups or expanding businesses that have good profit potential but do not find it easy to gain finance from other sources

Microfinance – providing financial services for poor and low-income customers who do not have access to banking services, such as loans and overdrafts offered by traditional commercial banks

Crowd Funding – the use of small amounts of capital from a large number of individuals to finance a new business venture

Factors Influencing Choices of Finance

- Use of finance
- Size of existing borrowing
- Flexibility of firm's need for finance
- Legal structure and desire to retain control
- Amount required
- Cost of debt
- Time period for which finance is required
- Existing assets of the firm

Break Even Analysis

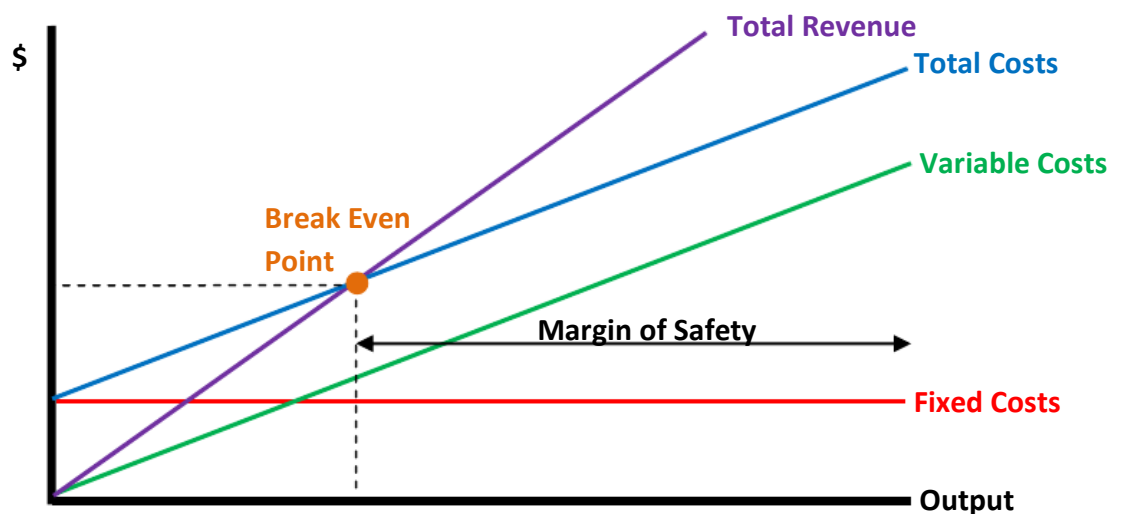
Breaking Even – the level of output where total revenue is equal to total cost

BREAKEVEN POINT OF OUTPUT = _____

Contribution – how much per unit a company's variable cost can contribute to paying the fixed costs. Once the fixed costs are covered, it can then contribute to profit

CONTRIBUTION = Selling Price – Variable Cost

Margin of Safety – the difference in terms of units of production, between the current production level and the break-even level



Advantages	Disadvantages
Charts are relatively easy to construct and interpret.	Assumption that costs and revenues are represented by straight lines is unrealistic.
Analysis provides useful guidelines to	There is no allowance made for inventory levels

Accounts/Trade Payable (Creditors) – value of debts for goods bought on credit payable to suppliers

Shareholders' Equity – total value of assets – total value of liabilities

Share Capital – the total value of capital raised from shareholders by the issue of shares

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Example Income Statement

Sales Revenue	1315860
Cost of Sales	48826

Example Balance Sheet

Non Current Assets	
Premises	889000

Sources of Primary Data

Qualitative Data – research into the in-depth motivations behind consumer buying behaviour or opinions

Quantitative Data – research that leads to numerical results that can be statistically analysed

- **Focus Groups** – a group of people who are asked about their attitude towards a product, service, advertisement or new style of packaging. Researchers will be part of this discussion and will have to keep them 'on target' as they may get off track, and they may also present a bias from them leading or influencing the decision too much.
- **Observing and Recording** – market researchers can observe how consumers behave *i.e. how many people will look at a display in their shop*, however could be distorted as people will behave differently if they know they are being watched
- **Test Marketing** – involves promoting and selling the product in a limited geographical area and then recording consumer reactions and sales figures. The region selected however, must reflect as closely as possible the social and consumer profiles of the rest of the country.
- **Consumer Surveys** – involves directly asking consumers or potential consumers for their opinions and preferences. They can obtain both qualitative and quantitative data. The four important issues for market researchers to be aware of whilst conducting surveys are: *Who to ask? What to ask? How to ask? How accurate is it?*

Sampling

Sample – the group of people taking part in a market research study selected to be representative of the overall target market. When there is a large sample, there will be more confidence in results

Random Sampling – every member of the target population has an equal chance of being selected. It is considered fair and easy to setup and represents the whole population.

Stratified Sampling – this draws a sample from a specified sub group or segment of the population and uses random sampling to select an appropriate number from each stratum. This may give more relevant information and may be more cost effective however there is a potential to miss out on whole population views with the focus of just one group

Quota Sampling – when the population has been stratified and the interviewer selects an appropriate number of respondents from each stratum. This is a cheaper method, however is not random and therefore may not be fully representative.

Questionnaire Design

Open Question – invites a wide ranging or imaginative response; very difficult to collate and present numerically

Closed Question – questions to which a limited number of pre-set answers is offered

Marketing Mix

- **Product** – methods used to improve/differentiate the product and increase sales or target sales more effectively to gain a competitive advantage *e.g.*
 - Design
 - Technology
 - Usefulness
 - Convenience
 - Quality
 - Packaging
 - Branding
 - Accessories
 - Warranty
- **Price**
 - How much will the business charge customers?
 - Is there a link with the perception of quality?
 - What pricing strategies could the firm use?
 - Importance of knowing the market and keeping an eye on rivals
- **Promotion** - Strategies to make the consumer aware of the existence of a product or service *e.g.*
 - Special offers
 - Advertising
 - User trials
 - Leaflets
 - Posters
 - Competitions
- **Place** – the means by which products and services get from producer to consumer and where they can be accessed by the consumer
 - The more places to buy the product and the easier it is made to buy it, the better for the business and the consumer
 - The further the places are the more costs the business will incur
 - *E.g.* retail stores, wholesale, mail order, internet, direct sales, multichannel

Integrated Marketing Mix

Integrated Marketing Mix – the key marketing decisions complement each other and work together to give customers a consistent message about the product

- **Customer Solution** – what the firm needs to provide to meet customer needs
- **Cost to Customer** – total cost of the product
- **Communication with Customer** – up to date and easy two way communication
- **Convenience to Customer** – providing easy access for the customer to gain the product

Customer Relationship Marketing/Management – using marketing activities to establish successful customer relationships so that existing customer loyalty can be maintained; CRM is about not necessarily gaining new customers but keeping existing ones