

The Notion of Business

Business are all around us!



What is a Business?

“an organisation that provides goods and services to customers who want or need them.

Goods

Tangible items that are made,
bought and sold



Services

Activities that other people or businesses do for you



Goods v Services

Goods

Requires a production location - factory

The output from production is stock – which can be transported and/or stored for future sale

Production costs will include the costs of raw materials and other inputs into the production process

Requires close liaison with suppliers

Quality can be built-in to the product through good design and production processes designed to ensure the right quality is achieved

Quite costly to set up. The production process needs to be in place and working before goods can be produced.

Services

The location is where the service is provided – either physically (e.g. a builder) or virtually (e.g. telesales or via a website)

Service is delivered at a point in time – it cannot be stored! A shop has to be open to sell. A hairdresser has to be there to cut hair

The main cost of a service business is the people involved

Require high levels of customer satisfaction

Quality is measured by the quality of customer service. Harder to manage

Relatively easy to start a service business, particularly using franchises, where a business format has already been established

Business needs a production process



The transformation process describes what happens **inside the business**. This is where **value is added** to inputs to create outputs

Inputs

Land



Labour



Capital



Enterprise



Examples of business inputs

Labour – employees providing their time, effort and skills

Equipment – machinery, buildings, computers

Raw materials - Physical substances used as inputs (e.g. steel, energy, ingredients)

Finance – cash needed to buy equipment, pay for employees, rent a location and pay for marketing

Enterprise – an input that is often forgotten. Think of enterprise as the creative energy and force that gets a business started and drives it forward

Outputs – the main sectors

Sector	Description	Example markets
Primary	Extraction of natural resources	Mining, farming, energy extraction
Secondary	Production of finished goods and components	Manufacturing, food processing, component assembly, raw material processing
Tertiary	Providing services to consumers and businesses	Personal services (e.g. beauticians), retailing, household franchises
Quaternary	Providing information & ICT	Software development, financial services, data processing

Entrepreneurs are everywhere!



A business can operate in more than one sector and market!

Many farms in Britain (farming = **primary sector**) also offer holiday accommodation (**tertiary sector**) and produce processed foods such as cheese and ice-cream from farm supplies (**secondary sector**).



What is Enterprise?

“The skills and abilities to take risks and create profits”

“The creation of a business to meet the needs and wants of customers!”

Why enterprise is important to the economy

- **Job creation** – over 400,000 new businesses are started each year
- Stimulates **investment** and **innovation** through risk-taking
- Entrepreneurs enable an economy to respond to changing **global** conditions
- Businesses pay substantial **taxes** and encourage **competition** in markets



What is an entrepreneur?

“A person who organizes, operates, and assumes the **risk for a business venture”**

“A person who takes the risk in starting a **new business”**

Successful entrepreneurs are

- Passionate
- Visionary
- Energetic and driven
- Self-starting and decisive
- Calculated risk-takers
- Multitaskers
- Resilient
- Focused
- Results-orientated



Will King (King of Shaves)



Sophi Tranchell (Divine Chocolate)

Reasons for starting a business

- Make a living
- Make a fortune!
- More control over working life
- Need for flexible working
- Escape an uninteresting job or career
- Pursue an interest or hobby
- Be the boss
- Satisfaction from building something
- Change in personal circumstances – e.g. redundancy, bereavement)



Downsides of being an entrepreneur

- Occasional loneliness and isolation.
- Can't blame others when things go wrong
- Financial pressure
- Strain on family and social life
- Higher stress levels
- Difficult to take a “sickie” when you work for yourself!
- Roller-coaster of emotions



Thanks for Attention!