

Checklist

Saturday, 10 February 2024 4:38 pm



B2B = business to business
B2C = business to customers
IPO = initial public offering

1.1 What is a business?

The nature of business AO1

Understanding

Define

Describe

Identify

List

Outline

State

Business is decision making organizations

A business is a decision-making organization involved in the process of using inputs to produce goods and/or services

Inputs

- Land
 - Nature resources
 - Labor
 - Human resource (skill/ability of workers)
 - Capital
 - Man-made equipment/machinery
 - Enterprise
 - Innovation/skill/risk-taking of the owners of the business.
- PROCESS - use the resources
- Marketing
 - Human
 - Operation

OUTPUT

- Good and service

Primary, secondary, tertiary and quaternary sectors AO2

Understanding

Define

Describe

Identify

List

Outline

State

Business sectors

- Business can be classified according to the stage of production they are engaged in
- These are known as sectors of an economy

PRIMARY sector

- Extraction of raw material

SECONDARY sector

- The production of raw material into finished goods

TERTIARY sector

- Providing service for generating population

QUATERNARY

- ICT business (ICT-based activities)
- Involves knowledge-based activities such as information technology, research, and development, as well as consulting services and education.

Analyse (分析)

Apply

Comment (说明)

Demonstrate (证明)

Distinguish

Explain

Suggest

Challenges and opportunities for starting up a business AO2

Understanding

Define

Describe

Identify

List

Outline

State

Entrepreneur is the group or individual who takes the risk, plans, organizes, manages a business.

Characteristic:

- Initiative
- Innovative
- Risk-taker
- Effective communicator
- Courage
- Vision
- Optimistic

Analyse

Apply

Comment

Demonstrate

Distinguish

Explain

Suggest

The challenge of the new business

- Production problem
- Poor location
- Workforce management
 - Non-suitable
- External influences
 - Legislative
 - Marketing problem
- Unstable customer base
- Lack of financial capital
- High production costs
- Cash flow problems

Opportunities of starting up a business (GETCASH)

- Growth
 - Growth of personal assets (excess than working for other)
- Earning
 - Massive potential profit (excess than working for other)
- Transference and inheritance
 - Give the business to next generation
- Challenge
 - Enjoyable challenge
- Autonomy
 - Fixed working hour (more freedom)
- Security
 - Job security as self-employed
 - Hobbies
 - Input personal passionate

1.2 Types of business entities:

Distinction between the private and the public sectors AO2

Understanding

Define

Describe

Identify

List

Outline

State

Private and public sector

Private sector (the customer has to pay the money for product)

- Organization owned and controlled by private individual and business (own by private individual)

Public sector (the customer does not have to pay the money for product)

- Organizations owned and controlled by the government
- Main aim - to provide essential goods and services.

Analyse

Apply

Comment

Demonstrate

Distinguish

Explain

Suggest

The main features of the following types of organizations: • Sole traders • Partnerships • Privately held companies • Publicly held companies AO3

Understanding

Define

Describe
Identify
List
Outline
State

Private sector: sole trader/partnership/company

Profit - based organizations

- Revenue generating business with the objectives that making profits
 - o Make profit / reward owners with profit from business / return profit to business for growth.

Sole trader

- Single owner - full control/Profit does one
- Easy set up
- Unlimited liability - all personal assets pay for business debt
- Non - inheritable - lack of continuity
- Workloads
- Lack of financial / skills access
- Limited economic scale
- Less fixed time

Partnership

- 2 or more owner(different country have different limited people)
- share resource
- Fixed time (workload)
- Unlimited liability (at least one person have to be unlimited liability)
- Profiting decision making
- Conflicts
- lack of continuity - Non inheritable

Economic scales: as a business grow larger, its average/unit costs decrease

Definition : cost advantages reaped by business when production becomes efficient.

Limited liability companies Company

- Public (PLC)
 - o Sell share to IPO
- private (LTD)
 - o Share cannot be traded publicly on the stock exchange, not share with all the shareholder agree to sell
- Both
 - o Share are sold
 - o Limited liability
 - o Good organized
- Public company are more information disclosure than private company

More shareholder, less control of company

- Advantage of limited company
 - Big finance access
 - Limited liability
 - Continuity
 - Economies of scale
 - Productivity
- Disadvantage of limited company
 - Communication problem
 - Complexities - mistakes
 - Compliance costs (high tax)
 - Disclosure of information (information shared)
 - Bureaucracy (官僚制度) business hierarchy
 - Loss of control

Stakeholder Relations: Disclosure information can also impact relationships with stakeholders positive information disclosure can enhance trust and credibility with these stakeholders, fostering stronger relationships and goodwill. Conversely, negative disclosures, such as environmental violations or unethical behavior, can damage the company's reputation and lead to loss of trust among stakeholders.

Analyse
Apply
Comment
Demonstrate
Distinguish
Explain
Suggest.

Compare
Compare and contrast
Contrast
Discuss
Evaluate
Examine
Justify
Recommend
To what extent.

The main features of the following types of for- profit social enterprises. • Private sector companies • Public sector companies • Cooperatives AG3

Understanding
Define
Describe
Identify
List
Outline
State

Analyse
Apply
Comment
Demonstrate
Distinguish
Explain
Suggest.

Compare
Compare and contrast
Contrast
Discuss
Evaluate
Examine
Justify
Recommend
To what extent.

For - profit social enterprise

- revenue generating enterprises but with social motive (social benefits)

Aim - make profit, use profit benefit society

Private sector for - profit social enterprises

- Similar way to traditional profit business
- aim to make surplus(profit) instead of donation
- Produce goods and service (can compete with other business)
- Use triple bottom line (profit, people, planet) as an accounting framework for ethical business practices.

Triple bottom line: profit, people, planet - the frame work for the ethical business

Public sector for - profit social enterprises

- Operate in a commercial way
- Help to raise government revenue to provide essential service to society

- Cooperative - similar to club
- Owned by members
- Aim to create value for member by operating in a socially responsible way
- All employees have a vote to contributing to decision
- Any profits earned are shared between their members.

Advantages:

- incentive to work - they have more power so they are more willing to come to work
- Decision - making power
- Social benefit
- Public support

Disadvantage

- Disincentive effects
- Limited source of finance
- Slower decision making
- Limited promotional opportunities

Inequality Among Members: In some cases, inequalities may emerge among cooperative members, such as differences in skills, resources, or contributions. If these inequalities are not addressed or mitigated, they can lead to resentment, conflict, and a sense of unfairness among members, undermining the cooperative's cohesion and effectiveness.

Free riding - In a cooperative, members share resources, responsibilities, and benefits. However, some members may seek to benefit from the cooperative without contributing their fair share of effort or resources. This behavior can reduce motivation among other members who feel they are unfairly carrying the burden.

The main features of the following type of non- profit social enterprise. • Non-governmental organizations (NGOs) AG3

Understanding
Define
Describe
Identify
List
Outline
State

Analyse
Apply
Comment
Demonstrate
Distinguish
Explain
Suggest.

Compare
Compare and contrast
Contrast
Discuss
Evaluate
Examine
Justify
Recommend
To what extent.

NGO eg: UNICEF provide needs ...to children

- **NGOs**
- private sector
- provide goods and / or services normally expected from the public sector (these goods / services may be underprovided by government)

1.3 Business objectives

Vision statement and mission statementAG2

Understanding
Define
Describe
Identify
List
Outline
State

Analyse
Apply
Comment
Demonstrate
Distinguish
Explain
Suggest.

Hierarchy of objectives



Objectives provide business with a target direction of future

Vision

- Out line aspirations in the future
- Very long term

Mission statement

- Purpose of business existence
 - o Core value
- Medium long term
- Clearly defined and realistically achievable

Vision (less realistic)/Mission (more realistic)

Vision: aspirational, long term focus, infrequent update, does not specify actual target to achieve, about "some day in future"

Mission: **Declaration of purpose, defines the value of the business**, time period, update frequently, more concrete and specific in targets it wants to achieve, each and every day in present

Common business objectives including growth, profit, protecting shareholder value and ethical objectives A03

Understanding

Define

Describe

Identify

List

Outline

State

Analyse

Apply

Comment

Demonstrate

Distinguish

Explain

Suggest

Growth, profit, protecting shareholder value, ethical objectives

Object - goal of business

Object importance: to help business improve eg. decision making, measure and control, motivate...

Object have to be SMART and set in line with organization mission statement

Specific, measurable, achievable, realistic, time limited

Growth - increases sales, revenue / market share

- Help to adapt changes, compete
- Fall leads to less competitive, threaten the firm's sustainability

Profitability (profit maximization)

- Profit maximization

Protecting shareholder value (earning profitable return for shareholders) - ensure the owner personal benefit and balance the earn from the other shareholders, also help the shareholder retain the control of the business

- However, business have to balance short term profits with an investment in the long term value of the company.
- No legal obligation to pay dividend to shareholders

Ethical

- Treat of stakeholders/environment
- The reaches of the business to morally correct way.

Advantage of ethical business practices

Improved corporate image

Increased customer loyalty

Cost-cutting

Improved staff morale and motivation

Disadvantage of ethical business practices

Compliance costs

Lower profits

Stakeholder conflict

The subjective nature of business ethics

Strategic and tactical objectives A03

Understanding

Define

Describe

Identify

List

Outline

State

Analyse

Apply

Comment

Demonstrate

Distinguish

Explain

Suggest

Compare

Compare and contrast

Contrast

Discuss

Evaluate

Examine

Justify

Recommend

To what extent.

Strategies - plan of action to achieve the objectives

- Medium to longterm
- Expressed specifically
- Once the strategy are fulfilled, the business are able to reach its objectives

Tactics

- Short term and frequently generate
- Use to establish the strategy
- Once the tactics are fulfilled, the strategy are able to perform

Corporate social responsibility (CSR) A03

Understanding

Define

Describe

Identify

List

Outline

State

Analyse

Apply

Comment

Demonstrate

Distinguish

Explain

Suggest

Compare

Compare and contrast

Contrast

Discuss

Evaluate

Examine

Justify

Recommend

To what extent.

CSR

Corporate social responsibility (not the objective)

- The thoughtful consideration of ethical and environmental behave relate to business activity

- CSR policies and practices need regular review in order to adapt to evolving attitudes and expectations of different market/countries

- This CSR practices can provide firms with competitive advantage and long term sustainability (customer feel satisfied with the product, so that they are likely recognition form the customer and build up the loyal customer)

- Example of CSR
 - o Provide accurate product labelling
 - o Be conscious of impact to the environment
 - o Adhere to fair employment practices
 - o Contribute to communities via volunteer or charitable work

Enhanced Reputation: Engaging in CSR initiatives can improve a company's reputation among consumers, investors, employees, and other stakeholders. Positive public perception can lead to increased customer loyalty, improved brand image, and a competitive advantage in the market.

Stakeholder Engagement: CSR fosters stronger relationships with stakeholders such as employees, customers, suppliers, communities, and investors. Engaging with these groups and addressing their concerns builds trust and loyalty over time, which can lead to long-term partnerships and support for the business.

1.4 Stakeholders

Internal and external stakeholders A02

Understanding

Define

Describe

Identify

List

Outline

State

Analyse

Apply

Comment

Demonstrate

Distinguish

Explain

Suggest

Conflict between stakeholders A02

Understanding

Define

Describe

Identify

List

Outline

State

Analyse

Apply

Comment

Demonstrate

Distinguish

Explain

Suggest

Stakeholders is any individual, group or organization with direct interest in business and affect business which affect the activity and performance of the business.

Internal stakeholder - the individual or group of people interest in business that stay as the member of the organization.

- They could interest in job security, financial benefits, long term financial health.

External stakeholders - the individual or group of people interest in business and affect business that is not part of the business

- Eg. customer, suppliers

1.5 Growth and evolution

Internal and external economies and diseconomies of scale A02

Understanding

Define

Describe

Identify

List

Outline

State

Analyse

Apply

Comment

Enhanced Trust and Confidence: When stakeholders, including customers, employees, investors, suppliers, and the community, perceive that their interests are being addressed and their needs are being met, they are more likely to trust the business. Trust is a fundamental element of reputation, and satisfied stakeholders are more likely to speak positively about the company, recommend its products or services, and maintain long-term relationships.

Positive Word-of-Mouth: Satisfied stakeholders are more inclined to spread positive word-of-mouth about the business, its products, and its practices. This can lead to increased brand awareness, improved customer perception, and ultimately, a stronger reputation in the marketplace.

Demonstrate
Distinguish
Explain
Suggest.

Internal economies and diseconomies of scale

- Economies of scale is when average costs of production decrease as the organization increases the size of its operations.
- Diseconomies of scale is when an organization becomes too large, causing productive inefficiencies that result in an increase in average costs of production.
- Economies vs. diseconomies of scale



Internal economies of scale

- Economies of scale that occur inside business
- Internal economies scale - the benefit of cost Within the business control

- Type of internal economies of scale - this is due to the increase the productivity and reduce the average cost
 - Technical economies - equipment and machinery
 - Able to mass produce their goods, and the fixed cost of their equipment and machinery are spread over the huge scale of output
 - Financial economies - borrow money
 - Borrow large sum of money at lower rate of interest because they are seen as less risky to financiers - result in the reduction of the costs of borrowing finance
 - Managerial economies - larger business able to have more specialized and skilled management team, the firm can be benefit from this better operation due to good management, and the productivity increase, the cost are spread out in huge output, and average cost decrease
 - Specialisation economies - divide workload through the workforce - by using the specialist labour to increase the output meanwhile the input are the same - leads to the lower average costs
 - Marketing economies - promoting and selling
 - High cost of advertising can also be spread by large output
 - Purchasing economies - buying resource
 - Discount are usually provide to the massive buying
 - Risk bearing economies
 - Unfavorable trading product are likely offset by favorable trading product

Internal diseconomies of scale

- Lack of control and coordination
 - Power working relationship
 - Lower productive efficiency from outsourcing
 - Bureaucracy
 - complacency
- loss of control, rely on the other business - they do not have good management - quality of the things provide, and timeline of output - leads to the decrease of output.

External economies of scale

- Things outside business control
- Type of external economies of scale

- Technological progress - technology innovation increase productivity
 - Improved transportation networks - globalized transportation, input product raw material that is manufacture in lower cost in other country, lower costs of transferring
 - Abundance of skilled labour - certain location may benefit from reputable education and training facilities
 - Regional specialisation - certain location or countries have establish reputation for a product
- External diseconomies of scale
 - Higher rents
 - Local market conditions for pay and financial rewards
 - Traffic congestion - delay supply
 - Contest specific problem

The difference between internal and external growthAO2

Understanding

Define
Describe
Identify
List
Outline
State

Analyse

Apply
Comment
Demonstrate
Distinguish
Explain
Suggest.

Internal growth - business growth by using its own tool and resource
External growth - through dealing with outside organizations.

Methods of internal growth



Advantages of internal growth

- Better control and coordination
- Relatively inexpensive
- Maintains corporate culture
- Generally, less risky

Disadvantage of internal growth

- Diseconomies of scale (demotivation of the employee as distance are too long), does not increase the market share
- Restructuring of the form of ownership may be needed
- May lead to dilution of control and ownership
- Slower method of growth

Advantage and disadvantage of external growth

- Advantage:
 - Quicker than organic growth
 - Reduced competition
 - Economies of scale (increase the market share, risk diversification)
 - Spreading of risks
- Disadvantage:
 - More expensive than internal growth
 - Greater risks
 - Regulatory barriers
 - Potential diseconomies of scale
 - Organisational culture clash

Reasons for businesses to grow AO3

Understanding

Define
Describe
Identify
List
Outline
State

Analyse

Apply
Comment
Demonstrate
Distinguish
Explain
Suggest.

Compare

Compare and contrast

Contrast

Discuss

Evaluate

Examine

Justify

Recommend

To what extent.

Measuring the size of a business

- The size of a business can be measured in several way

- Market share
- Total sale revenue
- Size of workforce
- Profit
- Capital employed (total amount of equity invest in the business)

Generic benefits of being a large business

Economies of scale

Lower price

Brand recognition

Brand reputation

Value-added services

Greater choice - diverse product line and more financial resource to invest and develop more opportunities - this could also happen in small business (but usually, larger business have more access to finance)

Customer loyalty - they are more reliable as they have broad recognition

Reasons for businesses to stay small AO3

Understanding

Define

Describe

Identify

List

Outline

State

Analyse

Apply

Comment

Demonstrate

Distinguish

Explain

Suggest.

Compare

Compare and contrast

Contrast

Discuss

Evaluate

Examine

Justify

Recommend

To what extent.

Reason for business to stay small
Generic benefit of being a small business

- Cost control
- More control
- Financial risks
- Government aid
- Local monopoly power
- Personalized services
- Flexibility
- Small market size

External growth methods: • Mergers and acquisitions (M&As) • Takeovers • Joint ventures • Strategic alliances • Franchising (A3)

Understanding

Define

Describe

Identify

List

Outline

State

Analyse

Apply

Comment

Demonstrate

Distinguish

Explain

Suggest

Compare

Contrast

Discuss

Evaluate

Examine

Justify

Recommend

To what extent.

Takeovers

Joint venture (JV)

Strategic alliances (SAs)

Franchising

Franchisee

Franchisor

Franchise fee

Franchise agreement

Franchise disclosure document

Franchise offering circular

Franchise prospectus

Franchise solicitor

Franchise lawyer

Franchise broker

Franchise agent

Franchise representative

Franchise consultant

Franchise advisor

Franchise mentor

Franchise coach

Franchise trainer

Franchise supervisor

Franchise manager

Franchise director

Franchise executive

Franchise officer

Franchise clerk

Franchise assistant

Franchise intern

Franchise trainee

Franchise apprentice

Franchise journeyman

Franchise master

Franchise master craftsman

Franchise master technician

Franchise master mechanic

Franchise master electrician

Franchise master plumber

Franchise master carpenter

Franchise master painter

Franchise master roofer

Franchise master landscaper

Franchise master gardener

Franchise master florist

Franchise master baker

Franchise master chef

Franchise master sommelier

Franchise master bartender

Franchise master server

Franchise master waiter

Franchise master waitress

Franchise master host

Franchise master hostess

Franchise master greeter

Franchise master usher

Franchise master attendant

Franchise master cleaner

Franchise master janitor

Franchise master maintenance worker

Franchise master repairman

Franchise master technician

Franchise master mechanic

Franchise master electrician

Franchise master plumber

Franchise master carpenter

Franchise master painter

Franchise master roofer

Franchise master landscaper

Franchise master gardener

Franchise master florist

Franchise master baker

Franchise master chef

Franchise master sommelier

Franchise master bartender

Franchise master server

Franchise master waiter

Franchise master waitress

Franchise master host

Franchise master hostess

Franchise master greeter

Franchise master usher

Franchise master attendant

Franchise master cleaner

Franchise master janitor

Franchise master maintenance worker

Franchise master repairman

Franchise master technician

Franchise master mechanic

Franchise master electrician

Franchise master plumber

Franchise master carpenter

Franchise master painter

Franchise master roofer

Franchise master landscaper

Franchise master gardener

Franchise master florist

Franchise master baker

Franchise master chef

Franchise master sommelier

Franchise master bartender

Franchise master server

Franchise master waiter

Franchise master waitress

Franchise master host

Franchise master hostess

Franchise master greeter

Franchise master usher

Franchise master attendant

Franchise master cleaner

Franchise master janitor

Franchise master maintenance worker

Franchise master repairman

Franchise master technician

Franchise master mechanic

Franchise master electrician

Franchise master plumber

Franchise master carpenter

Franchise master painter

Franchise master roofer

Franchise master landscaper

Franchise master gardener

Franchise master florist

Franchise master baker

Franchise master chef

Franchise master sommelier

Franchise master bartender

Franchise master server

Franchise master waiter

Franchise master waitress

Franchise master host

Franchise master hostess

Franchise master greeter

Franchise master usher

Franchise master attendant

Franchise master cleaner

Franchise master janitor

Franchise master maintenance worker

Franchise master repairman

Franchise master technician

Franchise master mechanic

Franchise master electrician

Franchise master plumber

Franchise master carpenter

Franchise master painter

Franchise master roofer

Franchise master landscaper

Franchise master gardener

Franchise master florist

Franchise master baker

Franchise master chef

Franchise master sommelier

Franchise master bartender

Franchise master server

Franchise master waiter

Franchise master waitress

Franchise master host

Franchise master hostess

Franchise master greeter

Franchise master usher

Franchise master attendant

Franchise master cleaner

Franchise master janitor

Franchise master maintenance worker

Franchise master repairman

Franchise master technician

Franchise master mechanic

Franchise master electrician

Franchise master plumber

Franchise master carpenter

Franchise master painter

Franchise master roofer

Franchise master landscaper

Franchise master gardener

Franchise master florist

Franchise master baker

Franchise master chef

Franchise master sommelier

Franchise master bartender

Franchise master server

Franchise master waiter

Franchise master waitress

Franchise master host

Franchise master hostess

Franchise master greeter

Franchise master usher

Franchise master attendant

Franchise master cleaner

Franchise master janitor

Franchise master maintenance worker

Franchise master repairman

Franchise master technician

Franchise master mechanic

Franchise master electrician

Franchise master plumber

Franchise master carpenter

Franchise master painter

Franchise master roofer

Franchise master landscaper

Franchise master gardener

Franchise master florist

Franchise master baker

Franchise master chef

Franchise master sommelier

Franchise master bartender

Franchise master server

Franchise master waiter

Franchise master waitress

Franchise master host

Franchise master hostess

Franchise master greeter

Franchise master usher

Franchise master attendant

Franchise master cleaner

Franchise master janitor

Franchise master maintenance worker

Franchise master repairman

Franchise master technician

Franchise master mechanic

Franchise master electrician

Franchise master plumber

Franchise master carpenter

Franchise master painter

Franchise master roofer

Franchise master landscaper

Franchise master gardener

Franchise master florist

Franchise master baker

Franchise master chef

Franchise master sommelier

Franchise master bartender

Franchise master server

Franchise master waiter

Franchise master waitress

Franchise master host

Franchise master hostess

Franchise master greeter

Franchise master usher

Franchise master attendant

Franchise master cleaner

Franchise master janitor

Franchise master maintenance worker

Franchise master repairman

Franchise master technician

Franchise master mechanic

Franchise master electrician

Franchise master plumber

Franchise master carpenter

Franchise master painter

Franchise master roofer

Franchise master landscaper

Franchise master gardener

Franchise master florist

Franchise master baker

Franchise master chef

Franchise master sommelier

Franchise master bartender

Franchise master server

Franchise master waiter

Franchise master waitress

Franchise master host

Franchise master hostess

Franchise master greeter

Franchise master usher

Franchise master attendant

Franchise master cleaner

Franchise master janitor

Franchise master maintenance worker

Franchise master repairman

Franchise master technician

Franchise master mechanic

Franchise master electrician

Franchise master plumber

Franchise master carpenter

Franchise master painter

Franchise master roofer

Franchise master landscaper

Franchise master gardener

Franchise master florist

Franchise master baker

Franchise master chef

Franchise master sommelier

Franchise master bartender

Franchise master server

Franchise master waiter

Franchise master waitress

Franchise master host

Franchise master hostess

Franchise master greeter

Franchise master usher

Franchise master attendant

Franchise master cleaner

Franchise master janitor

Franchise master maintenance worker

Franchise master repairman

Franchise master technician

Franchise master mechanic

Franchise master electrician

Franchise master plumber

Franchise master carpenter

Franchise master painter

Franchise master roofer

Franchise master landscaper

Franchise master gardener

Franchise master florist

Franchise master baker

Franchise master chef

Franchise master sommelier

Franchise master bartender

Franchise master server

Franchise master waiter

Franchise master waitress

B2B = business to business
B2C = business to customers
IPO = initial public offering

1.1 What is a business?
The nature of business A01

Business is decision making organizations
= A business is a decision - making organization involve in the process of using inputs to produce good and / or service

- INPUT**
- Land
 - o Nature resources
 - Labour
 - o Human resource(skill/ability of workers)
 - Capital
 - o Man made equipment/machinery
 - Enterprise
 - o Innovation/skill/risk taking of the owners of the business.

PROCESS - use the resources

- Marketing
- Human
- Operation

OUTPUT

Good and service

Primary, secondary, tertiary and quaternary sectors A02

Business sectors

- Business can be classified according to the stage of production they are engaged in
- These are known as sector of an economy

PRIMARY sector

- Extraction of raw material

SECONDARY sector

- The production of raw material into finished goods

TERTIARY sector

- Providing service for generating population

QUATERNARY

- ICT business(CT based activities)
- Involves knowledge based activities such as information technology, research, and development, as well as consulting services and education.

Adding value describe the process of creating a product that is worth more than the total costs of the input used

Analyse (分析)
Apply
Comment (评论)
Demonstrate (证明)
Diagnose
Explain
Suggest.

Challenges and opportunities for starting up a business A02

Entrepreneur is the group or individual who take the risk, plan, organized, manage of a business.

Characteristics:
Initiative
Innovative
Risk - taker
Effective communicator
Courage
Vision
Optimistic

The challenge of the new business

- Production problem
- Poor location
- Workforce management
 - o Non suitable
- External influences
- Legalties
- Marketing problem
- Unstable customer base
- Lack of financial capital
- High production costs
- Cash flow problems

Opportunities of starting up a business (GETCASH)

- Growth
 - o Growth of personal assets (excess than working for other)
- Massive potential profits (excess than working for other)
- Transference and inheritance
 - o Give the business to next generation
- Challenge
- Enjoyable challenge
- Autonomy
 - o Flexible working hours(more freedom)
- Security
- Hobbies
 - o Input personal as self employed
 - o Input personal passionate

1.2 Types of business entities

Distinction between the private and the public sectors A02

Private sector (the customer have to pay the money for product)

- Organization owned and controlled by private individual and business (own by private individual)

Main aim - to make profit.

Public sector(the customer do not have to pay the money for product)

- Organizations owned and controlled by the government
- Main aim - to provide essential goods and services.

The main features of the following types of organizations. • Sole traders • Partnerships • Privately held companies • Publicly held companies A03

Private sector: sole trader/partnership/company

Profit - based organizations

- Revenue generating business with the objectives that making profits
 - o Make profit / reward owners with profit from business / return profit to business for growth.

Sole trader

- Single owner - full control/profit does one
- Easily set up
- Unlimited liability - all personal assets pay for business debt
- Non - inheritable - lack of continuity
- Workload
- Lack of financial / skills access
- Limited economic scale
- Less fixed time

Partnership

- 2 or more owner(different country have different limited people)
- share resource
- Fixed time (workload)
- Unlimited liability (at least one person have to be unlimited liability)
- Prolong decision making
- Conflicts
- Lack of continuity - Non inheritable

Limited liability companies Company

- Public (PLC)
 - o Sell share to IPO
- private (LTD)
 - o Share cannot be traded publicly on the stock exchange, sell share with all the shareholder agree to sell
- Both
 - o Share are sold
 - o Limited liability
 - o Good organized
- Public company are more information disclosure than private company

More shareholder, less control of company

- Advantages of limited company
 - Big finance access
 - Limited liability
 - Continuity
 - Economies of scale
 - Productivity
- Disadvantages of limited company
 - Communication problem
 - Complexities - mistakes
 - Compliance costs (high tax)
 - Disclosure of information (information shared)
 - Bureaucracy (官僚制度) business hierarchy
 - Loss of control

The main features of the following types of for-profit social enterprises. • Private sector companies • Public sector companies • Cooperatives A03

For - profit social enterprise

- revenue generating enterprises but with social motive (social benefits)

Aim - make profit, use profit benefit society

Private sector for - profit social enterprises

Similar way to traditional profit business

- aim to make surplus(profit) instead of donation
- Produce goods and service (can compete with other business)
- Use triple bottom line (profit, people, planet) as an accounting framework for ethical business practices.

Triple bottom line: profit, people, planet - the frame work for the ethical business

Public sector for - profit social enterprises

- Operate in a commercial way
- Help to raise government revenue to provide essential service to society

Cooperative - similar to club

- Owned by members
- Aim to create value for member by operating in a socially responsible way
- All employees have a vote to contributing to decision
- Any profits earned are shared between their members.

Advantages:

- Incentive to work - they have more power so they are more willing to come to work
- Decision - making power
- Social benefits
- Public support

Disadvantage

- Discouraged effects
- Limited source of finance
- Slower decision making
- Limited promotional opportunities

The main features of the following type of non-profit social enterprise. • Non-governmental organizations (NGOs) A03

Inequality Among Members: In some cases, inequalities may emerge among cooperative members, such as differences in skills, resources, or contributions. If these inequalities are not addressed or mitigated, they can lead to resentment, conflict, and a sense of unfairness among members, undermining the cooperative's cohesion and effectiveness.

Free riding - In a cooperative, members share resources, responsibilities, and benefits. However, some members may seek to benefit from the cooperative without contributing their fair share of effort or resources. This behavior can reduce motivation among other members who feel they are unfairly carrying the burden.

Sure, let's cover two effects each for all the challenges:

- **Production Problem:****
 - Quality Issues: Decreased customer satisfaction, potential returns, and negative reviews can harm the business's reputation.
 - Increased Costs: Addressing production issues requires additional resources, leading to higher expenses and potentially reduced profitability.
- **Poor Location:****
 - Limited Foot Traffic: A poor location can result in lower visibility and foot traffic, reducing the number of potential customers.
 - Reduced Accessibility: Inaccessible locations can make it challenging for customers to reach the business, hindering sales and growth opportunities.
- **Workforce Management:****
 - Decreased Productivity: Inefficient workforce management can lead to decreased productivity, missed deadlines, and increased labor costs.
 - High Turnover Rates: Poor management practices can result in high turnover rates, leading to increased recruitment and training costs and disruptions in operations.
- **External Influences:****
 - Economic Downturns: Economic changes can impact consumer spending habits, leading to decreased demand for products or services and reduced revenue for the business.
 - Supply Chain Disruptions: Global events such as natural disasters or geopolitical conflicts can disrupt supply chains, leading to delays in receiving raw materials or finished goods and increased costs.
- **Legalities:****
 - Compliance Costs: Navigating complex legal requirements incurs costs associated with obtaining permits, licenses, and legal counsel, potentially straining the business's financial resources.
 - Legal Liabilities: Non-compliance with regulations can result in fines, lawsuits, and reputational damage, jeopardizing the business's viability and future growth prospects.
- **Marketing Problem:****
 - Decreased Brand Awareness: Ineffective marketing efforts can result in decreased brand visibility and awareness, limiting the business's ability to attract new customers and expand its market reach.
 - Poor Sales Performance: Inadequate marketing strategies can lead to low conversion rates and sales, impacting revenue and profitability.
- **Unstable Customer Base:****
 - Revenue Fluctuations: Fluctuations in customer demand can lead to unpredictable revenue streams, making it challenging for the business to forecast and plan effectively.
 - Reduced Loyalty: An unstable customer base may result in lower customer loyalty and retention rates, increasing customer acquisition costs and hindering long-term growth.
- **Lack of Financial Capital:****
 - Limited Growth Opportunities: Insufficient capital can restrict the business's ability to invest in growth initiatives, such as marketing campaigns, product development, or expansion into new markets.
 - Cash Flow Constraints: Lack of financial capital can lead to cash flow problems, making it difficult to cover day-to-day operating expenses and meet financial obligations.
- **High Production Cost:****
 - Reduced Profit Margins: High production costs can eat into profit margins, limiting the business's ability to reinvest in growth initiatives or remain competitive in the market.
 - Pricing Pressure: In industries with high production costs, businesses may face pressure to increase prices, potentially driving away price-sensitive customers and impacting sales volume.
- **Cash Flow Problems:****
 - Difficulty in Paying Bills: Cash flow problems can make it difficult for the business to pay suppliers, employees, and other creditors on time, leading to strained relationships and potential legal issues.
 - Stunted Growth: Cash flow constraints can hinder the business's ability to invest in growth initiatives, limiting its capacity to expand, innovate, or seize new opportunities in the market.

Addressing these challenges effectively requires proactive management, strategic planning, and a willingness to adapt to changing circumstances in the business environment.

d increased production costs.

sources.

d its market reach.

into new markets.

lume.

ential disruptions in operations.
that.

NGO eg UNICEF provide needs ...to children

NGOs

- private sector
- provide goods and / or services normally expected from the public sector (these goods / services may be underprovided by government)

1.3 Business objectives

Vision statement and mission statementAO2

Hierarchy of objectives



Objectives provide business with a target direction of future

Vision

- Out line aspirations in the future

- Very long term

Mission statement

- Purpose of business existence
 - o Core value
- Medium long term
- Clearly defined and realistically achievable

Vision (less realistic)/VS mission (more realistic)

Vision: aspirational, long term focus, infrequent update, does not specify actual target to achieve, about "some day in future"

Mission: **Declaration of purpose, outline the value of the business**, time period, update frequently, more concrete and specific in targets it wants to achieve, each and every day in present

Common business objectives including growth, profit, protecting shareholder value and ethical objectives AO2

Growth, profit, protecting shareholder value, ethical objectives

Object - goal of business

Object importance: to help business improve eg: decision making, measure and control, motivate...

Object have to be SMART and set in line with organization mission statement

Specific, measurable, achievable, realistic, time limited

Growth - increase sale, Revenue / market share

- Help to adapt changes, compete
- Fail leads to less competitive, threaten the firm's sustainability

Profitability (profit maximising)

- Profit maximisation

Protecting shareholder value (earning profitable return for shareholders) - ensure the owner personal benefits and balance the sum from the other shareholders, also help the shareholder retain the control of the business

- However, business have to balance short - term profits with an investment in the long term value of the company

- No legal obligation to pay dividend to shareholders

Ethical

- Treat of stakeholders/environment
- The reaches of the business to morally correct way

Advantage of ethical business practices

Improved corporate image

Increased customer loyalty

Cost-cutting

Improved staff morale and motivation

Disadvantage of ethical business practices

Compliance costs

Lower profits

Stakeholder conflict

The subjective nature of business ethics

Strategic and tactical objectivesAO3

Strategies - plan of action to achieve the objectives

- Medium to longterm
- Expressed specifically
- Once the strategy are fulfilled, the business are able to reach to objectives

Tactics

- Short term and frequently generate
- Use to establish the strategy
- Once the tactics are fulfilled, the strategy are able to perform

Corporate social responsibility (CSR)AO3

CSR

Corporate social responsibility (not the objectives)

- The thoughtful consideration of ethical and environmental behave relate to business activity

- CSR policies and practices need regular review in order to adapt to evolving attitudes and expectations of different markets/countries

- This CSR practices can provide firms with competitive advantage and long term sustainability (customer feel satisfied with the product, so that they are likely recognition from the customer and build up the loyal customer)

Example of CSR

- o Provide accurate product labelling
- o Be conscious of impact to the environment
- o Adhere to fair employment practices
- o Contribute to communities via volunteer or charitable work

1.4 Stakeholders

Internal and external stakeholders AO2

Conflict between stakeholders AO2

Stakeholders is any individual, group or organization with direct interest in business and affect business which affect the activity and performance of the business.

Internal stakeholder - the individual or group of people interest in business that stay as the member of the organization

- They could interest in job security, financial benefits, long term financial health.

External stakeholders - the individual or group of people interest in business and effect business that is not part of the business

- Eg: customer, suppliers

1.5 Growth and evolution

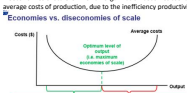
Internal and external economies and diseconomies of scaleAO2

Internal economies and diseconomies of scale

• Economies of scale is when average costs of production decrease as the organization increases the size of its operations.

• Diseconomies of scale is when an organization becomes too large, result in an increase in average costs of production, due to the inefficiency productivity

Economies vs. diseconomies of scale



Internal economies of scale

• Economies of scale that occur inside business

- Internal economies scale - the benefits of cost Within the business control

- Internal Economies of scale is when average costs of production decrease as the organization increases the size of its operations. And the fact that cause this advantage are occur inside business

- Internal Diseconomies of scale is when an organization becomes too large, result in an increase in average costs of production, due to the inefficiency productivity, and the fact cause this are occur inside business

• Type of internal economies of scale - this is due to the increase the productivity and reduce the average cost

- o Technical economies - equipment and machinery

• Able to mass produce their goods, and the fixed cost of their equipment and machinery are spread over the huge scale of output

- o Financial economies - borrow money

• Borrow large sum of money at lower rate of interest because they are seen as less risky to financiers - result in the reduction of the costs of borrowing finance

o Managerial economies - larger business able to have more specialised and skilled management team, the firm can be benefit from this better operation due to good management, and the productivity increase, the cost are spread out in huge output, and average cost decrease

o Specialization economies - divide workload through the workforce - by using the specialist labour to increase the output meanwhile the input are the same - leads to the lower average costs

- o Marketing economies - promoting and selling

• High cost of advertising can also be spread by large output

- o Purchasing economies - buying resource

• Discount are usually provide to the massive buying output

- o Risk-bearing economies

• Unfavourable trading product are likely offset by favorable trading product

Internal diseconomies of scale

• Lack of control and coordination

• Power working relationship

• Lower productive efficiency from outsourcing

• Bureaucracy

• Complacency

External economies of scale

• Things outside business control

Type of external economies of scale

- Technological progress - technology innovation increase productivity

• Improved transportation networks - globalized transportation, input product, raw material that is manufacture in lower cost in other country - lower costs of transferring

• Abundance of skilled labour - certain location may benefit from reputable education and training facilities

• Regional specialisation - certain location or countries have establish reputation for a product

External diseconomies of scale

- Higher rents
- Local market conditions for pay and financial rewards
- Traffic congestion - delay supply
- Content specific problems

The difference between internal and external growthAO2

Internal growth - business growth by using its own tool and resource

External growth - through dealing with outside organizations.

Economic scales: as a business grow larger, its average/unit costs decrease

Definition : cost advantages reaped by business when production becomes efficient.

Methods of Internal growth



Advantages of internal growth

- Better control and coordination
 - Relatively inexpensive
 - Maintains corporate culture
 - Generally, less risky
- Disadvantage of internal growth
- Diseconomies of scale (remoteness of the employee as distance are too long), does not increase the market share
 - Restructuring of the form of ownership may be needed
 - May lead to illusion of control and ownership
 - Slower method of growth

Advantage and disadvantage of external growth

- Advantage:
- Quicker than organic growth
 - Reduced competition
 - Economies of scale (increase the market share, risk diversification)
 - Spreading of risks
- Disadvantage:
- More expensive than internal growth
 - Greater risks
 - Regulatory barriers
 - Potential diseconomies of scale
 - Organizational culture clash

Reasons for businesses to grow AOS

Measuring the size of a business

- The size of a business can be measured in several way
 - Market share
 - Total sale revenue
 - Size of workforce
 - Profit
 - Capital employed (total amount of equity invest in the business)

Generic benefits of being a large business

- Economies of scale
- Lower price
 - Brand recognition
 - Brand reputation
 - Value added services
- Greater choice - diverse product line and more financial resource to invest and develop more opportunities - this could also happen in small business (but usually, larger business have more access to finance)
- Customer loyalty - they are more reliable as they have broad recognition

Reasons for businesses to stay small AOS

Reason for business to stay small

Generic benefits of being a small business

- Cost control
- More control
- Financial risks
- Government aid
- Local monopoly power
- Personalised services
- Flexibility
- Small market size

External growth methods: • Mergers and acquisitions (M&A) • Takeovers • Joint ventures • Strategic alliances • Franchising AOS

Mergers and acquisitions (M&A)

Mergers - mergers take place when two firms agree to form a new company with its own legal identity

Acquisition - acquisition occur when a company buys a controlling interest in another firm with the permission and agreement of its board of directors.

Benefits and drawbacks of MBAs

- Advantage
- Greater market share
 - Economies of scale
 - Synergy
 - Survival
 - Diversification
 - Gain entry into new markets

Disadvantage

- Redundancies
- Conflict
- Culture clash
- Loss of control
- Diseconomies of scale
- Regulatory problems

Takeovers

Takeovers occur when a company purchases a controlling stake in another company without the permission and agreement of the company or board of directors.

They are also known as hostile takeovers.

Joint venture (JV)

- Occur when two or more business split the costs, risks, control and rewards of a business project.
- In doing so, the parties agree to set up a new legal entity

Strategic alliances (SA)

- Strategic alliances occur when two or more businesses cooperate in a business venture for mutual benefit.
- The firm include share the costs of product, development, marketing and operations

Advantage and disadvantage of JVs and SAs

Advantage

- Synergy
- Spreading costs and risks
- Entry to new/foreign markets
- Relatively cheap
- Competitive advantages
- Exploitation of local knowledge
- Relatively high success rate

Disadvantage

- Rely heavily on goodwill and resources of their counterparts
- Enormous expenditure on brand development
- Possible culture clashes

Franchising

Franchising is a form of business ownership whereby a person or business buys a license to trade using another firm's name, logos, brands and trademarks.

- The agreement is between the:
 - Franchisor: the firm selling the license
 - Franchisee: the entrepreneur buying the license

Benefits of franchising for franchisors and franchisees

- Franchisors
- Cheaper and faster than internal growth
 - Enter new local and international markets
 - Growth without incurring day-to-day running costs
 - Income from royalty payments
 - Franchisees are more motivated than salaried managers

Franchisees

- Relatively low risk
- Relatively lower start-up costs
- Training and advice on financial management
- Large scale advertising performed by franchisor
- Greater likelihood of success due to local market insights

Drawbacks of franchising for franchisors and franchisees

Franchisors

- Risk damage to brand name if franchisees are unsuccessful
- Monitoring quality standards as franchisees can be difficult
- Slower growth method than MBAs

Franchisees

- Difficult creativity due to many franchisor rules and requirements
- Can be very expensive to buy a franchise with no guarantee of a return on investment
- Significant percentage of revenues paid to franchisor

Enhanced Reputation: Engaging in CSR initiatives can improve a company's reputation among consumers, investors, employees, and other stakeholders. Positive public perception can lead to increased customer loyalty, improved brand image, and a competitive advantage in the market.

Stakeholder Engagement: CSR fosters stronger relationships with stakeholders such as employees, customers, suppliers, communities, and investors. Engaging with these groups and addressing their concerns builds trust and loyalty over time, which can lead to long-term partnerships and support for the business.

Enhanced Trust and Confidence: When stakeholders, including customers, employees, investors, suppliers, and the community, perceive that their interests are being addressed and their needs are being met, they are more likely to trust the business. Trust is a fundamental element of reputation, and satisfied stakeholders are more likely to speak positively about the company, recommend its products or services, and maintain long-term relationships.

Positive Word-of-Mouth: Satisfied stakeholders are more inclined to spread positive word-of-mouth about the business, its products, and its practices. This can lead to increased brand awareness, improved customer perception, and ultimately, a stronger reputation in the marketplace.

1.3 business objectives

Thursday, 15 February 2024 8:41 pm

Vision statement and mission statement

Hierarchy of objectives



Objectives provide business with a target direction of future

Vision

- Out line aspirations in the future
- Very long term

Mission statement

- Purpose of business existence
 - o Core value
- Medium long term
- Clearly defined and realistically achievable

Vision (less realistic)VS mission (more realistic)

Vision: aspirational, long term focus, infrequent update, does not specify actual target to achieve, about "some day in future"

Mission: declaration of purpose, outline the value of the business, time period, update frequently, more concrete and specific in targets it wants to achieve, each and every day in present

Common business objectives

Growth, profit, protecting shareholder value, ethical objectives

Object - goal of business

Object importance: to help business improve eg: decision making, measure and control, motivate...

Object have to be SMART and set in line with organization mission statement

Specific, measurable, achievable, realistic, time limited

Growth - increase sale. Revenue / market share

- Help to adapt changes, compete
- Fail leads to less competitive, threaten the firm's sustainability

Profitability (profit maximizing)

- Profit maximization

Protecting shareholder value (earning profitable return for shareholders)

- However, business have to balance short - term profits with an investment in the long term value of the company.
- No legal obligation to pay dividend to shareholders

Ethical

- Treat of stakeholders/environment
- The reaches of the business to morally correct way.

Strategic and tactical objectives

Strategies - plan of action to achieve the objectives

- Median to longterm
- Expressed specifically

Tactics

- Short term and frequently generate

CSR

Corporate social responsibility

- The conscientious consideration of ethical and environmental practics relate to business activity

Owners name

Sole trader - sole trader/owner

Partnership - partner

Private/public limited company - shareholders

STEEPLE

Tuesday, 27 February 2024 8:51 am

All business are affect by factors from the external environment

Opportunity - something that benefit business

Threats - some that bring harm to business

Eg: the business operate in medicine, and
vaccine industry earn money during COVID

STEEPLE - help to anticipate opportunities and threat from external
Used in assessing the feasibility

Feasibility - weather something is worth

S - Social (culture, Demographic (anything with population) value and attitudes)

T - technology - (develop opportunities and threats) eg: access information, price transparency

E - economic (eg: unemployment rate, growth, inflation, trade...) everything with bigger picture

E - environment (nature environment, social attitude, epidemics)

P - political (government policies, monetary policy(interest rate)) the inflation from the government
control, whereas economics is nature inflation cause by society

L - Legal (Law (protection) eg: more cost on business, reputation of business))

Ethical - moral principle that are or should be, affect decision making

Inflation

- rise of the price(increase the costs of business)
- Interest increase- leads to less money spend on other.

Unemployment rate

- Finding employees
- Ability to spend

Economic growth - GDP(gross domestic product (total output of a country)) -
decide the consumer and business's spending confidence

- GDP decrease in half year - recession

Balance of trade - exchange rates fluctuate - import and export.

STEEPLE what is happening in the external environment to create this opportunity or threat?

1.4 Stakeholders

Thursday, 29 February 2024 12:24 pm

Stakeholders is any individual, group or organization with direct interest in business and affect business which affect the activity and performance of the business.

Internal stakeholder - the individual or group of people interest in business that stay as the member of the organization.

- They could interest in job security, financial benefits, long term financial health.

External stakeholders - the individual or group of people interest in business and affect business that is not part of the business

- Eg: customer, suppliers

Conflict between stakeholders

Write 10 mark question

Friday, 8 March 2024 10:04 AM

Eg: with reference to two stakeholder groups, discuss the impact of IKEA opening the new store in Auckland.
All the AO3 question requires balance - provide positive and negative impact and judgement.

- Discuss, evaluate...

Introduction - introduce the essay very briefly (2 sentence max)

BPs - positive impact

- Negative impact
 - Positive impact
 - Negative impact
- Mean idea include each section separate in to different paragraph.

Conclusion

- Make a overall judgement about the impact, justify with a compelling reason why
- Don't include anything new.

For the marking criteria

- Answer the question
- Use business words
- Reference to the case study
 - o Implicit or explicit
- Balanced idea with same amount of PRO and CON

The phrase to show judgement

- In the short term / long term
- The stakeholder most/least affected would be
- This is more/less important than
- This depends on
- However, this stimulus material does not provide information about...which would be important to know

1.5 growth and evolution

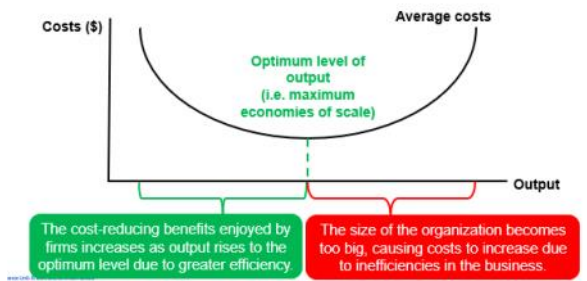
Monday, 11 March 2024 11:53 AM

Internal economies and diseconomies of scale

- Economies of scale is when average costs of production decrease as the organization increases the size of its operations.
- Diseconomies of scale is when an organization becomes too large, causing productive inefficiencies that result in an increase in average costs of production.

Its average cost, not the cost of raw material

Economies vs. diseconomies of scale



Diseconomies scale bigger which cost is more due to the business more developed which include the discount provide to customer.. Renewing system

Internal economies of scale

- Economies of scale that occur inside business
- Within the business control
 - Type of internal economies of scale
 - Technical economies - equipment and machinery
 - Financial economies - borrow large sum of money at lower rate of interest
 - Managerial economies - divide the hierarchy
 - Specialisation economies - divide workload
 - Marketing economies - promoting and selling
 - Purchasing economies - buying resource
 - Risk-bearing economies - to deal with risk and stop potential risk (business operations unfavourable trading)
- Internal diseconomies of scale
 - Lack of control and coordination
 - Power working relationship
 - Lower productive efficiency from outsourcing
 - Bureaucracy
 - complacency

Bureaucracy = excessive processes and formalities that need to be completed in order to get things done. Often associated with very large and traditional organizations

Complacency = when workers are satisfied with their current skills / abilities and have no desire to improve or upskill.

External economies of scale

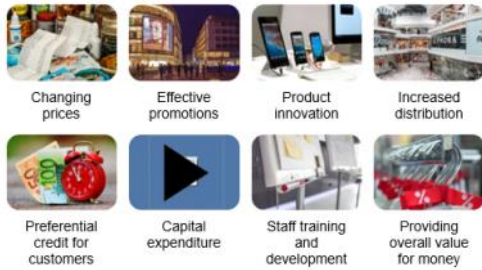
- Things outside business control
- Type of external economies of scale
 - Technological progress - technology innovation increase productivity
 - Improved transportation networks - globalized transportation
 - Abundance of skilled labour - certain location may benefit from reputable education and training facilities
 - Regional specialisation - certain location or countries have establish reputation for a product
- External diseconomies of scale
 - Higher rents
 - Local market conditions for pay and financial rewards
 - Traffic congestion - delay supply
 - Context specific problem

Growth

Internal growth - business growth by using its own capability and resource

External growth - through dealing with outside organizations.

Methods of internal growth



Advantages of internal growth

- Better control and coordination
- Relatively inexpensive
- Maintains corporate culture
- Generally, less risky

Disadvantage of internal growth

- Diseconomies of scale
- Restructuring of the form of ownership may be needed
- May lead to dilution of control and ownership
- Slower method of growth

Advantage and disadvantage of external growth

Advantage:

- Quicker than organic growth
- Synergies
- Reduced competition
- Economies of scale
- Spreading of risks

Disadvantage:

- More expensive than internal growth
- Greater risks
- Regulatory barriers
- Potential diseconomies of scale
- Organisational culture clash

Capital employed = the amount invested in a business from the owners and outside lenders

Reason for business to grow

Measuring the size of a business

- The size of a business can be measured in several way
 - Market share
 - Total sale revenue
 - Size of workforce
 - Profit
 - Capital employed

Measuring the size of business

The size of a business can be measured in several ways:

Market share

- Total sales revenue
- Size of workforce
- Profit
- Capital employed

Generic benefits of being a large business

Economies of scale

Lower price

Brand recognition

Brand reputation

Value-added services

Greater choice

Customer loyalty

Reason for business to stay small

Generic benefit of being a small business

- Cost contrl
- Loss of control
- Financial risks
- Government aid
- Local monopoly power

- Personalized services
- Flexibility
- Small market size

External growth methods

Mergers and acquisitions (M&A)

Mergers - mergers take place when two firms agree to form a new company with its own legal identity

Acquisition - acquisition occurs when a company buys a controlling interest in another firm with the permission and agreement of its board of directors.

Benefits and drawbacks of M&As

Advantage

- Greater market share
- Economies of scale
- Synergy
- Survival
- Diversification
- Gain entry into new markets

Disadvantage

- Redundancies
- Conflict
- Culture clash
- Loss of control
- Diseconomies of scale
- Regulatory problems

Takeovers

Takeovers occur when a company purchases a controlling stake in another company without the permission and agreement of the company or board of directors.

They are also known as hostile takeovers.

Joint venture (JVs)

- Occur when two or more businesses split the costs, risks, control and rewards of a business project.
- In doing so, the parties agree to set up a new legal entity

Strategic alliances (SAs)

- Strategic alliances occur when two or more businesses cooperate in a business venture for mutual benefit.
- The firms include share the costs of product development marketing and operations

Advantage and disadvantage of JVs and SAs

Advantage

- Synergy
- Spreading costs and risks
- Entry to new/foreign markets
- Relatively cheap
- Competitive advantages
- Exploitation of local knowledge
- Relatively high success rate

Disadvantage

- Rely heavily on goodwill and resources of their counterparts
- Enormous expenditure on brand development
- Possible culture clashes

Franchising

- Franchising is a form of business ownership whereby a person or business buys a license to trade using another firm's name, logos, brands and trademarks.
- The agreement is between the:
 - Franchisor: the firm selling the license, and the
 - Franchisee: the entrepreneur buying the license

Benefits of franchising for franchisors and franchisees

Franchisors

- Cheaper and faster than internal growth
- Enter new local and international markets
- Growth without incurring day-to-day running costs
- Income from royalty payments

- Franchisees are more motivated than salaried managers

Franchisees

- Relatively low risk
- Relatively lower start-up costs
- Training and advice on financial management
- Large scale advertising performed by franchisor
- Greater likelihood of success due to local market insights

Drawbacks of franchising for franchisors and franchisees

Franchisors

- Risk damage to brand name if franchisees are unsuccessful
 - Monitoring quality standards of franchisees can be difficult
- Slower growth method than M&As

Franchisees

Stifled creativity due to many franchisor rules and requirements

Can be very expensive to buy a franchise with no guarantee of a return on investment

Significant percentage of revenues paid to franchisor

Ansoff Matrix

Tuesday, 19 March 2024 9:38 AM

analytical tool that helps managers choose and devise product and market growth strategies.

- This is depends on the business objectives

Market penetration

Market penetration involves a business choosing to focus on selling existing products to existing markets.

feature

- Minimal risk
- Seeks to maintain or increase market share
- Intense competition

Product development

selling new products in existing markets.

Features :

- Moderate risk
- Innovation to replace existing products.
- Product improvements

Market development

selling existing products in new markets.

Features:

- Moderate risk
- Entry into overseas markets.
- New distribution channels.

1.6 Multinational companies (MNCs)

Wednesday, 20 March 2024 10:56 AM

The impact of MNCs on host countries

- Multinational companies - an organization that operates in two or more countries (MNCs have grown considerably over time due to the benefits of being such super-sized businesses.)

EMNCs emerging multinationals companies

- Highly/rapidly growing MNCs

Reasons why businesses become MNCs

- Increased customer base
- Cheaper production costs (especially inexpensive labour) (labour is the biggest expenses)
- Economies of scale
- Brand development and brand value
- Avoid protectionist policies
- Spread risks

Foreign direct investment (FDI) is an ownership stake in a foreign company or project made by an investor, company, or government from another country.

Host country

Is any nation that allows a multinational company to set up in its country

Technical recession = 6 months (2 quarters) of negative economy's growth.

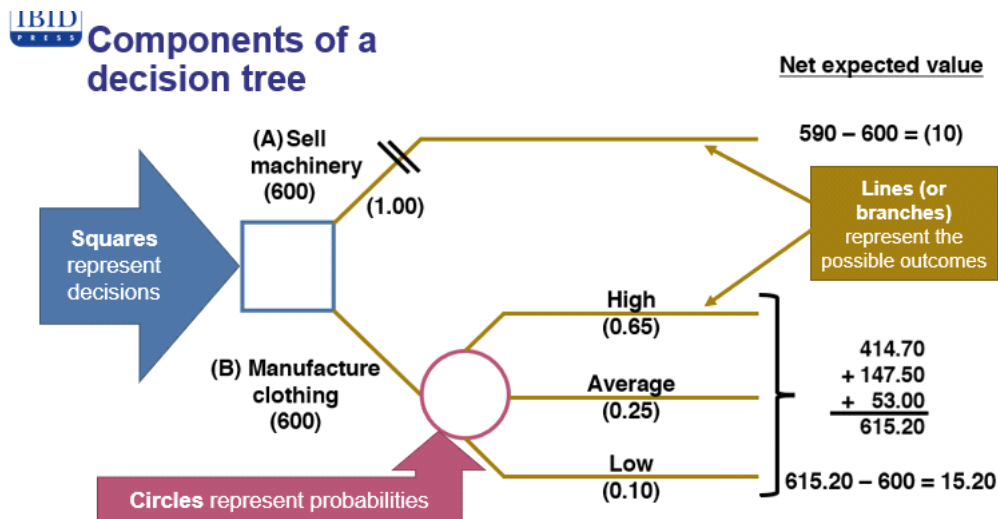
- Positive impact of MNCs on host countries
 - o Job creation
 - o Higher national income
 - o Knowledge and technology transfer
 - o Increased competition to incentivize local firms to be more efficient
- Negative impact of MNCs on host countries
 - o Job losses
 - o Repatriation of profits
 - o Vulnerability
 - Government losing control from country (always refer to small country)
 - o Social responsibilities
 - The company doesn't apply social responsibility (refer to the absence of ethical behaviour)
 - o Competitive pressures
 - Competitive pressure to the new industry in China. (for competitor)

Repatriation of profit : when profit are sent back to the home country of the MNCs

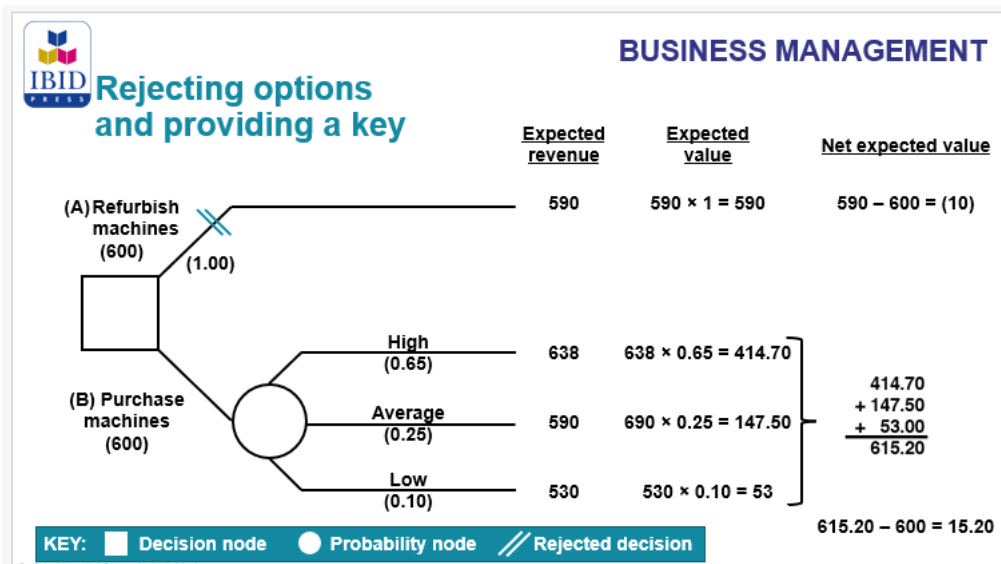
Decision tree

Wednesday, 3 April 2024 11:50 AM

Decision tree is a diagrammatic representation of the different option a manager can select



- Indicate the decisions using decision nodes (squares) and branches.
- Label the branches with the decisions and their costs.
- Probability in a branch must add up to 1.



Calculating expected values : expected revenue * probability of achieve = expected values

Calculating net expected values: Total expected value of each option - cost of option = net expected value

The double line shows the decision - the rejected decision

When construct the decision tree - we have to write the key
Decision node, probability node, rejected decision

Advantage and disadvantage of decision tree

Advantage:

- Presents problems clearly and logically
- Speeds up decision making

- Considers risks and rewards
- Enables more scientific and objective decision-making
- Visual stimulus offers tangible insights

Disadvantage:

- Probabilities can only be estimated - less reliable because its opinion
- Probabilities can be subject to bias from management preferences
- Does not necessarily reduce risks
- Time lag between decision making and project execution can void data used in the decision tree
- Qualitative data is ignored

Descriptive statistics

Wednesday, 10 April 2024 8:32 AM

Descriptive statistics are tool used to summerized and present statistical data in a user friendly way
Purpose - to enable managers and decision maker to interpret and analyse the date ire easily and to support them in making non-based

Include 3 main part:

- Average
- Graphical tool
- Statistical measure of dispersion or spread of number

Advantage:

Help business investigate, tracing problem

Substantial - to see whether the business is doing well

Change operating strategy

Compare, identify the difference with other business

Average:

Mean:

(revenue 1 + revenue 2 + revenue 3) / number of revenue.

Mode (modal average)

The number that appears the most

Median average

The middle number (mean in standard deviation)

Graphical tool

Bar chart

Pie chart

(question well ask about the basic information shows on the graph)

Statistical measure of dispersion or spread of number

Infographics:

A poster shows the information:

Eg:



Quartiles:

Normal distribution but not in full graph

- Divide a data set into four proportionate parts, enabling managers and decision makers to see the distribution of the items in the data set

Use to company performance-related pay form of financial motivation. The business might fund further training and / or conduct performance appraisal reviews for salespeople in the bottom quartile.

Standard deviation

Allow the business to see the extent result from a set of data, and use the standard deviation to see how divergence from the mean average

Greater standard deviation, more spread out the number are, and greater the variation from the mean.