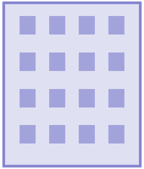
Business and its Environment

A-Level Business ▪ Topic 1

A-Level Business

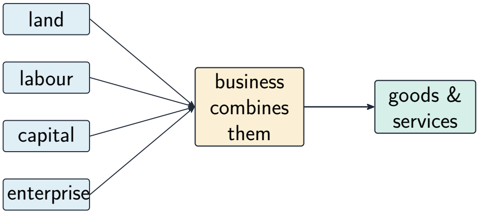


What we will cover

1. Purpose & adding value
2. Enterprise & the business plan
3. Sectors & legal structures
4. Size & growth
5. Objectives & stakeholders
6. Recap

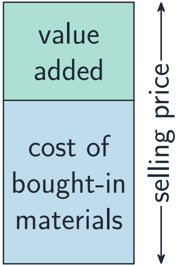
Why businesses exist

factors of production



entrepreneur food truck

Adding value



value added
= selling price
 − materials cost

high street

Entrepreneurs and enterprise

An **entrepreneur** 企业家 takes the risk to start a business; an **intrapreneur** 内部创业者 does so inside a firm. Traits: **innovative** 有创新精神的, risk-taking, determined, self-confident.

> Enterprise helps a country: more jobs, output (**GDP** 国内生产总值), competition and **economic growth** 经济增长.

A **business plan** 商业计划书 helps win finance & set goals.

Sectors of business activity

primary
raw materials – farming, mining

↓

secondary
manufacture – car factory

↓

tertiary
services – shops, banks

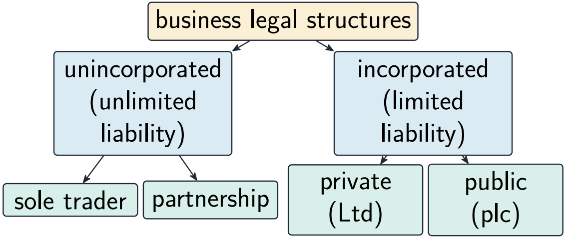
↓

quaternary
knowledge – research, IT

- **primary** 第一产业 – raw materials
- **secondary** 第二产业 – manufacturing
- **tertiary** 第三产业 – services
- **quaternary** 第四产业 – knowledge

Private 私营部门 (profit) vs **public sector** 公共部门 (service).

Legal structures and liability



Sole trader 个体经营者, **partnership** 合伙企业, **Ltd** 私人有限公司, **plc** 上市公司, **franchise** 特许经营.

> **Limited liability** 有限责任: owners lose only what they invest. Unincorporated = unlimited.

The size of a business

No single measure – use more than one:

employees

revenue 营业收入

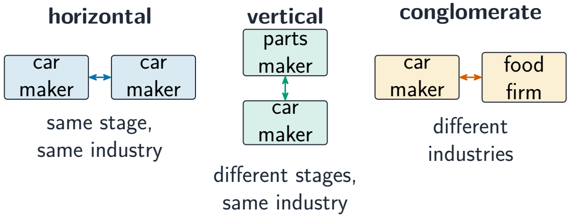
capital employed

market share 市场份额

market capitalisation 市值

Small businesses still matter – jobs, local service, quick to react, new ideas.

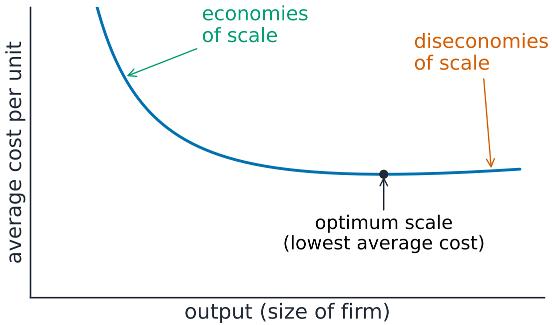
Business growth



Internal 内部增长 (organic) vs **external** 外部增长 (**merger** 合并/**takeover** 收购).

- **horizontal** 横向整合 – same stage
- **vertical** 纵向整合 – different stage
- **conglomerate** 混合整合 – diversify

Economies of scale



Economies of scale 规模经济 lower **average cost** 平均成本 as a firm grows (purchasing, technical, financial, managerial, marketing).

> Grow too big ⇒ **diseconomies** 规模不经济: poor communication, coordination, motivation.

Aims, objectives and mission

mission — why the business exists

↑

aims — broad long-term goals

↑

objectives — SMART targets

↑

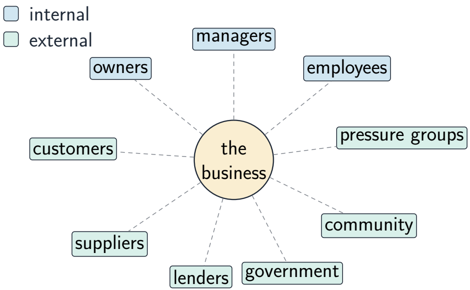
tactics — short-term actions

Mission 使命宣言 → **aims** 目的 → **objectives** 目标 → tactics.

> Good objectives are SMART: Specific, Measurable, Achievable, Realistic, Time-bound.

Types: profit, growth, **survival** 生存, market share, **CSR** 企业社会责任.

Stakeholders



A **stakeholder** 利益相关者 has an interest in the firm.

- internal: owners, managers, employees
- external: customers, suppliers, lenders, government, community

Their aims **conflict** 冲突; manage by communication & **compromise** 妥协.

Worked example – added value

A maker buys wood for $£80$, pays $£120$ in labour, and sells the table for $£350$. Find the added value.

- Added value = selling price − cost of bought-in materials.
- $= 350 - 80 = £270$
- Labour is not deducted – it is one of the costs added value must cover.
- Raise it by branding, design or better service, not just by charging more.

The classic trap: added value is not profit. Profit deducts every cost; added value deducts only bought-in materials.

Topic 1 – key takeaways

1 Resources

four factors of production; add value

2 Structures

sole trader to plc; limited liability

3 Growth

integration; economies & diseconomies

4 Objectives

SMART; stakeholders' aims conflict

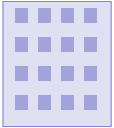
Check yourself

1. Name the four factors of production.

2. Which structure has unlimited liability?

3. What does the M in SMART stand for?

4. Give one internal and one external stakeholder.



Answers **1.** land, labour, capital, enterprise **2.** sole trader / partnership **3.** Measurable **4.** e.g. employee; customer