Year 10 Knowledge Organiser – Theme 1.1: Entrepreneurship

Risk	Reward
Financial loss of income and investment	Be their own boss
Low sales	Flexible working hours
Unexpected costs e.g. rise in rent	Pursue an interest
Unexpected events e.g. new competitor	Earn more money (profit)
Potentially long hours and stress	Dissatisfaction with current job
Loss of security	Greater work life balance
Pressure on friends and family	Self- esteem from building something new
Damage to reputation if fail	Self- satisfaction
May lose home dependent on liability	Provide employment for self and others

<u>An Entrepreneur…</u>

- Sets up a business by taking on financial risks in the hope of making a profit.
- Are responsible for bringing together other factors to create a business.

This involves:

- Initiative ➔ Taking action
- Innovation ➔ Ideas for a new good or service
- Identifying opportunities ➔ Spotting a gap in the market
- Organising resources ➔ Planning and using a range of resources e.g. raising finance, employing staff, buying materials

<u>Functions of an Entrepreneur:</u>

- They set up a business / they are the business owners / they manage the business and success depends on their efforts
- They have the ideas / show the initiative / innovation
- They take the risks / face the uncertainties / suffer the consequences of failure ➔ of e.g. not selling / low demand ➔ particularly with unlimited liability
- Qualities / characteristics of an entrepreneur ➔ determined / organised
- They invest / put money into the business
- They earn the profits / earn an income ➔ to fund their lifestyle ➔ to further invest

Key Learning - Businesses must adapt and develop new ideas, products and services to keep up with technology and new trends. Business ideas can come about through:

Changes in technology (E/M-Commerce, Social Media and other tech)	The opportunities that new technology brings to business such as operating online with sales and marketing or through the ability to be able to develop an invention because new technology has made something possible.
Changes in what consumers want	Consumer tastes change, and this can present opportunities such as the changing attitude towards unnecessary plastic packaging has created "zero-waste" supermarkets that allow customers to bring their own containers that can be filled.
Products and services becoming obsolete	Obsolete means 'out of date'. As products become obsolete, new products replace them. For example, DVDs and CDs have largely been replaced with media-streaming services.
Original ideas	Invention means creating something that did not previously exist whereas innovation is making changes to improve something.
Adapting existing products or services	Changing the format (from cereal to snack bars), adapting the promotion used or target market or updating the branding.

Customer Needs	Ways to Add Value
Price ➔ ensuring the price charged for a product or service meets the expectations	Convenience ➔ saving customer's time
Quality ➔ ensuring the customer is receiving the expected quality for the product or service	Branding ➔ logos and slogans
Choice ➔ offering a variation on your product so it fits a wider target market	Quality ➔ customers are prepared to pay more for higher quality
Convenience ➔ drive thru's or delivery options	Design ➔ the features that can add value
	Unique Selling Point ➔ something that makes your product or service stand out from competitors.

Year 10 Knowledge Organiser – Theme 1.2: Spotting Opportunities

The Purpose of Market Research

When a business wants information about the market or what customers want, it undertakes market research. Market research collects information that might help a business to be more successful and spot gaps in the market.

This involves:

• Identifying customer needs ➔ providing the right product, at the right price, in the right place, at the right time.

• Identifying gaps in the market ➔ an area where there is demand for a product or service that is not being met

• Reducing risks ➔ a business may want to make a change to a product, add a new product to its range or change its location. Before it does so it may want to find out whether customers will respond positively to the change.

Reliability of Market Research Data:

For research to be reliable, it must have a high level of validity. This means that the facts and evidence gathered are accurate.

Consequences of unreliable data	Advantages of reliable data
The business making unwise decisions Could ultimately cost the business money The business could bring out products that don't sell The business could fail	The business can make properly informed decisions Reduces risk Means less money is wasted Gives a higher chance of business success

Impact of Competition on Decision Making

A competitor is any business that sells the same or similar products or services. Businesses may want to know certain things about their competitors, such as their USP, price, quality, convenience, location, product range and customer service.

This involves:

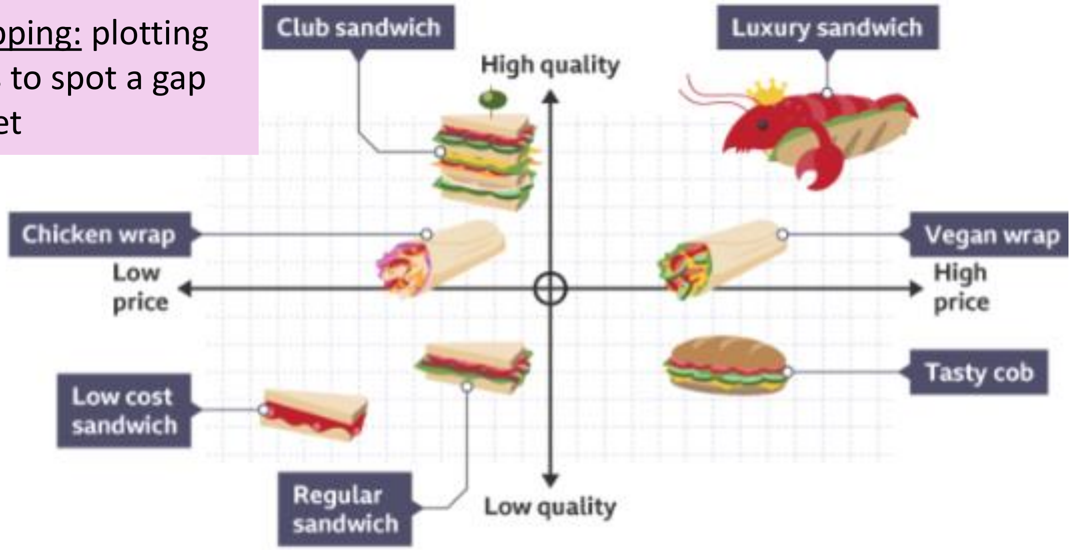
• Unique Selling Point ➔ Price ➔ Quality of products offered ➔ Convenience and location ➔ Product range ➔ Customer service

•Competition between businesses is good for customers because it means that businesses have to offer good-quality products and services at the right price. It also means that businesses need to keep updating and bringing out new products and services through Innovation.

Market Segmentation - the process of splitting a target market into different groups. Businesses use these groups to make it easier for them to develop products aimed at certain people and to help them target their marketing.

Demographics	It considers the characteristics of people. Some businesses target products at people of certain ages. Examples of such products include toys for children.
Geographics	This is used to split up a target market based on where people live. A business may choose to target customers in its local area, or it may consider what types of products would sell in specific locations. For example, walkers in the Lake District may be more interested in buying hiking boots.
Behaviour	Considers how people behave in relation to purchases at different times of the year and in different situations. For example, at birthdays, holidays and celebrations, people make purchases in addition to what they would normally buy.
Lifestyle	May consider hobbies, sporting interests and other things customers do in their spare time. For example, a camera equipment retailer may want to target customers who are interested in photography, or a cricket bat manufacturer may want to target people with an interest in cricket.

Market Mapping: plotting competitors to spot a gap in the market



Year 10 Knowledge Organiser – Theme 1.3: Ideas into Practice

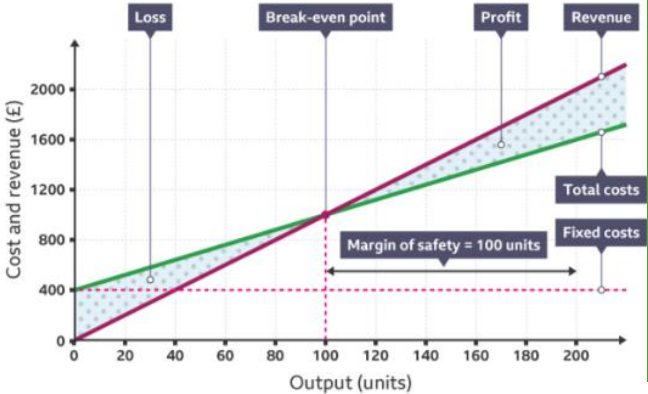
Aims and Objectives

These give a business direction and provide a purpose for what the business does each day. A business aim is the overall target or goal of the business, whereas business objectives are the steps a business needs to take to meet its overall aims. A business may have several different objectives that will help it to meet its aim.

Financial Aims and Objectives	Non-Financial Aims and Objectives
Survival ➔ keeping the business operating for a certain amount of time	**Social Objectives** ➔ linked to doing things in an ethical or environmentally friendly manner, or having a business whose sole purpose is to meet a social need
Profit ➔ any money left over after all costs have been taken away from any revenue	**Personal satisfaction** ➔ feeling satisfaction that they have created a successful business
Sales ➔ an amount of a product or service sold by a business	**Challenge** ➔ making it successful will challenge take them out of their comfort zone
Market share ➔ the percentage of the market that a business occupies of the industry that a business operates in	**Control** ➔ able to control the business and make decisions about how it is run
Financial security ➔ able to afford to pay all its costs and have enough cash left to survive	**Independence** ➔ working for themselves

Why aims and objectives differ between different businesses:

They are tailored to the particular business, and they operate in different sectors, and business operations vary in size and scale.



Additional Key Learning

- Break even and margin of safety
- Difference between cash and profit
- Interpreting cash flow forecasts
- Net cash flow and opening/closing balances
- Changes in revenue and costs
- Profit and loss

Short-term finance - used to help a business maintain a positive cash flow: seasonal reasons, bridge the gap when a large payment is delayed, without enough money to pay its bills, provide extra cash to pay for the manufacturing required to meet a change in demand.

Overdrafts	They can become expensive due to the high interest rates charged by banks. Common features of a bank overdraft include: variable interest rates, flexibility - a business uses its overdraft only when it needs to and will only pay interest when the overdraft is used, but, the bank can demand full payment within 24 hours.
Trade Credit	Agreed with a supplier and forms a credit agreement. This source of finance allows a business to obtain raw materials and stock but pay for them later (usually 30, 60 or 90 days).

Long-term finance – used to help a business through growth or expansion.

Personal Savings	Money that has been saved up. This source of finance does not cost the business, as there are no interest charges applied.
Share Capital	Money raised by shareholders giving the buyer part ownership of the business and therefore certain rights, such as the right to vote on changes to the business.
Bank Loan	Lent to a business that is paid off with interest over an agreed period. Usually, this rate of interest is fixed. This means that the business knows in advance what the cost of borrowing will be, and repayments required.
Retained Profit	Leaving some or all profit in the business and reinvest it to expand. This source of finance does not incur interest charges or require the payment of dividends.
Crowdfunding	Many people investing small amounts of money in a business, usually online. Can act as a form of market research but can be difficult to reach goals.

Year 10 Knowledge Organiser – Theme 1.4: Making Businesses Effective

Aims and Objectives

These give a business direction and provide a purpose for what the business does each day. A business aim is the overall target or goal of the business, whereas business objectives are the steps a business needs to take to meet its overall aims. A business may have several different objectives that will help it to meet its aim.

Limited Liability	Unlimited Liability
The business owner(s) are only responsible for business debts up to the value of their financial investment in the business. This means that a Creditor can only take assets or finances belonging to the company. Limited liability only applies to certain types of business, such as private limited companies.	The business owner(s) are personally responsible for all debts of the business, no matter what the value. The main difference between unlimited and limited liability is the level of risk that a business is willing to take. Having unlimited liability is a bigger risk for any business than having limited liability.

The Marketing Mix – used to attract customers to a business. This involves:

- Product ➔ What is being sold and its USP
- Price ➔ The amount being charged
- Place ➔ Where customers can access us
- Promotion ➔ How customers find out about us

Business Plans: a document created that provides details about each element of the business so that all the different elements of their business are considered.
A business plan is usually made up of several sections:

- The idea ➔ what product or service the business will provide (this is usually the first section of a business plan)
- Aims and objectives ➔ using the SMART principles
- Target market ➔ determined through market research
- Revenue forecast, projected costs and profit
- Cash flow forecast
- Sources of finance ➔ long-term and short-term finance
- Location ➔ where the business will be located (on/offline)
- Marketing mix ➔ the four P's

Additional Key Learning

Proximity to the market, labour, materials and competitors
Nature of business activity
The impacts of the internet

Unlimited Liability Business Ownership - *Sarah set up a corner shop as a sole trader and initially invested £10,000. If the business went into £60,000 of debt, Sarah would be personally responsible for the whole of this debt. This would mean that she would have to use her personal savings and possessions to pay off all the £60,000.*

Sole Trader	There is only one owner, but they may have employees who work for them. Sole traders are usually start-ups or small businesses. For example, photographers, electricians, hairdressers, graphic designers, social media influencers, bloggers, small online clothing brand owners and beauty therapists may set up as sole traders.
Partnership	The owners (2-20) agree a set of rules outlined in a deed of partnership. This document may specify how profits are allocated, what percentage of the business each person owns, roles and responsibilities, and the percentage of any business debts that each person would have to pay.

Limited Liability Business Ownership – *Karim invested £15,000 when setting up a plumbing business and he owns 100% of the shares. If the business went £50,000 into debt, limited liability would mean that Karim would only lose his original £15,000 investment. His other personal finances and possessions would be protected.*

Private Limited Company (LTD)	Any type of business can set up as an LTD – for example, a plumber, hairdresser, photographer, lawyer, dentist, accountant or driving instructor. The owners of a private limited company are known as shareholders and must be before they can purchase a share.
Franchise	Gives the right to another person or business to sell goods or Services using its name by providing them with a licence. Buying into a franchise is an alternative to setting up a new business. Instead, individuals can buy into an already successful business.

Year 10 Knowledge Organiser – Theme 1.5: External Influences

Stakeholders – any person, group of people or other organisation that has an interest in the activities of a business.

Stakeholder	Definition
Shareholder and owners	Part owners of a private or public limited company.
Managers	Staff who are responsible for implementing the decisions made by the owners and overseeing the work that is required.
Employees	Staff who carry out the day-to-day work of the business.
Customers	People who buy products or services from the business.
Suppliers	Other organisations that provide products or services to the business, e.g. a utility company that supplies it with electricity.
Local Community	People, organisations and businesses that live or are in the area around the business.
Pressure Groups	Groups who share a common interest that is related to the business.
Government	The business will make tax payments to both local and central government.

Stakeholder Objectives – Different stakeholders will expect different things from a business. Given their different interests in the business, sometimes their expectations can cause conflict. The business must balance these various interests.

An example of conflict: *The owners of a retail business decide to grant permission to extend the business' opening hours on weekdays. Instead of being open from 8am to 8pm, the business will now be open from 7am to 10pm. The owners believe this will increase profits, but the decision is likely to cause conflict with the other stakeholders.*

- Managers ➔ Will have to work longer hours
- Employees ➔ Shifts change including weekend work
- Local community ➔ Impacted by traffic

Influences on Business – *The impacts outside of a business's control, usually identified through conducting a PEST analysis.*

Technology	Businesses need to be aware of the technology that is available to them, and how it might influence their sales, costs and marketing via E-commerce, social media, digital communication and payment methods.
Legislation	Used to regulate businesses' behaviour and prevent them from exploiting people through consumer rights, employment law, recruitment, pay, discrimination and health & safety.
The Economy	Affects prices, investment decisions and the number of workers a business employs. Businesses must be aware of unemployment levels, income, interest, inflation, taxation and exchange rates.
Other Factors	Response to changing technology, changes in legislation and economic changes.