



NCFE

LEVEL 1/2 TECHNICAL AWARD

BUSINESS AND ENTERPRISE

SECOND
EDITION

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INTRODUCTION

This sample chapter introduces the new edition of the Student Book for the revised NCFE Level 1/2 Technical Award in Business and Enterprise for first teaching from September 2022.

Approach

The Student Book has been designed to help your students develop the knowledge, understanding and practical skills they'll need to complete the NCFE Level 1/2 Technical Award in Business and Enterprise.

The book provides complete coverage of the specification's content areas and assessment objectives. As well as preparing your students for the final exam and non-exam assessment, the book will introduce them to the business sector: all elements of the book and its design support this, to engage and inspire students and encourage them to make immediate connections to their ambitions and career goals.

Your students will learn about a wide range of themes relating to the business sector, including entrepreneurial characteristics, business aims and objectives, legal structures and how businesses are organised. They will learn about market research, market types, the marketing orientation and marketing mix. The book will help them to understand human resources, operations management and business growth. It will introduce them to sources of funding and finance, and help them to understand the impact of the external environment on business and enterprise. Students will develop business and enterprise planning skills that prepare them for further study or employment in business.

The book has been written and developed to be accessible to the typical Level 1/Level 2 learner. This is reflected in the style and approach of the text and learning features and based on the author team's extensive teaching knowledge and experience. It includes simple, clearly explained and purposeful learning features and clear and concise content. The chapters and

section headings all follow the structure of the specification. 'Key terms' boxes appear in the page margins to define important terms and phrases; these are compiled in a glossary at the back of the book for easy reference. Accessibility has also been considered when finalising the book's page design, which includes numerous artworks and photos that provide a visual reference for the key concepts covered in the text.

The book is both student-focused (appropriate/accessible language, engaging examples, activities and assessment practice features that complement and enhance the learning sequence) and teacher-focused (a style and approach that is easy-to-use and works in the classroom with a range of students and for teachers of various levels of experience and confidence).

Assessment

The book is designed to facilitate your formative and summative assessment using a range of assessment features:

- **Test your knowledge:** Quick and formative knowledge-recall questions throughout the book to check student understanding.
- **Exam style questions:** Summative practice questions will allow students to test their knowledge and understanding at the end of each chapter in preparation for the written exam.
- **Assignment practice:** Summative assessment questions will allow students to apply the skills and knowledge they have learned in the unit to support their preparation for the non-examined assessment.

These assessment features are showcased in this sample chapter.

All assessment features will be accompanied by answers or a mark scheme. These will be available on the Hodder Education website, to give you the flexibility in how and when to use them with your students.

How to use this book

About this content area



A brief introduction to the topic, so that students know exactly what is covered.

Key terms



Definitions for important terminology are included throughout.

Activities



Short tasks to help develop your understanding. These include individual, group and research tasks.

Case studies

Examples of how different concepts can be applied to businesses.

Remember



A bullet-list summary of the key points appear at the end of each topic, to help you remember the most important aspects and to help you with revision.

Test yourself

Questions for you to test your knowledge and understanding of the content.

Read about it

References to books, websites and other sources of useful information for further reading and research.

Practice questions

Includes practice questions to help you prepare for the exam.

Assignment practice

Helps you to prepare for the non-examined assessment.

1

Entrepreneurship, business organisation and stakeholders

About this content area



This unit is divided into four areas of learning:

- 1 Entrepreneurship – this area of learning will focus on what it takes to be an entrepreneur, detailing the motivators and the skills and attributes that are needed in order for an entrepreneur to be successful. This section will also focus on the various legal structures of business and the stakeholders that may be involved.
- 2 Business and enterprise aims and objectives – this section will discuss the various aims and objectives that will be set when starting a business, including both financial and non-financial aims and objectives.
- 3 Structures – in this area of learning you will gain knowledge about the different types of legal structure that can be formed when starting a business enterprise. It is important that you understand the different characteristics of these structures and the impacts of changing them.
- 4 Stakeholders – this section will focus on the various individuals or groups of people that will have some interest in the business, the benefits of this interaction between these stakeholders and the impacts of any conflicts on the business.

How will I be assessed?

This unit is assessed by a written exam.

1.1 Entrepreneurship

1.1.1 Being an entrepreneur

Key terms



Entrepreneur: a risk-taker who sets up a business or businesses with the aim of making large amounts of profit.

Target market: a particular group of customers at which a good or service is aimed.

An **entrepreneur** is often described as a risk-taking individual, but there are many aspects to becoming an entrepreneur. Entrepreneurs have many skills which include:

- being able to spot a potential business opportunity and investigate it further to develop the business opportunity
- evaluating the viability of a business opportunity. This means that when the entrepreneur has completed their research, they can decide whether or not the business opportunity is worth pursuing
- ability to understand the needs of the customers who may purchase the products and services of the new business opportunity. These potential customers are called the **target market**
- being able to organise all of the different resources that are needed to produce the product/services
- understanding the planning required related to the production process of products/services
- researching and obtaining the finance required to start and maintain a business

- making use of all elements of the marketing mix – product, price place and promotion (further information is in Section 2.3 Marketing mix)
- being able to manage the risks involved in starting a new business venture to make the idea a reality.

Entrepreneurs are individuals who are usually highly motivated to succeed.

1.1.2 Entrepreneurial motivators

There are three key types of **motivators** that drive an entrepreneur:

- financial motivators
- personal motivators
- social and ethical motivators.

It is usually assumed that the key motivator for any entrepreneur is money. An entrepreneur may want to earn high profits, buy luxury cars and spend many weeks on extravagant holidays. In recent years, however, a number of entrepreneurs have run a business not in order to make massive profits; instead, they have done it in order to meet their personal and social goals, as shown for example in the case study on The Thirsty Café (see further on in this section).

Entrepreneurs may decide to go into business for a number of reasons, for example:

- to have flexibility in their working life. Entrepreneurs often want to choose their own hours of work, set their own deadlines and have more control over their time
- to satisfy their desire to be their own boss and set their own rules
- to help people by producing products or services that will improve people's lives
- to create jobs in the local area and help the economy
- to learn new skills
- to be able to give something back to other people; for example, many successful entrepreneurs will donate time or money to worthy causes.

Financial motivators

Many new businesses fail within the first few years, especially if the business idea has not been researched properly, the product/service is not wanted or needed by customers or the business has a lack of funds. For this reason, the first financial objective is to survive. If an organisation is not viable, it is likely to run out of cash very quickly. To ensure business survival, an entrepreneur needs to ensure that:

- there is enough cash to pay business debts
- the business has access to sufficient sources of finance
- the organisation has a business model that is viable in the long term.

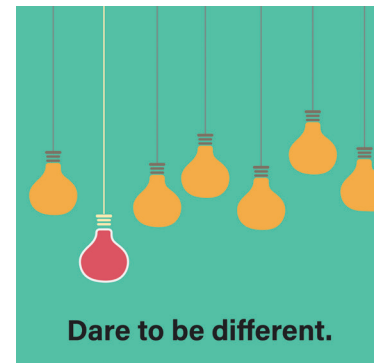


Figure 1.1 A successful entrepreneur needs the courage to be different

Key term

Motivator: something that provides a reason for an entrepreneur to be successful.

Once the business's initial survival has been secured, an entrepreneur will aim to make a profit. This is when an organisation's revenue (income) exceeds its total costs. In return for the risk and hard work put into the business, the entrepreneur will wish to make high profits over a long period of time. The financial motivator for some entrepreneurs may be personal wealth, so they may aim not just to earn an adequate income, but instead to become wealthy.

Personal motivators

Profit is not always the main motivator for setting up in business. Some individuals may be motivated by the desire for control over their working life, the opportunity to work from home or the option to combine work with family life. Often, at some point people re-evaluate their working life which may lead them to want to set up a new business. Some may feel that their skills are undervalued and they are not reaching their full potential. Other people become bored with being told what they have to do every day and want to become their own boss. A key motivator can be the feeling of personal satisfaction from building a successful business. Owning their own business can provide individuals with great job satisfaction and the independence and control over their own life that they want.

Activity



Individually, write down your hobbies or interests.

Then in pairs, compare your skills and hobbies and try to answer the following questions:

- 1 If you were to rate your skill level from 1–4 (with 1 being the most skilful) what number would you give your skills?
- 2 How easy do you think that it would be to turn your hobby or interest into an enterprise activity?
- 3 What equipment would you need to complete your enterprise?
- 4 How much money do you think you would need to set up your enterprise?
- 5 Who would your main local competitors be?

Could you turn any of these hobbies or interests into an actual enterprise?

Social and ethical motivators

Some individuals feel a need to interact with and be accepted by others. These people may have a desire to escape from a boring or uninteresting job or wish to pursue one of their interests or hobbies. There are two motivating factors here, responsibility and helping the community.

Responsibility

There is a real focus in our world on sustainability and how individuals can live in different ways that do not harm the planet. This focus is also important for the business community with businesses making choices regarding purchasing and sourcing sustainable materials to make their products/services. Businesses are now increasingly aware of the environmental impact of their products and services and their customers are often more open to purchasing sustainably sourced products, even if they cost slightly more. This sustainability could come in the processes by which a product is produced or in the materials that are used to create the product, for example recycled bottles and other packaging.

Another aspect to managing a business responsibly is ensuring that the business adheres to a living wage for their employees. On 1 April 2016, the government introduced a new mandatory National Living Wage which means that all businesses, by law, have to pay a minimum amount to their employees over 23 years old. Many businesses choose to pay their employees more than the legal requirement as they value the knowledge, skills and experience that their staff bring to the business.

As well as paying employees, employers have a legal duty to provide good working conditions for their employees. Working conditions focus on:

- how the business is organised and whether it is a large or small business. This can affect how information is communicated to employees and thereby acted upon by them
- the types of work activities that an employee needs to complete as part of their job
- the training and skills opportunities available to staff which will affect their ability to do their job and carry out new types of work when required
- health, safety and well-being of the employees so that they can keep working to a high standard in a safe environment
- appropriate working times and holiday entitlement so that employees are not overworked and are properly rested between periods of work
- ensuring that employees have a good work-life balance with regular breaks and opportunities to relax outside of work.

Helping the community

Entrepreneurs who want to make a difference or a change will often start their enterprises with a specific interest and make this their priority, rather than solely making a profit. Making money will still be a consideration as they will need money to keep the business running, but they will then re-invest it back into the business. Examples of making a difference by helping the community include working with a charity, working to help older people, employing people who may find it difficult to get work and helping the local community and ensuring that everyone is treated equally.

Activity

Research the current rates of the National Living Wage.

Test yourself

Write a definition of an entrepreneur.

Test yourself

What are the three key motivators that drive an entrepreneur?

Case study

The Thirsty Café

The Thirsty Café in Marcham, Oxfordshire opened in Spring 2020 as a social enterprise business located in the village hall and run entirely by volunteers. The core values of the business are stated as being:

- to provide an informal, welcoming and safe environment for the local community to meet
- to serve good quality, affordable coffee, tea and refreshments
- to facilitate and develop opportunities for community groups to meet
- to offer a rewarding and constructive volunteer programme
- to run an economically viable project with any profit reinvested back into the community.

Source: The Thirsty Café, www.thirstycafemarcham.co.uk/pages/meet-the-team

The planning started for the Thirsty Café in the spring of 2019, and by early 2020, having sought advice and guidance from the Plunkett Foundation, a charity that helps local communities set up businesses, as well as from many other local experts, the Thirsty Café transformed from an idea into a legal entity to benefit the local community. It proved to be very popular, with the local community purchasing drinks and refreshments from the café. However, in March 2020 the Covid pandemic struck and, like many businesses, the café had to close its doors. However, undeterred, the volunteers met and decided to offer 'afternoon tea' deliveries to the local community, focusing on providing quality local produce. These deliveries were popular and kept the business going as well as greatly benefiting the community, as the volunteers could still offer their services, and the residents of Marcham could enjoy a special afternoon tea in what was a difficult time for many. All customers received their orders delivered straight to their front doors.

The Thirsty Café in Marcham is now a great success and is open several times a week to serve the local community, as well as providing the catering

to many village events throughout the year. The volunteers involved in the social enterprise business range from young adults wanting the experience of working in a café, to individuals who enjoy baking a range of cakes and biscuits on a regular basis, kitchen teams who take it in turns to cook bacon/sausage baps on a Saturday morning and front of house volunteers who enjoy the interaction with the local customers. The long-term plan for the Thirsty Café is to open six days a week and employ a full-time member of staff to run the café. From any future profits, the Thirsty Café plans to purchase items for local community groups such as the sports and social clubs to benefit all of the villagers of Marcham.



Figure 1.2 Afternoon tea

Questions

Using the case study above, answer the following questions.

- 1 Explain what is meant by the term 'core values'.
- 2 Identify two of the main core values of the Thirsty Café.
- 3 Who did the Thirsty Café turn to for advice and guidance?
- 4 What activities did the Thirsty Café introduce when the Covid pandemic affected their business?
- 5 What are the long-term plans for the Thirsty Café?

1.1.3 Entrepreneurial skills and attributes

Entrepreneurs need a wide range of **skills** and **attributes** to enable them to set up their own enterprise activity. A person will learn skills through their work, training, life and education. Attributes are qualities that an individual has naturally, such as being confident in the presence of a range of people.

Skills

An entrepreneur will need to have or gain the following skills.

- **Financial skills** – it is important that the entrepreneur understands the importance of financial management to ensure that they have sufficient cash to pay business debts, have access to funds when required and that the enterprise has a business model that is viable for the long-term survival of the business.
- **Communication skills** – entrepreneurs need to make sure that their product or service ideas are known about, by talking face-to-face with investors or people who can promote the business, making telephone or video calls to people or communicating via email or social media platforms. Possessing good communication skills will demonstrate to others that the entrepreneur is confident and competent, thus establishing important trust with potential customers.
- **Management skills** – these skills are important to ensure that the business can operate and continue to grow for many years into the future. As the business increases in size, more employees may need to be employed. The entrepreneur must be able to manage staff effectively, ensuring that they represent the company well, and also continue to invest in staff by increasing their skills and developing them.
- **Sales skills** – having good sales skills is vital for the growth of the business, as an entrepreneur needs to persuade potential customers to purchase their products or services in order to produce profits for the business.
- **IT skills** – most businesses now have an online presence so that customers can view and purchase the products and/or services of the business online. An entrepreneur therefore either needs to have the IT skills to develop this online presence or to be able to give instructions to others to develop the online presence so that the business can compete with other similar businesses. IT is also used to track the business's finances, stock control, planning for the future, marketing and networking with other small businesses.
- **Timekeeping** – there are two aspects to timekeeping. Firstly, there is the need to make sure that orders are placed within a required time period, and that the business meets the delivery deadline for those orders so that the business can build a reputation for being accurate and trustworthy. Imagine if you ordered a birthday cake for a party, but the cake arrived after the party. You would definitely not use that business again! Secondly, it is important to be on time for appointments with clients who could become vital customers to build the success of the business.

Key terms



Skills: the ability for an individual to do a task well.

Attributes: qualities that individuals naturally possess

Attributes

Attributes are qualities that individuals possess. The following are some attributes that it would be useful for an entrepreneur to have.

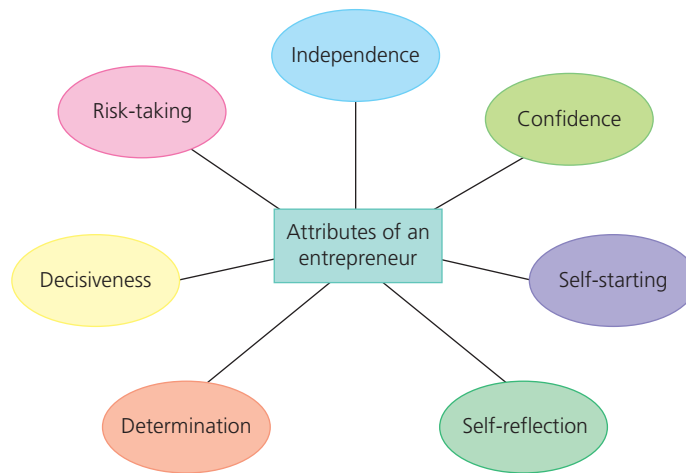


Figure 1.3 Attributes of an entrepreneur

- **Independence** – entrepreneurs often want to work independently from others as they are convinced that their ideas will appeal to the market and want to ‘go it alone’. By being in control of the production and selling of their products or services, they can make all the decisions and then hope to enjoy the success.
- **Confidence** – an entrepreneur will demonstrate confidence to everyone involved in their product or service from the initial stages of development through to it being sold to customers. Demonstrating confidence means that an individual will have expert knowledge of the product or service, focusing on the strengths of the product, will use positive language when sharing knowledge with others and will be able to answer any questions about the product or service.
- **Self-starting** – this means that an entrepreneur has the ability to start something new for themselves knowing that at times it may be challenging but they are prepared to work through any challenges to establish their business. An entrepreneur will often focus on the elements of success, however big or small, to keep them going. The end focus will be on the selling of the products or services to customers.
- **Self-reflection** – entrepreneurs have the ability to celebrate every ‘small win’ related to their new business venture. For example, this could be seeing their first product being made through to the first ever sale of a product/service. Being self reflective can be demonstrated in various ways, including questioning why a technique is or is not working well, asking for help from specific experts when required and scheduling time to review where the business is in terms of meeting its targets.
- **Determination** – an entrepreneur needs to be determined and decisive, knowing exactly what has to be done without delay. This is because any delays may mean that the business might miss out on an opportunity which could change the direction of their enterprise.

Activity

In groups of four, discuss the different entrepreneurial attributes and decide which of these your group members have. Report your findings to the rest of the group with explanations.

1 Entrepreneurship, business organisation and stakeholders

- **Decisiveness** – entrepreneurs like to be in control so that they can make all the decisions needed about their business enterprise. Any entrepreneur must be able to make important and often difficult decisions. They cannot be afraid to make decisions that may upset other people, for example, staff may need to be made redundant in order for a business organisation to succeed. As a business owner, they will make the decisions. These may be the right or wrong decisions but the entrepreneur has to take responsibility for the outcome of their decisions.
- **Risk-taking** – any new business or new product or service has a high element of risk, as there is no guarantee that it will be a success. An entrepreneur should be willing to invest both time and money in their new enterprise. They will have planned and researched their new enterprise activity but will also be aware that customers may not behave as their research predicts, so the business enterprise may fail. An entrepreneur will rely on their self-belief to stay positive about the planned enterprise activity.

Remember

- Any new business carries risks.
- Entrepreneurs must accept that their business may fail.
- Entrepreneurs are often successful if they spot a gap in the market.
- A wide range of skills are required to become an entrepreneur.

Research task

Some famous businesses have produced new products that were not successful.



Google glasses were introduced in 2013 and later again in 2017 as the so-called next big innovation in technology, enabling the user to take phone calls and use the internet without the need of a smart phone. They were expensive and were launched and exited the market very quickly.



Would you have bought Colgate Lasagna? The idea was that people could eat a freezer meal from Colgate and then brush their teeth afterwards with Colgate toothpaste! Not many people wanted to purchase this item so it was withdrawn from the market.

Research some other types of products that have not been successful from well-known businesses. Report your findings to the rest of the class.

Test yourself

- 1 Identify two attributes of successful entrepreneurs.
- 2 Explain how the phrase 'courage to be different' relates to an entrepreneur.

1.2 Business and enterprise aims and objectives

Key terms



Aims: the large goals that a business intends to achieve.

Objective: a precise and measurable step to complete the goals set by the business.

It is important for a business to set themselves **aims** and **objectives**. Aims are the large goals that the business is striving to achieve whereas objectives are the steps or targets that need to be completed to reach the aims.

In terms of taking this qualification, what are the aims and objectives?

The aim is to pass the NCFE Level 1/2 Technical Award.

The objectives are: working hard in lessons, completing homework on time, preparing/completing the coursework and revising and taking the examination.

Aims and objectives will differ from business to business and the size of the business will influence the aims and objectives. For example, a small business that has just started to trade will often focus on gaining support by advertising their products/services, having excellent customer service and monitoring the sales of their products to ensure that they can make some profit. A large established business will have different aims and objectives, for example it might have an aim to develop products that are more environmentally friendly, with the objectives being to improve their current products by changing the factory methods used to reduce the amount of waste sent to landfill.

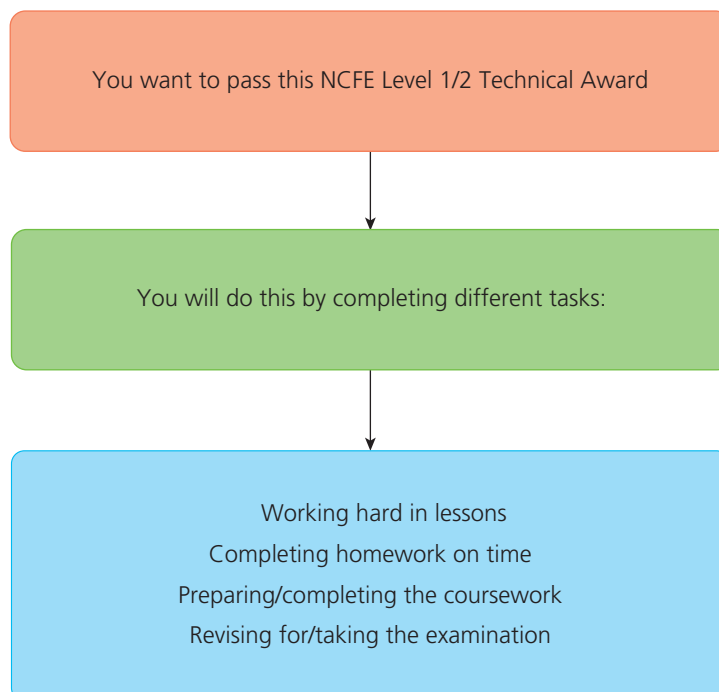


Figure 1.6 Aims and objectives

Other examples of business aims are:

- **survival** – it is risky setting up a new business for the first time as often the individual doing this lacks knowledge and experience of running one. It takes time to build up a customer base and generate sales, so surviving the first year might be the main aim.
- **providing a competitive service** – many businesses offer similar services and therefore a particular business will want to offer a better service than their closest rivals. Examples include supermarkets who are close to each other and coffee shops or barbers and hairdressers which often open near each other. For a business to succeed where there is competition, they need to provide a better service and better choice for their customers.
- **offering a charitable or community service** – some organisations are non-profit making. For example, the British Heart Foundation has shops and their aim is to sell items that have been donated to them and the profit made goes to the charity for the benefit of others. Other community services include offering voluntary services such as transport to hospitals, or shops for the elderly.

Objectives can be used to judge if a business has actually achieved their stated aims. If a business has an objective of increasing their customer base by 20 per cent and they have only achieved a 12 per cent increase in customer numbers, this would not be satisfactory.

Some examples of objectives include:

- **reducing costs** – a business may want to reduce its costs, so it will investigate different methods and try to implement these into their business operation
- **producing new products or services** – a business may decide that they want to increase the range of products or services that they currently provide
- **improve a product** – rather than spending capital on creating new products or services, a business may decide to improve an existing product to increase sales. This may involve less cost to the business.

1.2.1 Reasons for aims and objectives

The reasons why businesses and enterprises set aims and objectives are:

- to provide focus
- to inform a **mission statement**
- to help allocate resources
- to manage progress.

Focus

It is important for businesses to set aims and objectives as they provide a focus for all individuals working for the organisation that they will need to achieve in order for the business to be successful.

Key term



Mission statement: a formal document that states the vision of the business for what they are striving to achieve.

Test yourself

What is the difference between an aim and an objective?
Decide which of the following is either an aim or an objective.

	Aim	Objective
Improve a product		
Survival		
Offering a charitable or community service		

Mission statement

A business will often set out its overall aims and objectives in a document called a mission statement. Mission statements are often published and then are in the public domain, so people can see what the business aims to achieve, how they will do this in terms of the business objectives, and the overall values and standards that the business will set itself. Producing a mission statement helps the business plan for the future.

Here are two examples of a company's mission statement:

PayPal: 'We are a purpose-driven company whose beliefs are the foundation for how we conduct business every day.'

Source: Paypal, <https://about.pypl.com/who-we-are/mission-vision-and-values/default.aspx>

Read about it

This blog post, www.fond.co/blog/best-mission-statements/ contains information about mission statements of a range of different businesses.

Amazon: 'We aim to be Earth's most customer centric company. Our mission is to continually raise the bar of the customer experience by using the internet and technology to help consumers find, discover and buy anything, and empower businesses and content creators to maximise their success.'

Source: Amazon, www.aboutamazon.co.uk/uk-investment/our-mission

Test yourself

Why does a business produce a mission statement?

Activity

Research four different mission statements. Comment on how brief or long the statements are and how successful they are in telling you what they are trying to do.

Find out your school/college's mission or vision statement. What is your opinion on the statement? Do you agree or disagree with it? Explain your reasoning.

Create a new mission statement for your school/college.



Help allocate resources

Setting aims and objectives means that a business can plan ahead to get to where they want to be. This provides focus for employers and employees but it will also ensure that the business can allocate resources. Resources involve a business planning:

- **land** – where the business will be based and how much space will be needed for the business venture
- **labour** – the numbers of employees needed with the right skills, knowledge and availability to be able to produce the products or services
- **finance** – the finance needed in order to produce the products/ services and when and how this will be obtained.

To produce goods or provide services, businesses need to organise resources and make decisions about the level of risk they are willing to take. An entrepreneur will do this by making decisions about what to produce or provide using the resources available to them. Those resources will include land, labour and capital.

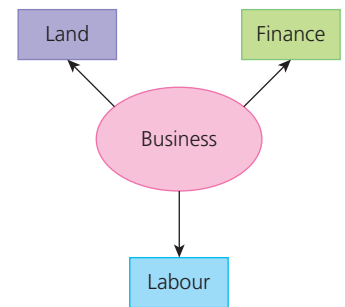


Figure 1.7 Allocating resources

Manage progress

Once the aims and objectives have been agreed, the mission statement written and resources allocated, the business will need to ensure that the enterprise progresses so that the aims and objectives can be met. They will do this by managing the day-to-day running of the enterprise and focusing on the aims and objectives to ensure that they can be achieved within the timescales that have been set. When objectives are achieved, it will be important to celebrate these successes. If any objectives are not achieved, the business must review why this has occurred and continue to improve.

1.2.2 Financial aims and objectives

There are a number of possible aims and objectives for a business that will be related to finance. These might include:

- **increasing profit margins** – most businesses aim to make profit. Some businesses have profit as their main aim and these businesses are known as **profit maximisers**. Other businesses might want to make a satisfactory profit and to increase this each year. Making a profit means that a business can invest to a greater extent in the business, which could mean expansion or rewarding its employees with bonuses.
- **increasing revenue** – revenue is the money that a business makes from selling its goods and services. If the business enterprise is successful, it can put the business in a much stronger position in its particular market, so the business has a greater share of its market and in turn increases its revenue further.

Key terms

Profit maximisers:

businesses whose main aim is making a profit.

Revenue: the money that a business makes from selling its goods and services.

- **increasing the value of the business** – if the business is successful at selling its products and services, the revenue they generate and profit margins will increase. This also means that the business will be worth more money. For example, if a person starts a small company which every year for five years sells many products, increasing its revenue and profits, the business will increase in value and be worth more money to the business owner. The owners could then decide to sell the business to someone else and make a profit.
- **reduction in costs** – if a business enterprise reduces its costs, this usually means that the business's profits will increase. The business could do this for example by reducing the amount that they print to save on paper costs, or aiming to reduce the costs of machinery if they were to adopt a more environmentally sustainable approach such as using wind or solar power to generate electricity.
- **improve liquidity** – liquidity is the way a business is able to turn the things that a business owns, known as assets, into cash for the business. For example, a business that sells hats will sell these for cash. This cash is then used to manufacture or purchase more hats to sell and then pay for other business expenses. It is vital that a business plans carefully to ensure that it has enough money, so improving their liquidity will help with this process. A business may decide to therefore have this as one of their business aims.

1.2.3 Non-financial aims and objectives

Non-financial aims and objectives are those that do not result in a specific financial gain for the business but will impact in other ways on the business's operations. Non-financial aims and objectives include:

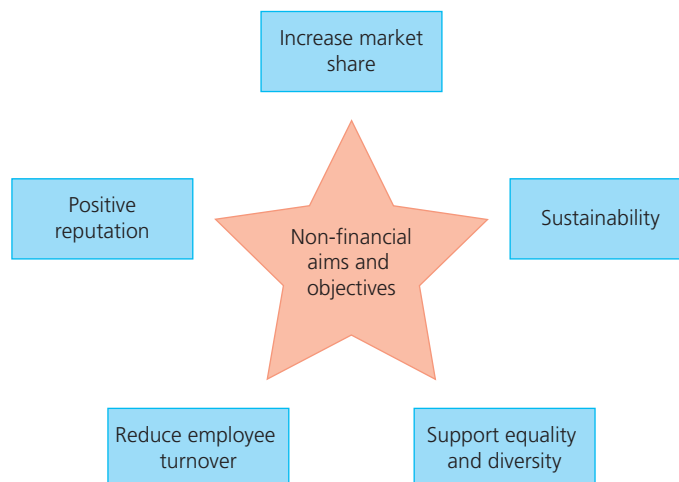


Figure 1.8 Non-financial aims and objectives

- **positive reputation** – a business that can provide a good consistent service to its customers, supply products that are good quality and value for money and treat their employees and customers well will

Test yourself

Identify two forms of non-financial aims and objectives.

earn a positive reputation. This can be worth a lot to a business as these customers and employees are more likely to speak positively to other people about the business, which in turn may encourage these people to purchase products/services from the business.

- **increase market share** – market share is the percentage of sales within a particular industry that a business has gained during a specific time period. One business can dominate a market which means that business has the greatest quantity of sales in that particular market compared with all of the competing businesses. If a business wants to increase their market share they will have to implement changes in order to make this happen. For example, a business may try to purchase other businesses in the same industry to increase their share of the market.
- **sustainability** – sustainability refers to businesses completing their activities without negatively impacting on the environment, community or society as a whole. Many businesses focus some of their aims and objectives on wanting to ensure that their business is sustainable by:
 - reducing their **carbon footprint**, which means consuming less energy to reduce the impact of the business on the environment. One way of doing this is to use local businesses that produce the required materials so that less fuel is needed to transport the items to your business.
 - ethically source materials, contractors or suppliers, by investigating their work practices and production methods so that only those businesses with the most ethical practices and methods are used.
 - reducing the amount of waste that is created in producing the products and services by a business. This could also include reducing the amount of materials used in production or maximising the number or size of the products manufactured from the materials purchased.
- **support local businesses** – local businesses are vital to the economy and it is important that local residents and businesses support each other to ensure their survival. Local businesses provide services, jobs and security to their employees and put money back into the local economy through sales. If businesses use local suppliers they will be supporting the local economy and reducing their carbon footprint as materials will not have to travel far, reducing the fuel used by vehicles.
- **supporting equality and diversity in the workplace** – treating everyone the same within the workplace is very important. If employees do not feel that they are valued in terms of their skills, beliefs, knowledge and their impact on the business, an organisation's aims and objectives can be compromised. By law, a business has to adhere to the Equality Act 2010 which legally protects people from any form of discrimination in the workplace and in wider society. This law explains the many different ways it is unlawful to treat someone. UK businesses need to implement this law in their business operations.

Key term



Carbon footprint:

the amount of carbon dioxide released into the atmosphere as a result of the activities of a business.

Research task

The COP26 summit took place in Glasgow in November 2021. It brought together most of the world's nations with the focus being to address and agree the key actions to address climate change. Research the findings of the summit and the agreements that were made as a result of the conference. Report your findings back to the rest of your class.

Read about it

Further information about the law can be found at: www.gov.uk/guidance/equality-act-2010-guidance

- **reduce employee turnover** – when new employees start in a business, it is important that these new individuals are invested in to encourage them to remain in the company for as long as possible. According to government figures published in 2020 (DfE, *Employer Skills Survey 2019: Training and Workforce Development*), the average cost of training a new employee was £1,530 per employee. If a business were to recruit 10 new members of staff a year, it would therefore on average cost the business £15,300 a year to train them. If these 10 people left within one year, the business would then have to recruit and train 10 more people. If a business invests in their employees by making sure they are motivated, feel valued and have opportunities to progress, the costs from employee turnover are likely to reduce. A dedicated employee workforce will provide stability for a business and enable the business to grow with individuals who are focused on achieving the business aims and objectives.

Case study

A business producing bunting used to make four triangles from each piece of material. This created a lot of wasted material.



Figure 1.10 Wasteful production of bunting

They reviewed their production process and worked out that they could create twice as many triangles using the same size piece of material, thus reducing waste material to a minimum.



Figure 1.11 Reduced waste when producing bunting

By changing their production methods, they were able to produce more triangles for their bunting and reduce their waste, at the same time saving the business money.



Figure 1.12 Final product

Test yourself

Why is it important to support local businesses?

Remember

It is important for a business to set themselves both aims and objectives as they give the opportunity for all involved to work towards these important goals.

- Financial aims and objectives provide a financial focus for the business.
- Businesses need to find their place in the market.
- Businesses aim to be market leaders and to have a large market share

It is important that you are able to explain why businesses set aims and objectives and you may need to focus on a specific business that you are given information about. You may need to think about whether that business is succeeding or failing and give reasons why this is the case.

Practice questions

Section A

- 1 Select which of the following is not a entrepreneurial motivator when setting up an enterprise activity:
- Financial
 - Social and ethical
 - Independence
 - Personal

Section B: Medium-answer questions

- 2 Explain the attributes that help an entrepreneur to be successful.
[6 marks]

Assignment practice

One year ago, you had the idea of starting a sandwich and panini delivery service to companies based in business parks on the outskirts of your town. Due to the Covid-19 pandemic, businesses asked many employees to work from home. You wonder how you could therefore make this business idea work.

Produce a document that details:

- the role of an entrepreneur – AO1
- the motivators – AO1
- skills/attributes that may help you to launch your new business idea and why these skills and attributes will be needed. – AO1, AO2.



Read about it

Branson, R. *Screw It, Let's Do It* (Virgin, 2006) – Provides practical business examples and details the lessons Richard Branson has learned by running his businesses.

Jones, P. *Tycoon* (Hodder & Stoughton, 2007) – Provides entrepreneurial examples and explains how business dreams can be turned into reality.

Mawson, A. *The Social Entrepreneur: Making Communities Work* (Atlantic Books, 2008) – Considers the importance of social issues in making organisations successful.

Business Link, <https://webarchive.nationalarchives.gov.uk/ukgwa/20060919134240/http://www.businesslink.gov.uk/bdotg/action/home?domain=www.businesslink.gov.uk&target=http://www.businesslink.gov.uk/> – Provides practical examples of how to be a successful business person.

Social Enterprise UK, www.socialenterprise.org.uk – Website of a national body for social enterprise; provides excellent practical examples.

Practice questions: guidance and mark schemes

Section A: Additional guidance

Finance is a motivator because it is important that: there is sufficient cash to pay business debts; the business has access to sufficient sources of finance; and the organisation has a business model that is viable in the long term.

Independence is an attribute rather than a motivator. This is the correct answer. Entrepreneur often want to make all the business decisions and then hope to enjoy the success of the business.

Social and ethical motivating factors: some individuals feel a need to interact with and be accepted by others to pursue one of their interests or hobbies. A key social and ethical motivator is the feeling of needing to gain personal satisfaction from building a successful business that benefits others.

Personal motivators could be the desire for control over their own working life, the opportunity to work from home or the option to combine work with family life.

Section B: Mark scheme, sample answer and additional guidance

Expected answers	Marks	Additional guidance
<p>Risk-taking – entrepreneurs should be willing to invest both time and finances into their new enterprise and to have planned and researched it, knowing it may not work but having sufficient self-belief to take the risk.</p> <p>Independence – Entrepreneurs have the attribute of wanting to work independently as they are convinced that their ideas will appeal to the target market and they want to 'go it alone'.</p> <p>Confidence – an individual has expert knowledge of the product or service focusing on the strengths of it, will use positive language when sharing knowledge to others and have the ability to answer questions on the product/ service.</p> <p>Being self-starting is the ability to start something new, knowing that it may be challenging at times but being prepared to work through any challenges.</p> <p>Being self-reflective can be demonstrated in a various ways: questioning why a technique is or is not working well, asking for help from specific experts when required and scheduling time to review where the business is in terms of meeting its targets.</p> <p>Determined – an entrepreneur needs to be determined and decisive, knowing exactly what has to be done and not hesitating when making decisions. This is because any delays could potentially mean that the business might miss out on an opportunity which could change the direction of the enterprise.</p> <p>Decision-making – being in control so that all the decisions that need to be made about a business enterprise are completed.</p>	6 marks total	<p>1–2 marks – Candidate identifies one or two attributes of an entrepreneur.</p> <p>3–4 marks – Candidate identifies two to three attributes of an entrepreneur with clear explanations.</p> <p>5–6 marks – Candidate identifies three to four attributes of an entrepreneur with clear explanations</p>

Candidate answer

Having a range of attributes will help an entrepreneur to be successful, as they can use these in different ways when required. When they first start their enterprise activity they would have to really be confident in their business products or services and be able to demonstrate this confidence (1) when communicating with potential suppliers or customers (1). They may need to make hard decisions with suppliers to get the best deals for resources that they need to make the products or services (1). This may need lots of determination when negotiating the specific contracts. This could be a risk as a supplier may not want to negotiate with the business, but using these attributes could mean that the business is able to keep the costs lower for their customers that they need in order to survive (1). These attributes will also be needed when the business continues and hopefully expands in the future.

(4 marks awarded)

Marks awarded and rationale

In this answer the learner was able to explain several relevant attributes.

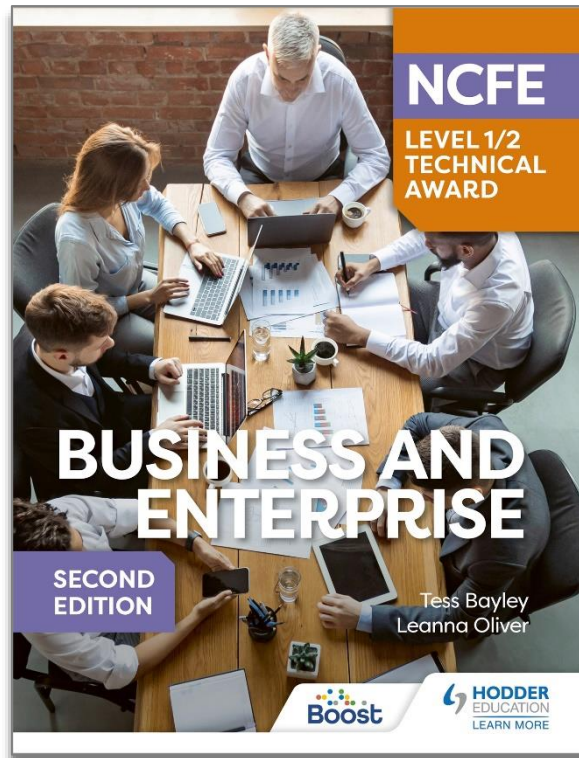
The learner did mention determination, as well as risk, but these were not explained in enough detail to be awarded the extra 2 marks, which is why 4 marks in total were awarded.

Always ensure that you explain specific 'business' words in the context of the question so that the examiner can award you the marks for recalling and applying knowledge and showing understanding.

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