

Enterprise

WHY DO PEOPLE START THEIR OWN BUSINESS?

- to gain a profit
- to turn a hobby or pastime into a business
- to use redundancy money and provide themselves with employment
- to be their own boss.



NEEDS

People have a limited number of needs that must be satisfied if they are to survive. These would include physical needs such as a minimum amount of food, water, shelter and clothing and psychological and emotional needs, e.g. self-esteem and love.

WANTS

Wants are unlimited (infinite) people constantly aim for a better quality of life. For example, better/more food, better housing, longer holidays, better education, entertainment – in effect any example that is not a basic need.

BUSINESS OPPORTUNITIES

Needs and wants are not fixed. They can change quickly as fashions and lifestyles change, and also over the longer term as incomes increase and population changes. This means that markets are always changing. The business world does not stay still – new opportunities are constantly arising. An entrepreneur with an idea, commitment, funds and a little luck can succeed even in the most competitive of markets.

ENTREPRENEUR

Definition: An entrepreneur is someone who starts and runs a business. Perhaps they make a product and then sell that product, or perhaps they provide a service. They quite possibly employ people and, of course, try to make a profit.

CHARACTERISTICS OF AN ENTREPRENEUR

- being a risk taker – they risk capital
- product knowledge
- be hard working
- be passionate/determined/ambitious and have perseverance – new businesses have low success rates
- taking the initiative and being proactive – adapting to change if required
- having creativity and innovation – being able to come up with concepts and ideas
- being an effective organiser – organises labour, raw materials, etc.

IMPORTANCE OF THE ENTREPRENEUR TO THE SUCCESS OF THE ECONOMY

- Entrepreneurs tend to be single-minded, prepared to work hard, passionate/determined/ambitious, have ability to organise production, are prepared to take risks and are innovative – possible use of examples of entrepreneurs to illustrate points.
- Many entrepreneurs are innovators. They bring new ideas to the market and drive the development of new technologies. James Dyson, of Dyson vacuum cleaner fame is a classic example of an entrepreneur, bringing a range of new products to the market.
- Entrepreneurs are important because they are innovative, they can provide better ways of doing things and can also lead to new business, thus increasing profit for businesses and their stakeholders.
- Entrepreneurs have the vision and the willingness to take risks which drive business forward.
- Entrepreneurs help the economy by creating new jobs.
- Help to boost the economy by providing new products.
- Without entrepreneurs, our economy would not benefit from the boost they give from added business and ideas and wealth creation.
- Increasing exports – helps balance of payments.
- Government benefiting from taxation that is generated from the revenues of the business.

SECTORS OF INDUSTRY

Primary: extractive – produces raw materials, e.g. iron ore (that goes into making steel) and oil (that makes petrol, plastics, etc.), as well as producing final products like fish and oranges.

Secondary: manufacturing and construction industries make, build and assemble products.

Tertiary: services give value to people but are not physical goods. Services are sometimes classified as direct services (to people), e.g. the police, hairdressing, etc. and commercial services (to business), e.g. business insurance, financial services, etc.



THE IMPORTANCE OF EACH SECTOR OF INDUSTRY TO THE UK ECONOMY

- In terms of employment, the **tertiary sector is by far the most important in the UK** employing approximately 80% of those who are in employment. The secondary sector accounts for 18%, with 2% in the primary sector. A similar picture emerges if we look at the contribution each sector makes to the value of our output (GDP).
- Many entrepreneurs believe that that **manufacturing in the secondary sector creates wealth when compared to the service sector**. However, the secondary sector in the UK and the manufacturing sector in particular have rapidly declined due in part to competition from cheap foreign imports from developing countries. They cannot compete with low labour costs in China and India.
- The key issue for the **secondary sector** is that of **ensuring they can turn raw materials**, or semi-finished components, **into something that consumers will pay for**. The problem is about maintaining competitiveness by adopting suitable strategies and investing in high tech industry (computers, telecommunications, aerospace) where there is a significant emphasis on research and development.
- Within the **secondary sector**, there needs to be a greater emphasis on hi-tech manufacturing industries and the UK needs to build on its success in this area so that it can manufacture goods for export and earns money for the UK in the future. This is important in helping UK's balance of payments.
- The **tertiary sector** has **grown considerably** over the past twenty years and it can be argued that the tertiary sector is the most important even if the banking crisis and the recession have shown that an over dependence on financial services has not generated as much wealth for the UK as was supposed.
- In some rural areas e.g. West and mid Wales, Scottish Highlands the **primary sector is crucial** to the local economy. We also still get a great deal of food from the UK agricultural industry, even though numbers employed are very small.

RISE/DECLINE IN EMPLOYMENT SECTORS

Primary: Declined as raw materials have run out and are now found elsewhere in the world.

Decline in secondary employment:

- **De-industrialisation** – decline in once prosperous industries such as shipbuilding, steel, textiles and car manufacturing.
- **Changes in consumer demand in favour of foreign goods** – better quality products from countries like Japan, Korea, etc. at very competitive prices/better quality/reliability/innovation.
- **Lack of competitiveness of UK manufacturing** firms in world markets/ increasing overseas competition.
- **Lack of investment in manufacturing** both by government and industry.
- **Technology has replaced workers.**
- **Trade union problems** can cause markets to be lost to foreign competition.
- **Relocation of UK manufacturers** abroad due to lower costs.
- **Education system not producing as many graduates**, e.g. engineers who are able to work in manufacturing – manufacturing has become 'unfashionable'.

Increase in tertiary employment:

- **Tertiary business created** businesses that did not exist until fairly recently, e.g. fitness centres, internet cafes, on-line shopping services.
- **Greater affluence** during that period has led to growth in demand for services – finance, travel, leisure, etc.
- **Education system** more geared to tertiary employment.
- **Manufacturing has become 'unfashionable'**– people wish to work in more pleasant environments.