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| ***Enterprise - business activity and added value*** |

**Introduction:**

* What **business activity** involves
* What is **‘*value added’***?– How we ‘add value’ to a product or service

Let’s start by discussing what a business is. **In your own words**, can you explain what businesses **do** and **why** they exist? **How** do they do it?

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In pairs, can you give your own **brief** example of:

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|  | *Name:* | *Products/Services:* | *Why?* |
| ***A very successful company*** |  |  |  |
| ***A failing/failed company*** |  |  |  |

***The purpose of business activity:***

A business is any **organisation** that uses **resources** to meet the **n\_\_\_\_\_ds** of customers by providing a **pro\_\_\_\_\_\_\_t** or **serv\_\_\_\_\_\_e** that they demand.

*There are* ***several stages*** *in the production of finished goods.*

Businesses take **raw ma\_\_\_\_\_\_\_\_s** like **leather** and make them into **sho\_\_\_** or handbags.

Businesses take the raw materials and make them more **DESIRABLE** (things we want/desire) and therefore **ADD VALUE** to the finished good.

***Consider a school textbook:***

What **raw materials** does it use? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Who (which businesses)** makes revenue (money, sales) from a **book**?

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**Business activity** uses the **scarce resources** of our planet to produce goods and services that allow us to have a **higher sta\_\_\_\_\_\_\_\_\_\_d** of living.

Businesses **identify**:

* Needs of **cons\_\_\_\_\_\_\_\_\_s** or other firms (businesses)
* Purchase **res\_\_\_\_\_\_\_\_\_s** (or factors of production)
* To produce **goods** or **services** that satisfy needs
* Usually aim to make a **prof\_\_\_\_\_**

**KEY DEFINITIONS:**

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| *Consumer goods:* | *Consumer services:* | *Capital goods:* |
| **Physical** and **tangible** goods sold to the general public (you can touch)  ***Durable consumer goods***: such as cars and washing machines (used many times)  ***Non-durable consumer goods*** such as foods, drinks, sweets (that can be used only once) | **Non-tangible products** sold to the general public– hotel accommodation, insurance services and train journeys | **Physical goods** used by industry to help in the **production** of other **goods** and **services**, such as **machines** and commercial vehicles (i.e. for construction) |
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**What** do businesses **need** to **produce goods** and **service**?

***Factors of production***

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| ***Land*** | A general term includes **not only** land itself, but all *renewable* and *non-renewable* resources of nature, such as coal, crude oil and timber (wood). |
| ***Labour*** | *Manual* and *skilled* **labour** (workers) make up the workforce of the business. |
| ***Capital*** | Not just the **finance** to set up the business and run it, but all the *man-made resources* used in **production**. These include **capital goods** such as *computers*, *machines*, *factories*, *offices* and *vehicles*. |
| ***Enterprise*** | This is the ***‘driving force’***, provided by risk-taking individuals, that combines the other factors of production into a unit capable of producing goods and services. |

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| Notes: |

What businesses need:

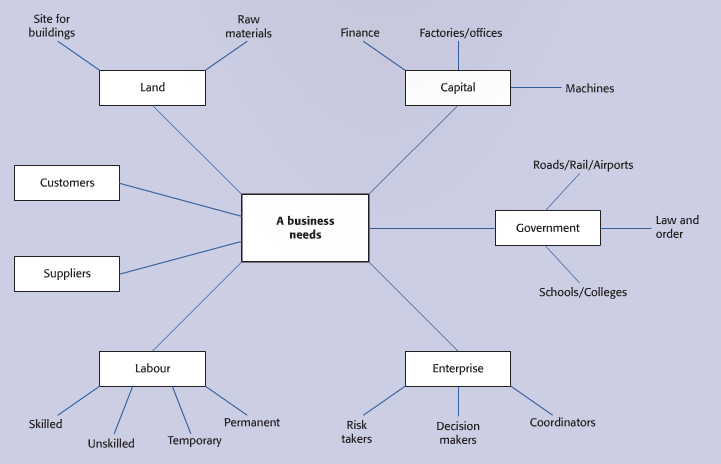


Fig 1.1

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| Consider the school as an organisation (business): what does the school need? |

*The concept of adding value* ***(added value)***

A business **adds value** to the raw materials it uses to **produce** the **good** or **service** it sells. ***Added value*** is one of the ***key objectives*** of any business.

If a customer is **prepared to pay a price that is much greater** than the **cost** of **materials** used in making or providing a good or service, then the business has been **successful** in ‘adding value’.

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| From the **value added** by the business, **other** **costs** have to be paid, such as labour and rent – value added is **NOT** the same as profit.  However, if a business **can increase** its value added **without increasing** its **costs**, then **profits** will increase. |

1 –**Jewellers**: a well designed shop-window display, *attractive* shop fittings, well-dressed and *knowledgeable* shop assistants and *beautiful* boxes offered to customers to put new jewellery in.

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2 –**Sweet manufacturer**: *extensive* advertising of brands of sweets to create an easily *recognised name* and *brand identity*, attractive *packaging*, selling through established confectionary shops and not ‘cheap’ vending machines.

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***Worksheet summary quiz and activity:***

1. Explain what **‘business activity’** is?

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1. How would a **travel agency** ‘add value’ to its products and services?

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**True** or **False** (Mark an **X**)

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| I will choose a random student to answer a question | **True** | **False** |
| 1. Most businesses need a trusted, reliable supplier to be successful. |  |  |
| 1. Without business activity, we would be **dependent** on ourselves to grow food and make things ourselves. |  |  |
| 1. Most of the world’s trade is **Business to Business** (B2) rather than to individual customers like us or our parents. |  |  |
| 1. **Technology** plays a large part in business activity because of its ability to innovate and be efficient. |  |  |
| 1. You **cannot learn** how to be a good business person. |  |  |

**Summary of the worksheet in your own words (in English and Chinese):**

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*Vocabulary check:*

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| **English** | **Chinese** |
| **Labour** |  |
| **Activity** |  |
| **Enterprise** |  |
| **Value** |  |
| **Dealer** |  |
| **Manufacturer** |  |
| **Packaging** |  |

NB: Many words are used to describe a business: an organisation, a firm, a company, a corporation, an enterprise. We will discuss the differences during the course.