



Cambridge (CIE) A Level Business



Your notes

Enterprise

Contents

- * Business Scale
- * Entrepreneurship & Intrapreneurship



Your notes

Business Scale

Local Businesses

- Local businesses operate in a **specific and limited location**, such as a town, city zone or within a tourist attraction
- Their owners usually focus on providing a **service to the surrounding community** and tend to **remain small**

Diagram: Examples of Local Businesses



Single branch
restaurants



Market
Stalls



Gardening
Services

Local businesses provide a service to customers within a limited geographical area

National Businesses

- National businesses operate outlets or provide services in **numerous locations across the country**
- Their focus is on meeting the needs of **customers of a particular nationality**
- They usually aim to increase **market share** and achieve **economies of scale**
- Examples of national businesses include:
 - Bricoman** in France is a national retailer of DIY and building supplies

- **Spoon** in Costa Rica is a national chain of fast food restaurants
- **Amasvin** is a popular bubble tea brand with more than 80 stores across South Korea

International Businesses

- International businesses operate outlets or provide services in **more than one country**
- They tend to operate in countries that **share characteristics of their home country**, such as
 - Similar customer needs and wants
 - Common business procedures or regulations
 - The same language
- Examples of international businesses include
 - Fashion retailer **Zara**
 - Holiday company **Eurocamp**
 - Publisher **Time Out**

Multinational Businesses

- A **multinational company (MNC)** is a business that is registered in one country but has manufacturing operations/outlets in different countries
 - E.g. Starbucks headquarters are in Washington, USA but they have 32,000 stores in 80 countries
- Factors such as **globalisation** and **deregulation** have contributed to the growth of MNC's
- MNC's choose locations based on factors such as **cost advantages** and access to markets
 - Nike originates from the USA, but 50% of their manufacturing takes place in China, Vietnam and Indonesia due to the **lower production costs** in these countries
- The impact of multinationals are considered in more detail later in the course



Examiner Tips and Tricks

The scale of a business can be an important factor in determining its objectives.



Your notes

Local businesses are likely to want to remain relatively small, with the objective of providing a good service, while international businesses may be looking to grow and operate in more countries to become multinationals and maximise profit.



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Entrepreneurship & Intrapreneurship

The Role of Entrepreneurs

- An **entrepreneur** is a person who is **willing and able to create a new business idea** or invention and **takes risks** in pursuing success
 - Successful entrepreneurs can identify and pursue opportunities, **create value for customers** and build thriving businesses
- These individuals bring a unique **entrepreneurial spirit** into the business, which helps drive it forward and expand
 - **Howard Schultz** was hired by Starbucks in 1982 as Director of Retail Operations and Marketing. He later left to start his own coffee company, but **returned to Starbucks** in 1987 as CEO. Under his leadership, **Starbucks expanded globally** and became one of the most recognised brands in the world
 - **Marissa Mayer** was brought in to lead Yahoo! in 2012 as CEO. She implemented several initiatives to revitalise the struggling company, including **acquisitions**, product improvements, and a renewed **focus on mobile**
- Entrepreneurs fulfil **important roles** in business
 - Organising resources, including finance, facilities, people and equipment
 - Making decisions, both at the start and throughout the life of a business
 - Taking risks to maximise returns and maintain a **competitive advantage**

What do Entrepreneurs do?

They Organise Resources	They make Business Decisions	They take Risks
▪ Gather and coordinate the resources necessary to start and operate a business ▪ E.g. Michael Dell started his computer company in his garage, organising resources such as space, computers, software tools and employees	▪ Make initial decisions that determine the success or failure of a business ▪ E.g. A restaurant owner decides the type of food to serve, restaurant location, and what prices	▪ Take financial, personal, professional or conceptual risks ▪ E.g. An entrepreneur may invest life savings or quit a secure job to start their own business



	to charge ▪ Making the wrong decisions can lead to wasted resources, lost opportunities, and ultimately business failure	▪ These risks can pay off with great rewards, but they can also lead to failure and financial loss
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The Role of Intrapreneurs

- An **intrapreneur** is an individual tasked with creating or improving **innovative products or processes** within an **already-established business**
 - **Intrapreneurship** involves empowering employees to **think and act like entrepreneurs**
 - The business encourages them to **take risks, innovate, and develop new ideas** and projects that may benefit the business
 - Businesses can **tap into the creative potential** of their employees and generate new products/services or processes that can drive growth and **competitive advantage**
 - This helps to create a **culture** that generates a sense of ownership and engagement among employees, which **increases motivation** and helps to retain top talent
 - To promote intrapreneurship, businesses may provide resources to employees or offer **incentives/rewards** for successful projects

Examples of Intrapreneurship in Business

Example	Explanation
Sony Playstation	▪ In the early 1990s, a group of engineers at Sony proposed the idea of creating a video game console to compete with Nintendo and Sega ▪ The proposal was initially rejected by senior management. The engineers persisted and a senior executive supported them ▪ Sony PlayStation was launched in 1994 and quickly became one of the most popular gaming consoles of all time
3M	▪ 3M's "15% rule" is a policy that allows employees to spend up to 15% of their work time pursuing projects outside of their normal job ▪ Post-It Notes were developed by two employees, Spencer Silver and Art Fry



- Post-It Notes were initially marketed as a solution for bookmarking pages in books, but they quickly became popular for all sorts of purposes
- Today they generate **billions of dollars** in annual revenue for 3M

- Intrapreneurs fulfil **important roles** in business that compliment those of the entrepreneur:
 - Innovation, including using resources in the most effective way, developing new ideas and processes and identifying new techniques
 - Organising operations by making day-to-day decisions that drive a business forward
 - Persuade business owners to take calculated risks and follow new paths

What do Intrapreneurs do?

They Innovate	They Organise Operations	They Persuade
- Find the best uses of existing resources, identify new ideas and techniques and implement innovative processes - E.g. An intrapreneur may identify ways to reduce waste in the production process	- Make ongoing decisions to ensure the business achieves its objectives - E.g. An intrapreneur may promote workers in whom they see potential or restructure teams to improve efficiency	- Convince business owners to develop and introduce new products enter new markets and implement new ways of working - E.g. An intrapreneur may persuade a business owner to launch a new product in a new market

Qualities of Entrepreneurs & Intrapreneurs

- Entrepreneurs and Intrapreneurs require a **unique set of characteristics and skills**

Diagram: The Skills and Characteristics of Entrepreneurs & Intrapreneurs



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SKILLS	CHARACTERISTICS
◦ COMMUNICATION ◦ TEAM WORKING ◦ PROBLEM SOLVING ◦ ORGANISATION ◦ NUMERACY ◦ INFORMATION TECHNOLOGY	◦ CREATIVITY ◦ HARD WORKING ◦ RESILIENCE ◦ INITIATIVE ◦ SELF CONFIDENCE ◦ RISK TAKER

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The skills and characteristics required by entrepreneurs and intrapreneurs

- Successful entrepreneurs and intrapreneurs tend to be very **persuasive in their communication** and **decisive in their decision-making**
 - Convincing lenders, investors and customers to support their business is central to achieving financial success
- Developing **new solutions to solve existing or emerging problems** is a key intrapreneurial role that helps a business stand out from rivals and achieve success
 - During the 2020 COVID-19 pandemic, many businesses used their creativity to switch production techniques to cater for what the market wanted
 - E.g Harrogate Gin switched from producing gin to hand sanitiser
- Starting a business is often the sole responsibility of a single entrepreneur, who will need to be able to **solve problems with limited support**
 - E.g. The owner of Gymshark, Ben Francis, started off the company by buying a sewing machine and making gym clothes in his parents garage with a few school friends
 - This led to the growth of a multi million pound company employing hundreds of people



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Barriers to Entrepreneurship

- Making the decision to set up and run a business is rarely easy
- Entrepreneurs face a series of **barriers** that they must overcome if they are to make a success of an enterprise

Barriers to Entrepreneurship

Barrier	Explanation
Lack of finance	▪ Entrepreneurs may not be able to afford to invest their own money into a business ▪ Lenders may be reluctant to approve loans due to the lack of a trading record or an unconvincing business plan ▪ They may also be unaware of grants or other available financial support for new businesses
Lack of customers	▪ There is no guarantee that an unknown new business will appeal to customers ▪ Failure to attract customers to buy its products means that a business is unlikely to survive
Finding a suitable location	▪ The best locations are often too expensive for new businesses ▪ Many entrepreneurs run their businesses from their own home initially to minimise operating costs
Lack of opportunities	▪ Entrepreneurs need to have a good idea that has the potential to generate a profit ▪ They also need time, experience and sufficient evidence to support their decision to take the risk in pursuing it



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Existing competition	- Well-known businesses that offer a similar product or service may already exist - Competitors are likely to have greater market knowledge and an existing customer base as well as the financial resources to invest in promotional activity
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The Distinction Between Risk & Uncertainty

- Business uncertainty is when a business **cannot predict what is going to happen** or directly influence it
 - Uncertainty **cannot be prepared for** because it is unknown and cannot be measured
 - Factors which typically cause uncertainty to include:
 - Environmental factors** such as the Japanese Tsunami in March 2011
 - Economic changes** such as Covid lockdowns, Brexit or collapses in the banking system
 - The entry of new competitors
 - Changes in local and national **legislation (laws)**
 - Changes in the **political party** governing the country
- Risk can be **measured**, allowing business owners to make informed decisions before taking action
 - Research, market insight and creating a **business plan** can help to reduce risk
 - E.g. Awareness of increased demand for music on vinyl, extensive market research and a strong business plan convinced entrepreneurs Joel Magill and Will Greenham to set up **Smugglers Records** in the small seaside town of Deal

Diagram: Risk versus Uncertainty



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UNCERTAINTY



RISKS CAN BE CALCULATED AND PREPARED FOR
UNCERTAINTIES CANNOT AS THEY ARE UNEXPECTED EVENTS

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The difference between risk and uncertainty

- Entrepreneurs have varying **levels of risk** they are willing to accept
 - **Risk-averse** entrepreneurs may prefer to start small and achieve slow growth
 - Some entrepreneurs may prefer to **share risks** with others in a **partnership** or protect their personal assets by forming a **private limited company**
- Successful entrepreneurs can **manage risk and quickly respond to uncertainty** in the business environment

An Example of Entrepreneurial Response to Uncertainty

Brian Chesky (Co-founder) & Airbnb Response to the Covid-19 Pandemic

- In 2020, the COVID-19 pandemic caused many people to **cancel their travel plans** and stay home to avoid exposure to the virus
- This had a major impact on Airbnb's business
- Rather than wait for the pandemic to pass, Chesky quickly **pivoted their business strategy** to meet the changing needs of their customers
- They launched a new service called "**Online Experiences**," which allowed people to participate in virtual tours, cooking classes and other experiences **from the comfort of their own homes**



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- Airbnb also took steps to address the health and safety concerns of its customers by **implementing enhanced cleaning protocols** and providing hosts with a guide on how to **prepare their homes for guests** during the pandemic
- By quickly pivoting his business strategy and addressing the concerns of his customers, he was able to drive his business forward and **position Airbnb for continued success** in the future

Business Enterprise & the Development of a Country

- Government policy often includes support to entrepreneurs to encourage them to set up new businesses or take steps to grow their business
 - The **Philippine** government recognises the contribution that small businesses make to its economy and offers a range of **incentives** to entrepreneurs, including
 - **Training programmes** to equip business owners with the skills they need to operate an enterprise
 - A streamlined application process for **low cost government-supported loans**
 - **Mentor initiatives** where entrepreneurs are partnered with an expert who can provide advice on training and business development services
 - The Go Loka! project, which provides product development training, access to a **marketing platform and promotional events**
 - **Exemptions** from income tax and minimum wage law for a limited period

How Small Businesses Contribute to a Country's Economic Development

Increase the country's level of output to achieve economic growth	Improve choice and service for consumers
▪ This results in higher living standards and raises tax revenues for governments to spend on improved public services ▪ E.g. The Ugandan government has remodeled its education system to include entrepreneurship as a core subject in secondary schools and has established innovation hubs to help entrepreneurs launch successful startups	▪ Competition for existing businesses can lead to greater innovation and better customer service ▪ E.g. Robinhood offers a commission-free share trading platform that makes investing accessible and affordable for a broader range of individuals and has challenged traditional financial institutions in a market that had changed little in many decades



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Reduce the level of unemployment	Businesses set up as social enterprises often support disadvantaged groups or improve communities
▪ New or growing businesses create jobs and increase labour skills ▪ This is particularly important for African youth (15–24 years) who constitute around 37% of the working age population but account for about 60% of the continent's jobless total	▪ E.g. During the Covid-19 pandemic Fuzzlab provided its chatbot free of charge to UK social housing organisations ▪ This meant tenants could continue to access 24/7 support for any housing-related enquiry at a time when customer service staff were unable to carry out their work



Examiner Tips and Tricks

A good way to explain the difference between entrepreneurs and intrapreneurs is to consider them in the context of risks and rewards.

Entrepreneurs risk their own money, reputation, time and resources but get to keep financial rewards for themselves, should they wish. Intrapreneurs take risks on behalf of a business – and the business for whom they work receive the rewards.