

## Business Enterprise

**Definition:** The formation of a new business or development of a new good or service to be introduced to the market.

## Business Enterprise

### Entrepreneur

**Definition:** A person who sets up a business by taking on the financial risks in the hope of making a profit.

They are responsible for bringing together the other factors of production, land, labour and capital, to create a business.

This involves:

- Initiative → Taking action
- Innovation → Idea 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



### Functions of an Entrepreneur:

- They set up a business / they are the business owners / they run (manage) the business → survival / success depends on their efforts
- They have the idea / 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



### Why do people want to set up their own business?

- **Personal ambition / satisfaction** → always wanted to do it → building your own business may help individuals reach higher goals in life → challenge → opportunity
- **Interest** → may be passionate about the product or service they provide
- **To keep a family business running** → taken over from family member
- **Reward for own efforts** → to make profits → earn income
- **Can exploit an opportunity/identify a gap in the market to increase wealth**
- **Provide a service to local community/ social enterprise**
- **Use skills** → learnt in previous job / experience / interests / hobbies → knows own strengths/weaknesses
- **Be own boss / to be in control** → this will give greater flexibility than employment → to be able to make own decisions
- **No work available** → to get a job → may be no similar business locally → high unemployment in area
- **Use qualifications** → gained in school / college or in previous job
- **Encouragement by external/government agencies to set up own business** → support and advice offered by agencies → e.g. GO Wales, Careers Wales, Prince's Trust
- **To use redundancy pay to take advantage of the opportunity to set up a business**
- **Easy to set up** → no qualifications needed → no formal documentation → may need limited finance → site available

### The Motives of Entrepreneurs

#### Financial

- Generate a profit
- Provide employment for self
- Financial security for self and family

#### Non-financial

- Self satisfaction/challenge
- Be own boss
- Fill a gap in the market
- Create employment for others

#### Social/community

- Social enterprises are those whose prime objective is to do good in society rather than to make a profit
- Surplus revenue is used to support a specific cause e.g. a children's charity or community group

#### REWARDS of being an Entrepreneur

The potential personal and financial gains of being an entrepreneur

- Be their own boss
- Flexible working hours
- Pursue an interest
- Good customer feedback
- Earn more money (profit)
- Dissatisfaction with current job
- Greater work life balance
- Self- esteem from building something new
- Self- satisfaction
- Provide employment for self and others

#### RISKS of being an Entrepreneur

The potential personal and financial losses facing an entrepreneur

- Financial loss of income and money invested
- Low sales
- Unexpected costs e.g. rise in rent
- Unexpected events e.g. new competitor
- Potentially long hours and stress
- Loss of security
- Pressure on friends and family
- Damage to reputation if fail
- May lose home etc.