



## 1.3 Enterprise, business growth and size

### **What are the characteristics of an entrepreneur?**

1. Risk-taker
2. Self-motivated
3. Innovative
4. Confident
5. Ambitious
6. Hardworking
7. Quick learner
8. Team Player

### **Why become an entrepreneur? Advantages vs. Disadvantages**

#### **Advantages**

1. Independent
2. Motivating
3. Potential higher income

#### **Disadvantages**

1. High risk
2. Long working hours
3. Opportunity cost from stable employment income

### **What are the importance of a business plan?**

1. Guide to turn business idea into an operation
2. Describes business objectives, resources needed to start/operate business
3. Assist to get a loan from bank
4. Monitor and track business performance and target

### **What are the components of a business plan?**

1. Business description and objective
2. Product and service details
3. Production plan and resources
4. Market assessment
5. Financial forecast and planning
6. Organisation chart/management roles

### **How to measure the size of firms?**

1. Number of employees
2. Amount of capital employed
3. Output or sales
4. Market share size



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### Why should a firm grow?

1. Large or long established firms have better chance in obtaining financing from good financial performance/reputation
2. Develop more products or expand operations => diversification => reduce risk
3. Earn more profit from increased market share => more revenue from sales
4. Create more employment and provide better benefits
5. Achieve economies of scale => reducing cost

### How do firms grow?

1. Internal growth
  - a. Opening new outlets/factories locally or in other countries
  - b. Expanding operations/Increasing output
  - c. Producing more variety of products and services
2. External growth
  - a. Mergers
  - b. Acquisition/Takeovers
    - i. Horizontal integration
    - ii. Vertical integration
    - iii. Lateral integration
    - iv.

### Why does some firm remain small?

1. Small market size
2. Limited capital
3. Owner wants more control
4. Many competitors/low barriers to entry

### What are problems growing a business?

1. Lack of resources (raw materials/employees/capital)
2. Too far from market or resources
3. Unskilled/demotivated employees
4. Poor infrastructure/lack of technology/expertise
5. Lack of capital/finances
6. Poor communication
7. Government regulation/policies

### Why do some business fail?

1. Lack of resources – skilled/experienced employees
2. Poor planning and management
3. Lack of finance
4. Wrong location
5. Change in market preference or regulation
6. Strong competition
7. Economic recession
8. Technological changes leading to obsolete product

### Why does government support businesses?

1. Create employment/jobs
2. Economic growth
3. Increase competition
4. Increase tax revenue



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### What kind of support does the government offer businesses?

1. Grants
2. Low-costs loans
3. Tax incentives
4. Low-cost or rent-free premises/better infrastructure
5. Free or low-cost advice and training

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