DOT POINT

QCE BUSINESS UNITS 1 AND 2

• Mohan Dhall •

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Unit 1 Business Creation

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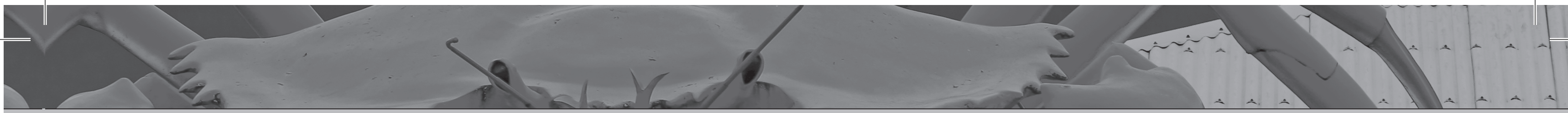
ISBN 978-0-85583-8461



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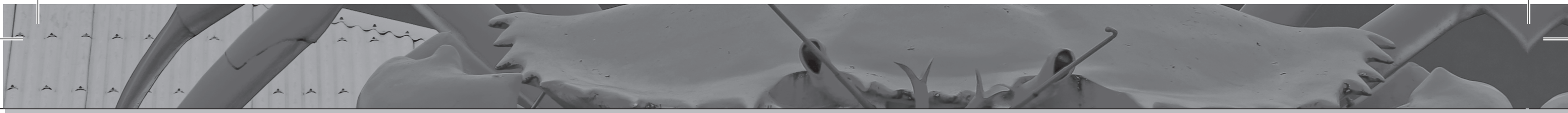

Unit 2 Business Growth

Topic 1 Establishment Of a Business

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Unit 2 Business Growth

Topic 2 Entering Markets

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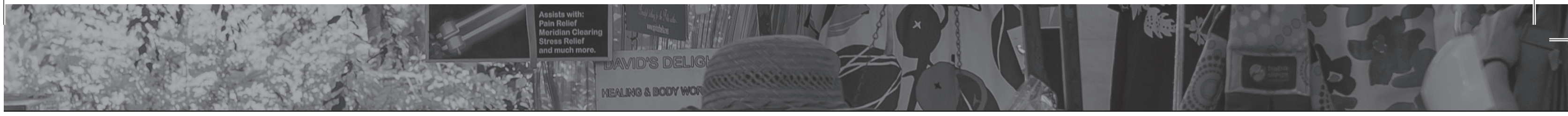

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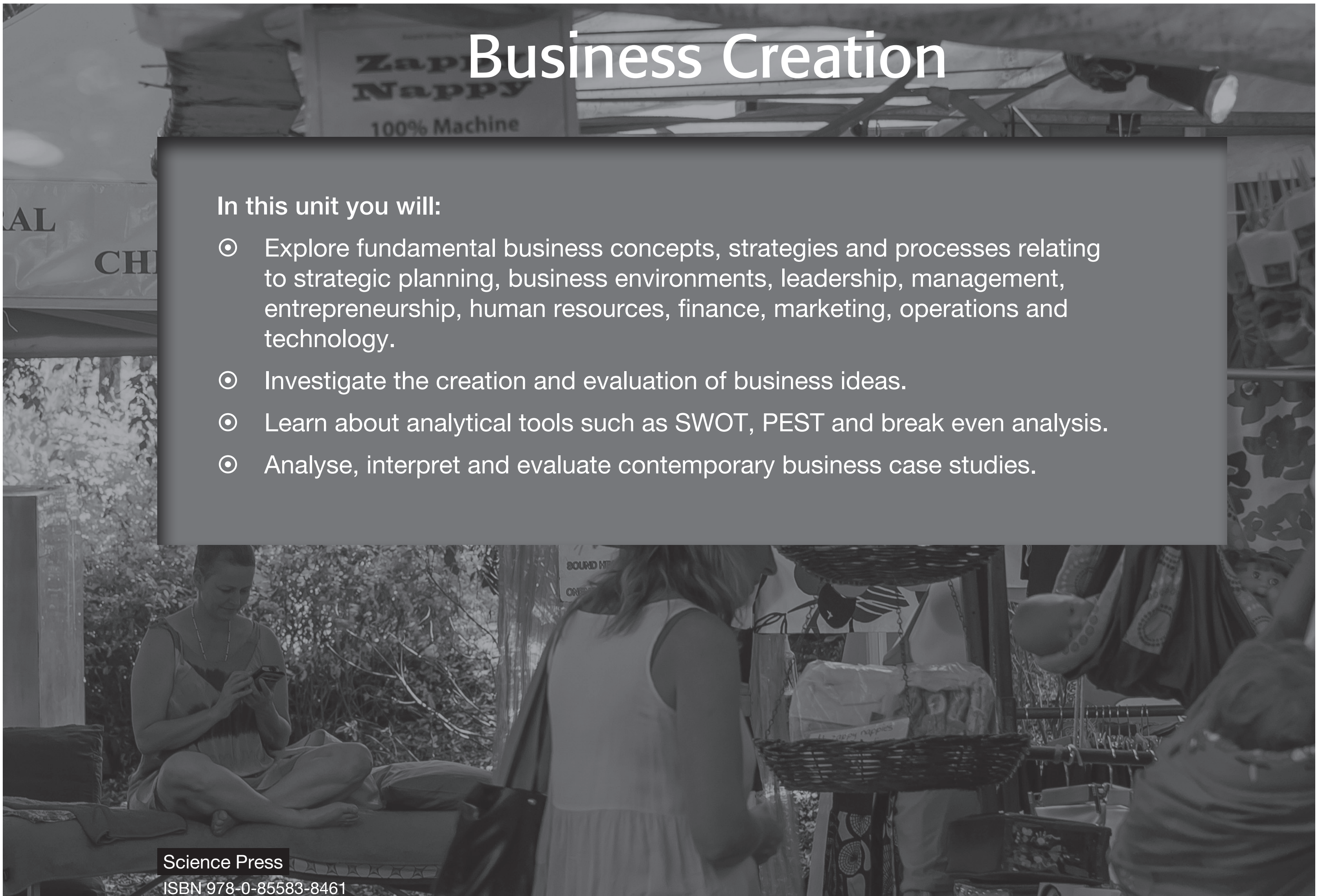
Unit 1



Business Creation

In this unit you will:

- Explore fundamental business concepts, strategies and processes relating to strategic planning, business environments, leadership, management, entrepreneurship, human resources, finance, marketing, operations and technology.
- Investigate the creation and evaluation of business ideas.
- Learn about analytical tools such as SWOT, PEST and break even analysis.
- Analyse, interpret and evaluate contemporary business case studies.

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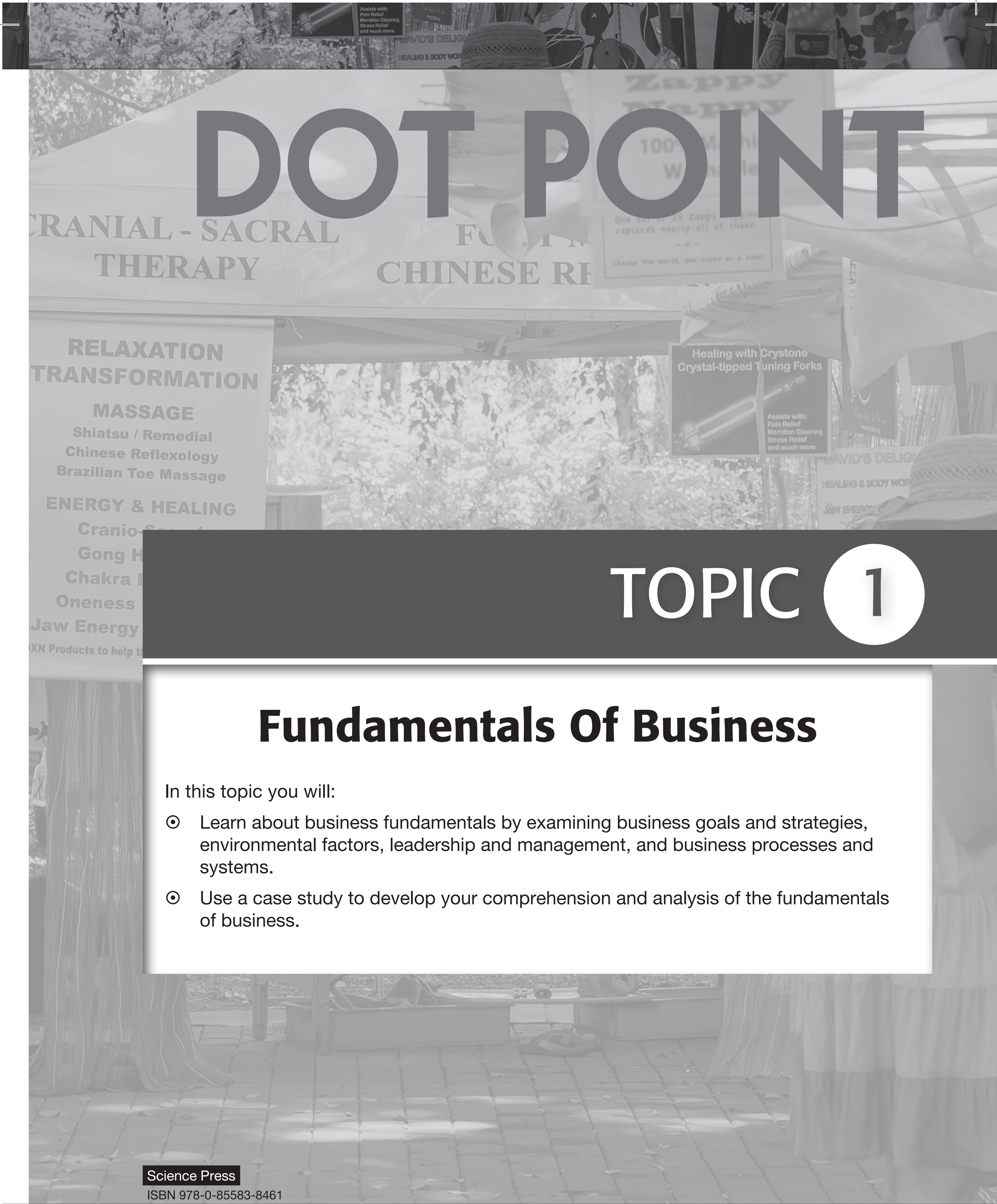

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TOPIC 1

Fundamentals Of Business

In this topic you will:

- Learn about business fundamentals by examining business goals and strategies, environmental factors, leadership and management, and business processes and systems.
- Use a case study to develop your comprehension and analysis of the fundamentals of business.

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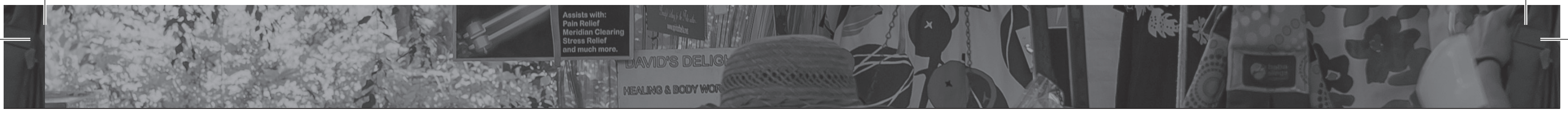
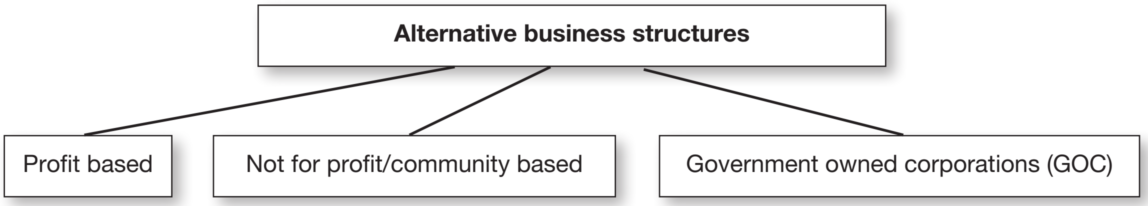


1.1 Business fundamentals.

1.1.1 Describe business facts and characteristics of the internal, operating and macro environmental factors for a variety of business structures, including profit based, not for profit or community based businesses and government owned corporations (GOC) or government business enterprises (GBE).



1.1.1.1 Define the following terms.

Profit

....

Not for profit

....

Government owned corporation

....

Community based organisation

....

Government owned organisation

....

Business

....

Business revenue

....

External influences/factors

....

Internal influences/factors

....

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1.1.1.2 What is a business?

1.1.1.3 Outline the following roles of business.

Provides goods/services

Generate profit

Innovate

Contribute to national output

Provide employment

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Environmental factors impacting on business structures

Macro factors

The economy

- Economic cycle
- Interest rates
- Business confidence
- Business investment

Laws and regulations

Laws affecting the cost of setting up and running a business including:

- Competition and Consumer Act (ACL)
- Workplace laws
- Taxation laws
- Business registration rules
- ASIC regulations

Globalisation

- Effect on supply chains
- Effect on competition levels
- Effect on labour

Technology

- Innovation
- Cost of technology
- Utility of technology

Institutions

- Level of education
- Industry support
- Union effect

Micro (operating) factors

The industry

- Level of competition
- Scale of other operators
- Trends and market changes
- Any barriers to entry

The business itself

- Entity structure
- Scale of operations
- Stage in business life cycle
- Management and leadership teams

Technology

- Use of technology
- Investment in capital
- Investment in staff training

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1.1.1.8 How does profit motivate people to conduct business?

1.1.1.9 What is a not for profit entity?

1.1.1.10 Why are some business or entity structures not for profit in nature?

1.1.1.11 Outline each of the following features of government owned corporations (GOCs) or government business enterprises (GBEs).

Operate like a business

Generate income for the government

Focus on efficiency

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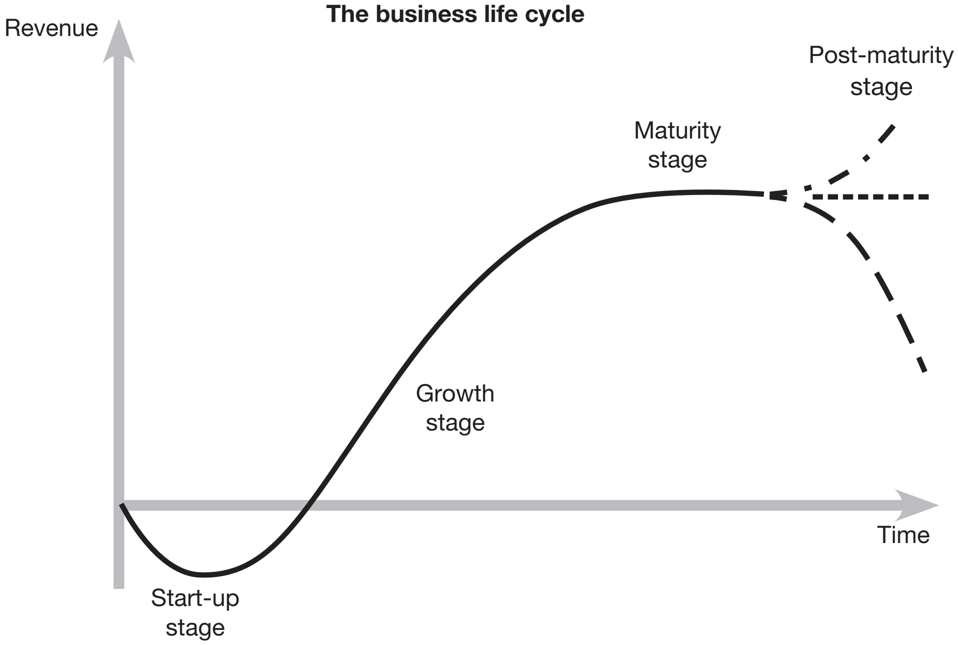
1.1.2 Explain stages of a business life cycle.

The business life cycle



1.1.2.1 Define the following terms.

Business life cycle

....

....

Start-up phase

....

....

Growth phase

....

....

Maturity phase

....

....

Post-maturity phase

....

....

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1.1.2.7 Outline the following aspects of business decline.

Falling revenue

Declining profits

Sale of loss leaders

Product deletion

Staff separation

1.1.2.8 Outline the effect of business cessation on the following.

Staff

Markets

Consumers

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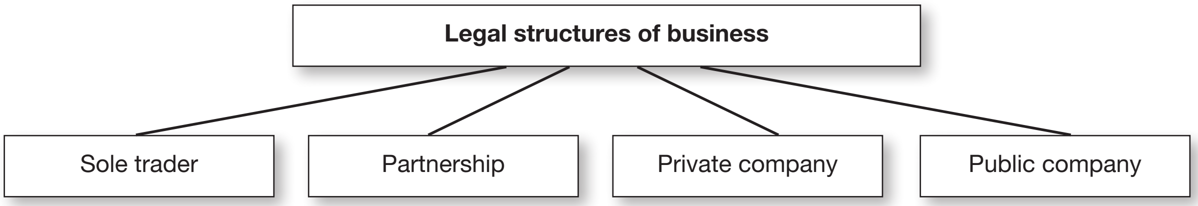
1.1.3 Explain legal ownership structures of business, including sole trader, partnership, private company and public company.



1.1.3.1 Define the following terms.

Sole trader

....

Partnership

....

Unincorporated

....

Unlimited liability

....

Incorporation

....

Shares

....

Listed

....

Australian Securities Exchange (ASX)

....

Perpetual succession

....

Australian Securities and Investments Commission (ASIC)

....

1.1.3.2 Outline the following benefits associated with the sole trader business structure.

No profit sharing

....

Being able to run the business as the owner wants

....

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1.1.4.2 Outline the following aspects of business SMART objectives.

Specific

Measurable

Attainable

Realistic

Time based

1.1.4.3 What is the difference between business strategies and tactics?

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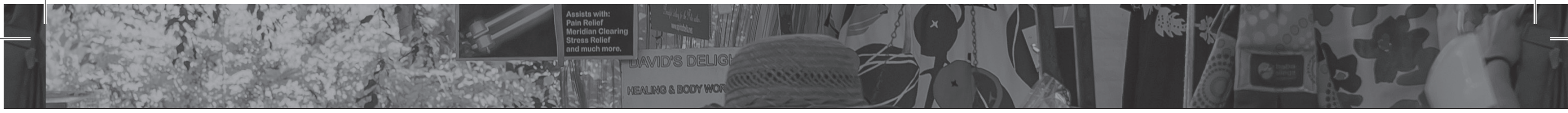
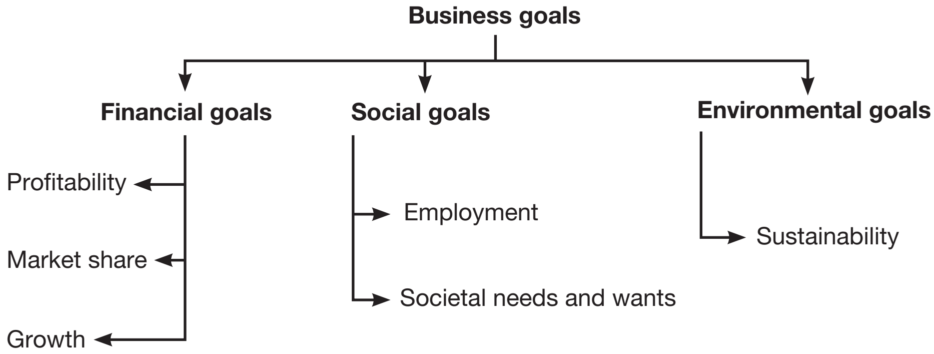


1.1.5 **Explain business goals, including profitability, market share, employment, societal needs and wants, sustainability and growth.**



1.1.5.1 Distinguish between financial, social and environmental goals.

....

....

1.1.5.2 Define the following terms.

Profit

....

Revenue

....

Expenses

....

Market share

....

Growth

....

Employment

....

Societal needs and wants

....

Sustainability

....

Intergenerational equity

....

Intragenerational equity

....

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1.1.10.3 Explain the persuasive management style.

....

....

1.1.10.4 Explain the consultative management style.

....

....

1.1.10.5 Distinguish between participative and democratic decision making.

....

....

1.1.10.6 What effect can democratic decision making have on management?

....

....

1.1.10.7 Explain the laissez-faire management style.

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1.1.10.8 Under what circumstances can a laissez-faire management style be successful?

....

....

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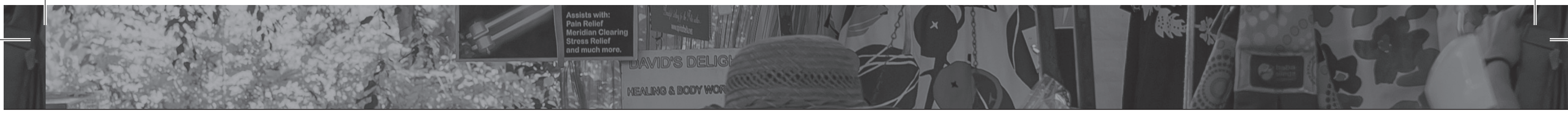
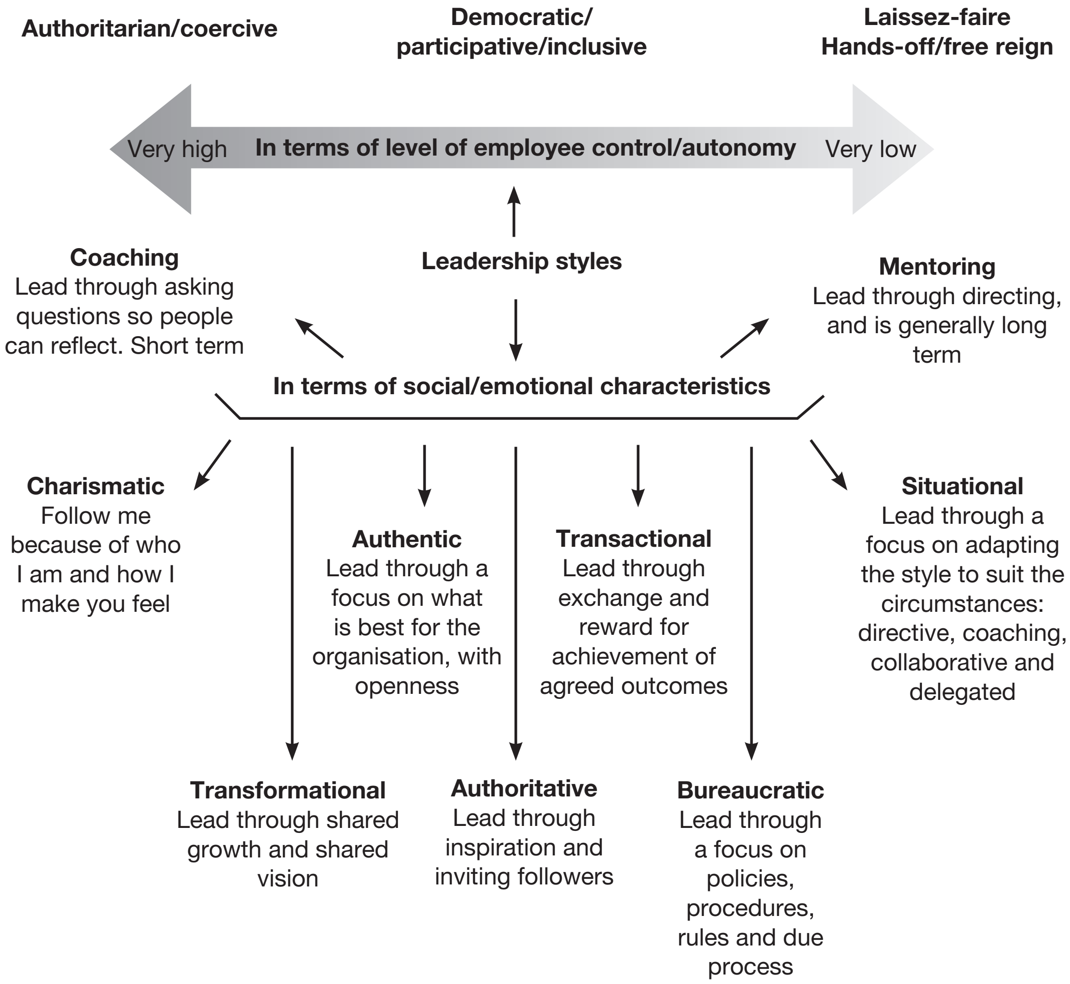


1.1.11 **Explain leadership styles, including authoritative, charismatic, bureaucratic, authentic, coaching, mentoring, transactional, transformational and situational.**



1.1.11.1 Define leadership style.

....

1.1.11.2 Why should business leaders be aware of their leadership style?

....

....

....

1.1.11.3 Distinguish between two broad approaches to business leadership.

....

....

....

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1.1.12 Explain the role of criteria (competitiveness, effectiveness, efficiency and stakeholder satisfaction) in evaluating business decisions.

1.1.12.1 Define the following terms.

Competitiveness

....

....

Effectiveness

....

....

Efficiency

....

....

Stakeholder satisfaction

....

....

1.1.12.2 What does the term ‘criteria’ mean?

....

....

1.1.12.3 Why are criteria important when evaluating business decisions?

....

....

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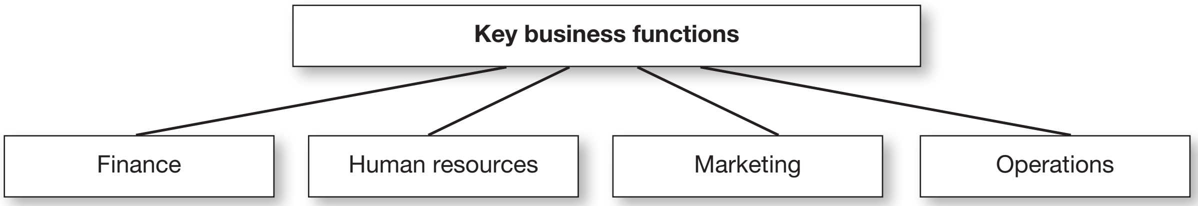
1.1.13 **Explain the role of the key business functions (finance, human resources, marketing and operations) in achieving business goals.**



1.1.13.1 Define the following terms.

Key business functions

....

Finance

....

Human resources

....

Marketing

....

Operations

....

Business goals

....

1.1.13.2 Explain the role of finance in achieving business goals.

....

....

1.1.13.3 Explain the role of human resources in achieving business goals.

....

....

1.1.13.4 Explain the role of marketing in achieving business goals.

....

....

1.1.13.5 Explain the role of operations in achieving business goals.

....

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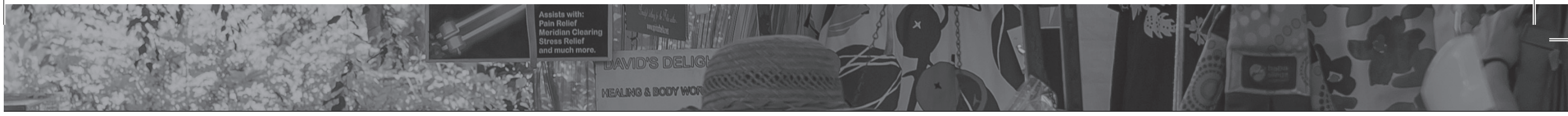

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Answers

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Unit 1 Business Creation

1.1.1.1 Profit: The excess of income after costs.

Non-profit: An approach to business where a business does not pursue profits, but instead aims to achieve a social or environmental purpose.

Government owned corporation: An entity that is incorporated and carries out commercial activities with profits returned to the government.

Community based organisation: Non-profit, non-governmental, or charitable organisation representing community needs and working to help them.

Government owned organisation: Any entity that is owned by the government is a government owned organisation. They include government owned enterprises, government owned corporations and government owned institutions.

Business: Businesses are organisations that produce products (goods or services) which are sold to consumers in order to generate a profit for the owners of business.

Business revenue: Income generated by a business through the sales of its products, goods or services, is called business revenue.

External influences/factors: These are influences over which a business has little to no control. Accordingly, the business needs to adapt to these influences or find opportunities to take advantage of them. External influences include globalisation, technology, the economy, social influences, political factors, legal factors and corporate social responsibility.

Internal influences/factors: These are influences that a business has a high degree of control over. Accordingly, they include things such as management style, investment in technology, openness to change, level of training, location, resources and products.

1.1.1.2 A business is an organisation or entity that creates or delivers products (goods and/or services) to markets, generally to fulfil a need or want, in order to generate profits for the owners.

1.1.1.3 Provides goods or services: Businesses make goods, tangible products that may be either durable (long lasting) or perishable, or services (intangible products involving effort, skill, time, and knowledge of a client’s needs).

Generate profit: Most business owners want to generate higher revenue over the costs incurred. This enables the business to generate profit which can then be returned to the owners.

Innovate: This role of business is to create novel goods and services that can be sold in markets and generate profits for owners.

Contribute to national output: National output is a measure of the total value of goods and services produced within a nation during a year. All businesses, as producers of goods and services, are contributors to national output.

Provide employment: Businesses are significant employers in the national economy. Businesses need to employ people to carry out the necessary work of providing and selling goods and services and so create profits for the business.

1.1.1.4 Macro environmental factors include such things as the economy, regulations, globalisation, technology and institutions. All of these are external factors and require that a business adjusts to accommodate the effects of these on its operations and processes. The micro factors include the industry in which a business operates, the actual business, and the technology used by the business and how it is used. The overall difference between the two is that the business has a high degree of control over some of the micro factors and little to no control over the macro factors.

1.1.1.5 The economy: This refers to the level of economic activity and its impact on the demand for goods and services and the level of consumption. This also affects employment levels and consequently the amount of money flowing around the economy.

Laws and regulations: The statutory framework, all the laws and legislation governing how business is conducted directly affects businesses. Collectively called compliance, it requires businesses to conduct their activities in a manner that follows those laws and regulations relevant to their operations.

Institutional influences: Institutional influences which include the actions and work of unions, employer associations, universities and educational bodies can influence how business is conducted.

Globalisation: The relaxation of barriers to trade between nations, the access to different ideas and information between nations, the availability of finance, capital, and labour, and the capacity to produce goods and services, can all act as both an opportunity for business as well as a threat. Businesses must therefore consider how they conduct their business in this global context.

Technology: This refers to both the hardware and the software, or applications that run the hardware. Technology as a macro factor provides the resources for businesses to adapt to threats or to take advantage of opportunities.

1.1.1.6 The industry: As a micro operating factor, the industry is the sector of economic activity in which a business trades. Each industry sector has its own characteristics, regulations and markets which influence how businesses conduct their operations.

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Providing a basis to assess performance: Sales forecasts are typically created using past sale performance data but also reflect such issues as changing economic conditions and market competition. Regular monitoring of these forecasts are part of the process of assessing sales performance and can identify potential issues and allow for remedial action to be taken. For example, regular weekly updating of sales forecasts can reveal whether a business is on track to reach its quarterly forecast target and if not, immediate action can be taken to improve the situation. Such actions might include: improving the sales teams, price changes, different advertising and new promotional strategies. However, unpredictable events can affect sales forecasts dramatically so a business may choose to review and amend the sales forecast at the end of every quarter while monitoring the progress on a day to day basis.

2.2.16.1 Scheduling: This refers to a time based process of organising, controlling and optimising work and workloads in a production process.

Sequencing: This refers to organising the order of tasks that need to be done in a production process.

Gantt chart: This is a visual sequencing and scheduling tool that helps managers to see how long various operations processes take and what order they should be done in. It also shows how certain activities can be done concurrently to save time.

2.2.16.2

(a) The supplies are ordered at the start of February and through February, and again at the start of July and through July.

(b) According to the chart, it will take two months to set up the facility commencing at the start of February and finishing at the end of March.

(c) The processes that can be done at the same time as setting up the facility are ordering the supplies in February, calibrating the machinery in March, and advertising for and recruiting staff in February and March.

(d) According to the chart, staff training takes two months from the start of April to the end of May, and activities that can be done concurrently, or at the same time are the commencement and continuation of production and marketing the product.

(e) According to the chart, the business will be launched at the start of July.

(f) If the setting up of the facility is delayed by a month it will have no effect on the overall process because although the machinery will be calibrated in March and production will commence in April, with staff training also commencing in April, it should still be possible to launch the business in July. The only issue that may arise is if there is a high volume of demand. In this case then it might be better to delay the launch by a month and push everything else forwards a month as well.

2.2.16.3 Gantt charts are a useful sequencing and scheduling tool for use in production processes because they visually indicate the optimum ways to organise the order of tasks and how long individual activities take. Furthermore, by simplifying complex processes Gantt charts can show which activities can be undertaken concurrently. This is important for planning because things rarely go exactly to plan especially when complex processes are involved. Gantt charts can indicate when a business needs to quickly reorganise activities and can help managers to make informed decisions about certain production processes, or make other adjustments to ensure that timelines are met.

2.2.17.1 Market research involves finding out about different aspects of a market. Included in these are consumer behaviours, or how consumers relate to products or brands. Market research reveals that people tend to be loyal to a brand’s products when they find a brand that they like and it can be difficult to shift consumers to a competing brand. Market research can assist businesses in understanding the relationship between consumers and the brands they like and what drives their loyal behaviour. It can also reveal information that can help to maximise consumer loyalty and increase added value per customer.

2.2.17.2 Market research can be useful for informing marketing strategies. For example, at a time of increasing economic pressures consumers can be more sensitive to price increases. Market research can reveal this to a business which could lead to discounts or limiting price rises. Other strategies that can be helped by market research are promotional strategies, place or distribution strategies and product strategies. Market research provides information so businesses can make decisions about what promotions strategies consumers may respond to, how best to present and deliver products and what customers prefer in the way of product utility and design.

2.2.17.3 There is a close relationship between consumer behaviours, market research and the product strategy. Businesses try to satisfy consumer needs and wants with the products they sell and design the products consumers want to maximise their utility and value in the eyes of the consumer. Businesses also usually try to reinforce their brand values to increase customer loyalty.

2.2.17.4 There is a close relationship between consumer behaviours, market research and the pricing strategy. Early in a product’s life cycle businesses will tend to use a penetration pricing strategy because market research has shown that customers are more likely to try products when the price is low and buying the product represents less financial risk. Market research has also shown that even when there’s a high price in association with high quality consumers are still prepared to buy if the product is innovative enough.

2.2.17.5 There is a close relationship between consumer behaviours, market research and promotional strategies because market research provides the information for managers to determine which form of promotional strategy will most encourage consumers to buy a business’s product. Market research has established that many consumers acknowledge that the only reason they maintain brand loyalty is due to a promotional aid that reminds them of the brand. A business needs to do promotions to set itself apart from its competitors in order for customers to continue buying from the business. Market research has also determined that promotions such as the use of opinion leaders can be highly effective in changing consumer purchasing behaviour.

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2.2.17.6 There is a close relationship between consumer behaviours, market research and the place or distribution strategy because market research can help uncover whether consumers prefer to interact physically with a product or prefer to buy online. It is usually through market research that customer behaviours can be determined and businesses can adjust their strategies based on this information.

2.2.18.1 Customer base: This refers to the group of loyal customers a business sells its products to.

Market presence: This refers to the position a business occupies with respect to its competitors within an industry. Market presence is a consequence of the clear and simple message the business communicates to existing and potential customers about its key strengths. These may be related to market share, product quality, brand strength, customer service, the value of brand loyalty and other features about the business.

2.2.18.2 Market presence builds a brand and brand loyalty for a business by providing, for example, excellent customer service, quality products that consumers want, and incentives like free delivery and rewards programs that engage with customers and make them loyal to the business.

2.2.18.3 Customer perceptions about a brand can affect market presence because if customers have a positive perception about a brand's quality and utility they are more likely to become loyal customers and increase a brand's market presence. If however, customers perceive that a brand does not represent value and is an imitator of lower quality, or has some other negative issue affecting consumer perceptions then the brand's market presence will be low.

2.2.18.4 There is a strong interrelationship between a brand, its customer base and the resulting market presence. As the customer base grows and the relationship with the brand becomes stronger then market presence will also become more prominent but if customers are disgruntled with the brand and turn away from it then the value of the brand and its market presence will decline.

2.2.19.1 Supply chain: This refers to the entire network of processes and resources needed to produce and sell a product.

Lead times: This refers to the length of time between the start and finish of a production process.

Warehousing: Also called distribution centres, this refers to the process of storing physical goods for sale or distribution.

Just in time: This is an approach to inventory management where goods are delivered only as they are needed.

Economies of scale: This refers to cost advantages (where per unit costs of production are minimised) which are achieved when a business's production becomes efficient, usually at high volumes.

2.2.19.2 Without inputs production of outputs isn't possible. Production requires inputs such as raw materials, labour of employees, finance, equipment and facilities and energy.

2.2.19.3 Supply chain management is closely associated with production levels and involves the handling of the overall flow of a product from raw materials to delivery to an end consumer. A business needs to ensure that its supply chain is flexible enough to adapt to variations in volume due to changing consumer demand.

2.2.19.4 Changes in demand have a direct impact on production because declining demand leads to lower production, less use of facilities and reduction in costs for labour. Conversely, rising demand leads to the need for higher production levels and increased use of facilities and labour, all incurring a rise in costs.

2.2.19.5 Increased capacity means that a business is able to produce more when required. This can occur when existing facilities are used more efficiently, or where investment has been made in new facilities, plant and equipment to enable greater volumes of production. Increased capacity can also lead to fewer constraints in supplying product when there is an increase in demand.

2.2.19.6 An increase in scale means that there is a greater demand for a product that a business makes and therefore there is a need for a higher volume of production. Efficiency can be increased from a rise in scale of production because the per unit fixed cost can be reduced as a result of increased production as the fixed cost is spread over more output. As well, the per unit variable cost is reduced due to the expanded production. Cheaper prices for inputs by buying in bulk can also enhance efficiency when scale of production is increased. Lower unit costs means there is greater efficiency in production because for every unit of expenditure there is higher output.

2.2.19.7 There are various costs associated with using warehouses for the storage of goods. The first is the cost of the actual facility which will be a lease or rent cost or a purchase price. The second cost is associated with the need to secure the facility. The third cost is associated with distribution costs from the facility to the various places where consumers can buy the products. A fourth cost is associated with shrinkage or loss that occurs when stock is stolen or cannot be accounted for. The last cost is the cost of ageing stock that is past its use by date.

2.2.19.8 The just in time inventory system is focused on producing stock only as it is demanded and involves having suppliers deliver raw materials when production is scheduled to begin, but not before. The idea is to have the minimum amount of inputs on hand to meet production needs. This approach to inventory management aims to minimise the use of storage facilities and warehouses.

2.2.19.9 It is often said that a just in time inventory management approach will preclude the use of warehouses. This is not true, for example, for businesses that import from a global market the use of distribution centres is a necessity for the storage of stock which is then transferred to retail outlets on a just in time basis, or as demand requires it. Accordingly, the use of warehouses or distribution centres is often essential for just in time inventory management.

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