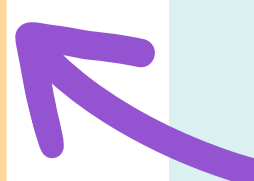


# UNIT 1

## 1.1. Introduction to Business Management

| KEY CONCEPT                                                                                                                                                                                                                                                                                                                                           | RELATED CONCEPT                                                                                                                                                                                                                                              | GLOBAL CONTEXT                                                                                                                                                                                                                       |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Business Management Change                                                                                                                                                                                                                                                                                                                            | Entrepreneurship and business activity • Factors of production • Business functions • Primary, secondary, tertiary and quaternary sectors • Entrepreneurship and intrapreneurship • Reasons for starting a business • Business plans and start-up challenges | “Business activity is shaped by change in economic, technological and social environments. Entrepreneurs respond to these changes by identifying opportunities, organizing resources and creating value for different stakeholders.” |
| STATEMENT OF INQUIRY                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                      |
| "Final accounts, within the global context, play a crucial role in ensuring financial transparency and compliance with international accounting standards. This aligns with the Statement of Inquiry, as it emphasizes how financial reporting frameworks influence ethical decision-making and accountability in a globally interconnected economy." |                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                      |



NAME : .....  
SURNAME : .....  
CLASS:.....



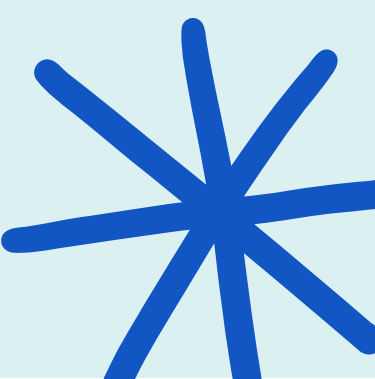


## From Bean to Brand: Luna Chocolate

Luna Chocolate is a small business producing premium chocolate bars. It buys cocoa beans and other natural ingredients, uses machinery and a small factory to transform them into finished products, employs 18 workers, and is managed by its founder, Elif. As demand grows, Elif must coordinate the firm's resources carefully. She is considering buying an automated packaging machine and recruiting a marketing specialist. Operations is responsible for production and quality control; human resources recruits and supports employees; finance and accounts monitors the firm's money; and marketing researches customer preferences and promotes the brand.

- a) Define the term business. [2 marks]
- b) Identify the four factors of production used by Luna Chocolate. [4 marks]
- c) Explain one role of marketing and one role of operations in Luna Chocolate. [4 marks]
- d) Explain how investment in an automated packaging machine could affect inputs and outputs. [4 marks]

## Answer



# ACTIVITY 1 Business Brainstorm



**What do you think of when you hear the word BUSINESS?**  
List all the words or phrases that come to your mind. There is no single correct answer - use the space to build a business mind map.

|  |                 |  |
|--|-----------------|--|
|  |                 |  |
|  | <b>BUSINESS</b> |  |
|  |                 |  |

**Follow-up:** Circle the three words that you think are most important to understanding business management. Be ready to justify your choices.



# ACTIVITY 2. Production Sectors

Study the data below and answer the questions that follow. A, B and C represent three countries: Germany, Pakistan and China (although not necessarily in that order).

Structure of employment (%)

|               | A  | B  | C  |
|---------------|----|----|----|
| Agriculture   | 9  | 1  | 22 |
| Manufacturing | 47 | 28 | 24 |
| Services      | 44 | 71 | 54 |

- (a) Identify the countries A, B and C.

[3 marks]
- (b) Use the data in the table to justify your answer to part (a).

[7 marks]



# ACTIVITY 3 - Starting a Business



Unit 1.1 - Introduction to Business Management

## What do you think entrepreneurs have to do to start their own business?

Create a list of all the things that you can think of. Consider the journey from an initial idea to launch.

|          |                                                 |
|----------|-------------------------------------------------|
| IDEA     | What problem or need will the business address? |
| RESEARCH | Who are the customers and competitors?          |
| PLAN     | What will the business need to operate?         |
| FINANCE  | How will start-up costs be funded?              |
| PEOPLE   | Who will help run the business?                 |
| LAUNCH   | How will customers hear about it?               |

# ACTIVITY 4 Classify the Business



Classify each example into the appropriate sector.

1. Primary Sector  
(Extractive)

Natural Resources & Raw Materials

2. Secondary Sector  
(Manufacturing)

Production & Factories

| Example                       | Sector | Reason |
|-------------------------------|--------|--------|
| A factory making candles      |        |        |
| A taxi business               |        |        |
| An insurance broker           |        |        |
| A coal mining company         |        |        |
| A scientific research company |        |        |
| A dairy farm                  |        |        |

3. Tertiary Sector  
(Service)

Services & Support

4. Quaternary Sector  
(Knowledge)

Research & Innovation

| Business                 | Primary | Secondary | Tertiary | Quaternary | Description of main activities |
|--------------------------|---------|-----------|----------|------------|--------------------------------|
| Coca-Cola                |         |           |          |            |                                |
| HSBC                     |         |           |          |            |                                |
| RTZ Corporation plc      |         |           |          |            |                                |
| Booking.com              |         |           |          |            |                                |
| Rolls Royce Holdings plc |         |           |          |            |                                |
| Tencent                  |         |           |          |            |                                |

- 1 Copy the table above into your notebook. Use the internet or other means of research to:
- a identify these well-known international companies
- b identify the main sector of industry that they operate in
- c give details of their main activities.
- 2 Have you had problems identifying the main sector of any of the companies in the table? If so, why? How did you come up with an answer?
- 3 Research five businesses that operate in your country and identify which sector of the industry they mostly operate in and what their main activities are.

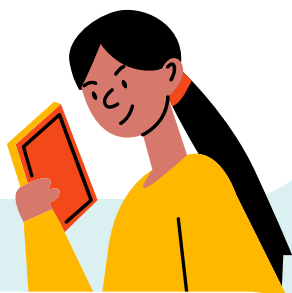


ACTIVITY 5 Business Functions

1. Identify which business function is most likely to undertake the following roles.

| Role                                                                                        | Function |
|---------------------------------------------------------------------------------------------|----------|
| Setting prices of new products                                                              |          |
| Recruiting a new operations manager                                                         |          |
| Allocating resources to purchase capital equipment                                          |          |
| Deciding on the appropriate inventory levels of raw materials                               |          |
| Finding out if consumers prefer one product design to another                               |          |
| Determining the level and number of employees that the business needs for future operations |          |

2. The function responsible for the first role (setting prices of new products) must collaborate closely with another function before the decision is taken. Which function do you think that is? Explain your reasoning.



ACTIVITY 6 ‘Why do start-ups fail?’

Based on research performed on small businesses across various industries in the US, around 90% of start-up ventures eventually fail. In 2019, the industries in which start-up failure was especially high were grocery retailing, trucking, plumbing, air conditioning and heating, as well as security brokerage. The risk of failure was much lower in health care, social services, construction, transportation, and warehousing. The same research identified the main reasons why start-ups often fail. Some of the most significant factors are the inexperience of entrepreneurs and managers, the failure to understand the exact consumer needs and wants and the lack of adequate financial resources. On the other hand, one of the most important factors increasing the chances of success is the use of third-party experts as advisers who help the entrepreneurs to put their plans into action. Start-up businesses using professional advisers grow 3.5 times faster than start-up businesses that rely only on the know-how of their founders.



1. Define the term ‘start-up business’.

2 marks
- 2 Suggest two possible reasons why the probability of success varies across different industries in the USA.

4 marks
- 3 Suggest two reasons why small start-ups that use third-party professional advisers grow faster than the ones which do not.

4 marks



# ACTIVITY 7 Recession sparks new business ideas



Disney, McDonald's, Burger King, Procter & Gamble, Johnson & Johnson, Microsoft - what do they all have in common? They all started during a recession or depression. The message, delivered to around 40 would-be entrepreneurs at a workshop in Stratford, East London, is clear: do not let bad economic headlines put you off. Most of the people at this session are not aiming to create new multinational corporations. But during the coffee break, they seem pretty confident that their ideas can prosper even in the current climate. 'I'm here to find out about starting up a business providing CVs to school leavers,' says Jessica Lyons, wearing a lapel badge with My First CV, the name of the future business, written on it. 'For my particular business idea, I think this is the ideal time because there are more people than ever out there looking for work.'

The recession is causing a spike in interest in setting up small businesses. Another interesting example was from a gym instructor who wants to take his equipment to companies around London, giving people a lunchtime workout without them having to leave their offices. Most of the would-be entrepreneurs in Stratford are looking at potential opportunities in the tertiary sector which do not require large amounts of start-up finance to purchase capital equipment, and which rely more on their own skills and interests. Yet, some opportunities also arise in the secondary sector. Small producers of low-priced unbranded food products experience increasing demand for their goods, as retailers try to satisfy consumers with value-for-money offers. Overall, the demand for basic food products does not fall as much as the demand for luxury goods and services during a recession. Even though the steps to follow to set up a business are similar under conditions of economic recession and in conditions of growth, the problems that start-ups face may be more severe when the economy is undergoing a downturn. To balance the risks of failure, some entrepreneurs employ managers who are experienced in the market and can help the business to survive and grow in the long run and can assist with the preparation of the start-up's business plan.



- |                                                                                                                               |          |
|-------------------------------------------------------------------------------------------------------------------------------|----------|
| 1. Define the term 'tertiary sector'.                                                                                         | 2 marks  |
| 2. State two elements of a business plan.                                                                                     | 2 marks  |
| 3. Outline the factors of production needed to set up the business providing CVs to school leavers.                           | 4 marks  |
| 4. Explain two reasons why new businesses might start up in the tertiary sector.                                              | 4 marks  |
| 5. Suggest two reasons why the CV writing start-up might need a business plan.                                                | 4 marks  |
| 6. Explain two common steps of opening a business in the tertiary sector.                                                     | 4 marks  |
| 7. Explain two common problems of start-ups that are particularly difficult to handle under conditions of economic recession. | 4 marks  |
| 8. Identify two types of resources needed for a person to open a business activity as a gym instructor.                       | 4 marks  |
| 9. Suggest two ways in which entrepreneurs may try to reduce the risk of failure for a start-up business.                     | 4 marks  |
| 10. Discuss the opportunities and challenges of setting up a business in a recession.                                         | 10 marks |



## Fill in the Blanks –

Complete the sentences with the most appropriate Unit 1.1 term. (1–10)

1. The four factors of production are \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_.
2. The business function responsible for recruiting, training and motivating employees is \_\_\_\_\_.
3. The \_\_\_\_\_ function identifies customer needs and promotes the firm's goods and services.
4. Businesses involved in extracting natural resources operate in the \_\_\_\_\_ sector.
5. The \_\_\_\_\_ sector transforms raw materials into finished goods.
6. The \_\_\_\_\_ sector mainly provides services to consumers and other businesses.
7. The \_\_\_\_\_ sector focuses on knowledge-based activities such as research and information technology.
8. An \_\_\_\_\_ is a person who starts and manages a business and takes financial risks.
9. An \_\_\_\_\_ develops entrepreneurial ideas while working within an existing organization.
10. A small, specialized segment of a wider market is known as a \_\_\_\_\_.
11. A \_\_\_\_\_ sets out a firm's objectives, target market, finance, staffing and other key plans.
12. Machinery, tools and buildings used in production are examples of the factor of production called \_\_\_\_\_.
13. The physical and mental effort of employees is known as \_\_\_\_\_.
14. Natural resources such as forests, minerals and agricultural land are included in the factor of production called \_\_\_\_\_.
15. The factor of production that organizes the other resources and accepts business risk is \_\_\_\_\_.
16. The business function responsible for transforming inputs into goods or services is \_\_\_\_\_.
17. The movement of an economy toward a larger manufacturing sector is called \_\_\_\_\_.
18. Poor management, insufficient finance and staffing difficulties are examples of \_\_\_\_\_ start-up problems.
19. A recession, changes in legislation and stronger competition are examples of \_\_\_\_\_ start-up problems.
20. An entrepreneur may start a business to earn profit, gain independence, pursue an interest or achieve personal \_\_\_\_\_.

# Multiple-Choice Test - 20 Questions

1. Which option best describes a business?

- A. Only a profit-making organization
- B. An organization providing goods/services to satisfy needs and wants
- C. A tax-collecting department
- D. A group producing only goods

2. Which is capital as a factor of production?

- A. Factory machinery
- B. Skilled employee
- C. Forest
- D. Entrepreneurial risk

3. What does land include?

- A. Only factory plots
- B. Natural resources and raw materials
- C. Shareholder funds
- D. Managers

4. Which best describes labour?

- A. Human physical and mental effort
- B. Financial resources
- C. Natural resources
- D. Business risk

5. What is the role of enterprise?

- A. Provide only money
- B. Coordinate resources and take risk
- C. Supply natural resources
- D. Recruit only

6. Which function handles recruitment and motivation?

- A. Operations
- B. Marketing
- C. Human resources
- D. Finance

7. Which function manages money and financial records?

- A. Finance and accounts
- B. Marketing
- C. Operations
- D. HR

8. Which function identifies customer needs?

- A. HR
- B. Marketing
- C. Finance
- D. Operations

9. Which activity belongs to operations?

- A. Recruitment
- B. Production and stock management
- C. Advertising
- D. Financial recording

10. Farming, mining and fishing belong to which sector?

- A. Primary
- B. Secondary
- C. Tertiary
- D. Quaternary

11. A car manufacturer operates mainly in which sector?

- A. Primary
- B. Secondary
- C. Tertiary
- D. Quaternary

12. Banking, retail and transportation are mainly in which sector?

- A. Primary
- B. Secondary
- C. Tertiary
- D. Quaternary

13. Scientific research and IT are examples of which sector?

- A. Primary
- B. Secondary
- C. Tertiary
- D. Quaternary

14. What is industrialization?

- A. Shift toward agriculture
- B. Shift toward manufacturing
- C. Closure of primary firms
- D. Replacement of services by farming

15. Which best describes an intrapreneur?

- A. Always owns the firm
- B. Innovates within an existing organization
- C. Must invest personal savings
- D. Cannot develop ideas

16. Which is a reason for starting a business?

- A. Profit or personal fulfilment
- B. Avoiding all risk
- C. Eliminating competition
- D. Guaranteed salary

17. What is a market niche?

- A. Market with no customers
- B. Specific small segment of a wider market
- C. Government-owned market
- D. Identical-product market

18. Which could be an internal start-up problem?

- A. Natural disaster
- B. Government policy change
- C. Lack of suitable employees
- D. National recession

19. What is a business plan?

- A. Report detailing aims and key plans
- B. Contract guaranteeing profit
- C. Employee list
- D. Closure document

20. Which would normally be in a business plan?

- A. Product, target market, finance and personnel needs
- B. Only owner's biography
- C. Only logo/slogan
- D. Only competitors