

Designed
for
EDEXCEL
AS/A Level

REVISION NOTES



Business AS/A Level
Marketing & people

REVISION NOTES

Introduction

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Business choices

Moving from entrepreneur to leader

Product & service design

Branding & promotion

Pricing strategies

Distribution

Product life cycle

Marketing strategy

Managing people

Introduction

Staffing

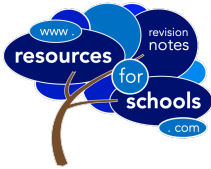
Recruitment, selection & training

Organisational design

Motivation in theory

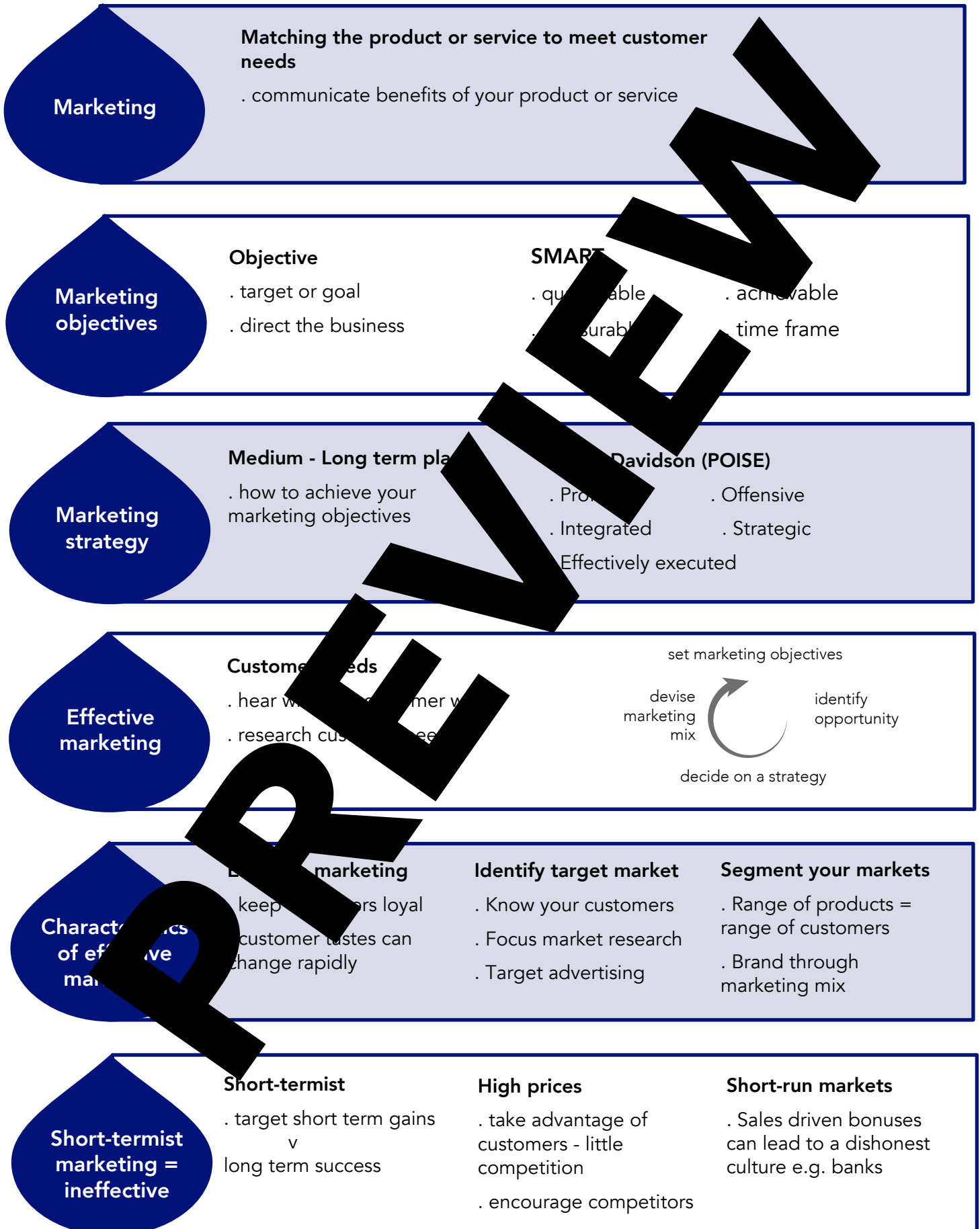
Motivation in practice

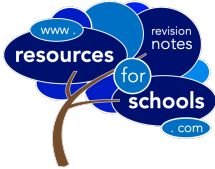
Leadership



A. Meeting customer needs

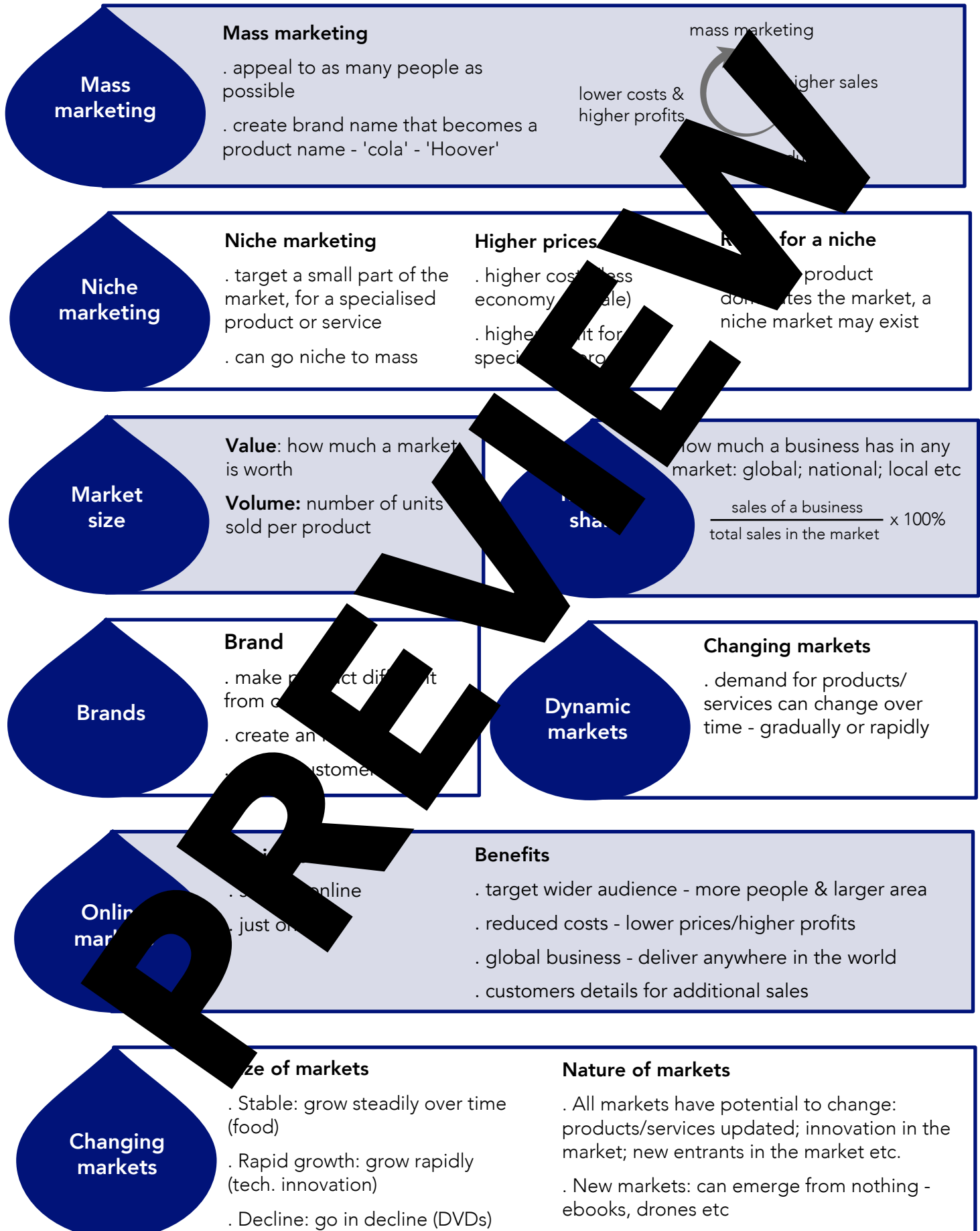
A1. Introduction to marketing

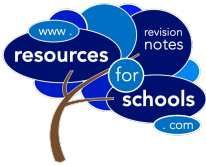




A. Meeting customer needs

A1. The market





A. Meeting customer needs

1. The market

Market growth

Wealth

- . markets grow as people become more wealthy & want certain goods
- smartphones

Innovation

- . creation & development of new products
- . new markets & unique social media

Social changes

- . create new markets
- . social media
- . working women

Demographics

- . markets with changing demographics
- . ageing population
- . pro-environment

Adapting to change

Market changes

- . change or lose market share or even collapse altogether

Flexibility

- . ability to change products/services; type of business; operations

Market research

- . research customer needs & wants

Improvements

- . customer service
- . reducing costs

Markets

- . develop a niches to survive

Research & development

- . stay ahead of the competition
- . add value

Competition & market

Competition in business

- . competition encourages improvement, innovation, lower prices, better products/services etc.

Consumers

- . competition good for consumers
- . lack of competition bad for customers
- . govt. regulate to benefit customers

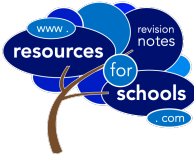
Risk & uncertainty

Risk

- . risk is quantifiable
- . opening a business is a risk
- . risk v reward

Uncertainty

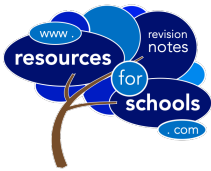
- . something unexpected happens
- . 2008 crash, post Brexit £ collapse
- . oil price collapse



A. Meeting customer needs

2. Market research

Product & market orientation	Marketing based <ul style="list-style-type: none">. needs & wants of the consumer. identify need	Product based <ul style="list-style-type: none">. marketing the product to create a need/want. use price to attract customers
Primary & secondary market research	Research <ul style="list-style-type: none">. need to understand the market. look for opportunities	Primary (field) <ul style="list-style-type: none">. survey your customers. speak to stores who sell your product. research 'fall' Secondary <ul style="list-style-type: none">. info available. trade magazine. govt. data
Qualitative research	Psychology <ul style="list-style-type: none">. why people buy. use of focus groups. depth interviews	Factual analysis <ul style="list-style-type: none">. unbiased questionnaire. sampling. validity testing
Limitations of market research	Validity <ul style="list-style-type: none">. is the research meaningful?. do customers really want?	Sample size <ul style="list-style-type: none">. how many people do you survey?. 1000+ a good size but expensive to do Sample bias <ul style="list-style-type: none">. more is better but still results can be wrong. get an accurate mix of potential customers
Market research using technology	Online research <ul style="list-style-type: none">. web data. web questionnaires	Social media <ul style="list-style-type: none">. feedback can be instant & useful. encourage interaction Databases <ul style="list-style-type: none">. paid or free on the internet. create own databases
Market segmentation	Segmentation <ul style="list-style-type: none">. different markets within population. different products/services - niche	Segments <ul style="list-style-type: none">. age/gender/area/ religion/income etc.. product/services different focus. research - niche products/services



A. Meeting customer needs

3. Market positioning

Market mapping

Identify the consumers

. for the product/service
e.g. age, gender etc.

See where gaps may be in the market

Key characteristics:

Younger people

Older people

Competitive advantage of a good or service

Competitive advantage

- . cost (lower prices)
- . differentiation
- design, quality, uniqueness

Purpose of product

Being different

- . being different from competitors is important
- . USP: unique selling point

Physical differentiation

- . unique design
- . unique functions
- . unique taste/flavour
- . ease of use (ergonomic)
- . better performance

Psychological differences

- . create a 'difference' through advertising, a slogan, celebrity endorsement etc
- . brand image

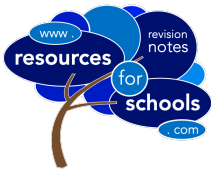
Business product differentiation

- . high competition
- . less price elasticity
- . ability to increase prices because 'different'

Adding value to products or services

Adding value

- . difference between cost of product and price it is sold at
- . adding value differs between products & business sectors



B. The market

4. Demand

Factors affecting demand

Price: affects demand

- . higher price = less buyers
- . higher price = less value?
- . lower price = more sales, but less quality?



Prices of other goods

- . where 'like for like' can be bought = substitutes
- . price of goods that work with a product (software) affect sales of complementary goods

Changes in incomes

- . incomes double every 30 years (2.25% per year)
- . normal goods (transport, clothing) & luxury goods (holidays) can grow more
- . sales of cheaper - inferior goods fall as income rises, but increase in times of recession

Changes in fashion and personal preferences

- . fashions can change in some areas and leave a product as being 'unfashionable'
- . food preferences change often based on health issues (no carbs etc.)

Changes in demographics

- . different products/services aimed at different age groups
- . rise in older people in the UK - affect products/services over the next few years

Advertising and marketing

- . advertising can increase demand for a product/service (short term)
- . brands create customer loyalty and allow for higher pricing

Seasonal variations

- . seasonal goods - good and bad: ice cream, clothing etc
- . goods dependent on sales at particular time of year (Christmas, Easter, summer etc)

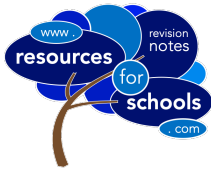
External changes

- . sudden changes in laws (no smoking), roadworks, terrorism, natural disasters etc
- . change in supplies or from major customer

Risks

Demand risks

- . **Undiversified demand:** with one product or one customer - very vulnerable
- . **Overtrading:** high demand creates too much growth too - cashflow problems



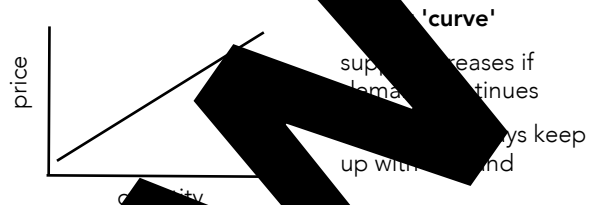
B. The market

5. Supply

Supply chain

Supply

- . number of products in the market
- . link between price and supply



How much to supply?

Fixed supply

- . supply may be fixed e.g. concerts & sports fixtures
- . only so many seats available

Elastic supply

- . supply increases as known
- . it takes time to produce
- . what demand been in 2/3 years

Profit maximisation

- . getting supply right can help profit **maximisation**

Change in supply

Changes in cost of production

- . costs of production change
- . costs rise, supply falls
- . costs fall, supply increases

Introduction of new technology

- . new tech. can lower costs - more supply + profits
- . costs now lower so profits can increase

External shocks

- . weather: good more supply - bad less supply
- . economic crisis: over supply & price fall

- . government can increase costs of business
- . make more competitive

Government indirect taxes

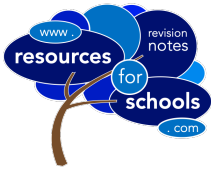
- . increase taxes = increase costs = reduce supply
- . decrease taxes = cut costs = increase supply

Government subsidies

- . govt. encourage certain types of business (environ) with subsidies
- . lower cost of production & increase supply

Supply constraints

- . raw materials can't always increase supply easily (limited resources)
- . factory capacity may be at full capacity (increasing supply can be very costly)



B. The market

6. Markets & Equilibrium

Markets & differentiation

Price setting

- . link between costs & price same for every business e.g. coffee, sugar, oil etc
- . not all e.g. perfume price about brand

Market equilibrium

- . commodity markets based on supply & demand
- . supply low = higher price, supply high = lower price
- . this relationship = equilibrium

Demand curve

Sales & prices

- . demand curve if know prices at different levels of supply

demand 'curve'

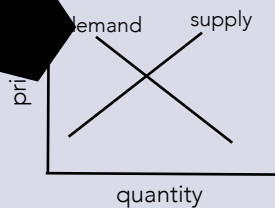
- assumed price based on quantity
- price falls as supply increases



Supply & demand

Supply & demand

- . crucial for most businesses
- . difficult to predict supply & demand



market price

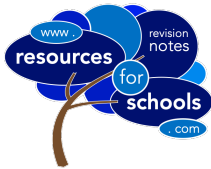
- where supply meets demand is market price
- price falls as supply increases

Supply & demand in real life

- . Demand for most businesses is not a constant
- . daily, weekly, monthly
- . yearly variations

Anticipating demand

- . anticipating demand is the challenge for businesses
- . predict stock levels, staff levels etc
- . zero hours contracts allow employees to use staff only when they need



B. The market

7. Price elasticity of demand

Prices and demand

Price elasticity of demand

- . relationship between price & demand
- . price up = demand down?
- . price down = demand up

Price elasticity of demand

Price elastic demand

- . change in demand greater than change in price

$$\text{Price elasticity} = \frac{\% \text{ change in demand}}{\% \text{ change in price}}$$

Different products more sensitive to price increases than others
 price rise = less sales & less profit

Determine of price elasticity of demand

Different price elastic

- . some product more price elastic than others

Different products

- . products different from competition with less effect on

Competition

- . product or place has little competition e.g. cinema

Loyalty

- . brand loyalty can overcome price increase - low price elasticity

Types of price elasticity

Price-elastic demand

- . change in demand is greater than change in price
- . demand increase if price fall
- . e.g. 20% price fall = 40% demand increase

Price-inelastic demand

- . change demand is less than change in price
- . demand changes little despite price rise

The value of price elasticity to decision

Knowing price elasticity

- . knowing how to maximise revenue through understanding price elasticity

Sales forecasting

- . understand the effect of a price rise
- . produce a sales forecast to predict revenue

Pricing strategy

- . external factors beyond control but final pricing strategy in business control

Strategies to reduce price elasticity

Pricing strategy

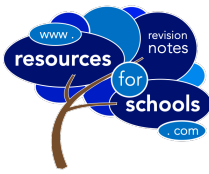
- . preference for price elastic demand

Product differentiation

- . differentiation negates some of the problems - reduce price elasticity

Reducing the competition

- . reduce price elasticity by reducing competition - loss leader until comp. out of business
- . takeover competition



B. The market

8. Income elasticity of demand

Income elasticity of demand

Incomes

- . changes in incomes can affect the demand for products/services
- . incomes of consumers not controlled by business
- . not all products/services affected in the same way

Income elasticity of demand

Calculation

$$\frac{\% \text{ change in quantity demanded}}{\% \text{ change in income}} = \text{income elasticity of demand}$$

Examples

$$\frac{30\%}{10\%} = 3.0 \quad \frac{5\%}{10\%} = 0.5$$

Numerical values for income elasticity

Calculation meanings

- . greater than 1 = income elastic
- . less than 1 = income inelastic
- . value shows normal or inferior goods

Factors influencing price elasticity of demand makers

Necessities

- . essential goods everyone needs e.g. food, electricity, water etc
- . = income inelastic

Luxuries

- . don't need but want if they can afford them e.g. holidays, expensive cars etc
- . = income elastic

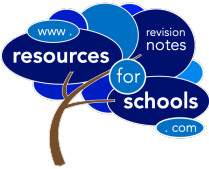
Significance of income elasticity to businesses

High income elasticity

- . change in incomes = change in demand for these goods
- . boom economy = high demand
- . recession economy = lower demand
- . plan for changes as economy changes

Low income elasticity

- . demand more stable for income inelastic goods
- . planning easier with constant demand
- . recession sees demand for inferior goods rise



C. Marketing mix & strategy

9. Marketing objectives and strategy

Successful marketing strategy

Success

- . adding value
- . right mix of design, function, image & service

Future

- . strategy about the future

Achievable

- . strategy desirable but achievable for the company

Specific

- . strategy for your company - match its objectives

Marketing strategy: mass markets

Mass markets

Success = differentiation

Mass markets

- . distributed everywhere wants to stock it
- . Price: better option of higher price
- . Advertising: needed

Marketing strategy: niche markets

Niche markets

- . Success = focus on uniqueness of the product
- . Customers: down to the unit
- . Marketing: take time, reinforce

Marketing strategy: B2C markets

- . Market: match customer expectations
- . Marketing: money

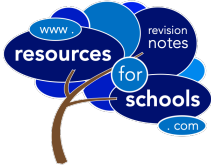
Marketing strategy: B2B markets

- . Different from B2C - business have different priorities from consumers:
- . price . quality product
- . distribution . promotion

Developing customer loyalty

- . from buying products
- . Short term: buying a product to repeat purchase of product

- . to customer loyalty
- . Long term: repeat purchase evolves into: emotional connection love, trust, preference etc. creating the right image



C. Marketing mix & strategy

9. Marketing objectives and strategy

Product life cycle

Product Life Cycle

- . Introduction: low sales - unknown
- . Growth: sales increase + repeat business
- . Maturity: sales level off - some competition
- . Decline: tastes change, increased competition



What is the value of the product life cycle?

Marketing

- . focus on different aspects at different stages

Promotion

- . before & at start of life cycle
- . maturity reduces customer

Price

- . higher price at introduction - USP
- . reduce price as competition enters market - maturity & decline

Extension strategies

Extension strategy

- . extension life of product or prevent product's decline

Product

- . invention of self
- . new types, flav
- . adding trends: eco, fashion

Promotion

- . diff. types of promotion e.g. social media
- . additional promotion

New product development

New products & services

- . market research, D, engineering
- . 1 in 5 successful for companies

Success:

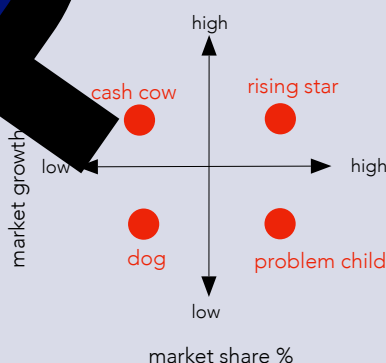
- . understand customers needs & wants (market research)
- . solve customers problems in a easy (right price)
- . market campaign

The product portfolio

Portfolio analysis

analysis of product's position

Boston Matrix



Cash cow

. high market share in mature market (high profits)

Rising star

. high market share fast growing market - more competition

Purpose of portfolio analysis

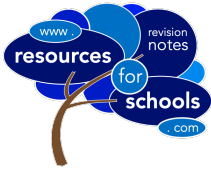
- . Building: promotion (problem child)
- . Holding: market to maintain sales (rising start)
- . Milking: take high profits whilst you can (cash cow)
- . Divesting: sell off product (dog or problem child)

Problem child

. low market share in growth market - do better

Dogs

. low share in low growth market - in danger of losing money



C. Marketing mix & strategy

10. Product & service design

Product & service design

Product design

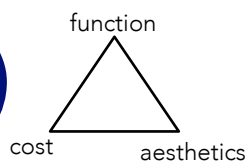
- . bringing a new product or service to the market
- . generate more revenue, competitive edge, differentiation etc

Design brief:

- . description of the new product & service
- . shape & appearance; meet needs; cost effective; materials; dimension; quality of design

Design mix

Design mix



Function: do what is says in a safe & easy & convenient way - ergonomics. May have a selling point

Aesthetics: appeals to the eye & touch, through size, appearance, smell, taste or presentation. More important now.

Cost: use materials & processes to keep costs low to be able to make a profit.

Changes in the mix to reflect social trends

Social trends

- . fashion, interest groups, global social media trends
- e.g. more durable, environmentally friendly, recyclable, smaller gadgets etc

Design for waste

- . **Durability:** reduce waste by making products last longer
- . **Size:** smaller size - reduce materials needed, less room for transport etc
- . **Less disposable:** make products more durable + less packaging

Design for reuse

- . **Deposit scheme:** get people to return glass & plastics
- . **Reusable:** use shopping bags rather than disposable bags

Design for recycling

- . **Recycled materials:** use recycled paper, plastics, glass etc in production
- . **Use materials that can be recycled:** move against materials that can't be recycled
- . **Ethical sourcing** - use recyclable materials, factories that pay fair wages, safe work place etc
- . **Fairtrade:** giving fair price to farmers in dev. countries

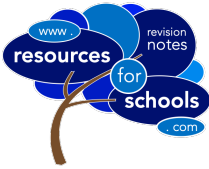
Benefits of adapting to social trends

Costs v social trends

- . adapting to social trends can result in higher costs.
- . consumers can prefer cheap to ethical

Benefits

- . reduce waste = lower costs
- . more popular because 'trendy'
- . make it part of USP
- . differentiation in the market



C. Marketing mix & strategy

11. Branding & promotion

Promotion

Promotion

- . gain and/or retain customers
- . launch a new product/service
- . renew interest
- . reassure customers
- . compare with competitors
- . launch a new product
- . improve image of company

Types of promotion

Above the line promotion (media)

- . informative: features of product
- . persuasive: convince to buy
- . reassure: good that you bought
- . pros & cons for different media

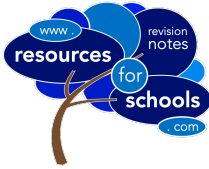
Below the line promotion (no advertising)

- . sales promotions: free gifts, coupons, loyalty cards, discounts, buy-one etc
- . public relations: press releases, press conferences, sponsorship, donations etc
- . merchandising: attractive packaging, display etc
- . direct selling: house or phone
- . exhibitions & trade fairs: often commercial

Choosing which type of promotion

Choice:

- . budget: consider different costs
- . Market: local, regional, national, gender, age etc
- . product: different products = different types of promotion
- . Stage of product cycle: different types of promotion at different stages
- . Competitor's action: may copy a successful promotion that others have used
- . Legal factors: illegal to promote tobacco in some countries



C. Marketing mix & strategy

11. Branding & promotion

Branding

Branding

. includes: name, logo, features that make product/service unique or different

Types of branding

Manufacturer

. manufacture, distribute and retail e.g. Apple, Kelloggs, Ford

Own-label

. manufactured for another company e.g. Aldi roses, Asda Drinks

Generic

. no branding as such just name of product e.g. cola, peas, toilet roll

Why brand?

Advantages

Added value: seen as better than competitors - good image for the company

Premium pricing: charge more as customer loyal to the brand

Reduced price elasticity: more able to increase prices

Building a brand

Requirements

. develop a unique brand

. create a clear difference

. make promises

. guarantee (best price or money back etc)

Advertising

. to launch

. to consolidate position

. to create an image

Sponsorship

. to raise awareness

. link with a sporting image

. create emotional involvement (sport)

Social media

. target groups

. strategic

. to create an image

Changes in branding & promotion to reflect social trends

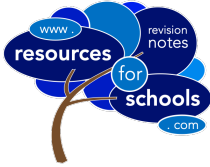
Viral marketing

. getting your 'message' passed on by others on the internet

. using social media to raise awareness

Emotional branding

. brand that gets emotional connection e.g. sports teams, Apple



C. Marketing mix & strategy

12. Pricing strategies

Price

Price

- . big part of buying decision
- . sign of quality
- . decides revenue & profit

Customers and price

- . decisions on product based on price plus:
- . quality (or perceived quality)
- . need or want
- . income (more than have to pay for product)

Types of price strategy

Price strategy

- . long term plan rather than seasonal promotions etc

Skimming

- . new product allow higher price
- . enter market with competition
- . lower price to gain market share
- . people accept higher price for new technology
- . lower price as loyalty gained
- . recoup development costs
- . competition lower price or
- . change later if price too high
- . innovate (though annoy customers)

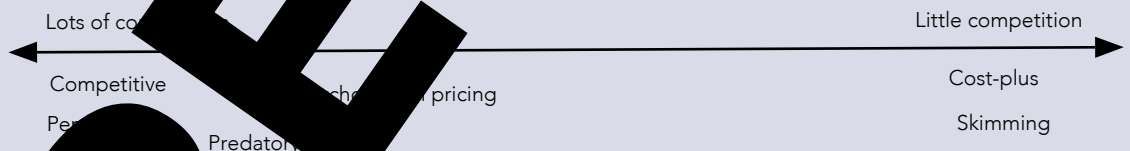
Pricing strategies for existing products

Cost plus: calculate cost of car then add desired profit (market leaders)

Competitive: at the market price (for non leading brands)

Predatory: low price to push rivals out of the market

Psychological pricing: under key levels (99p not £1 etc)



Appropriate price strategies

Product differentiation

- . essential to be different to competitors

Brand strength

- . effective against competition

Competition

- . price important in competitive market
- . can be difficult to make a profit

Price elasticity of demand

- . low price elasticity for differentiated/branded product

Changes in price to reflect social trends

Online sales

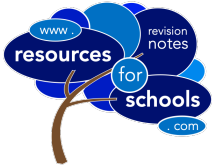
- . often seen as predatory with cheap prices e.g. Amazon

Product life cycle

- . price can vary at different stages
- . new product - mature - decline

Profit making

- . competitive yet profitable
- . costs decide lowest price



C. Marketing mix & strategy

13. Distribution

Distribution

Distribution

- . getting products to the right place for customers to buy
- . getting retailers to stock your product can be difficult
- . opportunity cost: retailers have limited room - which means they will sell other products
- . impulse purchase: bought on a whim . planned purchase: sells the product the customer needs

Choosing appropriate distributors

Distribution channel

- . how does the product go from producer to consumer?
- . producers will want certain locations to sell their products
- . retailers usually control if and where the product is sold
- . not getting distribution for your product - big disadvantage

Distribution channels

Wholesaler

- . stock products and sell to small retail outlets - but 'middleman' takes a 'cut' adding to the price
- . traditional channel for small producer

Direct to retailers

- . sell direct to large retailers (supermarkets) usually large producers. Cuts out the middle man but retailers demands can be high (price, credit etc)

Own retail

- . control design, display, sales in their own shops

Direct to consumer

- . sells directly to consumers using a website or app - ecommerce

Indirect

- . sell through other ecommerce sites - Amazon and eBay

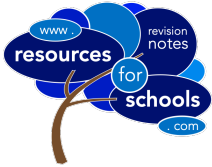
Changes in distribution to reflect social trends

Online distribution

- . higher profit margins (as retailers mark-up = 100%)
- . online = more choice than shops that often have limited range
- . niche markets catered for online more easily

Product to service

- . services moved online too e.g. car insurance from high street stores to websites
- . bookings increasingly online but experience real e.g. holiday



D. Managing people

Introduction to managing people

People

'People the most important asset'

- . true for some companies more than others

Highly skilled

- . key to success, not easily replaced
- . invest in training etc

Unskilled

- . often seen as 'costs'
- . 0% zero contract hours
- . easily replaced

Effective people management

Main elements:

- . staff with right skills & experience
- . correct number of staff
- . good business culture
- . motivated employees

Planning staffing needs

Future staffing:

- . audit: how many & skill set
- . link business plan with staffing
- . 'natural changes': retire, maternity leave, promotion etc
- . plan: short, medium & long term

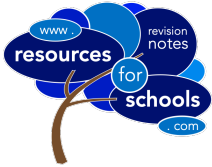
Encourage culture & motivation

Right people, right skills + right attitude & culture

- . training includes company culture & tradition

Motivation

- . financial incentives = short term
- . company culture = long term
- . motivated to achieve business goals



D. Managing people

14. Approaches to staffing

Staffing

Asset v cost

- . Assets add value - job security for employees
- . Costs lower profits - zero contract hours (no security but flexible)

Flexible workforce

Competition

- . affects demand
- . need to be flexible

Technology

- . rapid change
- . anticipate change

Customised

- . specific goods & services for different markets & groups

Creating a flexible workforce

Multi-skilled

- . employees perform a variety of tasks

Flexible employment

- . part time, share, temporary, zero hours, home worker etc
- . need as & when

Outsource

- . other companies doing the work
- . but not always motivated in same way

Difference between dismissal & redundancy

Reducing staff

- . economic recession
- . poor employee

Dismissal

- . poor employee:
- 1. gross misconduct
- 2. poor at their job - had warnings etc

Redundancy

- . profits/recession
- legal requirements: payments depending on how long with company

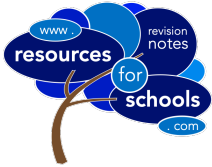
Employer-employee relationships

Individual bargaining

- . small groups or individual
- . formal or informal

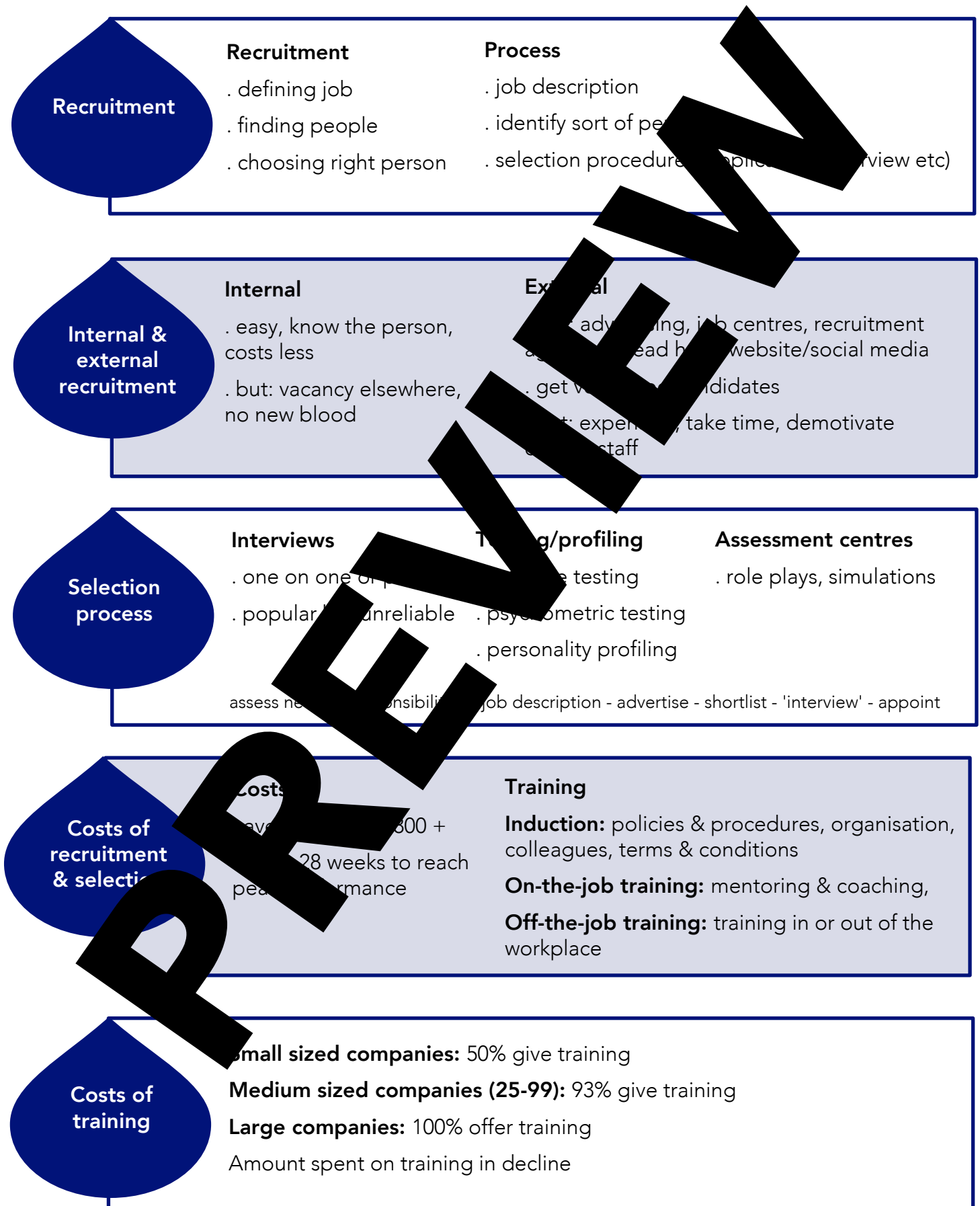
Trade unions

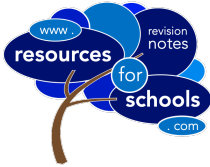
- . represent employees
- . collective bargaining
- . unions in decline - pay gap has increased



D. Managing people

15. Recruitment, selection & training





D. Managing people

16. Organisational design

Organisational design

Taylor & Fayol: maximise efficiency

Compared business to army - business divided into divisions

Everyone reports to a line manager - many many management layers

Organisational structure

Micro business - little organisational structure, people perform many roles

As business grows - more structure, departments

Hierarchy - more superior & subordinates

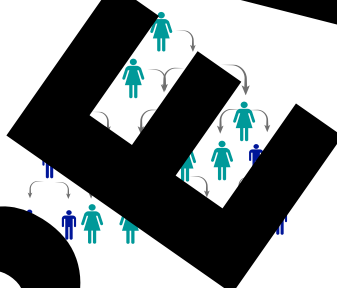
Span of control - how many people report to a manager

Chain of command - who reports to whom, from top to bottom

Centralisation - decisions from top down

Decentralisation - decisions made locally

Types of structure



Hierarchy

Many (tall) or less (flat) layers

Supervision v Speed of communication

	Marketing	Operations	Finance	HR
F. Manager				HR. Manager
Project A Team Leader	Marketing Team A	Operations Team A	Finance Team A	HR Team A
Project B Team Leader	Marketing Team B	Operations Team B	Finance Team B	HR Team B
Project C Team Leader	Marketing Team C	Operations Team C	Finance Team C	HR Team C
Project D Team Leader	Marketing Team D	Operations Team D	Finance Team D	HR Team D

Matrix

Project team focus

Work with different depts. on different projects e.g. design a new product or improve customer service

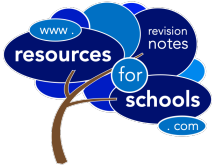
Impact of organisational structure on efficiency & motivation

Why structure is important:

- . avoid mistakes
- . everyone knows their role
- . teamwork

Structure and motivation

- . structure can effect motivation
- . being heard, having responsibility can be motivating



D. Managing people

17. Motivational theories

F.W. Taylor

Scientific management - theory 100 years old!

- . manager's job to decide how things should be done, then give tools to do job
- . Taylor believed money = motivation - incentives to work harder & earn more
- . Methods: time & motion study; identify efficient ways to do things quickly; clear instructions & targets; rewards for those who meet targets, punish those that do not
- . **influenced many inc. Henry Ford** - the assembly line not liked by workers

Elton Mayo

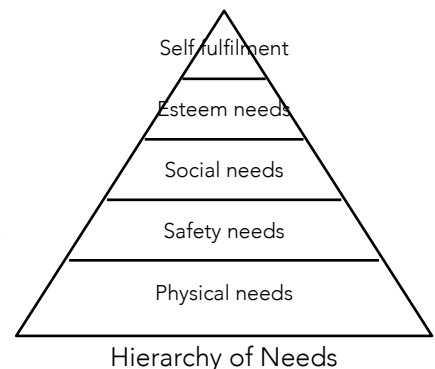
Human Relations Theory

- . series of experiments in a factory for 10 years
- . workers liked freedom & control over their work
- . group norms influenced how they worked
- . communication between workers & management influences morale
- . motivated when managers make an interest in them
- . **influenced: growth of industrial psychology - personnel depts**

Maslow

Hierarchy of needs

- . believed everyone had the same needs
- . Criticism: are there different needs?
- . do people have same needs?
- . needs change at different times of life?
- . other areas of life meet needs, therefore work is not the only way for some



Herzberg

Two-factor theory

- . research focus on job satisfaction and dissatisfaction
- . satisfaction = achievement, recognition, the work itself, responsibility & advancement = motivators (more than money)
- . dissatisfaction = company policy, supervision, salary, interpersonal relationship & working conditions

influenced many: looked at how to improve satisfaction

- . **challenging jobs:** not Taylor's 'idiot jobs'
- . **good direct feedback:** immediate feedback - not annual appraisal
- . **direct communication:** avoid layers of communication

D. Managing people

17. Motivation in practice

Financial reward systems

Piecework

- . paid per unit
- BUT:
 - . quantity over quality
 - . work hard only when want money

Commission

- . paid extra to salary e.g. meet a sales target
- BUT:
 - . can be a 'thank you' for work - not focused on work - it is focussed on sales (work crisis blamed on structures)

Profitshare

- . longer term
- . sense of belonging to company

Performance related pay

- . financial reward based on performance
- often doesn't fit other rewards don't fit
- BUT little evidence that motivates
- ways seen as being fair

Empowering employees

Empowerment =

Delegation - pass on decisions (Maslow & Herzberg)

For empowerment boss needs to trust, train, provide resources, oversee

Consultation - true consulting, takes views into account, explains decisions

Ways of working

Team working

- . shared objectives
- . inter-related
- . spirit of 'kaizen'

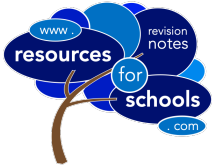
Flexible working

- . work non fixed hours
- . flexitime, job share
- . term time
- . work from home

Job enlargement

Doing same job can be limiting & boring:

- . job rotation: change tasks regularly - factories, supermarkets etc
- . job enrichment: extra responsibilities - challenge people, reach their potential - more supervisor opportunities



D. Managing people

18. Leadership

Leaders & Managers

Managers:

- . working to meet objectives
- . day to day
- . working within budgets
- . work within a timeframe

Leaders:

- . setting aims & objectives
- . big picture
- . setting the vision
- . set the timeframe

Leadership styles

Autocratic: authoritarian - tell people what to do (top down)

Democratic: involve others in decision making, delegate by objectives, agree on objectives, involve others, laissez-faire. workers get on with things

Paternalistic: acts like a parent, gives direction, looks after staff

Charismatic: connect with others, inspire & motivate

McGregor's Theory X & Y

Theory X:

- . leaders trust workers
- . workers should be controlled
- BUT:** can be fulfilled, do just for money

Theory Y:

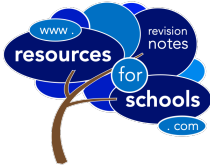
- . workers want to contribute
- . involve people, more delegation
- BUT:** need right workforce & circumstance

Best practices

leaders

Style of leaderships vary

- nature of the business
- different stages of the business cycle
- personality of the leader
- skills of the managers/workforce
- time constraints



E. Entrepreneurs & leaders

19. Role of an entrepreneur

Entrepreneur

Who are entrepreneurs?

- . most are middle aged not young . young tend to be from wealthy background
- . middle aged = experience + money
- . BUT use to working with support from depts in co. so can't do their own

Creating & setting up a business

Business idea

- . observations of others
- . creating ideas
- . spotting trends
- . experience & innovation

Business opportunity

- . use of technology
- . trends: society/economic
- . local conditions: new housing
- . competitors' pricing
- . market map
- . market map

Research

- . competitors' pricing
- . market map
- . market map

Running & expanding a business

Skills needed to run a business:

- . Strategic view
- . Measure performance
- . Eye for the detail
- . Passion for the business

Things to consider before expansion:

- . where enough demand
- . having enough finance
- . recruiting the right staff

Entrepreneurship: innovation within a business

- Entrepreneur:** person with entrepreneur skills working in a large company
- . entrepreneurs value new ideas some companies & less so in other companies
- . high tech companies reward employees for their new ideas etc
- . companies is early on with often value new ideas
- . provide leadership for other employees

Barriers to entrepreneurship

- . banks are unlikely to lend to SMEs
- . banks say SMEs too risky

Gender

- . only 29% of women are entrepreneurs
- . loss of talent
- . more women now involved

Staff

- . people often mistrust entrepreneurs

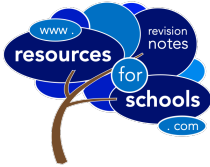
Risk & uncertainty in the business environment

Spotting trends

- . anticipating economic or social trends

Risk v rewards

- . everything is a risk - but to be measured against potential rewards



E. Entrepreneurs & leaders

20. Entrepreneurial motives & characteristics

Motives & characteristics

Entrepreneurs: see opportunity & take a chance

Characteristics

- . knows the market for the product & service
- . passion for the business
- . determination & resilience
- . risk taking

Risk taking

Business planning for the future = risk

- . future planning is taking risk - calculate risk (risk v reward)
- . assess different possibilities - react to changing trends
- . taking a risk and it not working (losing money), part of being an entrepreneur

Skills needed to be a successful entrepreneur

Financial: planning, cash flow, accounting etc

Persuasive: banks, suppliers, staff etc

Problem-solving: be able to solve problems, forecast consequences

Sales: ability to sell business, marketing

Motives for becoming an entrepreneur

Control: want control over their life

Opportunity: see business opportunity

Experience: knowledge, experience in business area

Redundancy: use redundancy money in new business

Make money: see an opportunity to make some money

Financial motives for becoming an entrepreneur

Profit maximisation: 20% motivated by money

look to maximise money above everything else
can be short-term (scam)

Profit satisfying:

right level between different demands
not too high a profit for long term growth

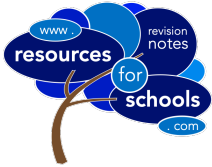
Non-financial motives for becoming an entrepreneur

Independence: want to do things own way, own ideas, control themselves

Flexibility: work hours that suit, or part-time - perhaps online, e-commerce

Ethics: strong ethics - good for business - higher prices - support ethics

Social: the idea of doing something good - but always



E. Entrepreneurs & leaders

20a. Moving from entrepreneur to leader

Small business growth

Small business growth

- . start-up is very challenging
- . period of growth very difficult

Effects of forecast rapid growth

Business effects of forecast rapid growth

- . growth can be temporary or permanent - success is to plan for growth
- . respond to growth: sales v supply, financial commitment . cashflow
- . growth impact: employees; HR; stock; supplies

Risks of overtrading

Overtrading

- . business growth creates cash flow problems - liquidity
- . important to have enough finance during period of growth
- . time gap between investment in supplies and sales

Problems of adjusting from entrepreneur to leader

Problem of adjusting from entrepreneur to leader/manager

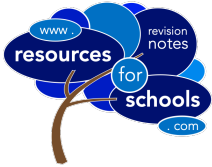
- . quality of an entrepreneur appropriate for leadership
- . ability to delegate as staff appointed
- . need for authority to do their job

Change management structure

- . as business grows, management structure change
- . changes can be disruptive internally and externally for suppliers, customers etc.
- . leader ensure staff trained, mission, aims and objectives of business understood

Risk of loss of direction and control

- . with fast growth, difficult to focus on the task and not get carried away
- . growth needs managing careful on many fronts
- . diversification can distract from core business and create problems



E. Entrepreneurs & leaders

21. Business objectives

Business objectives

Mission: aim of the business

Objectives: what they are going to do

Strategy: to achieve the objectives

Departments help achieve the above

Marketing: promote & advertise

HR: recruitment, training, dismissal etc

Finance: cash budget, forecasts

Operational, production, chain, products/services

Mission & objectives

Mission: aim of the business

. where the business is going

. aspirational

. motivate staff, customers

Objectives: SMART

Specific

Measurable

Assignable

Time-bound

Common business objectives

Break-even, survival

. priority for start-ups

. sudden change in costs

. fast expansion

. new competition

Profit maximisation

. short-term can be scam

. for a short period whilst can have a high price

. max. profit to get higher co. value

Sales maximisation

. sales to dominate the market rather than profit

. product

Market share

. high market share, good for profits and secure future

. difficult for new competitors

Cost efficiency

. minimising costs important esp. for start-ups and SMEs

. all employees adopt cost savings

Employee welfare

. motivation and retention high where employees are valued

. co-operatives have employees at heart of business

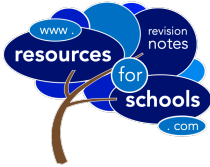
Customer satisfaction

. customer satisfaction = loyalty = long term success

Social/ethical objectives

. many claim to have social/ethical aims

. true ethical businesses are rare



E. Entrepreneurs & leaders

22. Business choices

Business with unlimited liability

Unlimited liability

- . finances of company and owner same
- . any debts paid from company and owner
- . unincorporated

Sole traders

- . individual owns and operates business
- . easy to set-up, less rules
- . private finances

Partnerships

- . two or more partners set up business

Business with limited liability

Limited liability

- . finances of company and owners separate
- . owner no liability for company debts
- . incorporated

Advantages

- . shareholders no personal liability
- . limited liability more chance of success

Disadvantages

- . finances made public
- . comply to more rules: audit, shareholder meetings etc. adds to costs

Private limited companies

Ownership

- . one or many owners
- . shares sold only to others by permission
- . easy to keep confidential

Legally

- . private = ltd.
- . ltd. means limited liability so a risk if they go bankrupt then debts not paid

Private to Public & stock market flotation

Public limited company

- . private which can become public = plc
- . shares bought and sold on stock market
- . can lose control of company

Legally

- . plc better access to finance
- . plc publish details accounts
- . lots of rules and regulations

Other forms of business

Franchising

- . buying an established brand/business - full support from brand (success 90% +)
- . BUT can be expensive and follow their rules and conditions
- . share profits with franchisor

Social enterprise

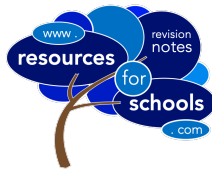
- . true social enterprises very rare e.g. Co-op
- . many claim to be social

Lifestyle businesses

- . business linked to a person's lifestyle
- . profit not always a priority

Online business

- . limited or unlimited
- . cheap to establish
- . easy to upscale



E. Entrepreneurs & leaders

22. Business choices

Opportunity cost

Opportunity cost

Biggest issue: time and money

Time spent doing something = cost

For new businesses:

- . avoid too much stock
- . don't try to do too much
- . be careful how much money (time) is spent

Opportunity costs in developing a business idea

Personal opportunity costs

- . Lots of time and pressure
- . Finance and cashflow problems
- . Time pressures marriage, family

Opportunity costs: one idea or another

- . focus on one idea not two

Deciding between opportunities

Deciding which opportunity

- . often entrepreneurs have many ideas, some with experience, some outside their experience and skills

Forecasting sales for each idea

- . difficult but important
- . market research

Cash flow for each idea

- . online cheap
- . face very expensive

Timing

- . spotting trends
- . economic boom or recession

Matching idea

- . skill set needed for the business match to yours

Choices & trade-offs

Choices and trade-offs

- . time with family/friends v business
- . time on certain aspects of the business you enjoy v jobs that need to be done
- . prioritise things to do, family, money etc

