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Business

for Cambridge IGCSE™ and O Level

MULTI-COMPONENT SAMPLE

Medi Houghton, Leanne Burslem-Curl & Veenu Jain, with Mark Fisher

Fourth edition with Digital access

Executive
Preview



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SAMPLE

Dear Teacher,

Welcome to the new edition of our *Cambridge IGCSE™ and O Level Business* series, providing full support for this course for first teach from 2025. This series has been designed to suit your teaching needs. This preview will help you understand how the Coursebook, Workbook and Teacher's Resource work together to best meet the needs of your classroom, timetable and students.

This Executive Preview contains sample content from the series, including:

- A guide explaining how to use the series
- A guide explaining how to use each resource

In developing this new edition, we carried out global research with Cambridge IGCSE Business teachers – through interviews, school visits and work on the Cambridge Panel, our online teacher research community. Teachers just like you have helped our experienced authors shape these new resources, ensuring that they meet the real teaching needs of the Cambridge IGCSE Business classroom.

The coursebook has been updated for full syllabus coverage and has a range of activities and features to promote active learning, assessment for learning and student reflection. Brand new features, such as “Business in Context” and “Business in Action”, as well as up to date case studies, bring real life examples into the classroom. The coursebook has been specifically written to support English as an additional language learners with key subject words, glossary definitions in context and accessible language throughout.

The workbook works alongside the coursebook and provides an opportunity for students to practice and consolidate their learning. The workbook has been updated to include end of section practice questions, and features such as “Improve this answer” and “Your challenge”.

Core to the series is the teacher's resource with digital access. It will help you support your students and confidently teach Cambridge IGCSE Business, whether you are new to teaching the subject or more experienced. For each chapter there are lesson ideas and activities, common misconceptions to look out for, language support and worksheets. The teacher's resource also includes answers to the coursebook and workbook.

Please take five minutes to find out how our resources will support you and your students. To view the full series, you can visit our website or speak to your local consultant. You can find their contact details here:

cambridge.org/gb/education/find-your-sales-consultant

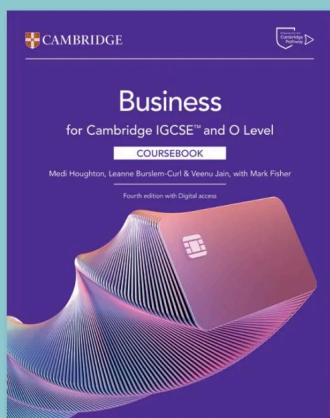
Best wishes,

Julia Fusi

Commissioning Editor for Business
Cambridge University Press and Assessment

> How to use this series

All the components in the series are designed to work together.



The coursebook is designed for students to use in class with guidance from the teacher. It supports the *Cambridge IGCSE™*, *IGCSE (9-1)* and *O Level Business* syllabuses (0264/0774/7081). The coursebook is split into six sections and contains in-depth explanations of business concepts, a variety of independent and group activities, as well as interesting case studies to engage students and help them make real-world connections.

A digital version of the coursebook is included with the print version and is also available separately. It includes access to video case studies as well as simple tools for students to use in class or for self-study.

The workbook provides further practice of all the skills presented in the coursebook and is ideal for use in class or as homework. It provides engaging activities, worked examples and opportunities for students to evaluate sample answers so they can put into practice what they have learnt.

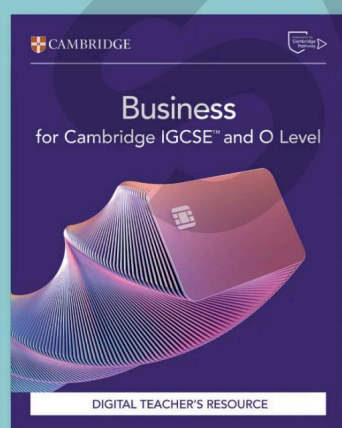
A digital version of the workbook is included with the print version. It includes simple tools for students to use in class or for self-study.



The digital teacher's resource provides everything teachers need to deliver this course. It is packed full of useful teaching notes and lesson ideas, with suggestions for differentiation to support and challenge students, ideas for formative assessment, overcoming common misconceptions, and language support.

The digital teacher's resource contains downloadable worksheets.

All answers to coursebook and workbook activities are available to teachers via Cambridge GO.





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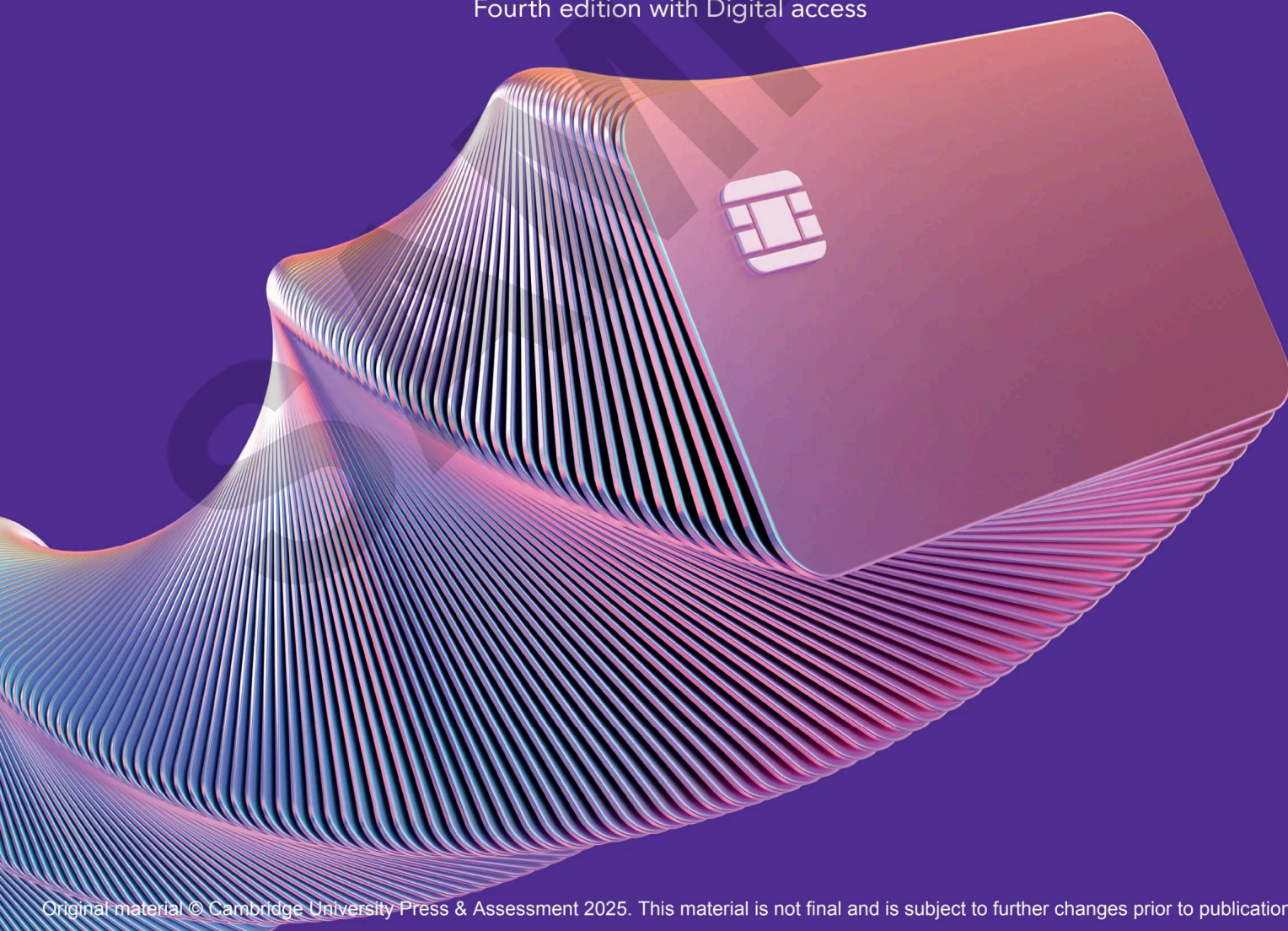
Business

for Cambridge IGCSE™ and O Level

COURSEBOOK

Medi Houghton, Leanne Burslem-Curl & Veenu Jain, with Mark Fisher

Fourth edition with Digital access



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> How to use this book

Throughout this coursebook, you will notice recurring features that are designed to help your learning. Here is a brief overview of what you will find.

LEARNING INTENTIONS

Learning intentions open each chapter. These help you with navigation through the coursebook and indicate the important concepts in each topic.

BUSINESS IN CONTEXT

Business in context introduces you to the content in a chapter. These place some of the key ideas contained in the chapter into a real-world business setting. Each one contains questions that allow you to discuss the topic.

KEY TERM

Key vocabulary is highlighted in the text when it is first introduced. An accompanying definition tells you the meanings of these words and phrases. You will also find definitions of these words in the Glossary at the back of this book. In the digital edition of the coursebook, you will also find examples of the key term put into context.

TIPS

Tips are provided throughout this coursebook to help with your learning. The tips might cover how to avoid common errors or misconceptions, advice on answering questions or key skills for your course.

ACTIVITY

There are various activities throughout this coursebook. These give you opportunities to discuss topics or produce your own work either individually, in pairs or in groups.

REFLECTION

Reflection activities enable you to look back on your work and encourage you to think about your learning. You will reflect on and assess the process that you used to arrive at your answers.

LINK

These explain the links between topics in different sections of the coursebook.

CASE STUDY

Case studies put the topics in each chapter into a recent, real-life context. The case study then includes questions or a task for you to apply your learning. In the digital version of the coursebook, you will also have access to a video case study in each chapter.

BUSINESS IN ACTION

Business in action provides an insight into how real businesses around the world apply some of the key concepts of the subject. Designed to encourage group discussion, the short case studies and accompanying questions will help you to make connections between employment and studying business. The content here might sometimes go beyond the syllabus.

DISCUSSION

Discussion questions are used throughout this coursebook to prompt thinking at key points within each chapter.

SUMMARY

At the end of each chapter, you will find a list that brings together the key information you have learnt. This list can also be used as a useful revision aid.

CHECK YOUR PROGRESS

Each chapter ends with a grid showing the Learning intentions from the start of the chapter. When you are revising, you might find it helpful to rate how confident you are for each of these statements. You should also provide an example to support your score.

End-of-chapter practice questions

Each chapter contains a set of practice questions that are similar to questions you might find in your assessments. The questions focus on the syllabus assessment objectives that you will need for your course – knowledge and understanding, application, analysis and evaluation.

END-OF-SECTION PRACTICE QUESTIONS

These practice questions provide examples of case studies. The questions focus on the syllabus assessment objectives that you will need for your course - knowledge and understanding, application, analysis and evaluation.

> Introduction

This new and updated fourth edition of the coursebook will help you with studying the Cambridge IGCSE™, IGCSE (9-1) or O Level Business syllabuses (0264/0774/7081) for examination from 2027.

You might be using this coursebook and studying business to provide a basis for you to understand business in the real world. Some of you may even be thinking about a career in business or setting up your own business in the future. There may be parts of the course that you find particularly interesting, such as Marketing or Finance, which you may wish to continue studying beyond Cambridge IGCSE level.

The book is divided into six themed sections: Understanding business activity, People in business, Marketing, Operations management, Financial information and decisions and External influences on business activity. Each section is sub-divided into chapters based on specific topics from the syllabus. In each chapter you will find case studies (some of which are in a video format) based on real-life businesses from around the world, activities and practice questions that will help you to develop your understanding of assessment objectives, suggested discussion questions and activities for reflection, and key terms that you will need to learn.

The book is designed to help you build your confidence and understanding of business concepts. As you progress through your course and this coursebook, you will start to see links between the topics and chapters. For example, you will be introduced to the concept of added value in Section 1 and then later in Section 3 you could think about how added value may influence the pricing method used by a business.

We hope that you enjoy using this coursebook and wish you every success in your course!

Medi Houghton, Leanne Burslem-Curl and Veenu Jain

› Chapter 3

Enterprise, business growth and size

LEARNING INTENTIONS

By the end of this chapter, you will be able to:

- explain the characteristics of successful entrepreneurs
- understand the key elements and importance of a business plan
- explain why and how governments support business start-ups
- know the methods and problems of measuring business size
- understand the reasons why some businesses grow and others remain small
- describe the different ways a business can grow both internally and externally
- explain the advantages and disadvantages of different methods of growth
- understand the reasons why some businesses succeed and others fail.

Introduction

Behind every successful business is a person or group of people. Who are these people and which characteristics do they share? An important document used by business people is a **business plan** – so what is it and why is it useful? Many governments will offer support to business start-ups – so how and why do governments help them? You will learn about the people behind these successful businesses, the role of business plans and how governments might support new businesses.

Businesses can be large or small, so how can business size be measured, and what are the problems of using different methods? Some businesses may decide to remain small while other businesses will want to grow. You will learn about the different ways a business might grow and the advantages and disadvantages of growth. You will also learn about the possible reasons why some businesses are successful and others fail.

KEY TERM

business plan: a detailed written document outlining the aims and objectives of a business and what it intends to do to achieve them.

BUSINESS IN CONTEXT

Aha!

Have you ever had an aha moment? That very brief period when you have a great idea or inspiration that helps you solve a problem, or you are planning something and everything just falls into place, and you go, “Yes, that’s it!”? Well, that is what happened to Aadit Palicha.

Aadit was born in Mumbai, India, before moving with his family to Dubai. A keen computer programmer, he used these skills to help him start his first business at the age of 17. Getting to and from school in a busy city was not easy. Parents had jobs to get to and other children to take to school and other activities. Aadit had the idea of a car sharing app – GoPool – to provide a simple way for parents to organise lifts to and from school. Then, while studying computer engineering at Stanford University in the US, Aadit and his friend, Kaivalya, came up with another business idea for a quick-commerce grocery app called Zepto. The app would allow people to order food from a local supermarket and have it delivered to them within ten minutes. So excited about the idea, they left university halfway through the course to focus on being **entrepreneurs** and start up their new business. When Aadit went

to see investors to ask for finance, they laughed at his idea and said it would never work. Aadit and Kaivalya did not give up. Customers liked the idea, and within six months of starting the business it was valued at over \$570 million.

Discuss in pairs or groups:

- 1 What information from the above text supports the idea that Aadit might be an entrepreneur?
- 2 Create a simple definition of what you think an entrepreneur is.



Figure 3.1: Apps allow people to order food and have it delivered to their home

KEY TERM

entrepreneur: an individual who has an idea for a new business and takes the financial risk of starting it.

TIP

Try to avoid using examples when asked to define terms as this does not necessarily explain the term.

3.1 Enterprise and entrepreneurship

Enterprise is about seeing an opportunity to provide products – a good or service – that people might be willing to buy. The idea for an enterprise may be:

- something completely new because a person has spotted a gap in the market
- a solution to an existing problem
- someone wants to make a difference in their local community.

Others may simply want to make money doing something somebody else is doing successfully. The person (or people) who takes the risk of turning the idea into a business is called an entrepreneur.

There are many famous entrepreneurs around the world including Elon Musk, the South African-born founder of Space X and Tesla; Cher Wang, the founder of HTC, a smart phone manufacturer; Mark Zuckerberg who started Meta (Facebook); and Huda Kattan of Huda Beauty, a business based in Dubai. But what makes these people successful?

DISCUSSION

Truckistan is based in Lahore, Pakistan. The business was started in 2022 by Abid Butt and Zafar Khan. Truckistan uses a unique computer software program to help small businesses transport goods between towns and cities across Pakistan. Many small businesses in Pakistan do not have enough goods to transport between destinations to fill the space available in a big truck (lorry). Businesses used to have two choices – wait and risk losing sales or pay the transport cost of using a big lorry. Truckistan's computer software allows businesses to share space in lorries going to the same destination.

It is a good solution – the trucks are full, individual customers pay lower transport costs and there are fewer lorries on the roads which reduces pollution.

Discuss in pairs or groups:

- What are the possible advantages of businesses using Truckistan's software program?
- Is there an environmental problem or other issue affecting your local area or country? Can you think of simple ways to help solve it?



Characteristics of successful entrepreneurs

Every entrepreneur is different, but they often share similar features or qualities known as characteristics. These are shown in Figure 3.2.

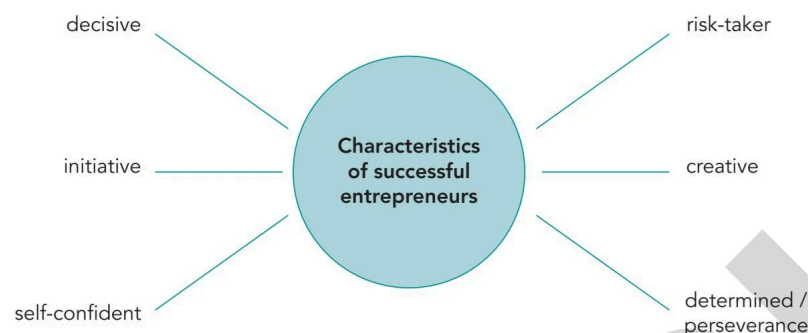


Figure 3.2: Characteristics of successful entrepreneurs

You can find examples on why each of these characteristics may be helpful in Table 3.1.

Table 3.1 Examples of why each characteristic of successful entrepreneurs may be helpful

Characteristic	What it is	Example of why it may be helpful
Risk-taker	Willing to take chance or risks knowing that it may not work	The idea may not work, so you need to be prepared to lose everything you have put into an idea
Creative	The ability to think up new ideas or different ways of doing things	New ideas could provide the opportunity to fill a gap in the market or gain a competitive advantage
Determination/perseverance	Will keep working on an idea and not give up when things do not go as expected	It may take time to turn the idea into a suitable product Lenders may refuse to lend the finance so you need to find other sources of funds
Self-confident	Having trust in your own ability and ideas to carry them out successfully	May have to convince people to provide money or resources or buy your product
Initiative	Being willing to take on new ideas or projects to make things happen	Allows you to take advantage of opportunities that others may miss or be afraid to take
Decisive	Ability to make decisions, even if it involves making difficult choices	This can save time or resources, so that unnecessary work is not done

3 Enterprise, business growth and size

CASE STUDY 3.1

Eco Hustle: No such thing as rubbish



Figure 3.3: Many new products can be made from waste materials

Eco Hustle is a business based in Mauritius. The business has two brands – Sakili and Recycle Moi. The business was started by Lalita Purbhoo-Junggee and her husband. Sakili is a range of products including sport bags, backpacks, purses, laptop case, key chains and pencil cases. All the products are made from waste materials produced

by advertising companies. Lalita found out that many of the materials businesses used to produce banners and billboards could not easily be recycled or reused, so it ended up as litter in the streets or ocean causing pollution for her local community in Mauritius.

Lalita wanted to help solve this problem, so she left her job as a journalist to start up her business. Her husband created the designs for the products, but Lalita had other skills that she thought could be useful. When she started the business, she had no business experience and limited funds, but she would not give up. It took over three years before the first of Sakili's upcycled products were sold.

Discuss in pairs or groups:

- 1 Using examples from the case study, describe two characteristics of an entrepreneur that Lalita has shown.
- 2 Individually, choose one of these characteristics. Write a sentence explaining why you think this characteristic is more important than the other. Share your answer with each other. Can you understand the reason for each other's choices? Explain this to your partner.

It is important to understand that entrepreneurs may not have all the characteristics listed in Table 3.1, but this does not mean they will be unsuccessful. Sometimes it is about having the right balance of skills (and luck) to get the business started. Even if the entrepreneur has the 'right' characteristics, it does not mean the business will be successful.

You will learn more about why some businesses are successful and others fail later in this chapter.

TIP

Do not confuse an entrepreneur and a manager. A successful entrepreneur is not the same as a good manager, and the manager may not be the person who started the business.

ACTIVITY 3.1

- 1 Working in small groups, use newspapers, magazines, library resources or the internet to research an entrepreneur from your country, or one who your group thinks has had a big influence on business activity in your country. Each group should research a different entrepreneur.
- 2 Prepare a poster to share with the class about your chosen entrepreneur. Things to include could be their name, their idea, the business that they started, the characteristics they have shown or any other relevant information.

3.2 The purpose and key elements of a business plan

Every business plan is unique to each business and will change depending on what the business is trying to achieve. However, most business plans are likely to include the same key elements, as shown in Table 3.2.

Table 3.2: The key elements of business plans

Element	Likely to include information about
Overview or summary	Basic information about the entrepreneur and the business including what is the idea and who you plan to sell the product to.
Objectives	Explains the business goals, i.e., what the business hopes to achieve. For example, to provide a service or to make a profit.
Market research	The market, including the current size of the market and the product's main competitors – helps to show the level of demand.
Marketing	Information about what the product is, the name, potential price, where it could be sold and how the business intends to attract people to buy the product.
Finance	Data about the costs involved and the amount of money that could be gained from sales can allow businesses to work out the amount of funding needed.
Resources	The place from where the business will operate; machinery and any other equipment and materials needed to provide the good or service.
People	The number, skills and expertise of managers and/or employees to be recruited.
Operations	How the product will be made, how long it may take to make, and who and where the resources can be obtained from.

LINKS

You can find more information in about market research in Chapter 11, business objectives in Chapter 5 and marketing in Chapter 10.

The importance of a business plan for entrepreneurs

A business plan is important for both new and existing businesses because it can help:

- Raise finance, including bank loans, as the lender can see the business is able to repay.
- Set goals or targets, so the entrepreneur can clearly see what they need to do to achieve their goals. This can provide a sense of purpose and direction.

3 Enterprise, business growth and size

- Understand potential risks the business might face, so there is time to plan for possible solutions that can help reduce the risk of failure.
- Act as a checklist – this can be used to monitor business progress towards its targets.
- Inform decision-making (see Figure 3.4), so the business does not waste resources, time or money on making and selling the wrong products.



Figure 3.4: A business plan can help inform decision-making

ACTIVITY 3.2

In pairs or small groups, imagine you are going to start up your own business at school. This might be selling food or stationery or organising an end-of-term event for the class.

- 1 Create a simple outline of business plan for your idea. You could include information such as:
 - the name of your business (try to have a name that is interesting but relevant to your product)
 - what the product is (what it will look like and do)
 - who you plan to sell the product to
 - how many people are interested in buying your product
 - the price you intend to sell the product or service for
 - what might you do to make customers aware of your product and encourage them to buy it
 - where will you sell it and why would it be a good place to choose
 - how might you attract customers to buy your product

TIP

Do not just learn the main element of a business plan. It is also important to understand why each of these elements are helpful to a business.

CONTINUED

- what the product will cost to make/buy
 - what resources you will need to make/provide the good or service
 - who will work in the business and what they will need to do, including any skills they will need
 - where the product will be made (or bought from).
- 2 Present your business plan to another group, or the class, for them to offer feedback.

REFLECTION

Review the feedback others have given you. How can you use this to improve how you approach similar tasks in the future? For example: Did you approach this task in a logical way, working through the points one by one or randomly writing down ideas? Which part of the task did you find easier or harder to complete – was it thinking about the points to make or the presentation?

Did others have any ideas or suggestions that you could use when attempting other research tasks in the future?

3.3 Why governments support business start-ups

Governments want to encourage business start-ups because they can provide many advantages to the economy. These advantages include:

- **Job creation** – although each small business may not employ many workers, together they can employ a large percentage of the working population, helping to lower the level of unemployment.
- **Increased competition** – this can lead to more customer choice and having more businesses offering similar products may lead to lower prices.
- **May provide specialist goods and services** to consumers which larger businesses may not be willing to provide.
- **Increase output** – each business will add to the total number of goods and services produced, which can help increase the size of the economy.
- **May grow into larger businesses (if successful)** – which may provide additional jobs and contribute more tax revenue to the government.

3.4 How governments support business start-ups

Many governments provide financial and other support to new businesses. However, the type of support is likely to vary from country to country.

3 Enterprise, business growth and size

The most common types of government support include:

- grant (amount of money that may not need to be repaid) and low-interest loans
- low tax rates on profits in the early years
- low-cost or rent-free premises for a certain period
- free or low-cost training schemes for employees
- information, advice and support from specialist agencies
- arranging business fairs for entrepreneurs to attend (see Figure 3.5).



Figure 3.5: Entrepreneurs at a business fair exchanging ideas

CASE STUDY 3.2

Glass2Sand



Figure 3.6: Udit's machine ensures fewer used glass bottles are left lying around on the streets or end up in landfills

It all started when the waste collectors stopped visiting his neighbourhood. Udit Singhal, a 16 year old child from New Delhi, asked his parents why. They explained that the amount of money the collectors received for gathering the empty bottles did not cover their costs. With no collections, this meant all the empty glass bottles would go to landfills. Udit learnt in school that a single glass bottle can take over 4 000 years to break down naturally, which is not good for the environment.

Udit decided he wanted to do something about this. He discovered a business in New Zealand that had created an environmentally friendly machine to crush the glass. However, Udit lived in India and he was worried about the environmental cost of transporting the machine to India.

CONTINUED

Udit decided to create his own simple machine to crush the glass bottles into sand. The first version was basic, but the idea impressed the New Zealand High Commission in India, who provided Udit with a financial grant to develop his idea. Udit's machine ensures fewer glass bottles end up in landfills, thereby reducing pollution. Even better, the sand

produced can be used by construction businesses to build roads or buildings.

Discuss in pairs or groups:

- 1 How could the grant help Udit's business?
- 2 Describe two other ways a government could support Udit's business.

3.5 Ways to measure business size

Some businesses are small and others are classed as large. What is the difference? To help understand this, we need to measure the size of a business.

There are many ways that business size can be measured.

Number of employees

Counting the number of employees is a quick and simple way to measure business size. You would think a large business is likely to have more employees (see Figure 3.7).

However, two businesses can produce a similar level of output, but one business may use more machinery and fewer employees. Alternatively, the business may have part-time employees who share the work among them. This would add to the total number of employees and make the business look larger than it is.



Figure 3.7: Do you think a large business is likely to have more employees?

Capital employed

This is the total value of all long-term finance invested in a business. It is used to buy the things that a business needs to provide goods and services, for example, the factory/office buildings, machinery and inventory. A small business is likely to invest less capital than a large business in the same industry. For example, a small bakery may only have one shop, one food mixer, one oven and a few raw materials, whereas a large bread manufacturer is likely to have more equipment and a large inventory of raw materials to produce high volumes of output.

Some industries such as car manufacturing might need a large amount of capital investment, but others such as computer software design do not.

Value of output or sales

The amount businesses earn from selling their products can be used to compare the size of businesses in the same industry. A small business is likely to have less revenue – earnings from sales – than a larger business. For example, a small general store is likely to have fewer customers than a large supermarket and, therefore, will earn less revenue.

However, it can be difficult to compare businesses that sell different products. For example, a designer clothing shop sells a high-value product compared to the low-value products sold by a street vendor. If the two businesses sold the same number of products, the revenues received would be very different (see Figure 3.8).

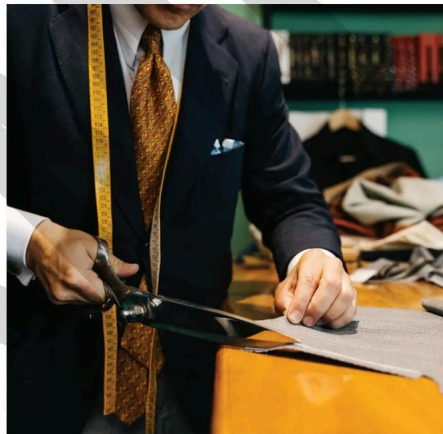


Figure 3.8: Different products can be high value or low value

Volume of output or sales

Business size can be measured based on the number of units produced or sold. A large business is likely to produce or sell more units. Calculating these numbers should be relatively simple to do.

However, this method ignores the value of each product sold. For example, consider a soft drinks manufacturer and an airplane manufacturer. The airplane manufacturer is likely to build and sell only a small number of airplanes, but the price of each airplane will be significantly higher than the price of each soft drink.

TIP

Profit is not an acceptable measure of business size as there are many factors that influence the amount of profit made by the business.

Problems of measuring business size

It can be difficult to compare the size of individual businesses. This is because different measures can produce different results. Comparisons between businesses in different industries is not easy to do for many reasons, including:

- Businesses might use different amounts and types of labour.
- The amount or type of machinery used will depend on what they make or sell.
- The value of the product will vary between businesses.

Figure 3.9 shows the advantages and disadvantages of the different ways to measure business size.

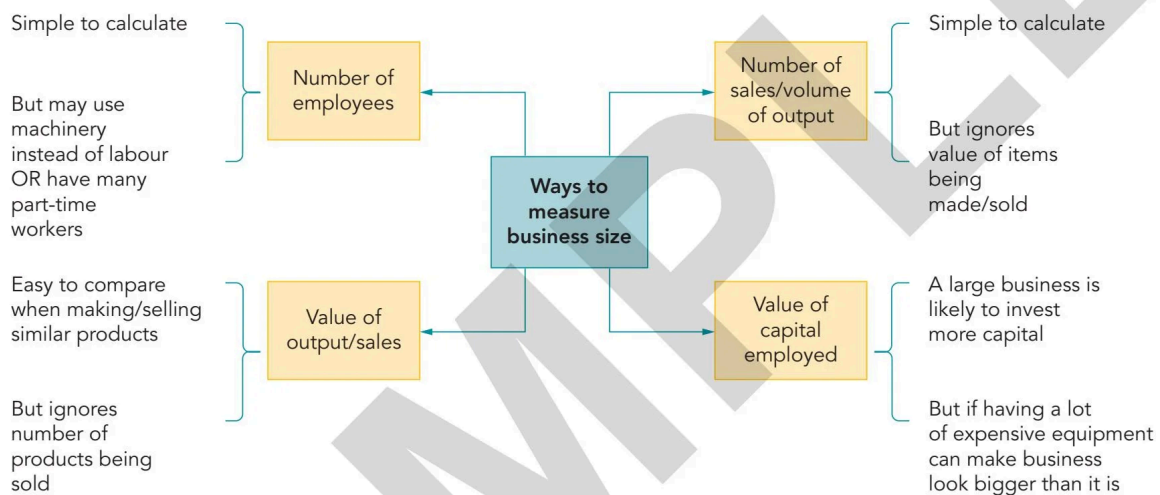


Figure 3.9: The different ways to measure business size and the problems of using these measures

ACTIVITY 3.3

The table below shows data for three businesses that manufacture televisions and other electrical products.

Business data	Business A	Business B	Business C
Revenue	\$280 000	\$380 000	\$410 000
Capital employed	\$200 000	\$500 000	\$350 000
Number of employees	60	35	50

In pairs or small groups, use the data in the table to answer the following questions.

- 1 Each business thinks it is the largest in the industry. Why could this be true?
- 2 Why might the number of employees **not** be a good measure of size in this industry?
- 3 Which of the three companies do you think is the largest? Give reasons for your answer.

3.6 Why some businesses grow and others remain small

Many entrepreneurs may want to grow their businesses but this is not true for all businesses. We will explore the reasons for growth, the different ways a business can grow and the advantages and disadvantages of each way.

Why business owners might grow a business

Growing a business can bring many advantages including increased profit, increase in market share, lower average costs and spread risk.

Increased profit

A larger business may be able to produce more goods or provide more services. If this output is sold then sales increase. Increased sales usually increase revenue and, if the business has kept control of its costs during its growth, it may increase profit.

Increase in market share

The larger the share of the market the business has, the more influence it may be able to have over the prices set in the market or its suppliers.

Lower average costs

Larger businesses can spread the costs over a larger number of output. Lower average costs may allow the business to lower its prices and become more competitive resulting in higher sales.

Spread risk

Growth can provide the opportunity to enter new markets or offer new products, so the business does not have to rely on one set of customers for its sales.

Different ways businesses can grow

Businesses can grow in different ways, either through internal growth or external growth.

Internal growth

Internal growth can happen when a business:

- increases the number of goods it can produce, for example, by buying more or better machinery
- develops a new product
- finds new markets for its products.

Although internal growth is often slow, it can help reduce the risk of losing control which could happen if the business tries to grow too quickly.



CASE STUDY 3.3

Yao Secret



Figure 3.10: Shampoo bars are an eco-friendly hair care product

Yao Secret was started in 2021 by Xim Jiao and Nadine Katherine. The business, based in Guangzhou, China, produces a range of beauty products including shampoo bars. Xim and Nadine spotted an opportunity to create a range of sustainable, eco-friendly hair care products using

fermented rice water as its main ingredient. Rice water is simply the water used to cook rice, which is then left to turn sour or ferment.

Yao Secret use a unique type of fermented rice water which is obtained directly from the Red Yao tribe in Guangxi, China. Fermented rice water is a traditional method used by the women of this tribe to help maintain healthy hair.

Yao Secret began with just two products: one shampoo bar and one conditioner. Most of the products are sold online to customers in Australia and Europe. However, as sales have increased, the business looked to expand. It has already started selling its products to customers in Singapore and has plans to sell the products in shops in Europe.

Discuss in pairs or groups:

- 1 What type of growth are Yao Secret planning to use?
- 2 Explain one advantage and one disadvantage to Yao Secret of using this method of growth.
- 3 Explain another way Yao Secret could expand.

External growth

External growth takes place when a business merges with or takes over another business in the same or a different industry. The process is known as integration. A **merger** happens when two businesses agree to merge or join whereas a **takeover** is when one business buys the other.

Types of integration include horizontal and vertical integration.

- **Horizontal integration** brings together two firms in the same industry that are also in the same sector of business activity; for example, two wheat farmers (primary sector), two computer manufacturers (secondary sector) or two banks (tertiary sector). The advantages and disadvantages of horizontal integration are shown in Table 3.3.

Table 3.3: Advantages and disadvantages of horizontal integration

Advantages	Disadvantages
• Reduced competition leading to an increase in market share. • Possible cost savings including bulk discounts as able to order materials in large amounts.	• Increased risk – as operating in same industry if demand falls. • May be difficult to combine two sets of employees or business systems.

KEY TERMS

merger: when two businesses agree to join to become a single, larger business.

takeover: when one business buys a controlling interest in another.

horizontal integration: when two businesses at the same stage of production join to become a single, larger business.

Figure 3.11 shows an example of horizontal integration.

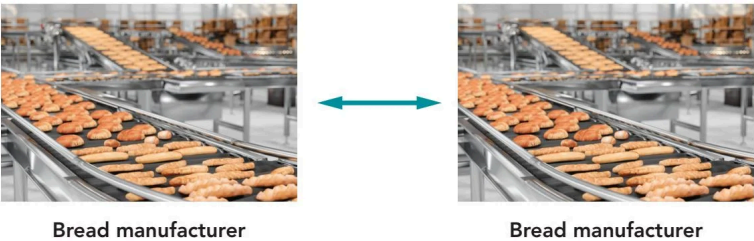


Figure 3.11: Example of horizontal integration

- **Vertical integration** brings together two businesses in the same industry, but each one is at a different stage of the production process. Thus, a business could buy another business which is a customer (forward vertical integration) or a supplier (backward vertical integration). For example, a shoe manufacturer and a shoe retailer. The advantages and disadvantages of vertical integration are shown in Table 3.4. An example of vertical integration is shown in Figure 3.12.

KEY TERM

vertical integration: when two businesses at different stages of production within the same industry join to become a single, larger business.

Table 3.4: Advantages and disadvantages of vertical integration

Advantages	Disadvantages
• Better access to suppliers or customers, which may have a reliable source of materials/ products or outlet to sell products. • Helps spread risk as less reliant on one market.	• Few cost savings as both businesses are at different stages of production process. • May be difficult to combine two different businesses leading to higher average costs.

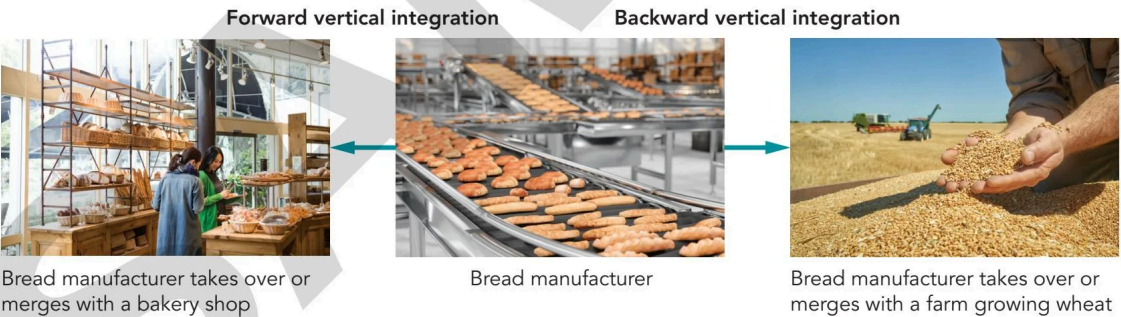


Figure 3.12: An example of forward and backward vertical integration

ACTIVITY 3.4

- 1 Copy and complete the table below.

Form of integration	Business activity	Business activity
forward vertical	oil refining	
	large car manufacturer	small car manufacturer
backward vertical		fruit canning

- 2 Explain one possible advantage to the fruit canning business of backward vertical integration.
- 3 Discuss the possible advantages to the large and the small car manufacturers of their integration.

The advantages and disadvantages to a business of using internal and external growth are outlined in Table 3.5.

Table 3.5: Advantages and disadvantages to a business of using internal and external growth

	Internal growth	External growth
Advantages	• Low cost (compared to external growth). • Easier to manage changes – can reduce the risk. • Owners able to retain control of the business.	• Quick way to grow. • Gain customers of the other business. • Gain assets, technology and skills of other business – leading to new ideas. • Reduce competition – more power to influence prices or suppliers.
Disadvantages	• Slow – business may miss out on opportunities and competitors may increase their market share. • Likely to be a limit to possible expansion due to factors such as finance and space.	• High cost of takeover/merger – possible financial problems. • Control and/or communication problems as each business has different ways of working – could lower efficiency.

TIP

Advantages of one method can sometimes be presented as a disadvantage of another method. For example, internal growth is slow and external growth is quick, but this is the same point. Always try to make clearly different points when answering questions.

Problems linked to business growth

If the growth is not managed carefully, the expected advantages such as increased market share and spread risk may not happen. Instead, the business will have to manage problems including:

- lower employee motivation – increasing labour turnover
- poor communication – leading to possible errors
- difficult to coordinate operations – reducing efficiency
- difficult to control larger business – leading to mistakes being made
- difficult to raise enough finance to fund the growth
- access to suitable skilled employees
- access to the necessary equipment and resources.

If the business cannot solve these problems, it can lead to higher average costs.

Figure 3.13 provides a summary of the advantages and disadvantages of growth, and the different ways a business might grow.

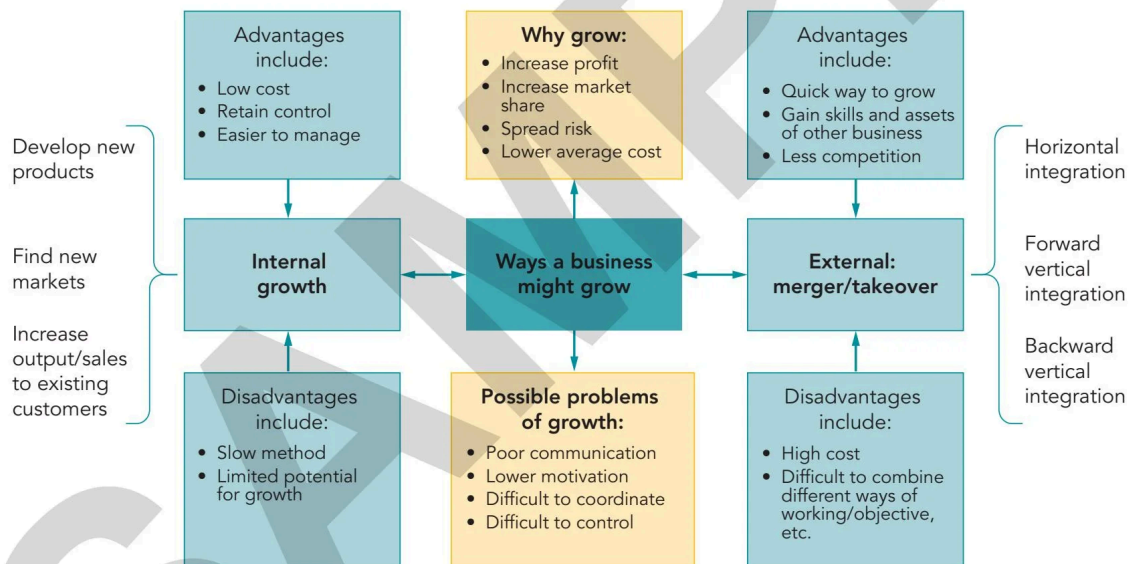


Figure 3.13: Advantages and disadvantages of growth

Why some businesses remain small

Some businesses do not grow or choose to remain small. There are many possible reasons for this, as shown in Table 3.6.

Table 3.6: Reasons why businesses remain small

Reasons	Why it may be important
Owners' choice	May not want the responsibility of managing a larger business May want to keep control of the business
Access to and availability of capital	Banks may be less willing to lend to small businesses as they are perceived to have a higher risk of failure, so difficult to borrow the amount of funds needed to grow the business
Market size	If the market the business operates in is small, there may be limited potential for growth
Type of product/service offered	Some businesses only serve customers in the local area or offer specialist services, so have few customers to target

3.7 Why some businesses are successful and others fail

Businesses are not always successful. Many new businesses fail within the first one or two years of trading. Even long-established businesses can fail. But why? Figure 3.14 highlights the main factors.

**Figure 3.14:** Factors affecting whether businesses are successful or fail

Management skills

Business owners need to have the necessary management skills and experience to run their business efficiently. For example, having the ability to organise, control, coordinate, plan activities and command people within the business.

Availability of finance

Finance is needed to buy new equipment or buildings and to pay the day-to-day expenses from operating the business. A business must have access to sufficient finance to take full advantage of the opportunities available to them.

Suitable products

Businesses must produce and sell goods and services that customers need or want to buy. If not, the business will not be able to earn sufficient revenue to cover its costs.

LINKS

You can find more information about finance in Chapter 21, and market research in Chapter 11.

3 Enterprise, business growth and size

Demand for products

Successful businesses are ones that can identify and meet the needs of its customers. Market research can help identify the potential size of the market, the level of competition and what consumers need or want. Businesses that do not carry out market research are more likely to fail.

Level of competition

All businesses face competition. Other businesses are likely to be selling similar products and services. Businesses that are unable to compete on price and quality are unlikely to survive in the long run.

Changes in the economy

Many factors such as unemployment, high interest rates and taxation may reduce the amount of money consumers have to spend on goods and services. This can reduce the number of sales for a business. Does the business have the finance available to continue if it is unable to cover its costs?

LINK

You can find more information about changes in the economy in Chapter 27.

ACTIVITY 3.5

- 1 In pairs/small groups, research a successful business from your country. Each group should research a different business.
- 2 Prepare a short report (maximum 100 words) to the owners of the business explaining three reasons why the business is successful. Share your report with the class.

BUSINESS IN ACTION

Starbucks

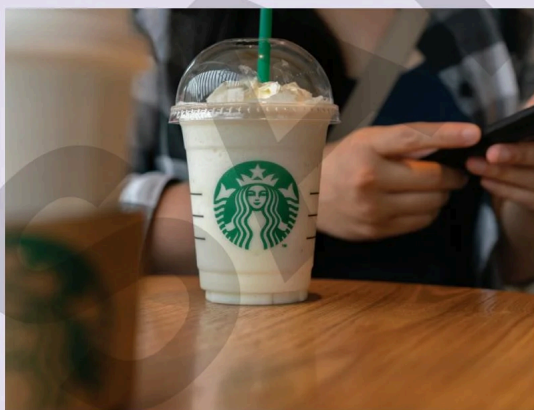


Figure 3.15: Starbucks sells a range of products in its shops

Even successful businesses do not get it right every time. Knowing when to stop or pull out when a project is not working is important. If not, the whole business might fail.

Starbucks started as a small coffee beans shop in Seattle in the 1970s. The business was then bought by Howard Schulz, who turned Starbucks into one of the largest chains of coffee shops in the world. Starbucks sells a wide range of products including different types of coffee, other drinks with different syrups or toppings and sweet treats such as doughnuts. Customers can drink or eat the products in the shop or take them away to consume elsewhere.

In 2000, Starbucks decided to open its first coffee shop in Australia. Market research showed that Australians love coffee – at least 75% of them drink at least one cup of coffee each day – but most tend

BUSINESS FOR CAMBRIDGE IGCSE™ AND O LEVEL: COURSEBOOK

CONTINUED

to drink coffee at home or at a local independent coffee shop. The most popular drinks for Australians are instant coffee or espresso. Australian customers are less interested in the flavoured or sweet coffee-based drinks sold by Starbucks, which tend to be more expensive to buy.

Starbucks struggled to gain the sales it needed to cover its costs. In 2008, Starbucks' directors took

the decision to close two-thirds of its shops in Australia, after making a loss of \$105 million.

Discuss in small groups or as a class:

- 1 Why was Starbucks not successful in Australia?
- 2 When is the right time for a business to stop or pull out of an idea or project? Be ready to support your point of view.

SUMMARY

You should now know:

- An entrepreneur is someone who has an idea for a new business and is prepared to take the financial risk to set it up.
- A business plan provides purpose and direction for the business by clearly setting out details such as the objectives, financial information and the resources needed to achieve these objectives.
- Capital employed, number of employees, value of output or sales, and volume of output or sales are the ways to measure business size.
- Although some businesses might remain small, others will choose to grow using internal or external methods including developing new products and horizontal or vertical integration.
- There are many reasons why some businesses are successful and others fail, including level of competition, demand for products, management skills and availability of finance.

Chapter 3 practice questions

- 1 Grace wants to be a successful entrepreneur. She would like to start up a business making furniture out of sustainable wood, including mango wood. Grace is considering selling the furniture at local markets. She has found a factory where she can make the products, but the rent is \$110 per week. Grace knows preparing a business plan is important, but she has no experience of preparing one. She has also been told government support is available to help start-up businesses.
 - a Define 'entrepreneur'. [2]
 - b Identify **four** characteristics of a successful entrepreneur. [4]
 - c Explain **two** advantages to Grace of preparing a business plan. [6]
 - d Explain **two** methods of government support that might be available to Grace. Which is likely to be the best method for Grace to use? Justify your answer. [8]

3 Enterprise, business growth and size

- 2 PTR is a large business with 5 000 employees. It manufactures a range of low-cost jewellery including rings and necklaces. PTR has three factories across the country, with each specialising in making different products. PTR's Managing Director wants to grow the business. One option is to take over one of its competitors, MSL. MSL employs 3 000 skilled workers to make its high-quality jewellery. Some of PTR's directors are worried about the possible problems linked to growth.
- a State **two** ways (other than employees) of measuring the size of a business. [2]
 - b Outline **two** reasons why the Managing Director of PTR wants to grow the business. [4]
 - c Explain **two** problems for PTR linked to business growth. [6]
 - d Do you think the advantages to PTR of taking over one of its competitors are greater than the disadvantages? Justify your answer. [8]

Total available marks: 40

CHECK YOUR PROGRESS

How well do you think you have achieved the learning intentions for this chapter? Give yourself a score from 1 (still need a lot of practice) to 5 (feeling very confident) for each learning intention. Provide an example to support your score.

Now I can ...	Score	Example
explain the characteristics of successful entrepreneurs		
understand the key elements of a business plan and provide reasons why a business plan is important		
explain why and how governments support business start-ups		
identify the methods and problems of measuring business size		
understand the reasons why some businesses grow and others remain small		
describe the different ways a business can grow, both internally and externally		
explain the advantages and disadvantages of different methods of growth		
explain the reasons why some businesses succeed and others fail.		



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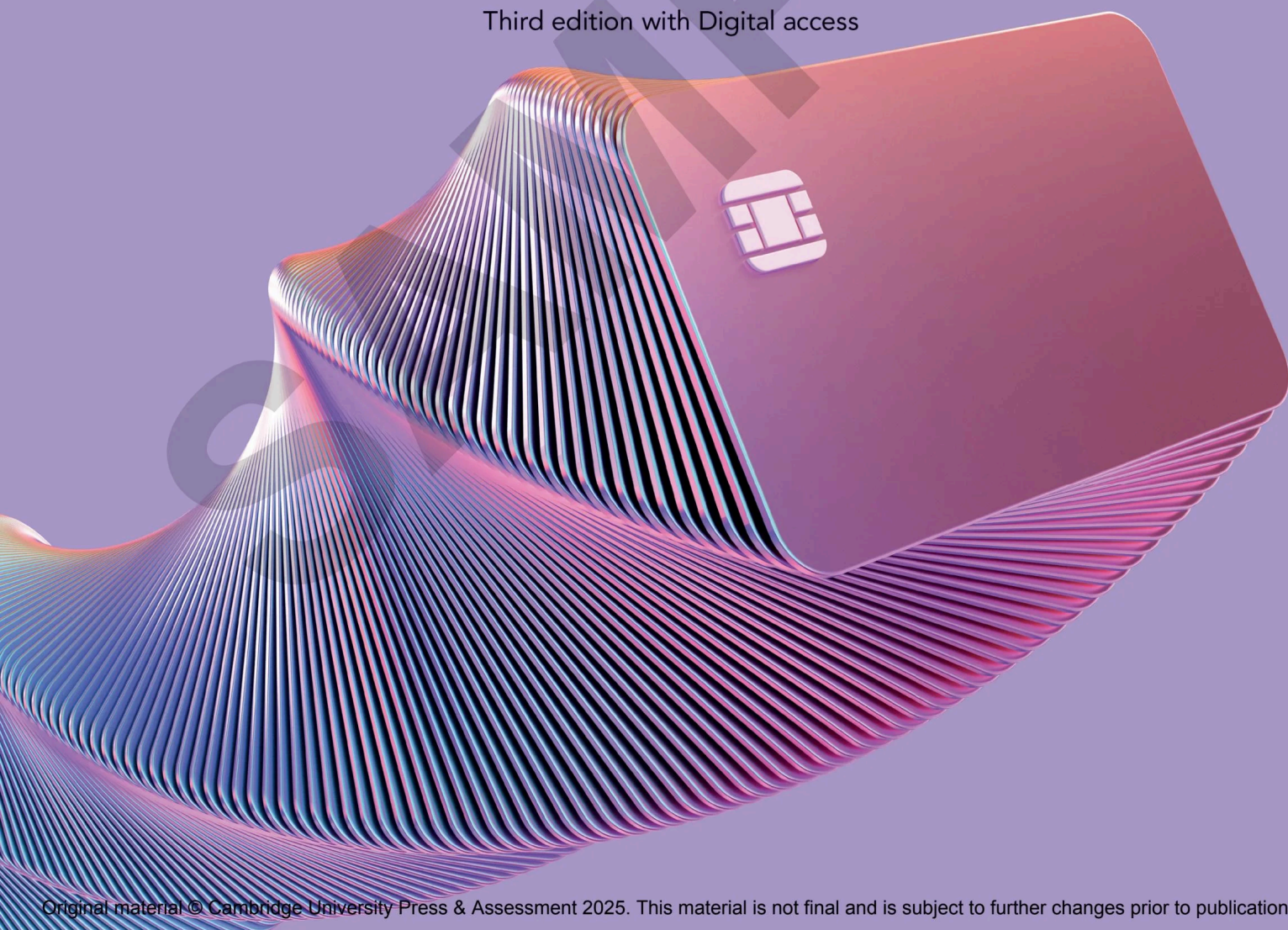
Business

for Cambridge IGCSE™ and O Level

WORKBOOK

Alex Smith & Veenu Jain

Third edition with Digital access



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> How to use this book

Throughout this workbook, you will notice recurring features that are designed to help your learning. Here is a brief overview of what you will find.

LEARNING INTENTIONS

Learning intentions open each chapter. These help you with navigation through the workbook and indicate the important concepts in each topic. The learning intentions also map to the content in the *Cambridge IGCSE™ Business Coursebook*.

KEY TERMS

These provide a reminder of the key terms that you need to recall for each chapter topic.

Activities

These are scaffolded exercises that support your progression through your course and enable you to put into practice what you have learnt up to that point. The activities have been clearly linked to the key skills that you need for business.

REFLECTION

Reflections enable you to look back on your work and encourage you to think about your learning. You will reflect on and assess the process that you used to arrive at your answers.

TIPS

Tips are provided throughout this workbook to help with your learning. These provide you with additional guidance and advice.

End-of-section practice questions

More demanding practice questions provide you with an opportunity to try out further questions on what you have learnt in each section. The answers to these questions should be completed in your own notebook.

WORKED EXAMPLES

Worked examples provide you with sample answers in order to help you understand how to respond to questions using key skills.

Improve this answer

This offers you an opportunity to evaluate a sample answer to a question.

Your challenge

You are provided with advice and guidance on how the answer could be improved and then asked to apply this advice to write your own improved answer.

> Introduction

This workbook is designed to help you develop your skills in Cambridge IGCSE™ and O Level Business and to enhance your learning of the course material. A key part of this is developing your skills in the way you answer business-related questions.

Developing skills for business

The first section goes through each aspect of what it takes to effectively show your knowledge of business studies. To do this, it goes through the following areas:

- the use of command words in questions
- how to apply your analytical and evaluative skills to business scenarios
- answering questions using business data, charts and numbers
- improving your skills through reflective learning.

How the activities are structured

Each section of the workbook focuses on the different business topics followed in the coursebook. The book is structured to help you in the following ways.

Use of stimulus material

As you progress through your course, you will become familiar with answering questions in the form of short case scenarios. These questions are designed to help you practise applying key business skills to realistic business scenarios. It is important that you remember to refer to the information in the case scenarios to support your answers to questions.

Supporting guidance on activities

Many of the questions at the beginning of the workbook offer support and guidance designed to help you better understand particular question types and also build your skills. As you progress through the workbook and become more confident in answering business studies questions, the amount of guidance will be reduced. Each section also includes helpful tips to improve your question technique.

Importance of reflection

A key part of learning how to develop your business studies skills is through reflection. At the end of each chapter, there is a guide to aspects you can reflect on based on the learning themes. When you are doing the activities, however, you should be continuously reflecting on the whole learning process and asking yourself how you can improve your answers.

Practice questions

At the end of each section you will find a series of practice questions, including short answer, data response and case study questions. The authors have written a selection of sample answers to the practice questions, with suggestions about how they could be improved. Here, you will have the opportunity to apply your own skills in order to think about and write a better answer in each case.

Online answers

There are online answers to each activity. An effective way to improve your learning is to answer the questions and use the answers to reflect on how well your business skills are developing.

The aim of this book is to develop and support your learning in business. Many of the activities put you in the position of a business owner who is looking at a business and has to assess the issues and challenges that the business faces when making decisions. The questions test your knowledge and understanding of business but also give you the opportunity to think like a business owner and make the judgements needed for effective decision-making.

› Chapter 3

Enterprise, business growth and size

LEARNING INTENTIONS

By the end of this chapter, you will be able to:

- explain the characteristics of successful entrepreneurs
- understand the key elements and importance of a business plan
- explain why and how governments support business start-ups
- know the methods and problems of measuring business size
- understand the reasons why some businesses grow and others remain small
- describe the different ways a business can grow, both internally and externally
- explain the advantages and disadvantages of different methods of growth
- understand the reasons why some businesses succeed and others fail.

KEY TERMS

business plan	entrepreneur	horizontal integration
merger	takeover	vertical integration

Activity 3.1

This activity aims to improve your knowledge of the characteristics of an entrepreneur.

Atchara wants to start a fashion business in Thailand. Complete Table 3.1 by matching these examples of how Atchara might show the characteristics of a social entrepreneur:

- wants to use social media in marketing
- has many contacts in the fashion business
- has used her house to secure a loan to start the business
- has arranged a loan to fully fund the business
- enjoys presenting her ideas to potential investors

- enjoys working long hours
- has set a target revenue of \$4 million in the first three years of business
- is well respected in the local community for her honest business practices
- has a master’s degree and professional qualification in architecture.

Think about some of the well-known entrepreneurs you know when considering the characteristics of entrepreneurs.

Table 3.1: The characteristics of entrepreneurs

Characteristic	Example
Innovative	
Self-motivated and determined	
Self-confident	
Multi-skilled	
Has strong leadership qualities	
Takes initiative	
Results-driven	
Risk-taker	
Good networker	

Activity 3.2

This activity helps to develop your understanding of what is in a business plan and how it might be useful to different stakeholders.

Adriana has recently left her position at a corporate office in Tokyo, and she is eager to start a new venture – opening a coffee shop in São Paulo. Adriana has seen an increasing demand for quality coffee experiences in the local market and she sees a promising opportunity to establish a thriving business. Adriana has started discussions with a bank to secure funding and they have asked for a business plan. Additionally, Adriana is exploring potential government support programs that could benefit new small businesses in the coffee market.

- 1 Identify **four** ways that the government could support Adriana’s new business.

You need to list four ways the government supports businesses.

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3 Enterprise, business growth and size

- 2 Outline **two** reasons why a business plan might be useful to Adriana in her new business.

Here you need to take an element of a business plan, such as sales and cost forecasts, and set out what might be produced.

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- 3 Explain **two** reasons why Adriana's business plan might be useful to her if she wants to raise funds from a bank.

Use something from her business plan, such as a revenue forecast, and say how this information could be useful to the investor.

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Activity 3.3

This activity helps you to look at how the sizes of businesses are measured.

BrightElec S.A. is a large Brazilian electrical retailer, employing 20,000 workers and with a revenue of \$0.9 billion. FoodConnect S.A., on the other hand, is a food manufacturing business with 35,000 employees and a revenue of \$3.8 billion. FoodConnect S.A. received substantial support from the Brazilian government during its initial stages as a small start-up business only 10 years ago.

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- 1 Outline how using revenue is a way of measuring the size of a business.

Think about the way in which how much a business sells relates to its size.

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- 2 Explain why it is difficult to compare the size of the retail business with that of a manufacturing business.

Here you need to analyse by making links between the way that business size is measured in different industries. Think about, for example, the number of people needed to provide the service in a retailer's compared to in a manufacturing company.

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- 3 How important is it for businesses to have government support when they are being set up? Justify your answer.

Start your answer by explaining why new businesses might need government support such as providing the business with access to funds. Then evaluate this by, for example, discussing the control the government may want for helping to start the business.

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Activity 3.4

The aim of this activity is to consider the reasons why organisations grow and to investigate the problems of growth.

NORDICdesign is a Danish furniture manufacturer specialising in crafting high-quality furniture for the domestic market. Established in 2005 as a small family-owned business, NORDICdesign has experienced significant growth over the years and is now wanting to expand its presence in international markets. Under the leadership of Karina, who assumed the role of CEO three years ago, NORDICdesign wants to grow. One method of expansion being considered by NORDICdesign is the buying of a local furniture manufacturer in Sweden.

- 1 Identify **two** ways NORDICdesign could expand its business.

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- 2 Outline **two** advantages NORDICdesign might get from growing its business.

Think about the ways the business might gain from being a larger organisation.

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- 3 Explain **two** problems NORDICdesign might face as it tries to expand its business by buying the Swedish manufacturer.

Try to set out the problems of NORDICdesign growth, such as diseconomies of scale, and analyse the impact of these problems on the company.

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TIP

The best way to approach 'explain' questions is to make links between points in the question to show your analytical skills. In this question, try to reason links between the problems that you identify and their effect on NORDICdesign.

Activity 3.5

This activity makes you think about issues facing small businesses.

Carmen is planning to open her first business, a small ice cream parlour that specialises in the growing market for organic ice cream in Spain. The ice cream she intends to serve will be made using locally sourced ingredients, which is very popular with local people. Her emphasis will be on high-quality, natural ingredients and providing excellent value for money. Carmen is skilled in making traditional ice cream and she aims to employ individuals who share her passion for creating unique and delicious flavours. However, the local ice cream market is highly competitive. When Carmen approached the bank for a loan, they told Carmen that she was in a strong position to succeed but warned her about the high risk of business failure among new small businesses. The bank also expressed concern about her lack of experience in running a business.

- 1 Identify **four** reasons why new business start-ups might fail.

Remember that you just need to make a list of reasons here.

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- 2 Outline **two** reasons why Carmen's business might be successful.

Think about the strengths Carmen has when she starts her business.

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- 3 What are the challenges Carmen faces when she starts her business? Justify your answer.

Begin your answer by explaining the challenges Carmen faces, such as her inexperience as a business owner and the competitiveness of the market. Evaluate your answer by considering these challenges relative to her personal qualities.

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REFLECTION

Consider the things that you have learnt in this chapter and how you can improve your written answers. How good are you at using the case study material to support the points you make? Using examples is something you can improve on when you are answering questions.

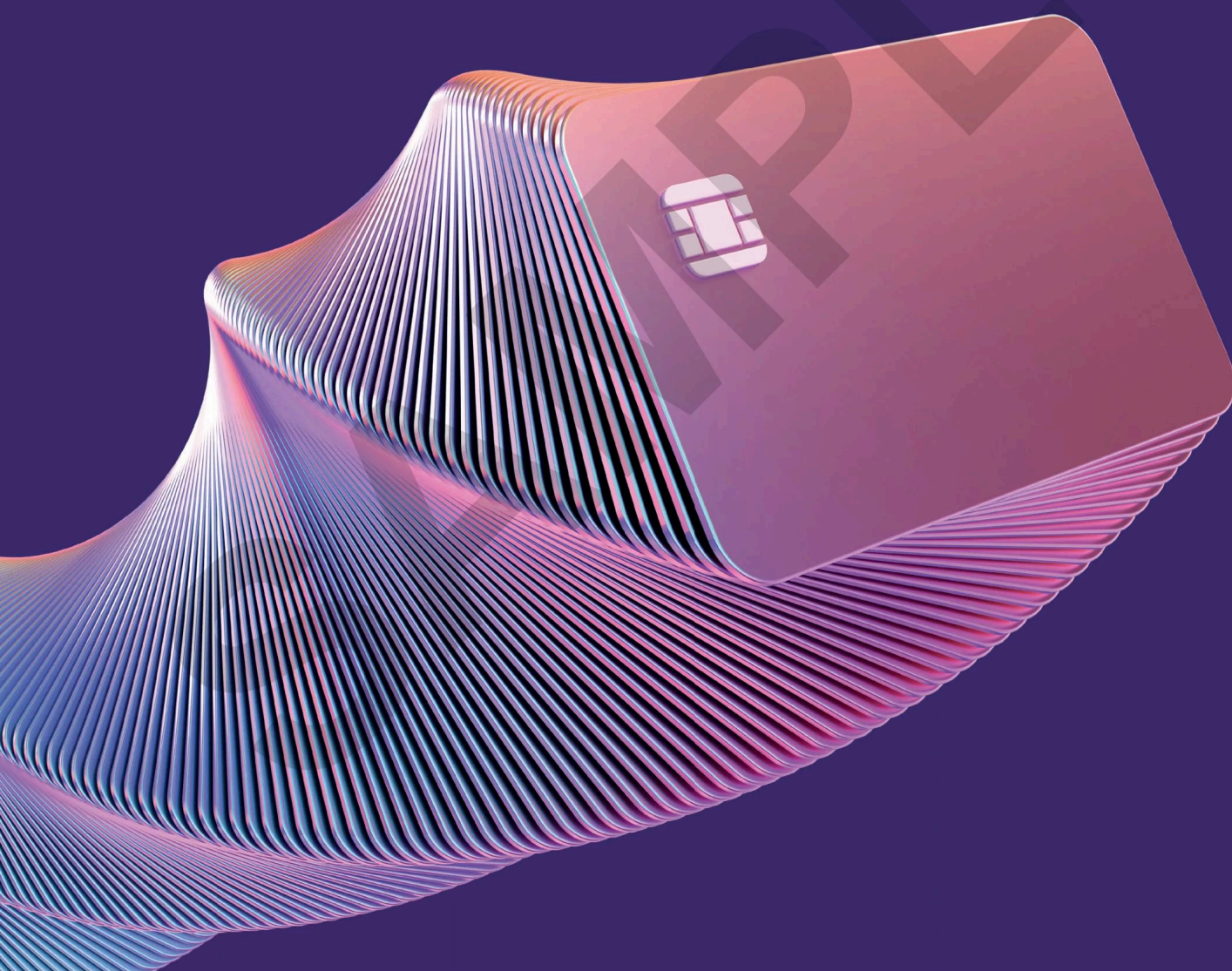


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CAMBRIDGE



Business

for Cambridge IGCSE™ and O Level



DIGITAL TEACHER'S RESOURCE

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> How to use this Teacher's Resource

This Teacher's Resource contains both general guidance and teaching notes that help you to deliver the content in our Cambridge resources.

At the start of each chapter, there is a **Teaching plan**, which summarises the topics covered in the chapter, including the approximate number of learning hours recommended for the topic, an outline of the learning content, and the Cambridge resources that can be used to deliver the topic.

Sub-chapter	Approximate number of learning hours	Learning content	Resources

The **Background knowledge** feature explains the prior knowledge required to access the chapter and gives suggestions for addressing any gaps in your students' knowledge.

BACKGROUND KNOWLEDGE

The **Language support** feature contains suggestions on how to support students, especially those with English as an Additional Language.

LANGUAGE SUPPORT

There are often **Common misconceptions** associated with particular topics. These are identified in a table along with suggestions for eliciting evidence of these misconceptions in your class and suggestions for how to overcome them.

Misconception	How to elicit	How to overcome

There are **teaching notes** for each chapter of the coursebook. Each set of teaching notes contains various activity ideas that will help you deliver the chapter.

 CAMBRIDGE IGCSE™ AND O LEVEL BUSINESS: TEACHER'S RESOURCE

At the start of each set of teaching notes, there is a **Learning plan** table that includes the syllabus learning objectives, learning intentions and success criteria that are covered in the chapter. You may wish to use these in your lesson planning.

LEARNING PLAN		
Syllabus learning objectives	Learning intentions	Success criteria

Each sub-chapter is covered by a selection of **Starter ideas**, **Main teaching ideas** and **Plenary ideas**. You can pick out individual ideas and mix and match them depending on the needs of your class. The activities include suggestions for how they can be differentiated or used for assessment. **Homework ideas** are also provided.

The teaching notes include a range of **downloadable worksheets**, which are provided as both PDF and Word files so that you can edit them as you choose. *Note: Any example answers to worksheet questions included in this resource have been written by the authors and are for guidance only.*

You will also find **answers** to the coursebook and workbook questions at the end of this resource.

> Introduction

Welcome to the new edition of the *Cambridge IGCSE and O Level Business* series.

This exciting new edition has been designed by talking to teachers all over the world. The series will support you with the new syllabus, solve your biggest classroom challenges and engage your students with the study of business. We have worked hard to understand your needs and challenges, and then carefully designed and tested the best ways of meeting them.

As a result of this research, we have made some important changes to the series. The series uses the most successful teaching pedagogies, including active learning and metacognition. For this new series, we have included relevant pedagogical features in the coursebook, such as 'Check your progress' to encourage self-assessment and reflection, as well as 'Business in context' to bring real-world application to the classroom. Scaffolded activities in the coursebook help students to develop their understanding of business and encourages group discussion. The Workbook includes additional engaging exercises to consolidate your students' learning, as well worked examples, and the opportunity to evaluate sample answers.

This Teacher's Resource has been carefully redesigned to make it easier for you to plan and teach your course, and it gives you full guidance on how to integrate teaching ideas into your classroom. You can get to know your students better with frequent and effective formative assessment opportunities and guidance. Teaching ideas include clear learning objectives and success criteria, as well as an array of assessment techniques including advice on self- and peer-assessment. Ensure that all students can progress in your course with clear, consistent differentiation in the form of advice about supporting students' different needs.

All our resources are written for teachers and students who use English as a second or additional language.

Finally, we hope this resource will inspire you, support you and save you much-needed time. We want to make sure we continue to meet your teaching needs, so please do get in touch if you have any questions or comments.

Julia Fusi

Commissioning Editor – Cambridge University Press & Assessment

> 3 Enterprise, business growth and size

Teaching plan

Sub-chapter	Approximate number of learning hours	Learning content	Resources
3.1 Enterprise and entrepreneurship	30 minutes	Characteristics of entrepreneurs.	Coursebook: Business in context Case study 3.1 Activity 3.1 Workbook: Key skills activity 3.1
3.2 The purpose and key elements of a business plan	1 hour 30 minutes	- Key elements of a business plan. - Reasons why having a business plan is important.	Coursebook: Activity 3.2 Workbook: Key skills activity 3.2
3.3 Why governments support business start-ups and 3.4 How governments support business start-ups	1 hour	Why and how governments support start-up businesses.	Coursebook: Case study 3.2 Worksheet 3.1
3.5 Ways to measure business size	1 hour	- Methods of measuring business size. - Problems of measuring business size.	Coursebook: Activity 3.3 Workbook: Key skills activity 3.3 Worksheet 3.2
3.6 Why some businesses grow and others remain small	4 hours	- Reasons why some businesses remain small. - Ways a business can grow internally and externally. - Problems of business growth.	Coursebook: Case study 3.3 Activity 3.4 Workbook: Key skills activity 3.4
3.7 Why some businesses are successful and others fail	1 hour	Reasons why some businesses succeed or fail.	Coursebook: Activity 3.5 Business in action Workbook: Key skills activity 3.5

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BACKGROUND KNOWLEDGE

- A knowledge of the forms of ownership will be beneficial for this chapter. A brief explanation of these would be helpful, as well as telling students they will learn more about these in Section 4.1. This may help students to identify some of the reasons why some businesses grow and others remain small.
- Students are likely to be able to identify examples of successful businesses from their own experiences. It will be important to link this knowledge to specific business concepts and ensure students are using precise business terminology.
- Most students are likely to be able to name successful entrepreneurs and identify characteristics of an entrepreneur.
- Students may require support in understanding the requirements of each element of the business plan. Using examples to demonstrate this is likely to be beneficial.
- The ways governments can support businesses may need to be taught carefully. Concepts such as grants may be new to the students and it will be important to take the time to ensure that they understand what this support is, before thinking about why it might be beneficial to a business.

LANGUAGE SUPPORT

The methods of external growth may appear to be quite similar to students; however, they are very different. It will be important to always refer to horizontal and vertical integration, rather than just the word 'integration' itself. Ensuring that students understand the difference between horizontal and vertical will also be of benefit. This is likely to help students to start to recognise the difference between the two.

Common misconceptions

Misconception	How to elicit	How to overcome
Students sometimes think that government grants are available for all businesses and can be used for any purpose. In reality, there are not an infinite number of grants available, and some have conditions attached in terms of what they are used for.	Ask students to research specific examples of grants in your country. Discuss as a class the support offered and the reasons why the government may provide this support.	Discuss situations where it may be more likely that a business receives a grant, and the reasons why grants might be provided by the government.
Students may think that a small, sole trader business is more likely to fail than a large business. In reality, businesses of all sizes can fail.	Identify examples of businesses that have failed in your country – categorise these into small and large businesses.	Ensure students understand the reasons why businesses fail. This will help them to appreciate that these reasons can apply to all businesses.

3.1 Enterprise and entrepreneurship,

3.2 The purpose and key elements of a business plan,

3.3 Why governments support business start-ups

and 3.4 How governments support business start-ups

LEARNING PLAN		
Syllabus learning objectives	Learning intentions	Success criteria
This chapter covers 1.3.1 of the specification. Enterprise and entrepreneurship: - characteristics of successful entrepreneurs - purpose and key elements of a business plan: overview/summary, objectives, resources, market research, marketing, finance, people and operations - the importance of having a business plan - why governments support business start-ups - how governments support business start-ups, e.g. grants, advice, low-cost loans, training schemes	In this topic, students will: - explain the characteristics of successful entrepreneurs - understand the key elements and importance of a business plan - explain why and how governments support business start-ups.	- Identify characteristics of successful entrepreneurs. - Identify the key elements of a business plan. - Explain the reasons a business plan is important. - Explain how the government can support start-up businesses.

Starter ideas

1 Aha! (15 minutes)

Resources: Coursebook Chapter 3 Business in context

Description and purpose: Read the Business in context feature together as a class; ask students to read a sentence each. Ask students to individually write down answers to the two questions provided. They should write one sentence per question. Ask them to discuss their answers with a partner. Did they have similar definitions and reasons? Together, they should now create a joint definition, using both of their ideas. Ask some of the pairs to share their definitions with the class. Walk around the room while students are completing this task, listening to their paired discussions. It might also be worthwhile to compare the definitions created by students to the Coursebook definition.

What to do next: Students could work in pairs to discuss what they think the characteristics of an entrepreneur are.

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2 Characteristics mind map (10 minutes)

Resources: Worksheet 3.1, whiteboard, Coursebook Case study 3.1

Description and purpose: This activity is intended to help students to start to think about what makes a successful entrepreneur. Ask students to individually create a mind map showing the characteristics they think an entrepreneur may have (question 1 from Worksheet 3.1). Ask students to come up to the board to write down a characteristic each to produce a whole-class mind map. Students should now individually complete questions 2 and 3 from the worksheet. Afterwards, they should discuss their rankings with a partner. They should discuss similarities and differences they have in their rankings. Now, two pairs should join together, again discussing similarities and differences. Ask groups to provide feedback on the rankings they have and how similar or different they were and why.

What to do next: Link this activity to the real world by completing Coursebook Case study 3.1 individually.

Main teaching ideas

1 Entrepreneur profile (45 minutes)

Learning outcome: To identify the characteristics of a successful entrepreneur

Resources: Computers

Description and purpose: Students should produce a profile for a successful entrepreneur. This profile should be for a professional online platform such as LinkedIn. The profile should include the person's name, a photograph, details of their business and the reasons why they are a successful entrepreneur. Students should produce these profiles individually and then a few volunteers could present the profile to the rest of the class. You could circulate the room while students are doing this task; some may need help with researching the entrepreneur and the reasons why they are successful.

> Differentiation ideas:

- **Support:** You could look at example online profiles such as those on LinkedIn or other professional networking websites together as a class before students start to create their own. You could also provide a template profile for students to use.
- **Challenge:** To make this task more challenging, you could ask students to think about how this person has demonstrated enterprise skills, e.g. have they created something new, or have they created a solution to an existing problem?

> **Assessment ideas:** Give the profiles marks out of 5 (5 being the highest) based on the quality of the profile and relevance of information provided.

2 Government support (45 minutes)

Learning outcome: To understand the reasons why governments support business start-ups and the ways that a government can provide this support

Resources: Newspapers, computers

Description and purpose: Ask students to discuss in pairs the reasons why governments might support business start-ups. Ask them to write their ideas on sticky notes and stick them on the board. Discuss these reasons as a class.

In their pairs, students should now research examples of where the government has supported start-up businesses in your country. Each pair should write a script for a TV news report explaining the support offered by the government and the reasons why it is beneficial for a business. The news report should last for one minute. You may choose to watch example news reports together as a class beforehand, such as those from BBC News. Each pair should then present their news report to the class. The news report should have a clear headline and explanation of the type of government support and should last for one minute. Discuss the support and contents of the news report with each pair while they are completing the task.

> Differentiation ideas:

- **Support:** Help students to think about how to write their news report, for example, the language that they should be using. Providing a written handout of an example news report may be of benefit.
- **Challenge:** To add challenge to this task, you could ask students to identify any potential drawbacks to the government of providing this support. These could be discussed as a class afterwards.

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> **Assessment ideas:** Ask students to assess how confident they feel that they have successfully researched government support and produced a news report about this. On a piece of paper, students should write down a number between 1 and 5: 1 = my knowledge has improved but I need to do more work in this area, 5 = I am very confident and could attempt a practice question on this topic. Students should write a sentence to explain their answer.

3 Start your own business (45 minutes)

Learning outcome: To understand the key elements of a business plan

Resources: Coursebook Activity 3.2, pen and paper

Description and purpose: This activity provides students with the opportunity to think about the key elements of a business plan. Read through Activity 3.2 with the class. Give students time to ask questions about the activity, in particular, their understanding of each of the required parts of the business plan. Ask students to follow the instructions to create their own business plan, ensuring that they have included all of the required elements listed. It will be important to regularly check students' progress and discuss with them the points they have included in their business plan. Once the plans have been written, students can present their plans to the rest of the class (question 2 of the activity).

> **Differentiation ideas:**

- **Support:** Go through an example business plan together as a class, identifying where each of the key elements have been included. Provide a template business plan for students to use if required.
- **Challenge:** To add challenge to this task, you could ask students to think about the budget available for each area of the business plan, e.g. a budget for employees or for marketing.

> **Assessment ideas:** Ask students to complete the reflection linked to this activity.

Plenary idea

1 Reflection on today's lesson (5 minutes)

Resources: Learning intentions

Description and purpose: Write down the learning intentions from today's lesson on the board. Ask students to decide how well they have met these learning intentions:

- I feel fully confident
- I feel somewhat confident
- I do not feel very confident.

> **Assessment ideas:** Ask students for their reflections and ask follow-up question to assess understanding in areas where students have said they have a high level of confidence.

Homework

In order to check their understanding of this section, students can complete Workbook Activity 3.2.

Downloadable resources

Worksheet

3.1 Entrepreneurship

The purpose of this activity is to identify the characteristics of a successful entrepreneur. The worksheet requires students to think about the characteristics of an entrepreneur, and make judgements around the importance of these characteristics. It would be used when introducing the topic, or as a revision activity.

3.5 Ways to measure business size, 3.6 Why some businesses grow and others remain small and 3.7 Why some businesses are successful and others fail

LEARNING PLAN		
Syllabus learning objectives	Learning intentions	Success criteria
This chapter covers 1.3.2, 1.3.3 and 1.3.4 of the specification. The methods and problems of measuring business size: • methods of measuring business size, e.g. number of people employed, value of output/sales, capital employed (profit is not a method of measuring business size) • problems when measuring business size Why some businesses grow and others remain small: • why the owners of a business may want to grow the business • how and why businesses can grow internally, e.g. develop new products, develop new markets • how and why businesses can grow externally: mergers and takeovers, including horizontal integration, vertical integration • advantages and disadvantages of methods of growth • problems linked to business growth • why some businesses remain small	In this topic, students will: • know the methods and problems of measuring business size • understand the reasons why some businesses grow and others remain small • describe the different ways a business can grow, both internally and externally • explain the advantages and disadvantages of different methods of growth • understand the reasons why some businesses succeed and others fail.	• Identify methods of measuring business size. • Explain problems of measuring business size. • Identify the reasons some businesses grow and others remain small. • Explain internal and external methods of growth. • Explain the advantages and disadvantages of different methods of growth. • Explain why some businesses succeed and others fail.

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CONTINUED

Syllabus learning objectives	Learning intentions	Success criteria
Why some businesses succeed and others fail: reasons why businesses succeed or fail, e.g. management skills, availability of finance, suitability of product, demand for products, changes in the economy, level of competition		

Starter ideas

1 'Big' business (10 minutes)

Resources: Pen and paper

Description and purpose: Give each student a piece of paper and ask them to write down the name of a business that they think is a 'large' business. Ask them to swap their paper with a partner. The partner must write a sentence underneath the name of the business explaining why this business might be described as 'large'. Ask a few pairs to provide feedback to the class about the businesses they have identified and the methods of determining business size that they have used.

What to do next: Introduce the main methods of measuring business size: number of employees, capital employed, value of output or sales, volume of output or sales.

2 In a minute (10 minutes)

Resources: Worksheet 3.2

Description and purpose: This activity should be used as a starter during the lesson after the methods of business growth have been taught. Split the class into small groups and assign each group one of: internal growth, horizontal integration, and vertical integration. Each group needs to be able to explain for one minute the method of growth they have been allocated. This could include an explanation, examples and advantages and disadvantages. Groups should speak for one minute to the class about the method they have been allocated. You should ask follow-up questions to assess the understanding of all students about each method of growth.

What to do next: Complete Worksheet 3.2 to assess students' understanding of methods of business growth, reasons why businesses grow and problems of business growth.

Main teaching ideas

1 How to measure business size (30 minutes)

Learning outcome: To identify the methods and problems of measuring business size

Resources: None

Description and purpose: Provide students with the following scenarios:

- a small local bakery
- a large supermarket
- a school
- a consultancy firm.

Ask them to work in groups to identify what they think is the best way to measure business size for each of these businesses. After this, they should identify the reasons why it is advantageous to measure business

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size in this way and what potential problems there might be. Ask each group to share their thoughts on one of the scenarios with the rest of the class. The others should be given the opportunity to respond; they can either agree or disagree, or ask questions for further clarification. You should facilitate this discussion and ensure that questions asked and points made are relevant and appropriate to promote this discussion.

> Differentiation ideas:

- **Support:** It might be helpful for some students if you write down the ways to measure business size on the whiteboard.
- **Challenge:** To add challenge to this task, you could ask students to think about whether different measures of business size would result in the same outcome as the size of a particular business, e.g. if number of employees and level of capital employed was used, would both indicate a business to be small or large or could the results be different?

> **Assessment ideas:** You can assess students' answers by determining the relevance of the method of size they have chosen to use and the quality of their explanations about this.

2 Growth in the real world (45 minutes)

Learning outcome: To explain methods of business growth and explain the advantages and disadvantages of these

Resources: Newspapers, magazines and mobile phones

Description and purpose: Recap the methods of business growth with your class. Put students into groups of three. Each group should research a real-life example of one of the methods of business growth. They should produce a video clip explaining the growth of the business that they have chosen. The video clip should be one minute long (it could be recorded on their mobile phones). Key inclusions for the video are: explanation of the business and what they sell, identification of the type of business growth that has occurred and an explanation of the advantages and disadvantages of this type of business growth. If students do not have access to phones, they could create a storyboard to show what they would include in a video (the storyboard should have at least six frames created and a written voice overlay to go alongside their storyboard). You should talk to each group while they are completing this task; discuss with them the business that they have chosen and why, and what they understand about this method of growth.

> Differentiation ideas:

- **Support:** Research real-life examples of businesses that have grown together as a class. Discuss the methods of growth of these businesses so that students understand and appreciate what they look like in reality.
- **Challenge:** To add challenge to this task, you could ask students to compare the method of growth they have chosen with another method of growth; which do they think is the 'best' way for a business to grow and why? Have a class discussion to identify students' thoughts.

> **Assessment ideas:** Award each video clip marks out of 5: 1 = not very well produced with some areas of knowledge unclear, 3 = video clip produced to an acceptable standard and key points are covered, 5 = extremely good video clip and excellent coverage of the topic demonstrated.

Plenary idea

1 Starbucks (20 minutes)

Resources: Coursebook Chapter 3 Business in action, paper

Description and purpose: This activity is designed to recap 'reasons why some businesses are successful and others fail'. Ask students to create a table; one heading should be 'Successful businesses' and the other heading should be 'Failed businesses'. Students should write as many businesses as they can in the table, and be ready to explain the reasons why they think the businesses identified have been successful and the reasons why the businesses identified have failed. Once students have done this, they should work in pairs to answer the questions associated with the Business in action feature of this chapter. Students should use bullet points to answer the two questions and be prepared to participate in a class discussion to go through the questions. You should go around the room while students are completing these two tasks; this could be a good opportunity to ask them questions about the businesses they have placed into the two columns of their table.

> **Assessment ideas:** Speak to some students individually to assess their level of understanding of the topic. You could also ensure that each student contributes to the class discussion.

Homework

In order to check their understanding of Chapter 3, students can complete Practice Question 1 in the Coursebook.

Downloadable resources

Worksheet

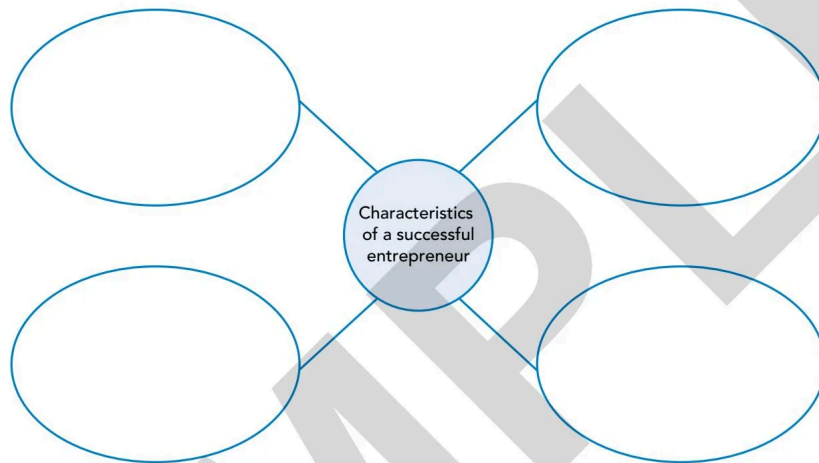
3.2 Business growth

The purpose of this activity is to assess understanding of methods of business growth, reasons why businesses grow and problems of business growth. This could be used to recap the content taught in this chapter in order to assess students' understanding.

> Worksheet 3.1

Entrepreneurship

- 1 Create a mind map of the characteristics that you think make a successful entrepreneur.



- 2 Rank these characteristics from the most important down to the least important.

Most important

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Least important

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- 3 Explain your reasons for the rankings provided.

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> Worksheet 3.2

Business growth

1 What is internal growth?

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2 Identify one advantage and one disadvantage to a business of internal growth.

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3 Draw a diagram to show an example of horizontal integration.



4 Draw a diagram to show an example of vertical integration.



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- 5 Identify whether the advantages and disadvantages in this table relate to horizontal or vertical integration.

Statement	Horizontal or vertical integration?
Reduces competition	
Helps spread risk	
Fewer cost savings	
May be able to benefit from bulk buying discounts	
Increased risk	
Better access to suppliers or customers	

- 6 Complete the words to identify some of the problems linked to business growth.

L__r__e__l__o__e__m__t__a__o__n

_o__r__c__m__i__t__o__n

_f__f__u__t__c__o__r__i__t__e

D__i__i__t__t__c__t__o__l

D__f__c__u__t__t__o__r__s__e__f__i__a__e

- 7 Create a list of three reasons why some businesses might choose to remain small and explain these reasons.

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SAMPLE