

# Introduction to Small Business

## Revision Notes

### Topic 1.2

### Showing enterprise



# What is enterprise?

Enterprise is a willingness by an individual or business to take risks, show initiative and undertake new ventures.



# Goods and services

## Terms you need to know:

**Goods** – are physical, tangible products.

**Services** – are intangible products.

### Goods - examples

Pair of scissors

Chocolate bar

Pen

Box of cereal

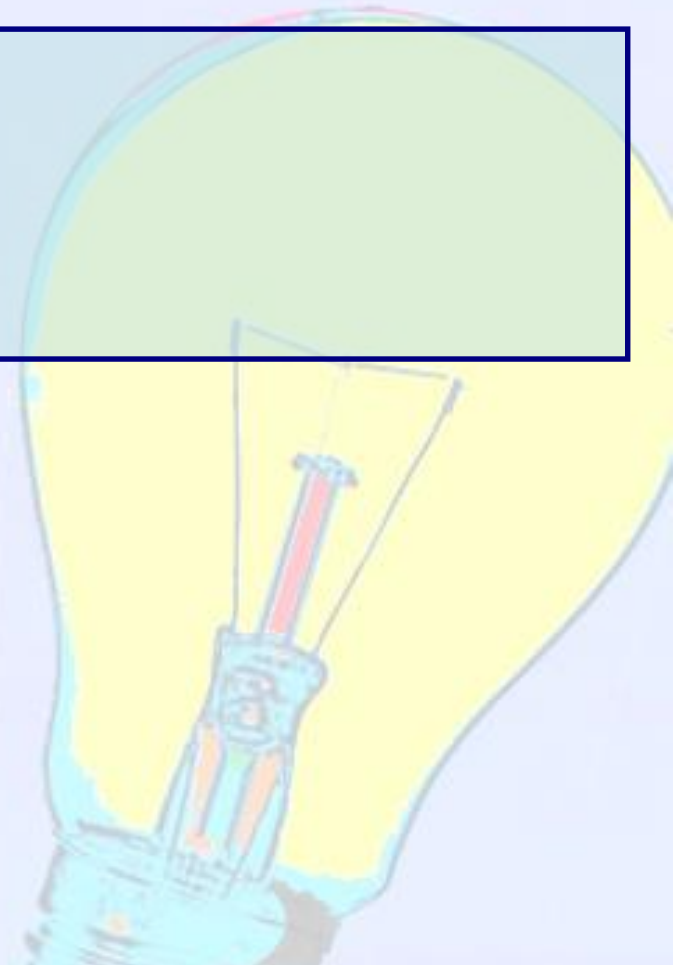
### Services - examples

Train journey

Haircut

Hand car wash

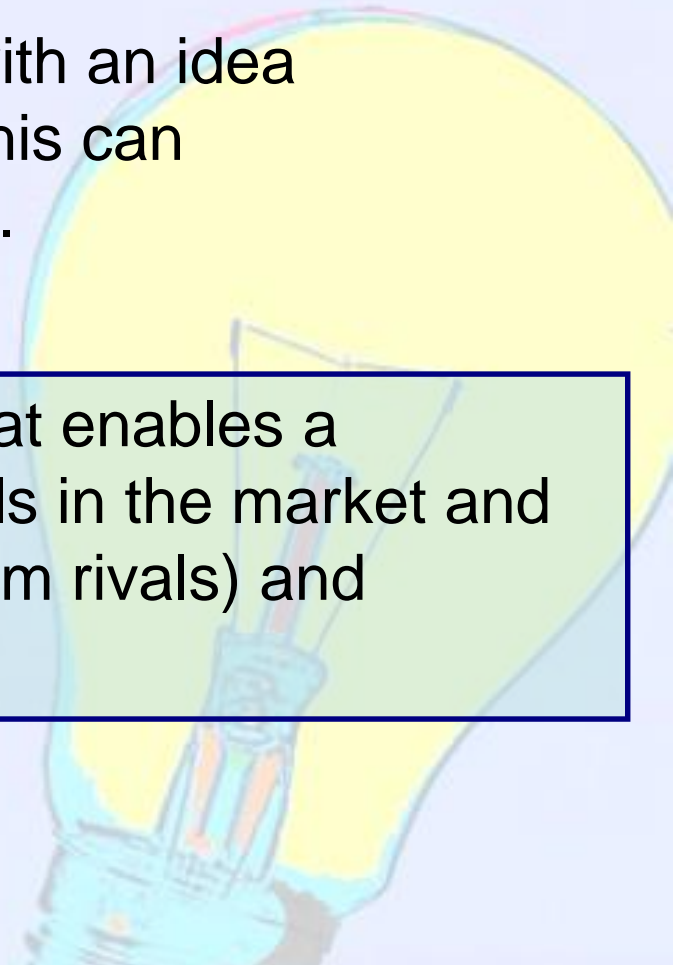
Restaurant meal



# Thinking creatively

Thinking creatively involves coming up with an idea that is unique and did not exist before. This can give a business a **competitive advantage**.

**Competitive advantage** – anything that enables a business to perform better than its rivals in the market and which is both distinctive (stands out from rivals) and defensible (not easily copied).



# Lateral thinking or deliberate creativity?

There are different ways of coming up with new business ideas.  
You need to know particular methods:

	Definition	Example
<b>Deliberate creativity</b>	The intentional creation of new ideas through recognised techniques. This involves using structured and logical techniques.	<ul style="list-style-type: none"><li>• Lists</li><li>• Producing 'step-by-step' details</li></ul>
<b>Lateral thinking</b>	Thinking differently to try and find new and unexpected ideas.	<ul style="list-style-type: none"><li>• Thinking 'outside the box'</li><li>• Six Thinking Hats</li><li>• Gut instinct</li><li>• Emotions</li></ul>



# Questions to be asked

It is essential for entrepreneurs to ask themselves questions.

You need to know the importance of the following types of questions:

<b>Question</b>	<b>Example</b>	<b>Possible answers</b>
<b>Why?</b>	<i>Why should I start my own business?</i>	<i>To use my full range of skills that I am not doing in my current job.</i>
<b>Why not?</b>	<i>Why not offer 100% organic food on the menu?</i>	<i>Because it will be very expensive for the business.</i>
<b>What if?</b>	<i>What if my supplier increases the price of my main ingredients by 20%?</i>	<i>I would need to increase price, which might prove difficult.</i>
<b>How?</b>	<i>How can I increase the amount of profit for every unit I sell?</i>	<i>By reducing the cost of packaging used by 5% per unit.</i>
<b>Where?</b>	<i>Where can I get help and advice?</i>	<i>My bank has a free 'Business Adviser' service.</i>



# Where do business ideas come from?

**Research &  
Development  
departments**

**Individuals**

**By  
accident!**

**Deliberate  
creativity**

**Customers  
– feedback**



# Invention and innovation

Make sure you understand the difference between invention and innovation. They are not the same thing!

**Invention** – the discovery of new processes and potential new products, typically after a period of research. For example, James Dyson invented the bagless vacuum cleaner 8 years before the first cleaner was sold to the public.

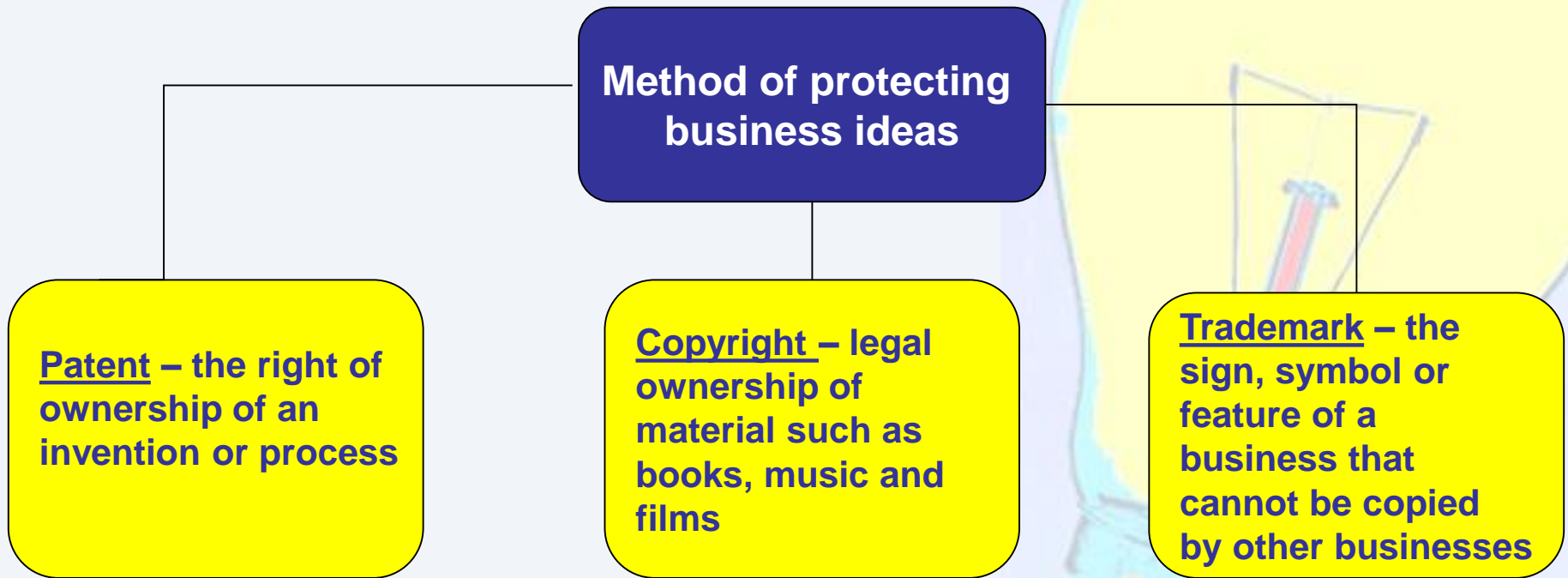
**Innovation** – the process of transforming inventions into products that can be sold to customers. How will the idea become a product that customers might use? How will it be manufactured?





# Protecting ideas

Entrepreneurs can protect their ideas by use of patents, copyright and trademarks. Make sure you know the difference.



# What is calculated risk?

**Calculated risk** – the probability of a negative event occurring.

- In an exam question you will be asked to identify the correct example of a calculated risk.
- Don't be fooled into selecting a response which you think 'looks' right. For instance, an option with a '%' might not be right.
- Look for the option which states how likely an option is to occur. In this example, B is correct. Do you agree?

A. There is a risk that costs will rise by 25% next year.

B. There is a 50:50 chance that demand could fall next year.

Refers to costs rising not percentage chance of costs rising e.g. 25% chance of costs rising



# Other enterprise skills

**Making connections**

**Thinking ahead**

**Determination**

**Seeing opportunities**

**Having drive**



# Making connections

A useful technique for an entrepreneur when planning, thinking ahead and making connections is to use a **mindmap**. This is a diagram used to record words and ideas connected to a central idea.

Max has produced the mindmap below to help identify his strengths:

