Enterprise

Enterprise is the qualities and skills needed to start up and create a new business venture. It involves understanding the nature of business activity and the conditions required for business success.

The nature of business activity

The purpose of business activity

Business activity can be looked at in two ways:

- The transformation of inputs into outputs: The inputs are resources and the factors of production (land, labour, capital and enterprise). These incur financial costs, rent, wages, interest on loans and payments to business owners. The outputs are physical products or services represented by sales revenue or profits.

- The use of resources to supply goods and services to meet the needs and wants of consumers: These may be private needs of individuals and households, or social needs like medical services, transport and education. 'Needs' may be defined as those things that are essential to life, such as food, water, shelter and clothing, whereas 'wants' are those things that we would like to have, such as a new mobile/cell phone or the latest designer shoes.

In doing these activities, jobs and incomes are created, goods and services are produced and the lives of individuals and society are improved.

Enterprise involves the process of taking decisions about the best way for a new business to transform inputs and to meet the needs of individuals and society. Taking these decisions always includes elements of risk, and enterprise deals with assessing these in relation to possible rewards.



Figure 1.1: All businesses need labour



Figure 1.2: Capital equipment can be complex

Factors of production

Factors of production are the following resources used to produce goods and services:

- Land (including buildings): Natural resources such as agricultural products, fish, minerals, oil and forests.
- Labour: People involved in business, with work done either manually or mentally in managing and decision-making.

- Capital: Machinery and equipment, including intellectual capital such as education and qualifications.

- Enterprise: The qualities and skills needed to start up and create a new business venture.



Figure 1.3: Timber is a natural resources

The concept of creating or adding value

- When transformation of inputs to outputs takes place to produce goods and services, it occurs in a number of stages. Each stage is more valuable than the one before as work will have been done on the inputs (economic added value). This value will also be the added value that consumers place on a finished product (marketing added value).

- Each stage of production adds value by transforming inputs into an output. Can you explain how each stage adds value?

    - Example: What may be the difference in price between an uncooked pizza and a cooked pizza? Why will the customer pay a higher price for delivery?