

Unit 1 Resource allocation and making choices

The world of business

We all deal with businesses every day. Whether you use something bought from a shop, or simply see or hear an advertisement, business is everywhere. Today, businesses can vary in size from small local businesses such as cafes to massive global corporations such as McDonalds. Regardless of size, businesses are responsible for the majority of goods and services produced around the world. Some of the world's most powerful businesses earn more money than some small countries. Often the day-to-day operations of a business will involve many different skills. Ultimately, the main goal of a business is to earn money by selling goods and services that we as consumers want.



chapter 21

Source 1 Many of today's large businesses operate in different nations across the globe.

21A

How does innovation and entrepreneurship help a business reach its goals?

- 1 Have you ever had an idea for a product or invention that could change the way that people live?
- 2 Why do you think it could be risky as well as rewarding to open a business?

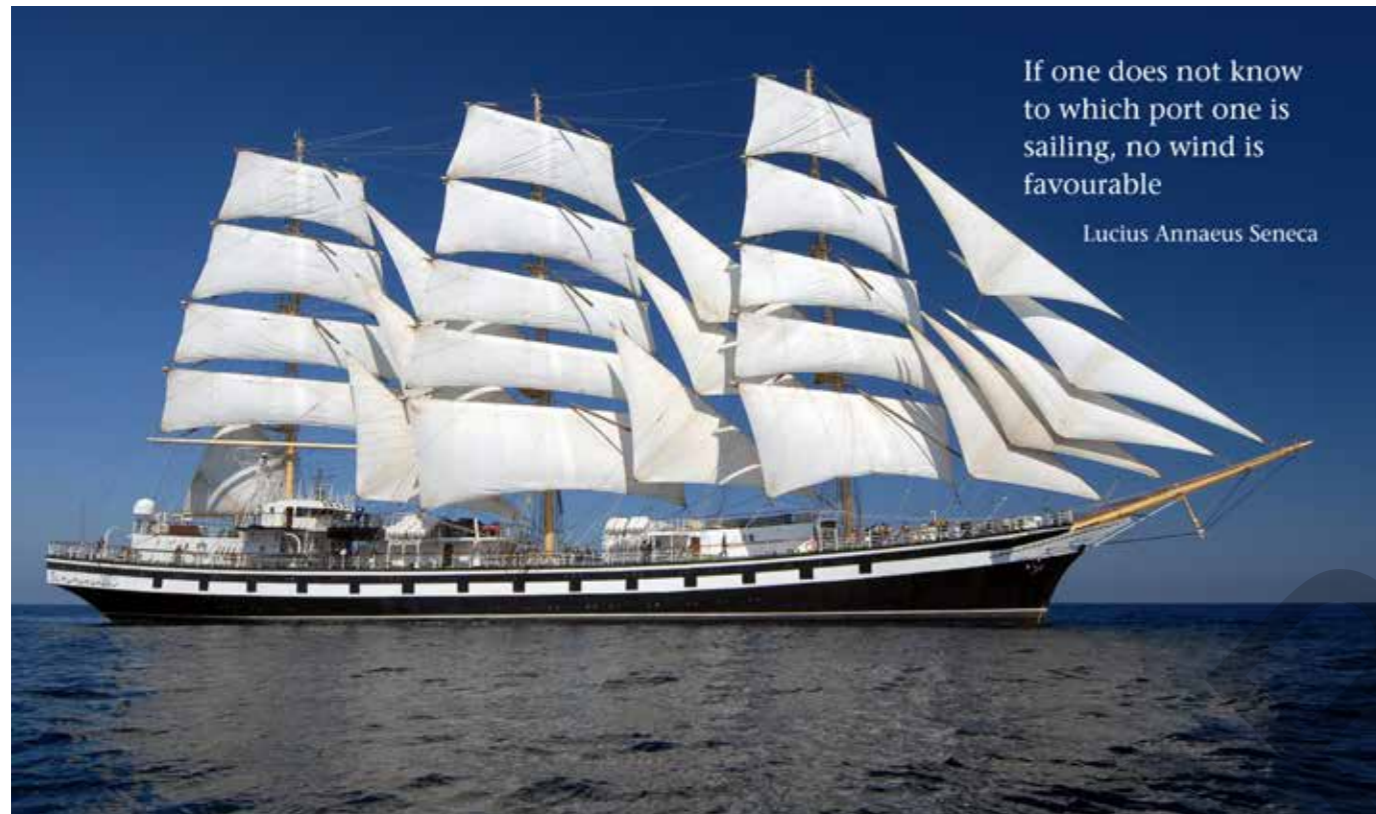
21B

What does it mean to be a responsible business?

- 1 Why do you think a business should consider the environment in its day-to-day operations?
- 2 Would you buy products from a business that mistreats people and the environment? Why or why not?

21.1 Business goals

While the main goal or objective of most businesses is to make a **profit**, there are many other goals that a business wishes to achieve. These goals might include to grow the business over time or to improve an area of the business' operations. Whatever they are, a good business will set goals so that everyone in the business knows what they are working towards and can focus on achieving those goals.



Source 1 The famous philosopher Seneca described setting goals as something that is required for success to be possible.

S.M.A.R.T goals

It is very important for a business to set the right goals. A goal-setting technique commonly used by both individuals and businesses is the S.M.A.R.T goal principle.

S	<ul style="list-style-type: none"> • Specific Clear and easy to understand. The goal should say exactly what will be achieved and when it will be achieved.
M	<ul style="list-style-type: none"> • Measurable Must be easily identified as a number, and can be measured in dollars, time, quantity, etc.
A	<ul style="list-style-type: none"> • Achievable Goals must be challenging, but doable.
R	<ul style="list-style-type: none"> • Relevant The goal is something that the business should be aiming to achieve.
T	<ul style="list-style-type: none"> • Time-bound A realistic time by which the goal should be achieved.

Source 2 Businesses and individuals can use the S.M.A.R.T goal principle to help them set the right goals.

Financial vs non-financial goals

Financial goals are directly related to money. A business will often set financial goals around increasing its sales and profit or reducing its costs. For example, a small business might set a goal to increase its sales by 10% from one year to the next.

Non-financial goals are those that are not directly related to money. Although many of these goals will ultimately help the business to earn money, they are not based on or measured by dollar amounts. Businesses might set non-financial goals around improving **customer satisfaction**, training **employees** or reducing their environmental impact. For example, a small business might want to increase its level of customer satisfaction by 5% over the next six months. It could measure this by asking customers to complete a **survey** about their experience with the business.

Once the business has set its goals, it can develop a **strategy** or plan for how it will best achieve the goals. For example, it might plan to achieve its goal of improving customer satisfaction by training its employees to deal with customer complaints in a friendly manner.



Source 3 A successful business needs to develop strategies that will help it achieve its goals and compete against other businesses.

Check your learning 21.1

Remember and understand

- 1 What is the main objective of most businesses?
- 2 What is the difference between financial and non-financial goals?
- 3 What is a strategy?

Apply and analyse

- 4 Look at Source 1.
 - a Explain in your own words what you think Seneca meant when he said 'If one does not know to which port one is sailing, no wind is favourable'?
 - b Do you think this saying applies to businesses, individuals or both?

- 5 Look at Source 2 and determine whether the following goals are S.M.A.R.T.
 - a The business will be better than its competitors in the next financial year.
 - b The business will increase its level of sales by 10% over the next six months.
 - c The business will offer three new products.

Evaluate and create

- 6 Create a S.M.A.R.T goal that you wish to achieve. You may wish to focus on improving your test scores during the year or learning to play a certain number of songs on an instrument by the end of the term. Make sure you reflect on whether or not you have achieved your goal when the time you set for it finishes.

21.2 Innovation and entrepreneurship

Entrepreneurs

An entrepreneur is someone who takes on the risk of starting their own business. They see an opportunity or have an idea for a new business that will earn them an income and possibly satisfy other personal goals. However, not all businesses are successful. Many entrepreneurs risk losing the time, effort and money that they have invested in the business idea if it doesn't work out.

Successful entrepreneurs are often characterised by the following:

- 1 willingness to take calculated risks
- 2 resilience or the willingness to bounce back from failures
- 3 strong work ethic
- 4 passion for the business they are in
- 5 understanding of finances.



Source 1 John Ilhan was a famous Australian entrepreneur. The young Turkish migrant from Broadmeadows started mobile phone selling business 'Crazy John's', which grew in value to hundreds of millions of dollars.



Source 2 Janine Allis is an Australian entrepreneur who founded Boost Juice in 2000. Boost now has more than 350 stores in 17 countries.

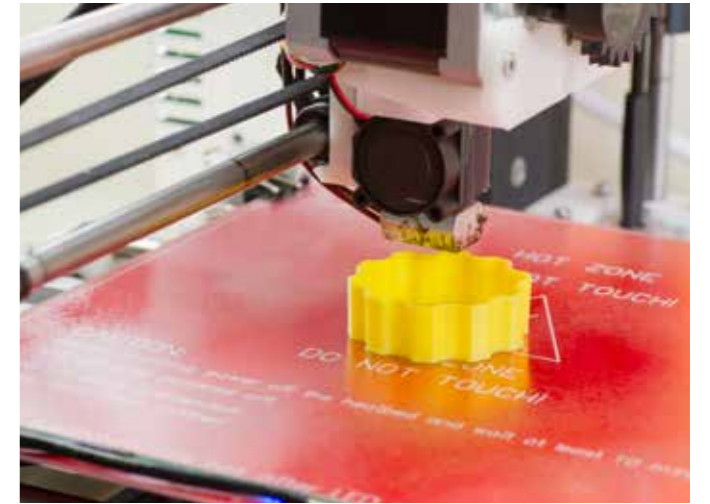
Innovation

Innovation is the act of creating or starting something new and different. Innovators can improve on an existing idea or create something completely new from scratch. Businesses that are innovative will be successful as they are constantly finding new ways to stay ahead of their competition. This is known as a **competitive advantage** and is incredibly important for today's businesses, which can face competition from all over the world. Quite often, an innovative idea will present an opportunity for an entrepreneur to start a business. Innovation not only creates business opportunities but can benefit society as a whole. It is responsible for nearly every item that you use on a day-to-day basis.

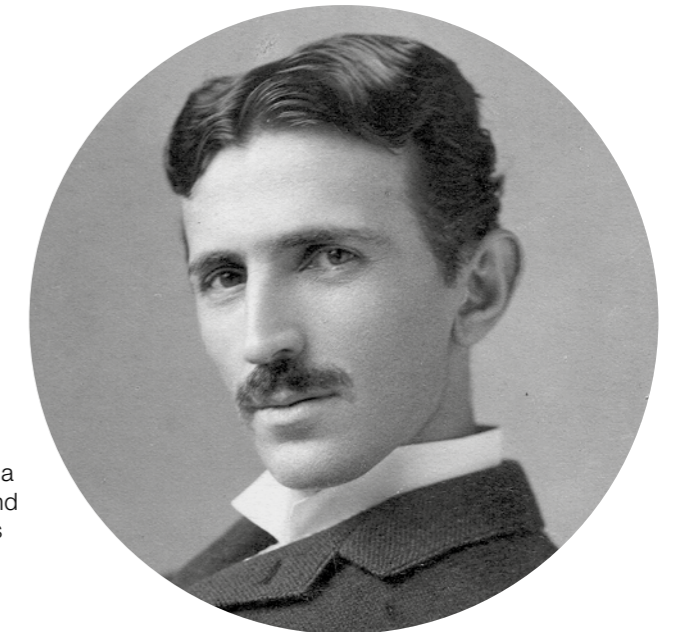
Successful innovators are often characterised by the following:

- 1 They question everything and consider new possibilities.
- 2 They observe their surroundings and look for ways to improve things.
- 3 They network with different types of people and are open to different ways of thinking.
- 4 They experiment with new ideas.
- 5 They draw connections between the different things that they learn about.

Source 4 Serbian scientist Nikola Tesla had hundreds of inventions from AC and wireless electricity to the radio. He was not motivated by money but rather the desire to help people.



Source 3 New technologies such as this 3D printer are constantly creating new opportunities for businesses.



Check your learning 21.2

Remember and understand

- 1 What is an entrepreneur?
- 2 List the five common characteristics of an entrepreneur.
- 3 What is innovation?
- 4 List the five common characteristics of innovators.

Apply and analyse

- 5 Why do you think each of the five entrepreneurial characteristics would be important for anyone who is starting their own business?

- 6 Look at Source 3, explain how 3D-printer technology might create business opportunities?

Evaluate and create

- 7 Use the internet to research a famous entrepreneur. Write a short biography and list the key characteristics that you think would have helped them to become a successful entrepreneur.
- 8 Use the internet to research a famous innovator. Write a short biography and list the key characteristics that you think would have helped them to become a successful innovator.

21A rich task

Social entrepreneurs:
Thankyou

Not all entrepreneurs are interested in making money for themselves. Social entrepreneurs, like the founders of Thankyou, aim to make the world a better place through their business activities.

The Thankyou Group was started in 2008 by enthusiastic Australian university students Daniel Flynn, Justine Flynn and Jarryd Burns. They saw an opportunity to help the 900 million people who did not have access to safe drinking water by starting their own not-for-profit bottled water business named 'Thankyou Water'. Although it took three years before the product saw some success, it eventually became popular with consumers who wanted to know their spending money was going to a good cause.



Source 1 The Thankyou Group currently has three brands: Thankyou Water, Thankyou Food and Thankyou Body care.

Today, the social enterprise has grown to include a range of body care and food products as well. The Thankyou Group has given millions of dollars to fund projects in over 17 countries, providing hundreds of thousands of people with water, food, hygiene and sanitation solutions.

Thankyou represents more than just another business idea. Its story is an example of what people can achieve when they use their entrepreneurship to make a difference.



Source 2 The Thankyou Group was founded to help provide people around the world with safe drinking water.



Source 3 Co-founders Jarryd Burns, Daniel Flynn and Justine Flynn took a different approach to business. They saw it as a way of helping people rather than making money.



Source 4 The Thankyou Group helps people in need across 17 countries, including Kenya.

skilldrill: Reasoning and interpretation

Interviewing an entrepreneur

Interviews are a great way of finding out, first hand, about a subject we are interested in. With the right approach and preparation, we can learn more about how and why people such as entrepreneurs do what they do. We might even be able to get a few tips to help us become successful entrepreneurs.

- Step 1** Respectfully approach an entrepreneur and politely request to interview them at a time that suits them.
- Step 2** Prepare a list of questions that you wish to ask the entrepreneur. Because entrepreneurs are often busy running their business, a good idea would be to ask a maximum of 10 questions. Your questions could focus on the following areas:
- the business and how it runs
 - the reasons they became an entrepreneur
 - what it takes to be an entrepreneur
 - the challenges and successes faced as an entrepreneur.
- Step 3** Prepare the right equipment. It is better to record the interview with your smartphone or camera than it is to try to write down the responses to your questions as you go, but remember to ask permission before you record someone.

Step 4 Conduct the interview. Make sure you are well presented, polite and punctual to the interview. When you complete the interview be sure to ask the entrepreneur if they have any questions for you and thank them for their time.

Step 5 Write up the interview responses and any other notes you made from the interview.

Apply the skill

- 1 Use the above steps to interview the owner of a small business. Make sure you are supervised by an adult when you conduct the interview. If this is not possible you can conduct the interview over the phone.
- 2 Write a 200-word reflection on what you learnt from the interview and how it helped you to better understand the world of business.

Extend your understanding

- 1 Visit the Thankyou Group website (thankyou.co) and write a brief report on how the social enterprise is helping those in need.

21.3 Responsible businesses

A business has both rights and responsibilities. While it has the right to legally make a profit for its owner, it should do so in a way that doesn't harm people or the environment. Every business has to follow the law. A business' commitment to people and the environment is known as its **social responsibility**.

Legal rights and responsibilities

There are many laws that outline the rights and responsibilities of businesses and consumers in Australia. These laws protect both businesses and consumers from unfair treatment. We will now discuss just some of the legal areas that affect the rights and responsibilities of businesses.

Competition and Consumer Act 2010

The Competition and Consumer Act 2010 sets out the rules that businesses and consumers have to follow when buying and selling products. It covers a wide range of issues, such as the safety and quality of products, refunds and advertising. It also protects the rights of a business to compete in the market

without being treated unfairly by other businesses. The Competition and Consumer Act 2010 was put in place so that both businesses and consumers would get a fair go.

The Australian Competition and Consumer Commission (ACCC) is the authority whose role is to enforce the Competition and Consumer Act 2010.

Employer rights and responsibilities

As an employer, a business has many rights and responsibilities when it comes to dealing with employees. For example, a business has the right to only hire employees that they feel are fit for the job and ask questions relating to the employee's ability to do the work.

The business must then ensure that employees are treated fairly and equally, and do not face discrimination based on their gender, race or personal beliefs and characteristics. An employer must also make sure that it provides safe and healthy working conditions at all times.



Source 1 Australian Consumer Law is part of the Competition and Consumer Act 2010. It sets out consumers rights around warranties and product safety.



Source 2 Worksafe Victoria is the government body in charge of promoting and enforcing safety in Victorian workplaces. One of Work Safes responsibilities is to inspect workplaces, focusing specifically on workplaces with high injury rates or safety hazards.



Source 3 WeWood Watches is a socially responsible company that plants a tree for every wooden watch that it sells.

Social responsibility

Finding the right balance between making money and being socially responsible can be a tricky but rewarding task for businesses. While doing the right thing might seem more expensive, it can often be more profitable in the long run. Socially responsible businesses are likely to attract more customers, who prefer to see their money going to a good cause. They are also less likely to lose employees who don't wish to work for a business that does the wrong thing.

A business can be socially responsible by always considering its impact on people and the environment when making decisions. This can include implementing environmentally friendly practices such as recycling and reducing waste and pollution. It can also be achieved by helping the community through donations and charity.

Check your learning 21.3

Remember and understand

- 1 What is social responsibility in business terms?
- 2 Which legislation is concerned with protecting businesses and consumers in the market?
- 3 What responsibilities does a business have towards its employees?
- 4 Which government body is in charge of promoting and enforcing safety in Victorian workplaces?

Apply and analyse

- 5 Look at Source 3. Do you think consumers would be more likely to buy WeWood products than that of another watchmaking company? Why or why not?
- 6 Pick any type of business you are familiar with and make a list of things that they could do to be socially responsible.

21B rich task

Socially responsible business: The Body Shop

The Body Shop is a cosmetics company that was founded by entrepreneur Dame Anita Roddick in 1976. The business started in England and opened its first Australian store in Melbourne in 1983. It is now well known around the world with 90 stores across Australia alone.

Much of this success is due to its reputation as a socially responsible business as well as the quality products that it offers to its customers. Over the years, Anita and The Body Shop have run campaigns protecting human rights, animals and the environment, and have shown commitment to boosting body image and self-esteem, winning the support of a generation of consumers.

In 1990, the business even opened its own charity, The Body Shop Foundation. The foundation gives financial support to innovative organisations that otherwise would have had little hope of gaining conventional funding. Its focus is on assisting those working to achieve progress in the areas of human and civil rights, the environment and animal protection.

Source 1 The founder of The Body Shop, Dame Anita Roddick, passed away in 2007 but the core values she instilled in the business remain present today.



The Body Shop regularly monitors its impact on society and the environment through official investigations, called **audits**. It releases this information publicly and uses it to help improve its level of social responsibility.



Source 2 The Body Shop is a business that is internationally renowned for its commitment to social responsibility.



Source 3 The Body Shop has 90 stores in Australia alone.

skilldrill: Reasoning and interpretation

Creating a concept map

A concept map is a visual display of ideas and how they link to one another. Ideas are usually represented in a box or circle, connected together by lines when there is a relationship between ideas. Words can be placed on the lines to explain the relationship between the ideas. It is a great way to show others what you are thinking and to keep track of your thoughts. You can map out your ideas on paper or on your computer or tablet.

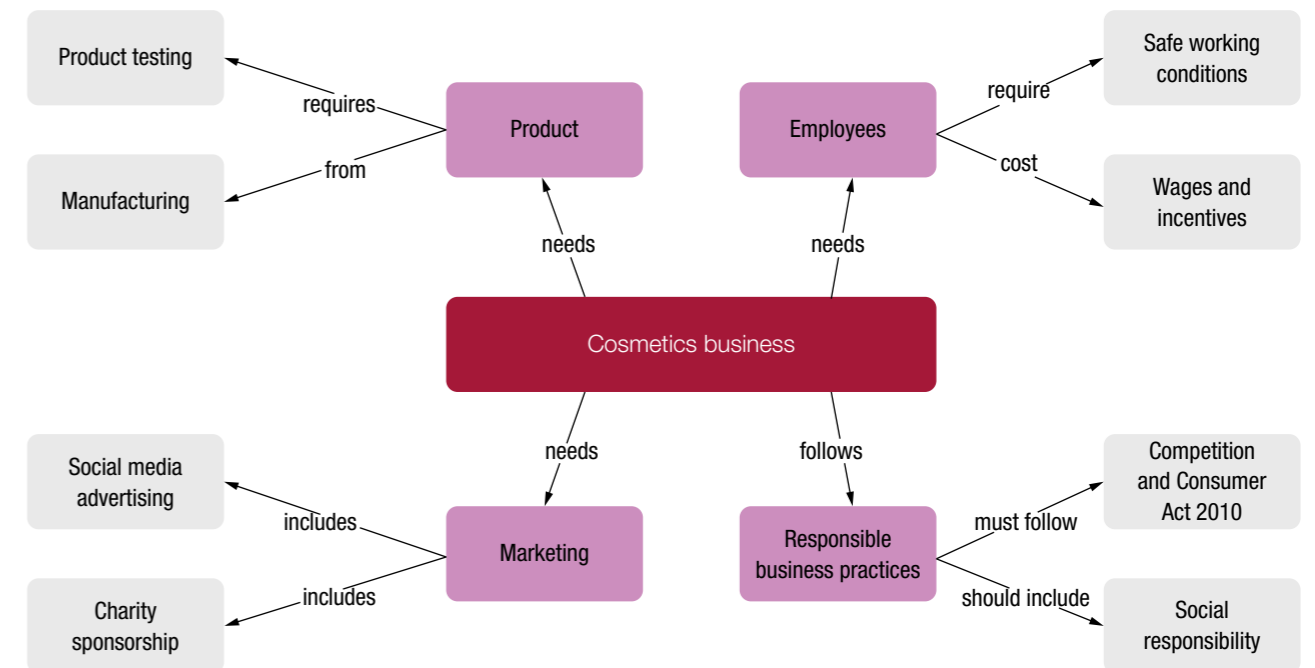
- Step 1** Identify the topic you are interested in. In the example shown in Source 4 the topic is 'Cosmetics business'.
- Step 2** Write the topic and a list of all the concepts and ideas that are related to the topic.
- Step 3** Connect related ideas with a line, adding a word or two to the line if the relationship needs clarification.
- Step 4** Keep adding concepts that relate or follow on from the main concepts that you have already identified using the same process as in the previous step.

Apply the skill

- 1 Use the steps above to create a concept map for the topic of 'social responsibility'.

Extend your understanding

- 1 Visit The Body Shop® website (bodyshop.com.au) and write down a list of things that the company does to be socially responsible.
- 2 What potential benefits would The Body Shop® receive by operating in a socially responsible way?
- 3 What are the potential costs or disadvantages The Body Shop would experience for being socially responsible?
- 4 Think of another business you come into contact with regularly. How could they be more socially responsible? Draft a letter to that business identifying how their business could be more socially responsible and convincing them that these changes would benefit their business.



Source 4 A basic concept map exploring a cosmetics business.