



Section 1.1

Activity 1.1.1

The business functions that are most likely to undertake the following roles are:

- Setting prices of new products – marketing
- Recruiting a new production manager – HR
- Allocating resources to purchase capital equipment – finance
- Deciding on the appropriate levels of stocks for raw materials – operations management
- Finding out if consumers prefer one product design to another – marketing
- Determining the level and number of employees the business needs for future operations – HR.

Activity 1.1.2

Research task.

Activity 1.1.3

1. 'Economic sector' is the type of business activity (primary, secondary, tertiary and quaternary) an organisation is involved in.
2. The articles suggest that BP operates in the following economic sectors:
 - 'Huge oil find' – primary sector
 - 'Castillon refinery' – secondary sector
 - '800 petrol stations' – tertiary sector.
3. HR, finance, marketing, and operations management are all part of opening the petrol stations in China, so they will need to cooperate and work together by:
 - Creating jobs in their organisation – HR
 - Producing goods and services – operations management
 - Promoting goods and services for consumers and businesses to buy – marketing
 - Selling goods and services that generate revenues and costs – finance.

Exam practice question

1. The 'tertiary sector' is business activity that provides services to consumers and other businesses, such as retailing, transport and insurance.



2. The factors of production needed to produce CVs for school leavers might be:
 - Raw materials – paper
 - Capital – computers
 - Labour – design workers
 - Entrepreneurship – Jessica Lyons.
3. Entrepreneurs might choose to set up businesses in the service sector because:
 - It is a growing sector or economy, particularly in developed countries
 - Start-up costs are often low
 - They can often be set up as small businesses.
4. The advantages of setting up a business in a recession might be:
 - Low cost of initial investment
 - Low labour cost
 - Low interest cost
 - Low cost of raw material inputs
 - Potentially growing market.

The disadvantages might be:

- Low consumer demand
- Banks and creditors may be unwilling to lend
- Pressure to set low prices.

Key concept question

Innovation might be important in starting a new business for the following reasons:

- Development of new products
- Meeting the changing needs and desires of consumers
- Entry into new markets
- Development of new production systems
- Gaining an advantage over competition
- Leads to low prices
- Leads to better quality products.