

# What is a Business?

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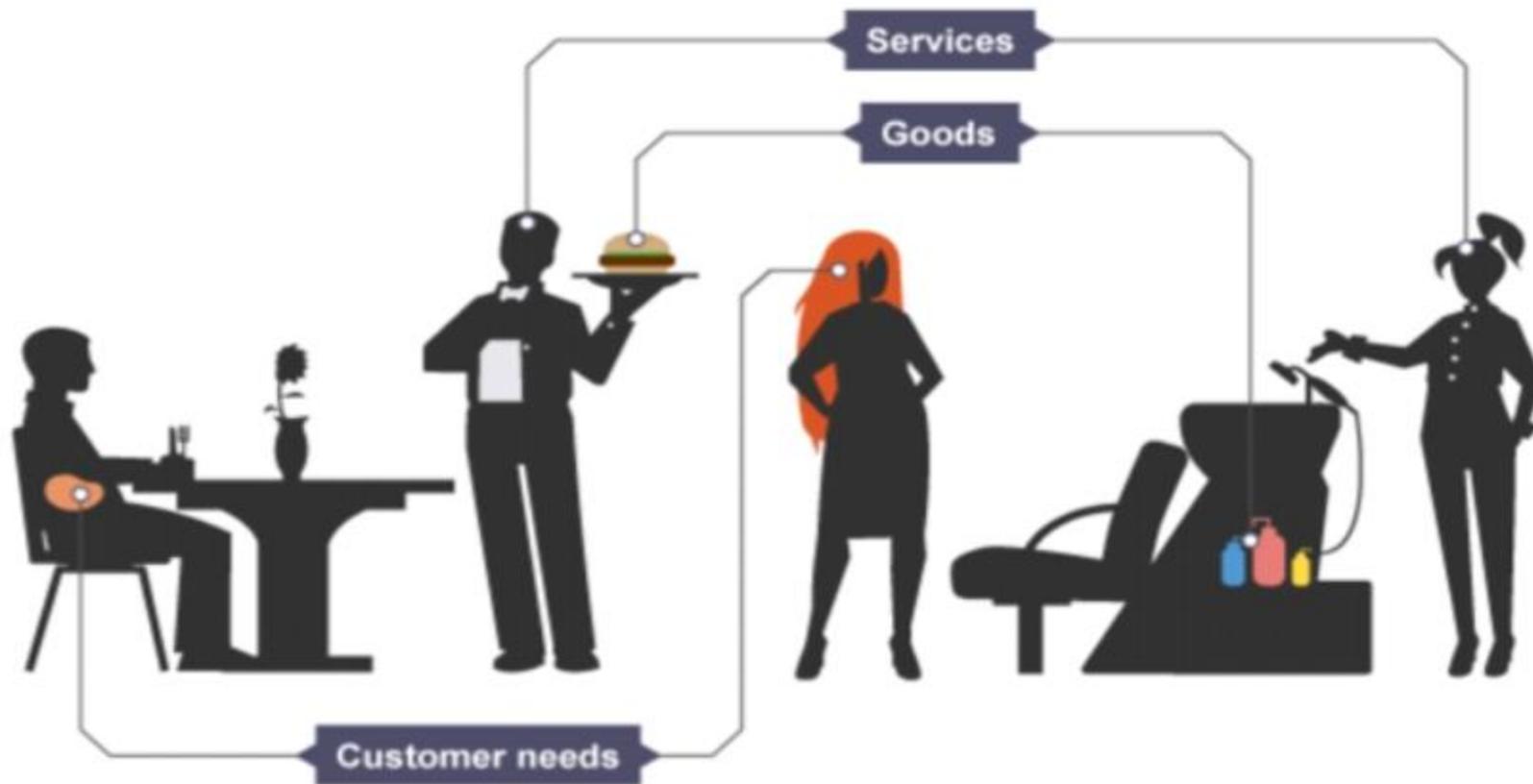
# Learning Activities for ‘What is a Business?’

- What is a business – some concepts
- Why start a business?
- Forms of businesses
- Business Planning
- Create a business plan



# What is a business?

- Making goods or providing services



A **business** is any organisation that makes **goods** or provides **services**.

There are many types of business in the UK these range from small firms owned and run by just one **self-employed person**, through to large **companies** which employ thousands of staff all over the world.

Businesses exist to provide **goods** or **services**.

**Goods** are physical products such as burgers or cars.

**Services** are non-physical items such as hairdressing.

**Customer needs** are the wants and desires of buyers.

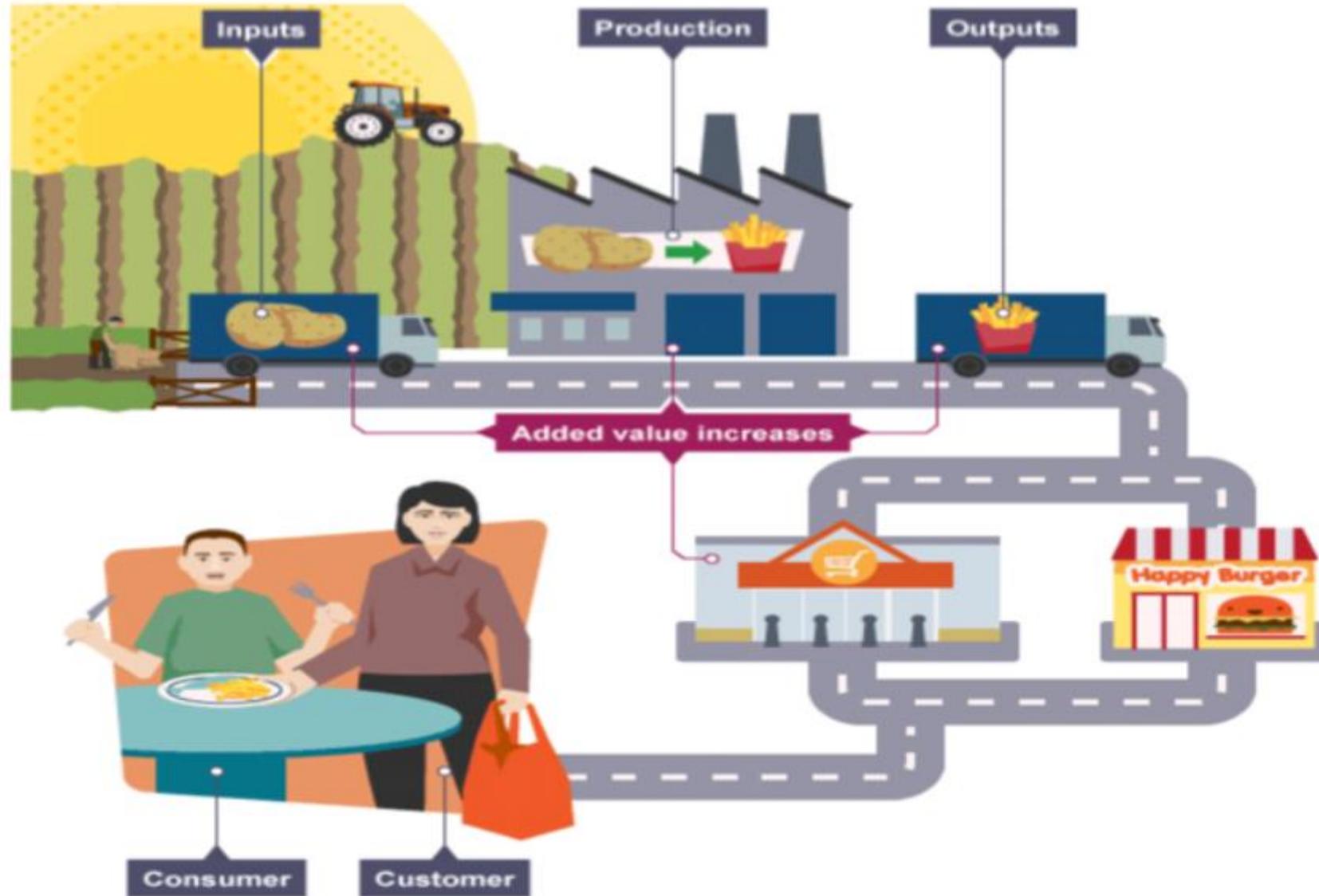
Nearly half a million businesses start up each year.

A **business start-up** is a new firm operating in a market for the first time.

The vast majority of businesses are very small and operate in the service sector.



# Suppliers, customers and markets



- Businesses buy the products they need from **suppliers** – firms selling products to other businesses - and sell to **customers**.
- The individual who uses the product is called a **consumer**. Sometimes the customer and consumer are different people - for example, parents buy a pen for their child to use at school.
- Businesses sell to customers in **markets**. A market is any place where buyers and sellers meet to trade products - this can be a high street shop or a website.
- Businesses are likely to be in **competition** with other firms offering similar products.



- **Adding value**

- In order to create goods and services, a business buys or hires **inputs** such as raw materials, equipment, buildings and staff.
- These inputs are transformed into outputs called **products**. These products are the goods and services used by consumers.
- **Production** is the business activity of using resources to make goods and services.
- A business **adds value** when the **selling price** of an item produced is higher than the **cost** of all the resources used to make it.
- Think of a pair of designer sunglasses which sell for £100. If the **cost** of the materials, employees, marketing and all other inputs used in making one set of sunglasses is just £20, then £80 worth of **value** has been added by the firm during production.



# Why start a business?

- **Enterprise** is the skill involved in wanting to start and run a business. The individual who sets up their own business is called an **entrepreneur**.



- There are several reasons why entrepreneurs are willing to take a calculated risk and set up a business. Possible motives include:
- Making a **profit**. A business does this by selling items at a price that more than covers the costs of production. Owners keep the profit as a reward for risk-taking and enterprise
- The **satisfaction** that comes from setting up a successful business and being **independent**
- Being able to **make a difference** by offering a service to the community such as a charity shop or hospice
- A new business needs its own **name** and a **product**. The challenge is to make goods and services that satisfy customers, are competitive and sell at a price that more than covers costs



# Taking a calculated risk

- A new business starts out with few, if any, customers and is likely to face **competition** from existing firms. To succeed it needs to plan its launch carefully and work out how to create a competitive advantage over its rivals. To gain this advantage, it needs to offer a product which customers prefer to a rival's product
- Setting up a business involves **risks** and **reward**. Profit is the **reward** for risk-taking. Losses are the **penalty** of business failure
- An owner may decide to **close** a business if losses are being made, or if the level of profit is not enough to make trading risks or hours worked worthwhile



# What is a business plan?

- Let's start with a short video...

<https://youtu.be/FloGLHT4wGE>

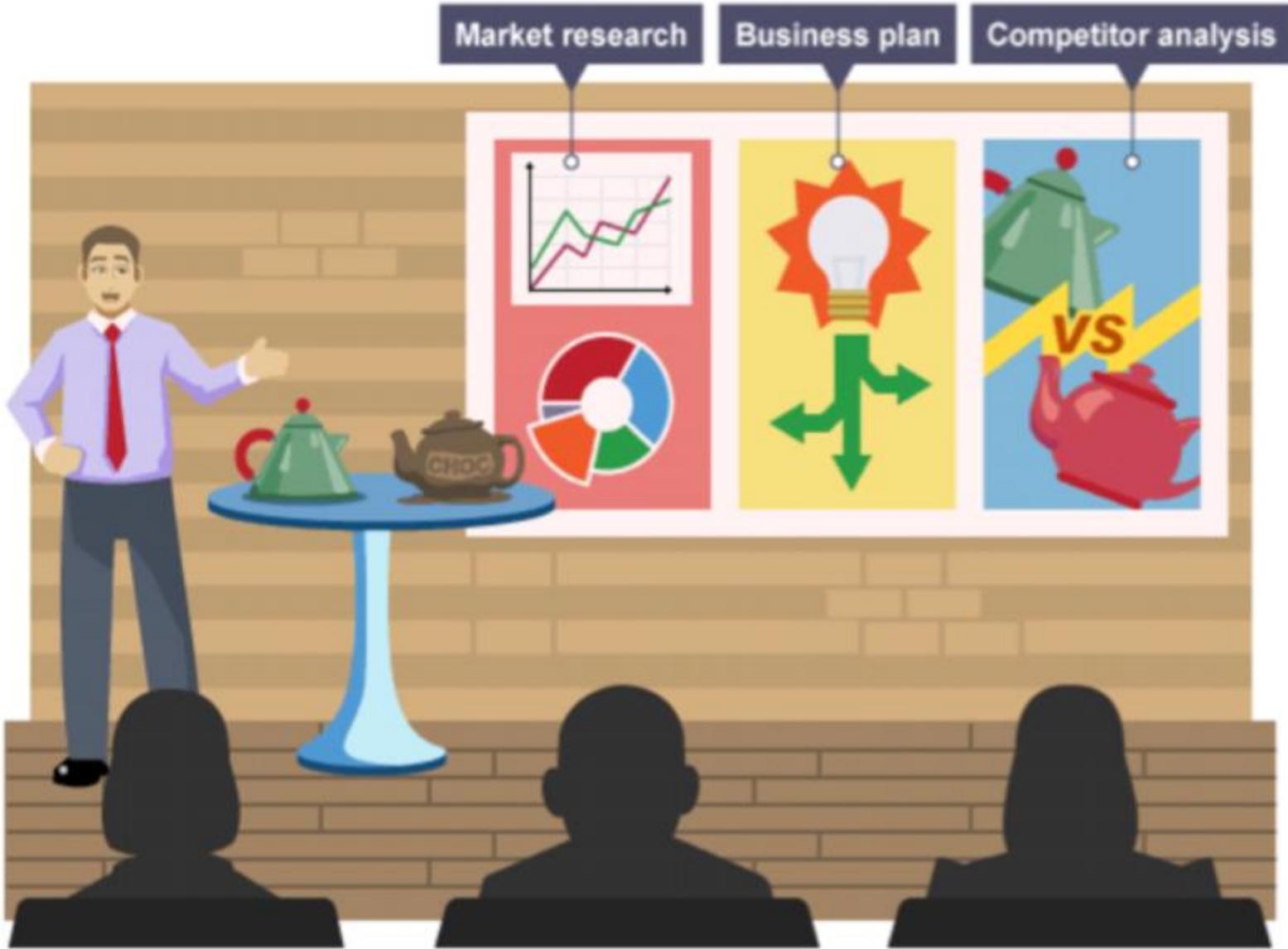
- In its simplest form, a business plan is a **guide**—a roadmap for your business that outlines goals and details how you plan to achieve those goals.



# A business plan

- Most small businesses have very limited resources.
- **Research** is costly and can seem like a poor use of time. Some entrepreneurs ignore planning and analysis and instead rely on their **gut instinct**.
- They launch products they believe customers want and competitors cannot match. Poor planning is a major cause of **business failure**.





- A **business plan** is a report by a new or existing business that contains all of its research findings and explains why the firm hopes to succeed.
- A business plan includes the results of **market research** and **competitor analysis**.
- Analysis is when a business **interprets** information.
- Drawing up a business plan forces owners to think about their **aims**, the competition they will face, their financial needs and their likely profits.
- Business plans help to reduce risk and reassure stakeholders, such as banks.



# Who needs a business plan?

- If you're just planning on picking up some freelance work to supplement your income, you can skip the business plan.
- But, if you're embarking on a more significant endeavour that's likely to consume a significant amount of time, money, and resources, then you need a business plan.
- If you're serious about business, taking planning seriously is critical to your success.



## **Startup businesses**

- The most classic business planning scenario is for a startup, for which the plan helps the founders break uncertainty down into meaningful pieces, like the sales projection, expense budget, milestones and tasks.

## **Existing businesses**

- Not all business plans are for startups that are launching the next big thing. Existing businesses use business plans to manage and steer the business, not just to address changes in their markets and to take advantage of new opportunities.



# Three common types of plans:

## 1. ONE-PAGE Business Plan

- A one-page business plan is exactly what it sounds like: a quick summary of your business delivered on a single page.
- It means that the business is described in very concise language that is direct and to-the-point.

## 2. The Internal business plan

- The internal business plan dispenses with the formalities that are needed when presenting a plan externally and focuses almost exclusively on business strategy, milestones, metrics, budgets, and forecasts.



### 3. External business plan (a.k.a, the standard business plan document)

- External business plans, the formal business plan documents, are designed to be read by outsiders to provide information about a business.
- The most common use is to convince investors to fund a business, and the second most common is to support a loan application.



# What to include in your business plan

- While we just discussed several different types of business plans, there are key elements that appear in virtually all business plans.
- These include the **review schedule, strategy summary, milestones, responsibilities, metrics** (numerical goals that can be tracked), and **basic projections**.
- The projections include **sales, costs, expenses, and cash flow**.



# What about Deaf business?

- Benefits of a deaf business? The same as mainstream – business structure is the same. Business has a target group. What you have to sell – need to find the right target group
- Deaf businesses – i.e. sign language – but some have become mainstream – i.e. graphic design
- More to be discussed this week

