

Role of an entrepreneur

1	Creative destruction
2	Making decisions to operate, expand and develop a business
3	Selling the output for more than the cost of inputs (adding value)

Specialisation: Division of Labour

Advantages	Disadvantages
Higher productivity and efficiency – e.g. rising output per person hour	Risk of worker alienation
Lower unit costs leading to higher profits	Risk of disruptions to production process
Encourages investment in specific capital – economies of scale	Workers may tire of doing repetitive work (especially if it is unskilled)

Entrepreneurial motives

1	One of the primary motives for setting up a business for most people is profit. This would be classified as a financial motive
2	Non- financial motives
3	Ethical stance e.g. The Bodyshop's late founder Anita Roddick
4	Social entrepreneurship – Some people start businesses to serve the local community
5	Independence – Having the ability to decide on working hours and days as well as the freedom to make your own decisions
6	Homeworking – some people are motivated by having a more flexible lifestyle that fits with their families needs

Factors of production

	There are four factors of production that are necessary to run a business
1	Enterprise
2	Land
3	Labour
4	Capital
	The role of an entrepreneur is to combine these successfully to offer a viable product or service

The wider economic environment

You will consider how changes in the wider economy affect businesses. There are 5 key changes you need to be aware of:

Interest rates	The cost of borrowing money and the reward for saving
Exchange rates	The value of one currency in terms of another
Inflation rate	A rise in the general price level
Unemployment rate	The number of people willing and able to work but unable to find work
Taxes	Corporation tax – taxes on firms' profits, income tax – a tax on individuals income