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## Cakes With A Difference investigates subcontracting



Emma's business has grown into a small but thriving operation. She now employs five staff and is considering her future strategy. She has been offered the option of purchasing her own bakery in a nearby town. A small family firm that has gone bust owns this. However, at the same time she has been advised by one of her friends to consider subcontracting production as a way to concentrate her time on growing the business. Emma is aware of the advantages of not producing the cakes herself but of subcontracting production, such as freeing up her time and financial resources to concentrate on marketing and product development. However, she is also aware of the risks involved in subcontracting:

- **Production** – loss of direct control over production process and quality control.
- **Finance** - Sub-contractor may end up earning some of the profits that Emma's firm could otherwise earn.
- **Marketing** – having seen Emma's ingredients, product formula and financial success, the subcontractor may decide to go into competition against her.

## When choosing finance for a start-up, what are venture capitalists?



A form of equity investment that has become more common in recent years is to seek venture capital investment. This means selling shares to a venture capitalist company. **Venture capitalists** are firms that specialise in buying shares in promising new businesses that they hope will grow quickly, thereby allowing the venture capitalists to sell their shares a number of years later for a considerable profit. When buying shares in a business, venture capitalists will insist on having a seat on the board of directors, where they can both advise and influence the development and growth of the business.



## Recall & Review – Fill in the Gaps

Every new enterprise should have a \_\_\_\_\_ plan. This is a document with a clear structure that describes under a set of headings the entrepreneurs, the business idea, the sources of finance, legal structure, marketing strategy, production method, management structure, a \_\_\_\_\_ flow budget and realistic profit forecasts. A business plan helps entrepreneurs to think through all the key aspects of setting up a business and also to persuade possible sources of finance such as banks and potential business partners of the soundness of the venture.

Businesses can choose three basic types of legal structure – \_\_\_\_\_, partnership or \_\_\_\_\_. Each differs in term of how they can be formed and managed, the risks involved and how profits can be shared.

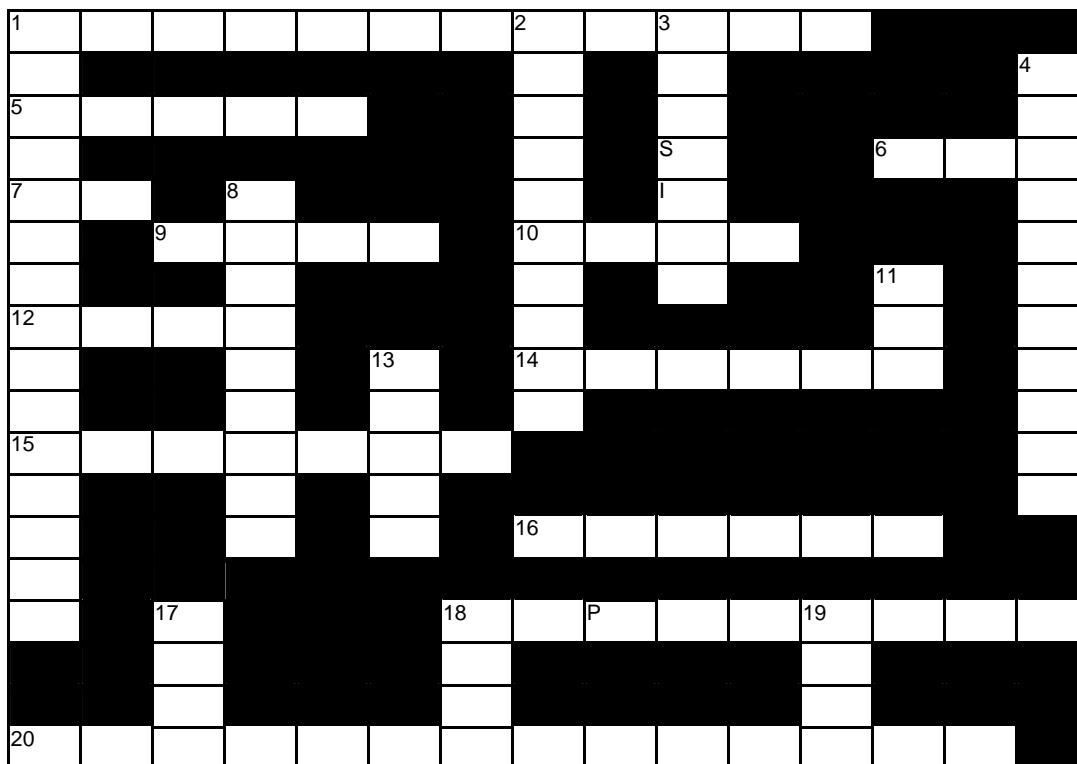
Forms producing goods can choose three basic methods of production, including \_\_\_\_\_, batch and \_\_\_\_\_. If a firm does not want to get involved directly in producing its goods, it can \_\_\_\_\_ production to another firm.

When choosing suitable sources of finance, every business needs to consider the amount required, costs involved and the implications for the control of the business. Common long-term sources of finance include \_\_\_\_\_, grants and \_\_\_\_\_ loans. For medium-term, use \_\_\_\_\_ loans. For short-term finance to meet day-to-day running expenses, credit purchases, bank over drafts and factoring are possible options.

*Score: \_\_\_\_\_ out of 10*



**Crossword 15: Getting Started**



**CLUES**

**Across**

1. Emma Conroy prepared one of these for her County Enterprise Board (8, 4)
5. \_\_\_\_\_ credit means buying goods now but paying for them later (5)
6. With this type of production, a single product is fully finished before work starts on another (3)
7. Buying by instalments - initials (2)
9. \_\_\_\_\_ production is the continuous production of large quantities of identical goods (4)
10. What landlords charge for premises (4)
12. Leave something out (4)
14. Finance provided by the owners of a business (6)
15. An owner's personal cash investment in a business (7)
16. \_\_\_\_\_ bills is another word for accrued expenses (6)
18. \_\_\_\_\_ guarantees are backed up by some kind of security (9)
20. This type of business structure is regarded as a separate legal entity from the people who own and run it (7, 7)

**Down**

1. Manufacturing a limited number of products at the same time (5, 10)
2. A one-person business run by the owner with his / her own money (4, 6)
3. Emma Conroy obtained her business premises in this way (7)
4. Nike does this for most of its production (11)
8. Selling the right to collect payment from your debtors to a debt-collecting firm (9)
11. A type of insurance and something to open a lock (3)
13. A free gift of money provided to an enterprise, usually with conditions attached (5)
17. Banks refused to give Anita Roddick this type of loan in the early days of her business (4)
18. \_\_\_\_\_ capital is another word for money to start a business and what plants grow from (4)
19. A timetable showing tasks to be done and the people who are to do them and when (4)