

Business Management Units 1 & 2

Chapter 3 — Business, innovation and entrepreneurship in society

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Chapter 3 Business, innovation and entrepreneurship in society — 3A Business contribution to the economic and social wellbeing of a nation

Theory

Every nation depends on its businesses. When a business produces goods, employs people and earns a profit, its effects reach far beyond the business itself — they flow into households, governments and the wider community. The study design asks us to understand **the contribution that businesses make to the economic and social wellbeing of a nation**.

It helps to separate the two ideas.

- **Economic wellbeing** refers to a nation's **material prosperity** — the level of incomes and wealth, the number of people in work, the quantity and range of goods and services available, and the strength of government finances. It is largely about **money, output and jobs**.
- **Social wellbeing** refers to the **quality of life** enjoyed by the people of a nation — their health, education, sense of community, safety and overall standard of living. It is about **how well people live**, not simply how much they earn.

The two are connected. A business that pays wages contributes to economic wellbeing (household income) *and* to social wellbeing (people gain purpose, security and social inclusion through work). Keeping the categories distinct, however, makes it easier to explain precisely *how* a business contributes.

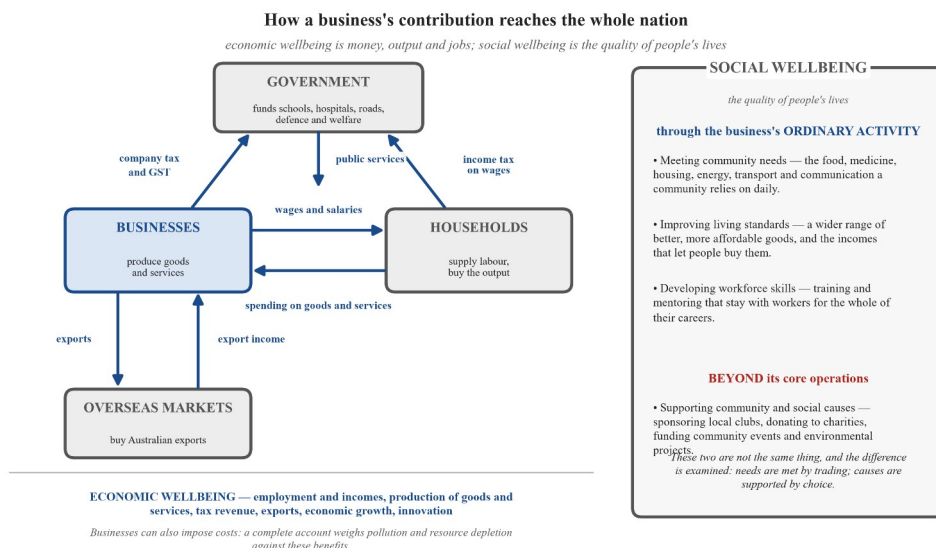
Economic contributions.

- **Employment and incomes.** Businesses hire workers and pay them wages and salaries. This gives households the income they need to buy goods and services and to save. Widespread employment lowers unemployment; and because employees spend their wages at other businesses, that spending circulates through the economy and supports still more jobs.
- **Production of goods and services.** Businesses produce the goods (food, clothing, housing, vehicles) and services (banking, healthcare, transport, communication) that satisfy people's needs and wants. The greater the quantity and range produced, the more choice and value is available to the nation.
- **Tax revenue.** Businesses pay **company tax** on their profits and collect the **GST** on their sales, while the wages they pay generate **income tax** from employees. This revenue funds the schools, hospitals, roads, defence and welfare that governments provide, so a profitable business sector is essential to public services.
- **Exports.** Businesses that sell their goods and services overseas earn **export income** for the nation. Exports bring foreign money into the country, improve the balance of trade and let the economy grow beyond the limits of the domestic market.
- **Economic growth.** The combined output of all businesses makes up most of a nation's **Gross Domestic Product (GDP)**. When businesses expand production, invest and hire, the economy grows — and a growing economy generally means more jobs, higher incomes and rising prosperity.
- **Innovation.** Businesses develop new products, services and more efficient ways of working. Innovation raises **productivity** (more output from the same resources), creates new industries and jobs, and keeps a nation's businesses competitive against overseas rivals.

Social contributions.

- **Meeting community needs.** Businesses supply the essential goods and services a community relies on every day — food, medicine, housing, energy, transport and communication. Without businesses to provide them, communities could not function.
- **Improving living standards.** By producing a wider range of better-quality, more affordable goods and services, and by paying the incomes that let people buy them, businesses raise the **material standard of living**. Better products — safer cars, faster communication, improved medicines — also lift people's overall quality of life.

- **Supporting community and social causes.** Many businesses give back **beyond their core operations** by sponsoring local sporting clubs, donating to charities, funding community events and supporting environmental or social projects. This strengthens community life and reflects **corporate social responsibility**.
- **Developing workforce skills.** Businesses train, mentor and develop their employees, building the knowledge and skills of the nation's workforce. These skills stay with workers throughout their careers, raising the capability of the whole nation and helping people progress to better jobs.



Key ideas to keep straight.

- **Economic is not the same as social.** Economic wellbeing is about **money, output and jobs** (the size of the “pie”); social wellbeing is about the **quality of people's lives** (health, community, standard of living). A single business activity often contributes to both.
- **Meeting community needs is not the same as supporting community causes.** Meeting needs happens through a business's **ordinary activity** — producing the goods and services people require. Supporting community and social causes goes **beyond core operations** — donations, sponsorship and philanthropy.
- **The contribution is indirect as well as direct.** A business contributes **directly** by producing and employing, and **indirectly** through **flow-on effects** — wages are spent at other businesses, taxes fund public services, and skilled workers move through the economy.
- **Businesses can also impose costs.** Their overall contribution is generally positive, but production can create negative effects such as pollution or resource depletion; a complete account of a business's contribution weighs its benefits against these costs.

Contemporary example — Thomas Foods International, May 2023

Thomas Foods International is an Australian meat processing and export business. Its Murray Bridge facility, in regional South Australia, was destroyed by fire in January 2018.

On 12 May 2023 the company announced that construction of the replacement beef processing facility was complete, with the site handed over by the builder, and that commissioning production had begun that day with the first processing runs. It was reported at the time as the largest single investment the business had undertaken. The company said stage one was expected to employ up to 350 staff and to build towards 600 head of cattle a day, with recruitment continuing as production ramped up.

The rebuild shows several contributions to **economic wellbeing** in one location. It restores **employment and incomes** in a regional town, and those wages, spent locally, create the **flow-on effects** that support other Murray Bridge businesses — an **indirect** contribution alongside the direct one. The plant's **production of goods** adds to national output and so to **GDP**, while meat sold overseas earns **export income**. Livestock producers in the district regain a nearby buyer for their stock, supporting their incomes. The **social** contribution matters too: recruiting and training several hundred processing workers **develops workforce skills** that stay with those employees for their careers, and secure local work helps sustain **living standards** in the town.

Worked examples

Example 1 — scaffolded

Bright Spark Appliances, a manufacturer of kitchen appliances, has just opened a new factory that employs 200 people. Explain how this contributes to the **economic** wellbeing of the nation.

Working	Comment
The scenario shows two economic contributions: employment and incomes , and production of goods .	Start by naming which contributions the scenario demonstrates.
Employing 200 people pays wages, giving those households income to spend and save.	Explain the first contribution with a causal link.
That spending circulates to other businesses, while the factory’s output adds to the nation’s production and GDP.	Add the flow-on effect and the second contribution.
∴ the new factory raises employment, incomes and output, all of which lift the nation’s economic wellbeing.	State the conclusion, tied back to economic wellbeing.

Example 2 — scaffolded

Sunraysia Fresh, a fruit-processing business, sponsors the local netball club, runs a paid apprenticeship program and donates unsold produce to a food-relief charity. Explain how Sunraysia Fresh contributes to the **social** wellbeing of its community.

Working	Comment
Identify the social contributions shown: supporting community and social causes (sponsorship, donations) and developing workforce skills (apprenticeships).	Match the scenario’s actions to named social contributions.
Sponsoring the netball club and donating produce strengthen community life and help those in need, beyond the firm’s core operations.	Explain how supporting causes lifts social wellbeing.
The apprenticeship program builds young workers’ skills, improving their long-term prospects and the community’s capability.	Explain how workforce development lifts social wellbeing.
∴ through philanthropy and training, Sunraysia Fresh improves the quality of community life — a social contribution.	Conclude, linking back to social wellbeing.

Example 3 — unscaffolded

Distinguish between economic wellbeing and social wellbeing.

Economic wellbeing refers to the **material prosperity** of a nation — its levels of income, employment and the quantity of goods and services produced — that is, the money, output and jobs available to its people. **Social wellbeing** refers to the **quality of life** of a nation’s people — their health, education, safety, sense of community and overall standard of living — that is, how well people live rather than how much they earn. The key difference is one of **focus**: economic wellbeing measures a nation’s financial and material prosperity, whereas social wellbeing measures the non-financial quality of people’s lives. ∴ the two describe different dimensions of a nation’s welfare, even though business activity commonly contributes to both at once.

Example 4 — unscaffolded

Analyse how a business paying wages to its employees contributes to the economic growth of a nation.

When a business pays wages it puts income into the hands of households, and this sets off a chain of effects that drives economic growth. First, employees **spend** most of their wages on goods and services, which raises **demand** at other businesses. To meet that higher demand, those businesses **increase production** and may **hire more staff**, who in turn earn and spend — a flow-on (or multiplier) effect that spreads the original wage payment through the economy. Greater production across all of these businesses adds to the nation's **Gross Domestic Product**, which is the measure of economic growth. At the same time the wages generate **income tax**, and the extra spending generates **GST**, giving government the revenue to invest back into the economy. ∴ paying wages does not merely benefit the individual employee; through spending, rising demand and flow-on production it causally contributes to national economic growth.

Practice questions

Scaffolded

- Q1.** Define the term *economic wellbeing*.
- Q2.** List **four** ways in which businesses contribute to the **economic** wellbeing of a nation.
- Q3.** For each of the following, name the business contribution being described: (a) a business trains its apprentices, improving their skills for their whole career; (b) a business sells its products to overseas customers, earning income for the nation; (c) a business pays company tax on its profits, helping to fund public hospitals.
- Q4.** Identify **four** ways in which businesses contribute to the **social** wellbeing of a nation.
- Q5.** Zephyr Cycles is a bicycle manufacturer that employs 150 workers. (a) Identify **one** economic contribution Zephyr Cycles makes to the nation. (b) Explain how this contribution supports the wider economy.
- Q6.** Explain the difference between a business **meeting community needs** and a business **supporting community and social causes**.

Unscaffolded

- Q7.** Define the term *social wellbeing*. (2 marks)
- Q8.** Distinguish between the contribution a business makes to economic wellbeing and the contribution it makes to social wellbeing. (4 marks)
- Q9.** Explain how the production of goods and services by businesses contributes to the economic wellbeing of a nation. (3 marks)
- Q10.** Outline **one** economic contribution and **one** social contribution that a business makes to a nation. (4 marks)
- Q11.** Yarrindale Store is the only shop in a small remote Victorian town, selling groceries, fresh food, basic medicines and fuel. Without it, residents would have to drive 180 kilometres to the nearest large town. Explain **two** ways Yarrindale Store contributes to the **social** wellbeing of its community. (4 marks)
- Q12.** “The main way businesses improve a nation’s social wellbeing is by donating to community causes.” Discuss. (6 marks)
- Q13.** Explain how businesses contribute to a nation’s tax revenue, and why this is important. (3 marks)
- Q14.** Compare a business’s contribution to economic wellbeing through **exports** with its contribution through **innovation**. (4 marks)
- Q15. Case study.** **Marloo Foods** is a family-owned business in the regional town of Kalabri. It processes locally grown grain into breakfast cereals and snack bars. Marloo employs 180 local people, making it the town’s largest private employer, and pays over \$9 million in wages each year. It sells around \$4 million of product to customers in South-East Asia annually and pays company tax on its profits. Marloo also runs a paid traineeship for school leavers, sponsors the Kalabri junior football league, and donates its surplus stock to a regional food-relief charity. The owners are now considering closing the Kalabri factory and importing finished products from overseas instead. (a) Identify **two** economic contributions Marloo Foods makes to the nation. (2 marks) (b) Analyse how Marloo Foods’ activity

contributes to the **economic growth** of the nation. (3 marks) (c) Evaluate the effect that closing the Kalabri factory and importing products instead would have on the economic and social wellbeing of the Kalabri community. (6 marks)

Q16. Analyse how the payment of tax by businesses contributes to the **social** wellbeing of a nation. (4 marks)

Q17. Evaluate the view that the contribution businesses make to a nation is overwhelmingly positive. (6 marks)

Q18. Explain how a business developing the skills of its workforce contributes to **both** the economic and the social wellbeing of a nation. (4 marks)

Q19. Extended response. Businesses are often described as the engine of a nation's prosperity. Analyse how business activity contributes to the **economic** wellbeing of a nation, and evaluate the view that a business's contribution to **social** wellbeing is just as important as its contribution to economic wellbeing. (10 marks)

Q20. Contemporary example. In May 2023, Thomas Foods International announced that its rebuilt beef processing facility at Murray Bridge, in regional South Australia, was complete and had begun commissioning production, replacing the plant destroyed by fire in January 2018. The company said stage one was expected to employ up to 350 staff. Analyse how the reopening of the Murray Bridge plant contributes to **both** the economic and the social wellbeing of the nation. (6 marks)

Answers

Q1. A nation's material prosperity — its levels of income and wealth, employment, the quantity of goods and services available, and the strength of government finances. **Q2.** Any four of: employment and incomes; production of goods and services; tax revenue; exports; economic growth; innovation. **Q3.** (a) developing workforce skills; (b) exports; (c) tax revenue. **Q4.** Any four of: meeting community needs; improving living standards; supporting community and social causes; developing workforce skills. **Q5.** (a) e.g. employment and incomes (paying wages to 150 workers) / production of goods. (b) Wages are spent at other businesses, circulating through the economy and supporting further jobs and production. See solutions. **Q6.** Meeting community needs = providing essential goods/services through ordinary activity; supporting community causes = philanthropy/sponsorship beyond core operations. See solutions. **Q7.** Model response in solutions. **Q8.** Economic = material prosperity (money/output/jobs); social = quality of life (health, community, living standards). See solutions. **Q9.** Production supplies the goods/services that satisfy needs and wants and adds to national output (GDP). See solutions. **Q10.** One economic (e.g. tax revenue) + one social (e.g. meeting community needs), each outlined. See solutions. **Q11.** e.g. meeting community needs — it supplies the essential goods the town relies on daily; and improving living standards — residents obtain food, medicine and fuel without a 360 km round trip. See solutions. **Q12.** Largely reject — donations are only **one** social contribution; meeting needs, improving living standards and developing skills are larger. See solutions. **Q13.** Company tax, GST and employees' income tax fund public services (hospitals, schools, roads). See solutions. **Q14.** Similarity: both raise economic wellbeing (income/growth). Difference: exports earn overseas income now; innovation raises productivity/creates industries over time. See solutions. **Q15.** (a) Any two of: employment/incomes; production of goods; tax revenue; exports. (b) Output + wages + exports flow through to GDP. (c) Judgement weighing lost jobs/incomes/tax and community supports against any cost saving. See solutions. **Q16.** Tax → government revenue → funds health, education, welfare → improved quality of life. See solutions. **Q17.** Judgement — contributions are large (economic + social) but production also imposes costs (pollution, resource use); on balance positive. See solutions. **Q18.** Skills raise productivity/output (economic) and improve prospects/quality of life (social). See solutions. **Q19.** Model response in solutions. **Q20.** Economic: up to 350 jobs → wages spent locally → flow-on effects; production adds to output and GDP; company/income tax revenue; exports earn foreign income; livestock producers regain a nearby buyer. Social: training develops workforce skills; secure local work sustains living standards. See solutions.

Fully-worked solutions

Q5. (a) Employment and incomes — Zephyr Cycles employs 150 workers and pays them wages. (Alternatively, **production of goods**: the business manufactures bicycles, adding to the nation's output.)

(b) Paying wages to its 150 workers supports the wider economy through a **chain of effects**. The wages give those households **income**, most of which they **spend** on goods and services at other businesses — supermarkets, tradespeople, local shops. That spending **raises demand** at those businesses, so they in turn **produce more and may hire more staff**, who then earn and spend as well: a **flow-on effect** that spreads Zephyr Cycles' original wage payment well beyond its own workforce. The wages also generate **income tax**, and the spending generates **GST**, giving government revenue to fund public services. ∴ employing and paying 150 workers supports incomes, demand, production and jobs across the wider economy, not only at Zephyr Cycles itself.

Q6. A business **meets community needs** through its **ordinary, everyday operations** — by producing and selling the **essential goods and services** a community relies on, such as food, medicine, housing, energy, transport and communication. This contribution happens simply because the business trades: a supermarket meets community needs by selling groceries. A business **supports community and social causes** when it goes **beyond its core operations** to give something back — for example by **sponsoring a local sporting club, donating to charity, funding community events or backing environmental projects**. This contribution is voluntary and reflects **corporate social responsibility** rather than the business's trading activity. The difference is therefore one of **where the contribution comes from**: meeting needs is what the business does **as its business**, whereas supporting causes is what it chooses to do **in addition to** its business. Both raise social wellbeing, but only the second is philanthropy.

Q7. Social wellbeing is the **quality of life** enjoyed by the people of a nation — including their health, education, safety, sense of community and overall standard of living. It describes **how well people live**, rather than how much income they earn.

Q8. A business's contribution to **economic wellbeing** raises the nation's **material prosperity** — for example, by paying wages, producing goods and services, generating tax revenue and earning export income, all of which increase incomes, jobs and output. Its contribution to **social wellbeing** raises the **quality of people's lives** — for example, by meeting community needs, improving living standards, supporting community causes and developing workers' skills. The two therefore differ in **focus**: economic contributions concern the nation's money, output and jobs, whereas social contributions concern the health, community and living standards of its people — although a single activity, such as employing staff, often contributes to both.

Q9. By producing **goods and services**, businesses supply the items that satisfy people's needs and wants — food, housing, transport, healthcare and countless others — so that the nation has the things it requires to live and prosper. The greater the **quantity and range** produced, the more choice and value is available. This output also makes up most of the nation's **Gross Domestic Product**, so higher production directly raises measured economic activity. In these ways the production of goods and services increases the material prosperity, and therefore the economic wellbeing, of the nation.

Q10. *One economic contribution — tax revenue:* businesses pay company tax on profits and collect GST, and the wages they pay generate income tax; this revenue funds government services and adds to the nation's economic wellbeing. *One social contribution — meeting community needs:* through their ordinary activity businesses supply the essential goods and services a community relies on each day (food, medicine, energy, transport), without which the community could not function, thereby improving social wellbeing.

Q11. Yarrindale Store lifts the social wellbeing of its town in two ways, both through its **ordinary trading activity**. *First, it meets the community's needs:* it supplies the **essential goods** — groceries, fresh food, basic medicines and fuel — that residents depend on every day, and because it is the town's only shop, without it those needs could not be met locally at all. *Second, it improves living standards:* residents can buy what they need close to home instead of driving 180 kilometres each way, which saves them time and money, keeps fresh food and medicine within easy reach, and allows people who cannot travel far — older residents, for example — to go on living independently in the town. In both ways the store improves the **quality of people's lives** rather than simply their incomes, which is what makes the contribution a **social** one.

Q12. The statement should be **largely rejected** because it captures only one, relatively small, part of how businesses improve social wellbeing. It is true that **supporting community and social causes** — donating to charities, sponsoring local clubs and funding community events — does lift social wellbeing by strengthening community life and helping those in need. **However**, this is only one of several social contributions, and arguably not the main one. Businesses do far more for social wellbeing through their **ordinary activity**: by **meeting community needs** they supply the essential goods and services (food, medicine, transport) a community depends on; by **improving living standards** they make a wider range of better, more affordable products available and pay the incomes that let people buy them; and by **developing workforce skills** they build the capability and future prospects of the nation's people. These everyday contributions reach far more people, and matter far more to quality of life, than donations do. ∴ while donating to community causes is a genuine social contribution, it is misleading to call it the *main* way businesses improve social wellbeing — meeting needs, raising living standards and developing skills are more significant.

Q13. Businesses contribute to a nation's tax revenue in several ways: they pay **company tax** on their profits, they **collect and remit the GST** charged on their sales, and the **wages** they pay generate **income tax** from their employees. This revenue is important because it is the money government uses to fund **public services and infrastructure** — hospitals, schools, roads, police, defence and welfare payments. A larger and more profitable business sector therefore means more revenue for these services, which benefits the whole nation; if businesses were not profitable, government would have far less to spend on the services citizens rely on.

Q14. Similarity: both exports and innovation are **economic** contributions that increase a nation's prosperity — exports by bringing income into the country and innovation by lifting output, so both help grow incomes, jobs and the economy. **Differences:** exporting contributes by **selling existing goods and services overseas**, earning **foreign income** and improving the balance of trade, with a fairly **immediate** effect on national income. Innovation contributes by **creating new or improved products and more efficient processes**, which raises **productivity** and can create whole new industries and jobs, usually with a **longer-term** effect. In short, both raise economic wellbeing, but exports do so by earning overseas income now, while innovation does so by improving productivity and competitiveness over time.

Q15. (a) Any **two** of: **employment and incomes** (180 local jobs and \$9 million in wages); **production of goods** (breakfast cereals and snack bars); **tax revenue** (company tax on profits); **exports** (\$4 million of sales to South-East Asia). (1 mark each.)

- (b) Marloo Foods contributes to economic growth through a chain of effects. Its **production** of cereals and snack bars is output that adds directly to the nation's **Gross Domestic Product**. The **\$9 million in wages** it pays gives 180 households income which they **spend**, raising demand at other businesses and prompting them to produce more — a flow-on effect that further lifts output. Its **\$4 million of exports** brings additional foreign income into the economy that would not otherwise exist. ∴ through its output, the spending its wages generate and its export income, Marloo Foods causally adds to national production and so to economic growth.
- (c) Closing the Kalabri factory and importing instead would have a **substantial negative effect** on the community's wellbeing, which likely outweighs any private cost saving. **Economically**, the town would lose 180 jobs and \$9 million in wages; because those incomes are spent locally, other Kalabri businesses would lose trade, and the nation would lose Marloo's export income and some tax revenue — importing sends that spending overseas instead. **Socially**, as the town's largest employer Marloo underpins local living standards and community life; its traineeship, football sponsorship and food donations would end, weakening the community, and families may have to leave Kalabri to find work. Against this, the owners might argue that importing could **lower their costs** and keep the business viable. **On balance, however**, the loss of jobs, incomes, community supports and export earnings represents a serious reduction in the economic and social wellbeing of the Kalabri community, so the closure would be damaging for the town even if it benefited the owners. (Full marks require both economic and social effects, a link to the case study, and a justified judgement.)

Q16. The payment of tax by businesses contributes to social wellbeing through a clear causal chain. Businesses pay **company tax**, collect **GST** and, by paying wages, generate **income tax** — all of which flow to **government as revenue**. Government uses this revenue to fund **public services** such as **hospitals, schools, welfare payments and community safety**. Better-funded hospitals improve the nation's **health**, better-funded schools improve **education**, and welfare and policing improve **security** for vulnerable people. Because health, education and security are central to people's **quality of life**, the tax businesses pay ultimately raises the nation's **social wellbeing** — not by giving people money directly, but by financing the services that make people's lives better.

Q17. Evaluation. On balance the contribution businesses make to a nation is **strongly positive**, though it is not *wholly* without cost. **In favour of the view:** businesses drive a nation's economic wellbeing by providing **employment and incomes, producing** the goods and services people need, generating **tax revenue** for public services, earning **export income** and fuelling **economic growth and innovation**; they also lift social wellbeing by **meeting community needs, improving living standards, supporting community causes and developing workforce skills**. Few institutions contribute as broadly to both prosperity and quality of life. **Against the view, however:** business activity can also impose **costs** — production may cause **pollution or resource depletion**, some firms may exploit workers or mislead customers, and profit-seeking can leave unprofitable community needs unmet. These costs mean the contribution is not *purely* positive. ∴ weighing the two, the evidence shows businesses contribute enormously to both the economic and social wellbeing of a nation, and this contribution clearly outweighs the costs — but the view is best stated as “overwhelmingly, though not entirely, positive”, since a full account must also manage the negative effects that business activity can create. (Full marks require contributions and costs, plus a justified, evidence-based judgement.)

Q18. When a business trains and develops its workers, it builds their **knowledge and skills**, and this raises **both** kinds of wellbeing. *Economically:* more skilled workers are **more productive**, producing more and better output from the same resources, which increases the business's output and adds to the nation's production and economic growth; a more skilled workforce also makes the nation's businesses more competitive. *Socially:* the skills workers gain **stay with them for their careers**, improving their **job prospects, earnings and security** and letting them progress to better roles; this raises their **quality of life** and the overall capability of the community. ∴ by developing its workforce a business simultaneously lifts national productivity and output (economic wellbeing) and improves people's prospects and quality of life (social wellbeing).

Q19. Model response (10 marks). Businesses are central to a nation's prosperity because their activity feeds directly into the material and social welfare of its people. **Economically**, business activity contributes through several linked channels. By **employing** people and paying **wages and salaries**, businesses give households income; that income is **spent**, raising demand at other businesses, which respond by producing more and hiring more — a flow-on effect that

spreads through the economy. By **producing goods and services**, businesses supply what the nation needs and add output that makes up most of **Gross Domestic Product**, the measure of **economic growth**. The profits and wages they generate produce **tax revenue** (company tax, GST and income tax) that funds public investment, while businesses selling overseas earn **export income** that brings foreign money into the country. Finally, **innovation** by businesses raises **productivity** and creates new industries and jobs. These channels reinforce one another: employment creates spending, spending lifts production, production drives growth and tax revenue, and innovation makes the whole cycle more efficient — so business activity causally raises the nation's economic wellbeing.

The claim that a business's **social** contribution is *just as important* as its economic contribution has real force but must be qualified. In its favour, business plainly does more than generate money: by **meeting community needs** it supplies the food, medicine, transport and energy without which a community could not function; by **improving living standards** it makes better, more affordable products available and pays the incomes that let people enjoy them; by **supporting community and social causes** it strengthens community life; and by **developing workforce skills** it improves people's long-term prospects and dignity. For quality of life — health, education, community and security — these social contributions matter enormously, and a nation with high incomes but poor social wellbeing would not be prosperous in any full sense. **However**, it can be argued that the social contributions largely *depend on* the economic ones: businesses can only meet needs, raise living standards, sponsor causes and train workers because they first employ, produce and profit, and the tax their economic activity generates is what funds the public services that most improve social wellbeing. ∴ on balance the two contributions are **deeply interdependent and both essential**, but the economic contribution is in a sense the **foundation** on which the social contribution is built; the most defensible judgement is that a business's social contribution is **as important in its effect on people's lives**, while flowing from and relying upon its economic contribution — so a nation is best served when businesses contribute strongly to both. *(Full marks require: accurate causal analysis of the economic contributions; coverage of the social contributions; a sustained, two-sided evaluation of their relative importance; and a justified conclusion.)*

Q20. The reopening of the Murray Bridge plant raises **both** kinds of wellbeing, through a series of causal chains. *Economically*, it first restores **employment and incomes**: up to 350 stage-one jobs mean wages flowing to households that did not have them while the plant was out of action. Those households **spend** most of that income in Murray Bridge and the surrounding district, **raising demand** at other local businesses, which in turn produce more and may hire — a **flow-on effect** that spreads the plant's wages well beyond its own payroll. Second, the plant's **production of goods** — processed beef — is output that adds directly to the nation's **Gross Domestic Product**, while the profits and wages it generates produce **company tax** and **income tax** revenue that funds public services. Third, because the meat is sold overseas it earns **export income**, bringing foreign money into the country. Fourth, livestock producers in the district regain a **nearby buyer** for their stock, an **indirect** contribution that supports their incomes too. *Socially*, training several hundred workers in processing, boning, packaging and maintenance roles **develops workforce skills** that stay with those employees for their careers, and secure local employment helps sustain **living standards** and community life in a regional town where those jobs had been lost since the 2018 fire. ∴ through jobs, local spending, output, tax, exports and skills, the reopening causally raises the nation's material prosperity (**economic** wellbeing) and the quality of life of the Murray Bridge community (**social** wellbeing). *(Full marks require causal chains rather than a list, coverage of both economic and social wellbeing, reference to the plant, and a synthesising conclusion.)*

Chapter 3 Business, innovation and entrepreneurship in society — 3B Fostering a culture of innovation and entrepreneurship

Theory

Innovation and entrepreneurship — a brief distinction. Although the two terms are closely related, they are not the same thing. **Innovation** is the process of generating a new idea — a new or significantly improved product, service, process or business method — and putting it into practice so that it creates value. In short, innovation is about *newness and improvement*: doing something that has not been done before, or doing an existing thing noticeably better.

Entrepreneurship is the process by which an individual (an *entrepreneur*) identifies a business opportunity and takes the initiative and the calculated risk of organising resources to establish and operate a business to pursue it.

Entrepreneurship is about *starting and running a venture and bearing its risk*.

The two are linked but distinct. Entrepreneurs frequently **commercialise** innovations — turning a new idea into a viable business — but innovation can occur **without** entrepreneurship (for example, an established business quietly improving one of its processes), and a new business can be founded **without** any radical innovation (for example, a new café using a familiar model). A nation that wants to prosper therefore tries to encourage **both**: to generate new ideas *and* to see people take the risk of turning those ideas into new businesses.

A culture of innovation and entrepreneurship. A **culture of business innovation and entrepreneurship** refers to the shared values, attitudes and conditions within a nation that encourage individuals and businesses to generate new ideas and to establish and grow new ventures. Where this culture is strong, people are more willing to be creative and to take calculated risks; there is greater acceptance that some ventures will fail; finance, skills and support are more readily available to those with a business idea; and starting a business is seen as a **valued and achievable** path. A stronger culture tends to produce more start-ups and more new or improved products and processes, which over time supports employment, productivity and economic growth. Because such a culture benefits the whole economy, national and local governments, schools and communities deliberately try to **foster** (encourage and strengthen) it.

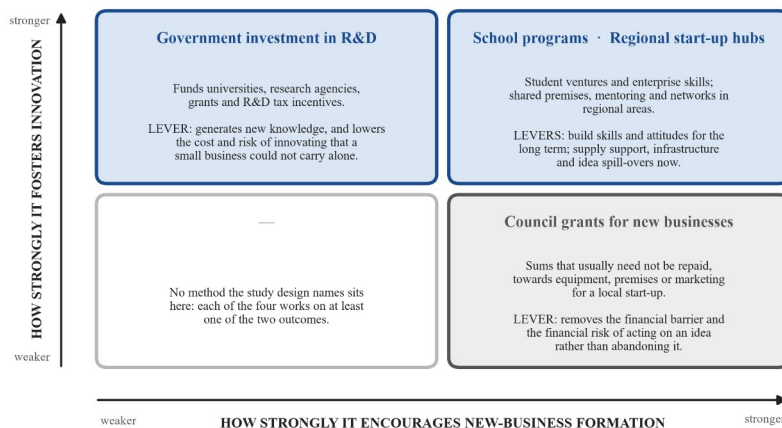
Methods of fostering the culture. No single action creates this culture. The study design lists several **methods**, and the phrase “such as” signals that these are representative examples rather than a complete list. Four commonly used methods are set out below; for each, note *how* it encourages innovation and *how* it encourages new-business formation.

- **Government investment in research and development (R&D).** National and state governments spend money on R&D — for example, funding universities and public research agencies, offering research grants, and giving tax incentives that reward businesses for doing their own R&D. This fosters **innovation** because R&D generates the new scientific and technical knowledge, discoveries and technologies from which new and improved products and processes are developed, and because it lowers the **cost and risk** of innovating, which individual businesses (especially small ones) might otherwise find too expensive or uncertain to undertake alone. It encourages **new-business formation** because entrepreneurs can build ventures on publicly funded discoveries and on the pool of skilled researchers the investment creates, and because it signals that the nation values and rewards innovation.
- **Council grants for new businesses.** Local governments (councils) provide **grants** — sums of money that usually do not have to be repaid — to people starting a business in the local area, often to help with costs such as equipment, premises or marketing. This directly encourages **new-business formation** by reducing the financial barrier and the financial risk of starting up, making it feasible for more aspiring entrepreneurs to act on an idea rather than abandon it for lack of funds. It also strengthens the local **culture** of entrepreneurship, because the grant signals visible support and builds the confidence of would-be founders, and a cluster of newly funded ventures can encourage still more people in the community to try.
- **School-based educational programs in entrepreneurship.** Schools run programs in which students learn entrepreneurial knowledge and skills — for example, generating ideas, developing a business concept, and planning and running a small student venture. This fosters the culture over the **long term** by building the skills, confidence and mindset (creativity, initiative, calculated risk-taking and resilience) that innovation and entrepreneurship require, and by normalising the idea that starting a business is a valued and achievable path. It encourages future **new-business formation** by creating a pipeline of young people who are equipped and motivated to innovate and to establish their own ventures later in life.

- **The creation of regional business start-up hubs.** Governments and communities establish **start-up hubs** (also called incubators or co-working spaces) in regional areas — shared facilities where new and early-stage businesses are located together and can access resources such as affordable premises, equipment, mentoring, advice and networking. This encourages **new-business formation** by providing the support and infrastructure that start-ups need but often cannot afford on their own, lowering the barriers to establishing and surviving. It fosters **innovation** because concentrating entrepreneurs in one place encourages the sharing of ideas, collaboration and knowledge “spill-overs”; and locating hubs in **regional** areas spreads entrepreneurial activity and culture beyond the major cities, broadening the number of people who take part.

Fostering a culture of innovation and entrepreneurship: which lever does each method pull?

innovation is new or improved ideas; entrepreneurship is starting and running a venture and bearing its risk



“Such as” signals the list is not exhaustive — reducing red tape, protecting intellectual property and tax concessions foster the culture too. What matters in an answer is naming the LEVER a method uses, not the method alone.

Key ideas to keep straight.

- **Innovation is not entrepreneurship.** Innovation is about *new or improved ideas*; entrepreneurship is about *starting and running a venture and taking its risk*. A method may foster one, the other or both — R&D chiefly seeds **innovation**, council grants chiefly stimulate **new-business formation**, while school programs and start-up hubs build **both**.
- **Fostering happens at different levels.** National and state governments (R&D, and support for some grants and hubs), local councils (grants, hubs) and schools and communities (education, hubs) all contribute; the culture is strengthened by action across all of them, not by any one body alone.
- **The methods work through recognisable levers:** *reducing the cost and risk* of innovating or starting up (R&D funding, grants), *building skills and attitudes* (school programs), *generating new knowledge and ideas* (R&D, hubs) and *providing support, infrastructure and networks* (grants, hubs). Identifying the lever a method uses is the key to explaining *how* it works.
- **“Such as” means the list is not exhaustive.** Other measures — for example, reducing red tape, protecting intellectual property or offering tax concessions — can also foster the culture; the four methods above are the study design’s named examples and the ones to know.

Contemporary example — CSL, August 2023

CSL is a large Australian biotechnology business that researches and manufactures plasma-derived medicines and vaccines from a base in Melbourne. On **21 August 2023** it opened a new global headquarters and research and development centre in the **Parkville** biomedical precinct, among universities, hospitals and medical research institutes. CSL stated at the opening that the facility housed more than 850 staff and that two of its levels were given over to the **Jumar Bioincubator** — office and laboratory space for up to **40** Australian biotechnology start-ups working to commercialise their research.

The bioincubator is a **start-up hub** in the sense this subtopic uses the term, established by a business rather than by a government. It works through the familiar levers: shared premises, laboratories and equipment that early-stage ventures could not afford alone **lower the cost and risk** of establishing a business, encouraging **new-business formation**; and concentrating founders beside researchers and clinicians encourages the collaboration and knowledge

“spill-overs” from which **innovation** and **commercialisation** follow. It also illustrates that fostering the culture is a **resourcing decision** — floor space, laboratories and money committed over years — rather than a statement of intent, and that a hub need not be regional or publicly funded to do this work.

Source: CSL, Prime Minister Anthony Albanese Opens CSL’s New Global Headquarters and Centre for Research & Development, 21 August 2023 — <https://newsroom.csl.com/28082023>. Accurate as at July 2026.

Worked examples

Example 1 — scaffolded

Explain how **government investment in research and development** can foster a culture of innovation in a nation.

Working	Comment
R&D is research aimed at producing new knowledge and its application; governments invest by funding universities and research agencies and offering tax incentives for business R&D.	Begin by identifying what the method is.
This investment generates new scientific and technical knowledge, discoveries and technologies — the raw material for new and improved products and processes (innovation).	Establish the first causal link: R&D → new ideas.
It also lowers the cost and risk of innovating, so more businesses are willing to develop these ideas rather than leaving them untried.	Add the second mechanism: reduced risk → more innovation.
∴ by generating new knowledge and reducing the risk of innovating, government R&D investment makes innovation more common and more highly valued — strengthening the culture.	State the causal conclusion.

Example 2 — scaffolded

A local council introduces a grant of \$10 000 for residents who start a new business in the shire. Explain how this could encourage new-business formation.

Working	Comment
A council grant is a sum of money (usually not repaid) given to help a person start a business in the local area.	Identify the method and its key feature (non-repayable funding).
Starting a business requires capital for equipment, premises and marketing, and carries financial risk — a barrier that stops some people acting on an idea.	Establish the barrier the method addresses.
The \$10 000 grant reduces this financial barrier and risk, making it feasible for more aspiring entrepreneurs to actually establish a business.	Link the method to the effect: lower barrier → more start-ups.
∴ by lowering the cost and risk of starting up, the grant encourages more residents to form new businesses.	Conclude with the causal chain.

Example 3 — unscaffolded

Distinguish between innovation and entrepreneurship.

Innovation is the process of creating and applying a new or significantly improved product, service, process or business method so that it creates value; it is fundamentally about **newness and improvement** — generating and putting into practice something better or something not done before. **Entrepreneurship**, by contrast, is the process by which an individual identifies a business opportunity and takes the initiative and the calculated **risk** of organising resources to establish and operate a business to pursue it; it is fundamentally about **starting and running a venture**

and bearing its risk. The two are related — entrepreneurs often commercialise innovations — but they differ in focus: innovation concerns the *idea and its improvement*, whereas entrepreneurship concerns the *action of founding and running the business*. ∴ innovation can occur without a new business being formed, and a new business can be formed without any genuine innovation.

Example 4 — unscaffolded

A commentator claims, “School-based entrepreneurship programs are a waste of time because students are too young to start real businesses.” Evaluate this statement.

The statement contains a grain of truth but is **largely mistaken**. It is true that most school students will not immediately establish a lasting business, so the programs rarely produce start-ups in the **short term**. **However**, the claim judges them against the wrong outcome. Their purpose is not to launch businesses while students are still at school, but to shape the **attitudes and capabilities** of a future generation, so the effect appears years later and across a whole cohort rather than in this year’s start-up figures. Judged that way, they do work that no other method can: a grant or a hub helps someone who **already** wants to found a business, whereas education can increase the number of people who want to and believe they can. The programs’ weaknesses — a delayed and hard-to-measure payoff, dependence on well-trained teachers, and the fact that they remove none of the financial barriers a new business faces — are real, but they are limits on the method, not evidence that it is worthless. ∴ judged against their actual long-term purpose, school-based entrepreneurship programs are a valuable method of fostering the culture, not a waste of time; the commentator errs by measuring them against an immediate outcome they were never intended to produce.

Practice questions

Scaffolded

- Q1.** Define the term *entrepreneurship*.
- Q2.** List **four** methods by which a culture of business innovation and entrepreneurship may be fostered in a nation.
- Q3.** For each of the following, name the method being described: (a) a local government provides money to help residents set up new businesses in the area; (b) students learn how to develop and run a business venture as part of their schooling; (c) the national government funds scientific research that businesses can turn into new products.
- Q4.** Explain what is meant by a *culture of business innovation and entrepreneurship* within a nation.
- Q5.** A regional business start-up hub opens in a country town. (a) Identify **one** resource such a hub could provide to a new business. (b) Explain how this resource could help a new business form or survive.
- Q6.** Explain the difference between **innovation** and **entrepreneurship**.

Unscaffolded

- Q7.** Describe the method of **government investment in research and development**. (2 marks)
- Q8.** Distinguish between **school-based educational programs in entrepreneurship** and **the creation of regional business start-up hubs** as methods of fostering a culture of innovation and entrepreneurship. (4 marks)
- Q9.** Explain how the **creation of regional business start-up hubs** can encourage new-business formation. (4 marks)
- Q10.** Explain how **school-based educational programs in entrepreneurship** can help foster a culture of entrepreneurship in a nation. (3 marks)
- Q11.** Compare **government investment in research and development** with **council grants for new businesses** as methods of fostering a culture of innovation and entrepreneurship. (4 marks)
- Q12.** “Council grants for new businesses are the most effective way for a government to foster entrepreneurship.” Discuss. (6 marks)
- Q13.** Analyse how **government investment in research and development** can lead to the formation of new businesses. (4 marks)

Q14. Case study. **Kalbrook** is a country town whose largest employer, a timber mill, closed last year. In response, the **Kalbrook Shire Council** launched a \$5000 “New Venture Grant” for residents who start a business in the town, and partnered with the state government to open the **Redgum Start-up Hub** in the old mill building — a shared workspace offering desks, equipment, weekly mentoring and networking events. Within a year, twelve new businesses had opened in Kalbrook. (a) Identify **one** method of fostering a culture of innovation and entrepreneurship used in Kalbrook. (1 mark) (b) Explain how the **Redgum Start-up Hub** could encourage new-business formation in Kalbrook. (3 marks) (c) Analyse how the **combination** of the grant and the hub could help rebuild a culture of entrepreneurship in Kalbrook. (4 marks)

Q15. Justify the decision to locate a business start-up hub in a **regional** town rather than in a capital city. (4 marks)

Q16. Propose and justify **one** method a national government could use to foster a culture of innovation and entrepreneurship among **young people**. (4 marks)

Q17. Evaluate the use of **government investment in research and development** as a method of fostering a culture of innovation and entrepreneurship in a nation. (6 marks)

Q18. A councillor argues that offering small grants to new businesses is “just giving money away.” Explain why the councillor may be mistaken, and recommend **one** condition the council could attach to its grants to improve their effectiveness. (4 marks)

Q19. Extended response. A nation’s prosperity depends in part on how well it fosters a culture of business innovation and entrepreneurship. Analyse how methods such as government investment in research and development, council grants for new businesses, school-based educational programs in entrepreneurship and the creation of regional business start-up hubs can foster such a culture, and evaluate the view that no single method is sufficient on its own. (10 marks)

Q20. Contemporary example. In August 2023 **CSL** opened a new global headquarters and research and development centre in Melbourne’s Parkville biomedical precinct, setting aside two levels as a **bioincubator** with office and laboratory space for up to 40 biotechnology start-ups. Analyse how a facility of this kind could foster a culture of innovation and entrepreneurship. (5 marks)

Answers

Q1. The process by which an individual identifies a business opportunity and takes the initiative and calculated risk of organising resources to establish and operate a business to pursue it. **Q2.** Any four: government investment in research and development; council grants for new businesses; school-based educational programs in entrepreneurship; the creation of regional business start-up hubs. **Q3.** (a) council grants for new businesses; (b) school-based educational programs in entrepreneurship; (c) government investment in research and development. **Q4.** The shared values, attitudes and conditions in a nation that encourage individuals and businesses to generate new ideas (innovation) and to establish and grow new ventures (entrepreneurship). **Q5.** (a) e.g. affordable premises/desks, shared equipment, mentoring, advice, or networking. (b) It provides support/infrastructure the start-up could not afford alone, lowering the barrier to establishing and surviving. **Q6.** Innovation = creating and applying a new or improved idea (newness/improvement); entrepreneurship = starting and running a venture and bearing its risk. See solutions. **Q7.** Government spending on R&D (funding universities/research agencies, grants, tax incentives) to generate new knowledge businesses can use. See solutions. **Q8.** School programs work through *education* — building the skills and mindset of students who are not yet in business; hubs work through *support and infrastructure* — premises, equipment, mentoring and networks for people establishing a business now. See solutions. **Q9.** Hubs supply premises, equipment, mentoring and networks start-ups cannot afford alone → lower barriers → more businesses form. See solutions. **Q10.** Students run a small venture at low stakes → practical competence and entrepreneurial habits → starting a business later feels achievable → each cohort lifts the share of adults willing and equipped to found one. See solutions. **Q11.** Similarity: both government-funded methods that lower cost/risk and encourage the culture. Difference: R&D chiefly seeds innovation/new knowledge; grants chiefly fund and trigger new-business formation. See solutions. **Q12.** Discuss — strengths (directly lowers financial barrier/risk) and weaknesses (small, one-off, does not build skills or ideas; other methods matter). See solutions. **Q13.** Causal chain: R&D → new knowledge/technology + skilled researchers → opportunities entrepreneurs commercialise → new businesses. See solutions. **Q14.** (a) council grants for new businesses (or the creation of a regional start-up hub). (b) Hub supplies premises/equipment/mentoring/networks → lowers barriers → more start-ups form. (c) Grant lowers cost/risk while hub supplies support and a place to cluster → together rebuild confidence, activity and shared attitudes. See solutions. **Q15.** Justify — spreads activity/jobs beyond cities, uses cheaper premises, builds a regional cluster and confidence, retains local talent. See solutions. **Q16.** Propose one method (e.g. school-based programs) + argue why it suits young people. See solutions. **Q17.** Evaluate — generates new knowledge and lowers the cost/risk of innovating vs very expensive, slow and uncertain, and creates no businesses or entrepreneurial skills directly; judgement. See solutions. **Q18.** Explain grants lower start-up cost/risk (not “wasted”); recommend a condition (e.g. matched funding, a business plan, local trading, milestones). See solutions. **Q19.** Model response in solutions. **Q20.** Causal chain: shared premises, laboratories and equipment → lower cost/risk of starting up → more start-ups form and survive; clustering founders with researchers → knowledge spill-overs → innovation and commercialisation; visible commitment signals enterprise is valued and achievable. See solutions.

Fully-worked solutions

Q6. Innovation is the process of creating and applying a **new or significantly improved** product, service, process or business method so that it creates value — it is about *newness and improvement*. **Entrepreneurship** is the process of identifying a business opportunity and taking the initiative and the calculated **risk** of organising resources to **establish and operate** a business to pursue it — it is about *starting and running a venture*. The two are related because entrepreneurs often commercialise innovations, but they differ in focus: innovation concerns the *idea*, whereas entrepreneurship concerns the *action of founding and running the business*.

Q7. Government investment in research and development is spending by national and state governments on research aimed at creating new knowledge and applying it — for example, funding universities and public research agencies, providing research grants, and offering tax incentives that reward businesses for their own R&D. The purpose is to generate the new discoveries and technologies from which new and improved products and processes can be developed.

Q8. (Distinguish — the difference must be stated explicitly, not left to two separate descriptions.) School-based educational programs in entrepreneurship foster the culture through **education**: students are taught to generate ideas, develop a business concept and run a small venture, which builds the entrepreneurial skills, confidence and attitudes of people who are **not yet in business**. **The creation of regional business start-up hubs** fosters the culture

through **shared support and infrastructure**: affordable premises, equipment, mentoring and networking are supplied to people who are **establishing a business now**. The methods therefore differ in **whom they act on and when they take effect** — school programs work on future founders and pay off only years later, whereas a hub works on current founders and affects new-business formation immediately — and in **what each supplies**: programs supply skills and attitudes, while hubs supply physical resources and contacts.

Q9. The creation of regional business start-up hubs encourages new-business formation because a hub provides the **support and infrastructure** that start-ups need but often cannot afford on their own. By offering **affordable premises, shared equipment, mentoring, advice and networking** in one place, a hub lowers the **cost and risk** of establishing a business, so more aspiring entrepreneurs are able to start and to survive their difficult early stages. In addition, concentrating new businesses together allows them to **share ideas and contacts**, which further improves their chances of success. Because the barriers to starting and staying open are reduced, more new businesses are formed.

Q10. School-based educational programs in entrepreneurship foster the culture through a **long-term chain of effects**. Within the program students **do** entrepreneurship rather than read about it — they generate ideas, test a business concept, and plan and run a small venture — and in doing so they acquire **practical competence** (how an idea becomes an offering, how customers and money behave) together with the **habits** the activity demands: acting on initiative, judging a risk before taking it, and recovering when a venture fails. Because they have already done it once at low stakes, founding a business later reads to them as **familiar and achievable** rather than exotic or reckless. As successive cohorts leave school carrying that competence and expectation, the proportion of adults who are **willing and equipped** to start a venture rises, and enterprise comes to be seen as a normal career path — which is what a culture of entrepreneurship consists of.

Q11. (*Compare — both a similarity and a difference are required.*) A **similarity** is that both are **government-funded methods** that foster the culture by **reducing the cost and risk** faced by those pursuing new ideas or new ventures, and both signal that the nation values innovation and enterprise. A **difference** lies in **what each mainly encourages and how**: government investment in R&D chiefly fosters **innovation**, by funding the research that generates **new knowledge and technologies** (an indirect, longer-term effect that entrepreneurs may later commercialise); council grants chiefly foster **new-business formation**, by giving **money directly to individuals** to help them start up now (a direct, immediate effect on the number of start-ups). In short, R&D investment seeds the *ideas*, while council grants fund the *founding of businesses*.

Q12. (*Discuss — advantages and disadvantages; no judgement required; avoid double-dipping.*) Council grants for new businesses have real **strengths** as a way to foster entrepreneurship. They provide money directly to would-be founders, **reducing the financial barrier and risk** of starting up, so more people can act on a business idea; they can be **targeted** at a local area or priority group; and, being visible, they **build confidence** and signal community support, encouraging still more residents to try. However, grants also have **weaknesses**. They are usually **small and one-off**, so they help a business start but do little to help it grow or survive; they address only the **financial** barrier and do nothing to build the **skills, ideas or knowledge** that innovation requires; there is a risk that money is given to ventures that would have started anyway, or that fail quickly; and councils have limited budgets, so only a few applicants benefit. Other methods — such as R&D investment, school programs and start-up hubs — address barriers that grants leave untouched. Grants are therefore a useful but **partial** tool: powerful at lowering the cost of *starting up*, but limited in fostering the broader culture on their own.

Q13. (*Analyse — show the causal chain, not a list of pros and cons.*) Government investment in R&D can lead to new-business formation through a chain of effects. First, the investment **funds research** in universities, public agencies and businesses, which **generates new knowledge, discoveries and technologies**. These discoveries **create business opportunities** — new products or processes that did not previously exist or were not previously viable. Entrepreneurs can then **commercialise** these opportunities, founding new businesses to bring the innovations to market; some of these ventures are “spin-offs” started by the very researchers the funding trained. At the same time, the investment **lowers the cost and risk** of building on this knowledge, making it more attractive for people to start a business around it. Thus government R&D investment does not create businesses directly; rather, it **produces the knowledge and skilled people** that entrepreneurs turn into new ventures, so a rise in R&D investment tends to increase the flow of new businesses over time.

Q14. (a) **Council grants for new businesses** (the \$5000 New Venture Grant). (*Also acceptable: the creation of a regional business start-up hub — the Redgum Start-up Hub.*) (b) The **Redgum Start-up Hub** could encourage new-

business formation in Kalbrook because it provides the **support and infrastructure** that a start-up needs but cannot easily afford alone. Its shared **desks, equipment, weekly mentoring and networking events** lower the **cost and risk** of getting a business off the ground and give founders the advice and contacts to survive their early stages, so more Kalbrook residents are able to establish and sustain a business. (c) (*Analyse — the combined causal effect.*) The **combination** of the grant and the hub works on **two different barriers at once**, which is why it can rebuild a culture of entrepreneurship. The \$5000 grant reduces the **financial** barrier and risk, so residents who lost work when the mill closed can afford to *start*; the hub then reduces the **support and knowledge** barrier, giving those new businesses premises, equipment, mentoring and a network so they can *survive and grow*. Because the two measures reinforce each other — funding the launch *and* supporting what follows — twelve new businesses have already opened, and this visible cluster of activity **builds confidence** and shows other residents that starting a business in Kalbrook is achievable. Over time this shared attitude and concentration of enterprise is what re-establishes a culture of entrepreneurship in the town.

Q15. (*Justify — argue why, with reasoning.*) Locating a start-up hub in a **regional** town rather than a capital city can be justified on several grounds. First, it **spreads entrepreneurial activity and its benefits** — new businesses and jobs — beyond the major cities, which is especially valuable where a regional area has lost a large employer and needs new sources of work. Second, **premises and operating costs are usually lower** in regional areas, so the same funding supports more businesses. Third, a regional hub **concentrates the town's aspiring founders in one place**, building a local cluster and network where ideas and support are shared, which strengthens the regional **culture** of entrepreneurship and **retains local talent** that might otherwise move away. While a capital-city hub might attract more founders in absolute terms, the regional hub delivers benefits **where they are most needed and least likely to occur without help**. ∴ locating the hub regionally is justified because it broadens participation, uses resources efficiently and rebuilds enterprise in a community that needs it.

Q16. (*Propose and justify — do more than name the method; argue why it suits young people.*) One suitable method is **school-based educational programs in entrepreneurship**, in which students learn to generate ideas, develop a business concept and plan and run a small venture. This method is well-suited to fostering the culture **among young people** because it reaches them at the age when **skills, attitudes and career expectations are still forming**; it builds the creativity, initiative, calculated risk-taking and resilience that entrepreneurship requires, and it **normalises** starting a business as a valued and achievable path before young people commit to other directions. By equipping and motivating a whole cohort, it creates a **long-term pipeline** of future founders and innovators. ∴ school-based programs are an appropriate method because they shape the mindset and skills of young people early, producing a lasting increase in entrepreneurial participation rather than a one-off effect.

Q17. (*Evaluate — advantages and disadvantages plus an evidence-based judgement.*) Government investment in research and development has powerful **advantages** as a method of fostering the culture. It produces the **scientific and technical knowledge** on which new and improved products and processes depend, and that knowledge **spreads widely** — once a discovery is published or applied, many businesses can build on it, so the benefit reaches far beyond the project actually funded. By paying for research directly and by rewarding private research through **tax incentives**, it also **lowers the cost and risk** of innovating, so firms attempt work they would otherwise judge too expensive or too uncertain; and it trains **skilled researchers** whose expertise is available to industry. Sustained public funding further signals that the nation **values innovation**, which is itself part of the culture. The **disadvantages**, however, are substantial. R&D funding is **very expensive** and competes with hospitals, schools and roads for the same tax revenue, so it carries a real **opportunity cost**. Its payoff is **slow and uncertain**: much research yields no commercial application at all, and results that do can take a decade to reach the market, which makes the spending hard to defend politically. Most importantly, it **does not create businesses**: it supplies knowledge, not founders, and leaves the finance, premises and entrepreneurial skills a start-up needs untouched — so without commercialisation support the discoveries may be exploited by large or overseas firms rather than by new local ventures. ∴ on balance, government R&D investment is a **necessary but incomplete** method: it is the strongest available way to generate the innovation half of the culture, but because it acts on ideas rather than on entrepreneurs it is worth the expense only when paired with methods — such as grants, hubs and school programs — that help people turn those ideas into businesses.

Q18. (*Explain the misconception, then recommend an improvement.*) The councillor may be mistaken because a grant is **not simply “giving money away”**: it addresses a genuine barrier to entrepreneurship. Starting a business requires capital and carries financial risk, and this stops some capable residents from acting on a viable idea. By reducing that **financial barrier and risk**, the grant makes it feasible for more people to **establish new businesses**, which can create local jobs, spending and a stronger enterprise culture — a return to the community rather than a mere handout. To

improve the grants' **effectiveness**, the council could attach a **condition** — for example, requiring applicants to submit a **basic business plan** (or to provide **matched funding** of their own) before receiving the grant. This would direct the money towards **serious, better-prepared ventures** that are more likely to succeed, reducing the chance of funding businesses that would fail quickly or would have started anyway, and so making each dollar of grant more likely to produce a lasting new business.

Q19. Model response (10 marks). Fostering a **culture of business innovation and entrepreneurship** — the shared values, attitudes and conditions that encourage people to generate new ideas and to establish new ventures — matters because it produces the start-ups, new products and processes on which a nation's employment, productivity and growth partly depend. Several methods can foster this culture, each working through a different **causal lever**. **Government investment in research and development** funds universities, research agencies and business R&D, generating the new **knowledge and technologies** from which innovations are developed and lowering the cost and risk of innovating; the discoveries and skilled researchers it produces become opportunities that entrepreneurs **commercialise** into new businesses. **Council grants for new businesses** give money directly to would-be founders, **reducing the financial barrier and risk** of starting up so that more people can act on an idea, and signalling visible support that builds confidence. **School-based educational programs in entrepreneurship** build the **skills, confidence and mindset** of young people and normalise enterprise, creating a long-term **pipeline** of future innovators and founders. **Regional business start-up hubs** supply the **premises, equipment, mentoring and networks** that start-ups cannot afford alone, and by clustering entrepreneurs they encourage the sharing of ideas and spread the culture beyond the major cities. Each method therefore fosters the culture through a distinct mechanism: *generating ideas, funding the launch, building skills and attitudes, and providing support and networks*.

The view that **no single method is sufficient on its own** is well supported. Each method has real **strengths** but leaves important gaps: R&D investment seeds ideas but does little to help someone actually start a business; grants fund a launch but not the skills, ideas or ongoing support a venture needs; school programs build attitudes but pay off only years later and remove no financial barrier; and hubs support founders but cannot create the aspiration or finance to become one. The barriers to innovation and entrepreneurship — **finance, skills, knowledge, support and attitudes** — are different in kind, and no one method addresses them all. The methods are also **most powerful in combination**: R&D generates opportunities, schools produce founders motivated to pursue them, grants fund the launch, and hubs help the new businesses survive — as reinforcing parts of a system rather than as substitutes. ∴ the evidence strongly supports the view that no single method is sufficient alone; a genuine culture of innovation and entrepreneurship is best fostered by a **coordinated mix** of methods, acting across national, local and school levels, that together remove the full range of barriers people face. *(Full marks require: an accurate account of the culture; analysis of how at least the named methods foster it through causal mechanisms; and a sustained, two-sided evaluation reaching a justified judgement about the “no single method” claim.)*

Q20. (Analyse — trace the causal chain from the facility to the culture.) A bioincubator of this kind fosters the culture in the way a **start-up hub** does. First, it supplies the **support and infrastructure** that early-stage ventures need but cannot afford alone — premises, laboratory space and equipment — and in biotechnology that barrier is unusually high, because laboratory research demands expensive facilities long before any product earns revenue. Removing it **lowers the cost and risk** of establishing a business, so more founders are able to start and to survive their difficult early stages, and **new-business formation** rises. Second, placing up to 40 start-ups together in a building that also houses a large company's own research, in a precinct shared with universities and hospitals, concentrates people working on related problems in one place; ideas, advice and contacts are shared, producing the knowledge “spillovers” from which new and improved products and processes emerge, so the facility fosters **innovation** as well as new ventures. Third, a visible commitment of floor space and funding signals that enterprise is **valued and achievable**, building the confidence of others considering the same path. ∴ by lowering barriers, clustering knowledge and signalling support, such a facility strengthens both halves of the culture — though, unlike a **regional hub**, it concentrates activity in a capital city and serves a single industry.

Topic 1 Test A — Section A: short-answer and extended-answer questions

Reading time: 5 minutes. Writing time: 55 minutes. Total 40 marks. No calculator. Answer all questions in the spaces provided. Cumulative over Chapters 1–3.

Question 1 (8 marks)

Ferndock Ferments is a small-batch fermented-foods business in Melbourne’s north. Its founder, Imogen Mahon, left a salaried position as a food technologist at a large dairy company and invested \$60 000 of her own savings to start it, saying she wanted “to decide for myself what goes in the jar”. Her first two production runs failed shelf-life testing, and she spent eighteen months reformulating the products before they were ready to sell.

- a. Define the term *entrepreneurship*. 2 marks
- b. Distinguish between the desire for financial independence and the desire for personal independence as motivations for starting a business. 3 marks
- c. Explain one characteristic of a successful business entrepreneur that Imogen has displayed, and how it could contribute to the success of Ferndock Ferments. 3 marks

Question 2 (8 marks)

When compact underwater inspection drones fell in price to a level a one-person business could afford, Tobias Delaney started Kelpwright Marine, which inspects boat hulls, moorings and jetty piles for marina operators along the Victorian coast — work that previously required a commercial dive team. He has begun receiving enquiries from marina operators in New Zealand.

- a. Identify two sources of business opportunity, other than technological development. 2 marks
- b. Describe how technological development gave rise to the business opportunity Tobias has pursued. 3 marks
- c. Explain how pursuing global markets could give rise to a further business opportunity for Kelpwright Marine. 3 marks

Question 3 (6 marks)

Chalkstone Climb is a proposed indoor climbing gym for the regional Victorian city of Shepparton. Its founder, Elke Hollis, has \$85 000 in savings and is about to commit all of it to a lease and a fit-out. Her only written goal is “to be the busiest gym in town”.

- a. Identify two SMART criteria that Elke’s goal fails to meet. 2 marks
- b. Explain why Elke should conduct an initial feasibility study before committing her savings. 4 marks

Question 4 (8 marks)

Thornlake is a regional Victorian town of 4200 people. Its largest employer, a timber-treatment plant employing 140 workers, closed last year. Thornlake Secondary College has since introduced a program in which every Year 10 student develops a business concept and runs a small venture for a term.

- a. Outline one way in which the closure of the timber-treatment plant would reduce the economic wellbeing of the nation. 2 marks
- b. Discuss the use of school-based educational programs in entrepreneurship as a method of fostering a culture of business innovation and entrepreneurship in a nation. 6 marks

Question 5 (10 marks)

“A gap in the market is not a business.”

Analyse the relationship between business opportunities and business concept development. In your response, refer to:

- how a recognised business opportunity provides the starting point for concept development;

- how business concept development shapes that opportunity into a defined business concept, and how the relationship can also run in the opposite direction;
- at least one contemporary business case study (a business studied within the last four years).

End of Topic 1 Test A

Topic 1 Test A — Solutions

Question 1.

a. (Define, 2 marks.) Entrepreneurship is the process of **identifying a business opportunity** and **taking on the risk** of starting and/or growing a business to pursue it. (Two accurate elements required: recognising an opportunity, plus acting on it and bearing the risk of doing so. An answer that names only the opportunity, or that defines an entrepreneur circularly as “a person who is entrepreneurial”, caps at 1 mark.)

b. (Distinguish, 3 marks.) The desire for **financial independence** is the wish to **control one’s own income and financial future** rather than depending on an employer’s wage — the founder seeks security and self-reliance over their own money. The desire for **personal independence** is the wish to be **one’s own boss**, with autonomy and control over what work is done, how and when. The difference is that financial independence concerns **money and income security**, whereas personal independence concerns **autonomy and control**; a founder may want personal independence strongly enough to start a business even though they earn *less* than they did as an employee. (Both motivations must be addressed and the difference drawn explicitly; two separate definitions with no stated difference cap at 2.)

c. (Explain, 3 marks.) Imogen displayed **resilience** — the capacity to persist through, and recover from, setbacks and failure. Her first two production runs **failed shelf-life testing**, yet she spent **eighteen months reformulating** rather than abandoning the idea. This contributes to success because a new business almost always meets early failures, and resilience keeps the founder working long enough for the product to be corrected and brought to market; without it Ferndock Ferments would never have had a saleable product at all. (Acceptable alternatives: **risk-taking** — leaving a salaried job and investing \$60 000 of her own savings; or **innovation and creativity** — reformulating the products. Full marks require the named characteristic, evidence from the stem, and a causal link to a business outcome, not a label alone.)

Question 2.

a. (Identify, 2 marks.) Any two of: innovation; recognising and taking advantage of market opportunities; changing customer needs; research and development; global markets. (1 mark each; naming only is sufficient. “Technological development” earns no mark, as the question excludes it.)

b. (Describe, 3 marks.) A **technological development** is an advance in equipment, materials, software or processes that creates new ways of producing or delivering goods and services. Here the advance was **compact underwater inspection drones becoming affordable** to a one-person business. This gave rise to the opportunity because hull, mooring and jetty-pile inspection previously **required a commercial dive team**, making it slow and expensive; the drone makes the same service possible at a cost a sole operator can charge, so a business that could not previously have existed became viable for Tobias to start. (3 marks: the technology identified, what it now enables, and why that creates the opportunity.)

c. (Explain, 3 marks.) **Global markets** are the worldwide pool of customers and suppliers beyond the domestic economy. Tobias could act on the **New Zealand enquiries** and begin supplying marina operators overseas. This creates a further opportunity because it gives Kelpwright Marine access to a **far larger pool of customers** than the Victorian coast alone, so the business can win more work and revenue than the domestic ceiling allows — and because the enquiries have come to him unprompted, the demand is already **demonstrated** rather than assumed. (Full marks require the causal “how” — a wider customer base producing sales the domestic market cannot — linked to the stem, not merely “he could sell overseas”.)

Question 3.

a. (Identify, 2 marks.) Any two of: **Specific** (it does not state what “busiest” means or in what terms it would be judged); **Measurable** (there is no figure, number of visits or percentage to track); **Time-bound** (there is no deadline by which it is to be achieved). (1 mark each.)

b. (Explain, 4 marks.) An initial feasibility study is an **early assessment of whether a business concept is viable, practical and likely to be profitable**, made **before** significant resources are committed. Elke should conduct one because she is about to commit her **entire \$85 000 in savings** to a lease and fit-out, so the cost of being wrong is severe and largely irreversible. The study would test **market feasibility** (whether Shepparton has enough climbers to

fill the gym), **financial feasibility** (whether membership revenue would exceed the lease, fit-out and staffing costs, and whether \$85 000 is even sufficient), **operational feasibility** (whether premises with adequate ceiling height and qualified instructors can be obtained) and **legal feasibility** (safety, insurance and planning requirements). If the concept proves unviable she can **modify or abandon it while it still costs only time**, and if it proves sound she can proceed with confidence and stronger evidence for a lender. (4 marks: what the study is, the dimensions it examines applied to Chalkstone Climb, and the go / no-go payoff. A generic “it reduces risk” with no application caps at 2.)

Question 4.

a. (Outline, 2 marks.) The plant’s closure removes **employment and the incomes it paid**: 140 workers lose their wages, so those households have less to spend, demand and output at other businesses fall, and the **income tax and company tax** the plant and its workers generated is lost to government. (An accepted alternative is the loss of the **production** the plant added to national output and GDP. 2 marks: one economic contribution named plus the effect of removing it; naming a contribution with no effect caps at 1.)

b. (Discuss, 6 marks.) School-based educational programs in entrepreneurship teach students to generate ideas, develop a business concept and plan and run a small venture, as Thornlake Secondary College’s Year 10 program does.

Strengths: the programs build the **skills, confidence and mindset** entrepreneurship requires — creativity, initiative, calculated risk-taking and resilience — by having students actually do it at low stakes rather than read about it. They **normalise enterprise** as a valued and achievable career path before young people commit to other directions, and because they reach an entire cohort they can **increase the number of people who want to found a business**, which no other method does: a grant or a start-up hub only assists someone who already intends to start one. Over successive cohorts this creates a **long-term pipeline** of founders and innovators.

Weaknesses: the payoff is **delayed by many years and very hard to measure**, which makes the spending difficult to justify against methods with immediate results. The programs depend on **well-trained teachers and scarce curriculum time**, and they remove **none of the financial barriers** — finance, premises, equipment — that a real new business actually faces, so a motivated graduate may still be unable to start. Most students will not found a business at all, so much of the investment produces no venture.

(Discuss requires strengths AND weaknesses; an overall judgement is not required. Do not “double-dip” by reversing a single point to serve as both sides. 6 marks: several developed points on each side, with the mechanism explained rather than asserted.)

Question 5. (Analyse, 10 marks — model response.)

A **business opportunity** is a favourable gap or set of circumstances — an unmet customer need, a shift in the market, a new technology — that makes it possible to offer a product or service at a profit or to meet a social need. By itself it is only **potential**: it says that *something* could work here, not what that something is. **Business concept development** is the process of shaping that opportunity into a defined **business concept**, which states **what** the business will offer (and its value proposition), **who** its target customers are, and **how** it will operate and earn revenue. The relationship between the two is causal, sequential and — importantly — two-way.

First, the opportunity is the **starting point**. Concept development cannot begin until an opportunity has been recognised, because the opportunity supplies both the raw material and the direction. Opportunities themselves arise from identifiable **sources** — innovation, recognising a market gap, changing customer needs, research and development, technological development and global markets — and it is the recognition of one of these that **triggers** development. Concept development with no underlying opportunity has nothing worthwhile to shape; an entrepreneur who defines a detailed offering that answers no real gap has produced a concept nobody wants.

Second, development **acts on** the opportunity to give it form and viability. It interrogates the gap — who exactly feels this need, what would they actually pay for, how could it be delivered at a profit — and those answers harden a vague possibility into a defined offer with a **value proposition**, a reason for a customer to choose this business over whatever they do now. Because a gap prescribes no particular solution, the **same opportunity can support several quite different concepts**: a suburb of time-poor pet owners with no local dog-walking service could become a one-person walking round, an app matching owners with nearby walkers, or a doggy day-care centre. Selecting and

defining one of them is itself part of concept development. An opportunity without development therefore remains an untested idea that cannot be pursued, financed or explained to anyone.

Third, the relationship **runs in both directions**. If working out the detail shows that the numbers do not add up, the target group is too small or the offering cannot be delivered, the entrepreneur loops back and **re-reads the opportunity** — narrowing the customer group, changing the offering, or concluding that the gap is not commercially real. Gap and concept are thus refined against each other until a workable idea emerges. The causal effect on the venture is that the **quality of the concept determines what the opportunity is worth**: a sharply defined concept gives the start-up focus for every later decision about resources, location and finance, lets a fatal weakness surface while it still costs only time to fix, and gives lenders and first employees something convincing to back. ∴ opportunity and concept development are **interdependent** — the opportunity supplies the direction and the raw potential, development supplies the definition and the viability, and each is worthless to a new business without the other.

(Contemporary case study: a full-mark response applies this relationship directly to at least one business studied within the last four years — for example a founder who recognised a clear market gap and then had to reshape the offering and target customer once development exposed that the original version could not be delivered profitably. Any appropriate, correctly-applied contemporary business earns the application marks.)

(Mark guidance: full marks require accurate definitions of both terms; a genuinely two-way causal analysis — opportunity → concept and concept → reconsidered opportunity — including the point that one opportunity can yield several concepts; sustained links to a contemporary business; and a clear concluding statement. Analyse = show relationships and causal effects; a strengths-and-weaknesses treatment, or a list of the six sources of opportunity, caps the response.)

Topic 1 Test B — Case study

Reading time: 5 minutes. Writing time: 40 minutes. Total 30 marks. Answers must apply to the case study.

Case study

Quarrion Machinery Repairs services and rebuilds harvesters, tractors and seeding equipment for farms around Corrandine, a cropping town of about 900 people in Victoria's Wimmera. Petra Nardone started the business eleven years ago, straight out of her diesel-mechanic apprenticeship, working alone from a fitted-out ute and repairing machines in farmers' paddocks. She began it because growers in the district were waiting up to three weeks for a mechanic to drive out from Horsham during harvest, and a header that stands idle that long can cost a farm tens of thousands of dollars in downgraded grain. "Every paddock I drove into, someone had been ringing around for a fortnight," she says. She turned down the qualified position her employer offered her at the end of that apprenticeship because, as she puts it, "the money is in the call-out, not the wage": she expected the business to earn her more than a mechanic's wage, and she still judges it that way — Quarrion carries a large equipment loan, and a workshop that returns no profit, she says, "cannot pay a wage, let alone replace a hoist".

In her fourth year Petra moved off the ute into a workshop on the edge of Corrandine. Corrandine Shire Council contributed a \$15 000 Small Business Establishment Grant towards the concrete floor and three-phase power; the remaining \$310 000 came from a bank loan she is still repaying. The council is now considering opening the grant to any new business in the shire, not only to those in their first year.

Quarrion today employs 16 people, four of them apprentices, and pays about \$1.4 million in wages each year. Petra now spends most of her week running the workshop rather than working on machines: she books rebuilds and services through winter so that every machine is ready before sowing, rosters two mechanics on call through harvest, publishes the job schedule a fortnight ahead, and holds a fifteen-minute run-through each morning at which every mechanic is told which jobs are theirs and which parts have arrived. All four apprentices are local school leavers, and two of her qualified mechanics began as apprentices with her. The business sponsors the Corrandine football and netball club and runs a free machinery-safety morning each spring for farm workers under 25. It has advertised for a sixth qualified mechanic for eight months without filling the position.

Petra now wants to open a second workshop at Dunloe, 60 kilometres north, where the only mechanic shut his shed and retired eighteen months ago. The move would need a \$260 000 bank loan and a five-year lease. Her evidence is a published state-government report on Victorian cropping enterprises, which shows the state's harvester fleet ageing and the cost of machinery downtime rising, together with the fact that eleven Dunloe farms now truck their machines to Corrandine for repair. She is thinking about calling on the Dunloe growers to ask what work they would bring in, when they would need it and what they would pay, but has not done so. Asked whether she had assessed the move, she said: "The report and the eleven farms already coming to me prove it will work — I don't need a feasibility study."

Question 1 (4 marks)

Describe two personal motivations behind Petra Nardone's decision to start Quarrion Machinery Repairs, using evidence from the case study.

Question 2 (4 marks)

Distinguish between primary data and secondary data, referring to the market research Petra has used and the research she is considering.

Question 3 (4 marks)

Petra's role has shifted from working on machines to managing the workshop and its staff. Explain how one characteristic of a successful business manager that she displays helps Quarrion Machinery Repairs achieve its objectives.

Question 4 (6 marks)

Discuss Petra's claim that the evidence she already has proves the Dunloe workshop will work and that an initial feasibility study is unnecessary.

Question 5 (6 marks)

Analyse how Quarrion Machinery Repairs' activity contributes to the economic and social wellbeing of the Corrandine district.

Question 6 (6 marks)

Corrandine Shire Council is considering opening its Small Business Establishment Grant to any new business in the shire. Discuss the use of council grants for new businesses as a method of fostering a culture of business innovation and entrepreneurship in Corrandine.

End of Topic 1 Test B

Topic 1 Test B — Solutions

Question 1. *(Describe, 4 marks.)* Petra shows the desire **to fulfil a market need** — to supply a customer demand that is unmet or poorly met. The case shows this directly: growers around Corrandine were waiting **up to three weeks** for a mechanic to drive out from **Horsham** during harvest, when an idle header can cost a farm **tens of thousands of dollars in downgraded grain**, and “every paddock [she] drove into, someone had been ringing around for a fortnight” — a demand nobody in the district was serving, which Quarrior was started to supply. She also shows the desire **to make a profit** — to earn a financial return from the business greater than she could obtain otherwise. She **turned down the qualified position her employer offered her** at the end of her apprenticeship because “the money is in the call-out, not the wage”, expecting the business to out-earn a mechanic’s wage, and she still measures it that way: a workshop that returns no profit “cannot pay a wage, let alone replace a hoist”. *(2 marks per motivation: the motivation named and described, plus specific case evidence. Accept **financial independence** in place of the profit motive where it is correctly defined — controlling her own income rather than depending on an employer’s wage — and evidenced from the same material. Naming motivations without case evidence caps at 2.)*

Question 2. *(Distinguish, 4 marks.)* **Secondary data** is information that **already exists**, having been collected earlier by someone else for a **different purpose**, which the business then locates and uses — here the **published state-government report on Victorian cropping enterprises**, which Petra did not commission and which was written about the state’s machinery fleet, not about Dunloe or about her workshop. It is cheap and quick to obtain, but may be out of date, is too general for the decision she faces, and is equally available to anyone else considering the same move. **Primary data** is original, first-hand information a business **collects itself for its own specific purpose** — here the **calls on the Dunloe growers** Petra is considering, which would ask exactly what work they would bring in, when they would need it and what they would pay. It would be current, highly relevant and exclusive to Quarrior, but costs her time and money to gather. The two therefore differ in **who collects the data, when and for what purpose**: the report is pre-existing information gathered by others for another reason, whereas the grower interviews would be newly gathered first-hand for Petra’s own decision. *(Both types defined, each tied to the correct item in the case, and the difference stated explicitly. Accept the record that eleven Dunloe farms already use the workshop as further primary information Petra holds, provided the definition is correct. Two separate descriptions with no stated difference cap at 3.)*

Question 3. *(Explain, 4 marks.)* Petra displays **organisation** — the ability to arrange resources, tasks and time systematically so that work is completed on schedule. The case shows it in how she runs both the workshop’s year and its week: rebuilds and services are **booked through winter** so machines are ready **before sowing**, **two mechanics are rostered on call through harvest**, the **job schedule is published a fortnight ahead**, and a **fifteen-minute run-through each morning** tells every mechanic which jobs are theirs and which parts have arrived. This helps Quarrior achieve its objectives because what growers actually buy from it is **turnaround at the times a machine cannot be spared**: organising the year this way keeps its 16 staff, its workshop and its parts stock **working steadily instead of idle in winter and overwhelmed at harvest**, stops jobs stalling for want of a part or an unassigned mechanic, and so delivers the service the business built its customer base on — protecting the reputation that wins repeat work and the profit needed to service its loans. *(Accept instead **planning, communication, leadership, decision-making or interpersonal skills**, each defined and evidenced from the case — for example planning, from the seasonal work schedule, or communication, from the daily run-through — and linked to any reasonable objective of a business of this kind. The characteristic must be a **managerial** one: risk-taking, innovation and resilience are entrepreneurial characteristics and earn no marks here. 4 marks: the characteristic named and defined, specific case evidence, and a causal link to achieving an objective.)*

Question 4. *(Discuss, 6 marks.)* An **initial feasibility study** is the check a business runs **before it commits money it cannot easily recover** — testing whether a proposal can actually be delivered, and whether it will pay, while the answer can still change the decision.

In favour of Petra’s position: her evidence is **real, not guesswork**. The state-government report is legitimate **secondary data** that establishes genuine market context — an ageing harvester fleet and rising downtime costs point to growing demand for exactly the service she sells — and it was quick and cheap to obtain. More persuasively, **eleven Dunloe farms already truck their machines to Corrandine**, which is **demonstrated demand from the very town she is considering** rather than an assumption, and Dunloe has had **no mechanic of its own since the previous one retired eighteen months ago**, so no established local competitor stands in her way. She also brings **eleven years of trading and a working 16-person workshop** to the decision, not a paper idea.

Against it: the report describes a **state-wide trend** and says nothing about whether Dunloe's farms would supply enough work to keep a second workshop busy **between** harvests. The eleven farms cut both ways: they are **already her customers**, so a Dunloe workshop may **relocate work she already has** rather than add new work, while adding a second site's costs. Demand is in any case only one of the questions a commitment of this size turns on. A feasibility study would also test **financial feasibility** — whether the business can service a **\$260 000 loan** and a **five-year lease** on top of the loan it is still repaying — **operational feasibility**, Quarrior's most obvious weakness given that it has been unable to fill a **sixth qualified mechanic's position for eight months** and a second workshop cannot run without staff, and **legal feasibility**, such as planning approval and the safety and environmental requirements for handling fuels and waste oil at a new site. The **five-year lease** in particular makes the commitment expensive to reverse if the work does not appear.

(Discuss requires both sides, applied to Quarrior; an overall judgement is not required, though a concluding position that follows from the evidence adds value. Do not double-dip by reversing one point to serve as both sides. 6 marks: several developed points on each side, using the case as evidence rather than restating it.)

Question 5. *(Analyse, 6 marks.)* Quarrior Machinery Repairs feeds into Corrandine's wellbeing through two distinct chains of effect.

Economically, the business provides **employment and incomes**: it employs **16 people** and pays about **\$1.4 million in wages** each year, and in a town of about **900 people** that is a materially significant share of local income. Those households spend most of that income locally, which **raises demand at other Corrandine businesses**, prompting them to produce more and possibly hire — a flow-on effect that spreads the original wage payment well beyond Quarrior's own payroll. The repair service is itself **production** that adds to national output, and it protects the district's **farm** production as well: machinery repaired by a workshop in the district instead of after the three-week wait growers once faced means crops are sown and harvested on time and less grain is **downgraded**, so farm incomes and output hold up. The wages and profits generated also produce **income tax and other tax revenue** for government.

Socially, the business **meets community needs** through its ordinary trading, supplying a district whose farms depend on machinery with a repair service it previously did without. It **develops workforce skills**: all four apprentices are **local school leavers** and two qualified mechanics **began as her apprentices**, so the district gains trade skills that stay with those workers for their whole careers and would otherwise have been learnt elsewhere. It also **supports community causes** beyond its core operations, **sponsoring the football and netball club** and running a **free machinery-safety morning each spring** for farm workers under 25, which strengthens community life and reduces the risk of serious injury on local farms.

∴ the same business raises both dimensions at once but by different routes: it lifts the district's **material prosperity** through jobs, incomes, output and tax, and lifts the **quality of people's lives** through the skills it builds, the community activity it funds and the safety and reliability it brings to farm work. *(Analyse = trace the causal chains from the business's activity to each kind of wellbeing, using case evidence — not a list of things the business does. Both economic and social contributions must be covered for full marks.)*

Question 6. *(Discuss, 6 marks.)* A **council grant** is a sum of money, usually not repayable, given by local government to help a person start a business in the area — here Corrandine Shire Council's **\$15 000 Small Business Establishment Grant**, which the council is now considering opening to any new business in the shire.

Strengths: the grant reduces the **financial barrier and the financial risk** of starting up. It paid for the **concrete floor and three-phase power** — the fixed, unavoidable costs that stand between working out of a ute and operating a permanent workshop — so a resident with the skills but not the capital can act on an idea rather than abandon it. Being local, it can be **targeted at the shire**, keeping the resulting jobs and spending in Corrandine: Quarrior now employs **16 people** and pays **\$1.4 million** in wages there. Because it is visible, it also **signals community support and builds confidence**, and a cluster of newly funded ventures encourages further residents to try — which is how a shared attitude towards enterprise takes hold in a small town.

Weaknesses: grants of this size are **small and one-off**. Against the **\$310 000** Petra had to borrow for the rest of the workshop, \$15 000 was a marginal contribution to a business that was **already trading in its fourth year** — which illustrates the real risk that grant money goes to ventures that **would have proceeded anyway**, producing no additional business. The grant also addresses **only the financial barrier**: it does nothing to build the **skills, mentoring and networks** a founder needs, and nothing about the shortage of qualified tradespeople that is actually constraining

Quarrion now, with one position unfilled for **eight months**. A council's budget is limited, so **only a few applicants benefit**, and **widening the scheme to every new business** spreads the same money more thinly unless the budget grows with it.

(Discuss requires strengths AND weaknesses, applied to Corrandine; an overall judgement is not required. Do not double-dip by reversing one point to serve as both sides. 6 marks: several developed points on each side, with the case used as evidence rather than restated.)