business. For example, if a customer desired a variation to a product, a small, locally based business can make adjustments to meet local market conditions. The ability to respond in this way to market conditions enables small businesses to continue to operate and provide employment.

- Small businesses contribute to the competitive spirit of the economic life of a country by competing with larger organisations, thus preventing them from having a monopolistic position.

**Small business incubator**

The idea of the small business incubator is relatively new, but centres have been established to provide:

- essential business services
- consultancy and training
- a flexible working space for the new businesses.

The incubator is seen as a tool that can be used to bring about economic growth in industrialising developing nations. A major objective of the incubator is to encourage innovations and the incubator will then provide some resources and training for the small to medium-sized businesses. The incubator will provide space, shared office facilities, advisory services, skills development in small business management, assistance and speed in securing office space, and access to ‘seed money’ through a loan scheme.

Small businesses are often born out of cottage industries (see below) or other community self-help projects. Many are family businesses with limited capital. These businesses often find it difficult to obtain a loan from the established financial institutions that tend to focus their attention on the larger, well-established businesses. However, small businesses have an important role in the economy.

- They contribute to the economic life of the country by providing employment.
- They provide a service that is needed by the population, especially in small communities that are not easily serviced by the businesses in the towns and cities.
- Because of the size of the business, customers’ personal preferences are identified and met.

**Cottage industries**

A cottage industry is one of the extremes of small business. As the name suggests, cottage industries are carried on in the home, although increasingly they are to be found in community centres, parish halls or some other similar village facility. Frequently such businesses will involve handwork carried on at home but the term also applies to many other forms of employment, often where workers supplement their normal earnings in cottage industries after their day’s work is completed.

Cottage industries originated as ways of increasing income without leaving home. They also satisfy the psychological need to use one’s spare time productively. Today they are recognised as playing an essential part in the Caribbean economies.

People who have skills in handicrafts have for a long time successfully used free or relatively cheap local materials to produce a variety of goods,
particularly to meet the demands of the tourist trade. This not only provides income for the producers of such items but also makes sensible use of their spare time. In some examples it can also provide employment for others who provide raw materials or who sell the finished product on behalf of the makers.

Cottage industries have continued to survive in the Caribbean because those involved have diversified and increased the range and scope of their products. Products produced by cottage industries include: pastries, straw hats, garments, embroidery, basketry, jams and jellies, string arts, flower arrangements, as well as direct services such as tailoring, beauty culture, catering, knitting, smocking and crocheting.

Throughout the Caribbean region various governments have tried to encourage production in this manner. For example, Caribbean governments may arrange major exhibitions and competitions, provide skills training, assist in the marketing of products, and may even make factory space available.

Apart from the aforementioned reasons for the continued existence of cottage industries, they have other important contributions to make to the economy of their countries. During a time of high unemployment they provide income and independence for many people. We also have to remember that the money earned by those engaged in the cottage industries is eventually spent – thus providing work for others.

**Linkage industries**

In Chapter 1 we said that there are three types of productive industries:

- **Primary**: the industries concerned with the extraction of basic materials provided by nature (farming, fishing and mining).
- **Secondary**: the industries that change raw materials and partly produced goods into a finished product (manufacturing and construction).
- **Tertiary**: the service industries (such as transport or tourism).

The linkages between these aspects of production are important because they facilitate a series of relationships between the productive sectors mentioned above. These linkages are of crucial importance to Caribbean development. For example, agriculture is an important economic base in many of the territories and the linkage industries make an agricultural–industrial drive possible.

A linkage industry is one that is linked with another. It is sometimes called a 'screw-driver' industry or a 'spin-off' because it has come about as a result of some other development. For example, canning and preservation of foods are 'spin-offs' of agriculture (forward linkage); one industry is producing the raw material for another industry. Conversely, manufacturers of farm machinery will supply to agriculture (backward linkage).

The linkage industries are important in the Caribbean at both national and regional levels because they:

- provide increased employment and an improved standard of living
- assist regional self-sufficiency (reduced dependence on imported goods)
- reduce wastage of the country's resources
- increase opportunities for combined research and development
- encourage more skills in the labour force
- forge closer Caribbean links at the social, economic and political levels
- promote earnings of foreign exchange.
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- reduce wastage of the country’s resources
- increase opportunities for combined research and development
- encourage more skills in the labour force
- forge closer Caribbean links at the social, economic and political levels
- promote earnings of foreign exchange.
Table 12.3 Examples of industrial linkage in the Caribbean

<table>
<thead>
<tr>
<th>Industry</th>
<th>Products/Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude oil (refining)</td>
<td>Petroleum, plastics, asphalt</td>
</tr>
<tr>
<td>Sugar cane</td>
<td>Candy, rum</td>
</tr>
<tr>
<td>Fruit</td>
<td>Canning</td>
</tr>
<tr>
<td>Bamboo</td>
<td>Baskets</td>
</tr>
<tr>
<td>Asphalt</td>
<td>Road-building</td>
</tr>
<tr>
<td>Livestock</td>
<td>Hides, leather goods</td>
</tr>
</tbody>
</table>

**Benefits of local and regional linkages**

The Caribbean Community (CARICOM) has been established to encourage economic development in the region. The organisation has been seeking ways and means of achieving its objectives and one of these is to establish linkages in terms of economic activity within the region. The argument is that if nations are to do well economically, then linkages between industries is a worthwhile alternative to current practices.

For example, Trinidad and Tobago is a major producer of pitch which is a by-product of oil – one of their major resources. Other islands could form linkages with this industry in order to obtain the raw materials for their own purposes. For example, with further processing, asphalt used in road construction can be obtained from the pitch.

Another example is the hospitality and tourism sector which is a major earner of foreign currency for most Caribbean islands. Because of the nature of the hospitality and tourism product, it is an area in which considerable cooperation and linkages are needed. For example, linkages can be established between the agricultural sector and the hospitality and tourism sector because large volumes of farm produce are consumed by this sector on an annual basis. Information about the quality, quantity and variety of the produce required by the sector is of importance to the farmers. Farmers would then be in a better position to produce to meet the product specifications of the hospitality and tourism sector.

The design and management of facilities are important aspects of the hospitality and tourism sector. Training of managers to develop these skills and competencies would complement their existing general management skills.

This type of training is best delivered by a building services engineer, allowing building services engineers and hospitality and tourism to work cooperatively.

Finally, craft items are produced by many local artisans for the hospitality and tourism sector. Yet, in the marketing of the tourist product, limited attention is given to this often small but important sector.

It is, therefore, clear that the opportunities for linkages at the local and regional levels exist, but a concerted effort must be made by the decision-makers to bring these sectors together so that they complement each other. In this way decisions can be made about how much of what is earned in one sector, for example, hospitality and tourism, should be ploughed back into other sectors such as craft and small farming, in order to improve the quality of their products. In other words, the backward sector could benefit from the modern or technologically advanced sector for their mutual benefit. This can only be achieved if a concerted effort is made by the decision-makers to forge the necessary linkages. This would help to reduce or prevent economic dualism.
Regional linkages can result in:

► providing outlets for raw materials (at the primary and secondary levels)
► assisting in the development of the region at a faster pace
► assisting in reducing unemployment
► providing opportunities for countries to develop their expertise in the production of specific products
► giving the opportunity for the region, in the long-run, to compete in the global market-place
► preventing scarce resources from being used to obtain products from outside the region which could, with greater co-operation, be produced within the region. This would then leave the savings free to obtain products that are necessary, but for which there would be no clear comparative advantage if attempts are made to produce them locally or regionally.

The role of governments in developing regional linkage

Governments can contribute to the ideal of regional linkage by:

► outlining the benefits to be gained by CARICOM countries from regional strategies. Through CARICOM, regional strategies and policies could be identified and pursued.
► educating business organisations about the benefits to be derived from regional linkages. Encouraging businesses to use the raw materials of the region, as well as buying locally produced goods. In this manner both local and regional businesses will be supported and helped to survive and develop.
► financing trade fairs at which both local and regional persons could be brought up-to-date on what is being produced in the region, and thus encourage businesses to obtain their supplies from both local and regional markets.
► ascertaining the skills and competencies needed for the industries and collaborating in providing the necessary training of the labour force to handle the tasks to be carried out.
► pooling resources in order to obtain the capital needed by various industries.

12.6 Location of business

A major decision that all firms have to take is where to site their premises. A variety of factors will influence this decision, including the size of the organisation and the expected scale of its operations, but most choices of site are a compromise between several advantages and disadvantages. The summary chart, figure 12.6, on the following page, shows the main influencing factors.

12.7 Business expansion

Business risk

Being in business is risky. Some of the risks involved can be insured, e.g. bad debts, damage or theft. However, some cannot. For example, it is not possible to insure against a business making a loss. The main risk a business faces is that it will fail to make a profit; and even worse, if this continues over a period of time, the business will be forced to cease trading.
### INFLUENCES ON LOCATION OF BUSINESS

<table>
<thead>
<tr>
<th><strong>Transport access</strong></th>
<th>Siting near to good road, rail, sea or air links can save in distribution costs or in the movement of raw materials.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Industrial inertia</strong></td>
<td>Sometimes firms stay at a particular site even though the original reason for siting in that area (e.g. near source of raw materials) no longer applies.</td>
</tr>
<tr>
<td><strong>Raw materials</strong></td>
<td>Closeness to raw materials or to the port where they enter the country may influence choice of site.</td>
</tr>
<tr>
<td><strong>Market pull</strong></td>
<td>Businesses are attracted to sites close to where potential customers can be found; shops near where the shoppers will be, hotels near tourist areas.</td>
</tr>
<tr>
<td><strong>Land</strong></td>
<td>Availability of sufficient suitable land, at an economically viable price, in a suitable position will attract business.</td>
</tr>
<tr>
<td><strong>Labour</strong></td>
<td>Availability of suitable labour with a good no strike record. This will be influenced by availability of social amenities such as housing and medical facilities.</td>
</tr>
<tr>
<td><strong>Environment</strong></td>
<td>Climatic conditions are important to some businesses, particularly those involved in agricultural products.</td>
</tr>
<tr>
<td><strong>Fuel or power</strong></td>
<td>Closeness to fuel or power is less important today than in the past, but some firms still need to locate near to sources such as water.</td>
</tr>
<tr>
<td><strong>Government influences</strong></td>
<td>Some governments try to influence the location of businesses, e.g. to improve regional balance and reduce overcrowding in cities and towns.</td>
</tr>
<tr>
<td><strong>Linkage industries</strong></td>
<td>Firms will locate near other businesses on which they depend, or near to other firms in a similar line of business.</td>
</tr>
</tbody>
</table>

---

**Fig. 12.6** A business will take many factors into account when deciding where to locate its premises. Look at the examples given here. Where can you see examples of these influences on businesses in your locality?
One of the obvious ways a business can reduce risks is by being successful and increasing profitability. As a firm becomes more successful, it tends to grow in size. Through this growth, it usually creates further profitability and success and so increases its chances of surviving, and the growth continues. The most obvious way that this growth is seen is in the organisational structure of the firm. For example, the structure of a large business will be more complex and versatile than that of a small business (see figure 12.7 for comparison).

**The benefits of business expansion**

The main aim of a business is to create a profit for its owners. The larger the profit the greater capital is generated, and the more satisfied the owners will be because the chances of survival and continued growth will have increased. Profit is what remains after all the costs of running the business have been met. Costs include things such as wages paid to employees, rent of buildings, and payment for stock and equipment. Anything that reduces these costs increases profitability.

\[\text{Owner} \rightarrow \text{Shop Assistant} \rightarrow \text{Shop Assistant}\]

\[\text{Managing Director} \rightarrow \text{Marketing Manager} \rightarrow \text{Advertising Manager}\]

\[\text{Marketing Manager} \rightarrow \text{Sales Managers} \rightarrow \text{Sales Representatives}\]

\[\text{Production Manager} \rightarrow \text{Finance Manager} \rightarrow \text{Personnel Manager}\]

*Fig.12.7 The size of a business will influence its structure*

Growth can help to increase profitability in the following ways:

**Economies of scale**

As a business grows it usually generates economies of scale. This means that as the business size increases, its unit costs fall; the cost of each thing the business sells is reduced because unit costs are more widely spread. Thus, it is cheaper to produce goods on a larger scale.

**Internal economies of scale** occur as a result of various factors within the business, and these are related to its size. For example, a larger business can
afford to use better technology, and this reduces its operational costs. This will enable it increase the scale of production, thus further increasing economies. Other internal economies of scale include being able to employ specialist labour, being able to buy in bulk and finding it easier to raise further capital. 

External economies of scale refer to the benefits gained by all the businesses in a particular industry. Sometimes, for example, businesses with similar interests locate in a particular area. This can benefit all such related businesses because other supporting businesses (e.g., those providing support services) will locate in the region, making access to them easier. Similarly, skilled labour will move into the area to benefit all the businesses. In addition, such business may co-operate to create joint research facilities which benefit them all.

Increased share of the market
When a business is becoming more successful, it will be obtaining an increased share of the market, and it will be achieving this increase at the expense of its competitors. This increased market will, in many cases, include exporting potential. In order to satisfy the increased number of customers, the business will have to expand to meet the extra demand it creates.

Securing sources of supply
When a business has to rely on others to supply it with materials or services, it can be at a disadvantage. For example, if the supplier receives a better offer from other buyers, it may bargain for a better price. Similarly, when a supplier is finding that demand for its goods or services are particularly good, it will be more discerning about to whom it will provide them. A business may become large enough through expansion to create its own sources of supply and avoid having to rely on other businesses. For example, a tinned food manufacturer may extend into farming, thus becoming its own supplier.

Securing outlets
Growth can enable a business to create its own outlets for its products. For example, a clothes manufacturer could expand to set up its own retail outlets or a mail order company.

Methods of business expansion
There are four main ways a firm can grow:

1. Working existing plant and machinery harder and more efficiently, and as close to capacity as possible.
2. Extending existing capacity by moving to a new bigger site.
3. Merging with another company. A merger is where two or more companies join together to form a single business. A horizontal merger occurs where two or more businesses at the same stage of production join together, for example a producer of custom furniture joining with another in the same trade. A vertical merger is where two businesses at different stages of production join together, for example a cheese processing company buying a dairy farm.
4. The take-over of another business. This differs from a merger in that the company being taken over has not agreed to the development. This is achieved by buying a controlling interest in the other business. (See section 2.6 in Chapter 2.)
12.8 Labour versus technology

Some forms of production are said to be labour-intensive, that is, they are highly dependent on labour, e.g. farming. Where labour is relatively cheap and capital is expensive then firms will be inclined to use large amounts of labour in their production processes. In some cases firms have no choice but to depend on labour because of the nature of the business. For example, a hairdresser remains labour-intensive irrespective of the cost of capital.

Production is said to be capital-intensive when it uses a considerable amount of expensive plant, equipment, etc. Where capital is relatively cheap and labour is comparatively expensive, firms will be inclined to use large amounts of capital in their production processes and be more inclined to automate (see below).

Fig. 12.8 Computer system

In developing countries there is a painful transition through which each country must pass in its movement towards international competitiveness. This means that fewer labour-intensive methods are used and modern technology increasingly becomes the norm. During the process there are many problems of adjustment for workers and businesses as the new technologies are embraced.

Throughout the world, each sector of industry has been transformed by new technology. Lean production is the name given to making the best use of technology and labour techniques in order to continuously improve the production methods of a business. In the forefront of lean production is automation, computer-aided design (CAD), computer-aided manufacture (CAM) and computer-aided instruction (CAI).

Automation

The term automation refers to changing a task so that it can be carried out by machines. Automation in the modern sense involves the use of sophisticated machinery, which is electronically or computer controlled, to carry out manufacture with minimal human intervention. Automation has been with us for a long time, but rapidly changing technology has led to automation being increasingly computer driven, as explained in the following sections.
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**Computer-aided design (CAD)**

CAD uses computer technology to design products on the screen of a visual display unit (VDU). The ‘prototype’ can be built up in picture form and rotated to show different angles. The design can even be submitted to on-screen tests such as that for load limits, etc. Various alternative models can be compared and modified on screen, and then printed out as hard copy. The use of CAD in this manner saves the need to produce expensive models and prototypes of major items such as ships, bridges or aircraft. In addition, the whole design process is now much quicker and can be relatively easily modified when a new model is needed. For example, a CAD package developed to design fitted kitchens can readily be adapted to many rooms of different shapes and sizes.

**Computer-aided manufacture (CAM)**

CAM has become commonplace in modern manufacturing, where large quantities are being produced by mass or flow production. Robotics is also playing an increasingly important part. Industrial robotics has become a logical extension of computerised automation. Robotics is ideal for carrying out work that is repetitive and boring, or dangerous. They are used, for example, in car plants for weld body parts and spray paint, and even to fit windscreens. They are expensive to set up, but use minimum labour.

**Computer-aided instruction (CAI)**

Even the process of teaching people to use new technology has developed to the stage where the instruction is frequently carried out by computer. You can recognise this to be true if you are familiar with using a computer; few computers supply manuals to help you learn about your computer because the modern computer is ‘user friendly’ and teaches you much of the knowledge you need. Similar instruction programmes have been developed in the workplace to familiarise staff about the work they must do.

The use of computers in production can have the following results:

- **The standardisation of products** results in more economical production, and lower prices.
- **Business risk can be increased** because sophisticated, expensive machinery must be purchased well in advance of the sale of products.
- **Fewer people will be employed**, and those displaced by automation need to find alternative forms of employment.
- **Leisure time** could theoretically be increased, e.g. by job sharing.
- **The need for tertiary services** is increased. Tertiary services are those businesses that are involved in the change of ownership of goods and the provision of services.

**KEY WORDS**

Find out the business-related meaning of each of the following terms. Write a separate sentence for each term to show your understanding.

- *hard copy*  computer-aided design  labour intensive  automated  capital intensive  computer-aided manufacture  automation  computer-aided instruction
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2.9 Things to do

This section contains a variety of exercises to help you create revision notes, to test your understanding and to prepare you for examinations.

Search and find

Write out the question and the answer by referring back through the text to form revision notes.

1. What is meant by the term 'production'?
2. Name the three primary needs.
3. In what ways would you say that the aims of primary and secondary production differ from the aims of tertiary production?
4. Briefly describe the four factors of production.
5. How would all of the factors of production be involved in the creation of a new office block?
6. Briefly describe the three categories that land can be divided into as a factor of production.
7. Why does the factor of land include minerals?
8. Describe some of the ways that the supply and quality of labour are affected.
9. ‘Mobility of labour can have good and bad influences on labour supply.’ Explain this statement.
10. ‘The factor of capital includes far more than money.’ Explain this statement.
11. What is the particular significance of venture capital to a business and why can it be costly to obtain?
12. Explain the difference between fixed capital and working capital.
13. In what ways can entrepreneurs be said to ‘co-ordinate’ the factors of production?
14. Briefly describe the three levels of production.
15. Give examples of the levels of production in the Caribbean region.
16. What is meant by the term 'the chain of production'?
17. Describe the possible chain of production for a wooden chair.
18. How does the chain of production illustrate that the various levels of production are interdependent?
19. Give reasons why you think the ‘primary’, ‘secondary’ and ‘tertiary’ types of production are given these names.
20. Give examples of products that would be likely to be produced by each of the three methods of production, ‘job’, ‘batch’ and ‘flow’.
21. What factors influence the choice of these methods of production?
22. Why does job production tend to be labour-intensive, but flow production particularly capital-intensive?
23. Why is quality control important in ensuring that customers get value for money?
24. Why do you think time is an important aspect of work study?
25. What do you understand by the term 'economies of scale'?
What do you understand by the term 'economies of scale'?

Why do you think time is an important aspect of work study?

Why is quality control important in ensuring that customers get value for money?

Why are capital-intensive industries becoming more labor-intensive, but how production is particularly dependent on the choice of these methods of production?

What factors influence the choice of these methods of production?

Give examples of products that would be likely to be produced by each of the three methods.

How does job production tend to be labor-intensive, but how production is particularly dependent on the choice of these methods?

Describe the possible chain of production for a wooden chair.

What is meant by the term 'the chain of production'?

Give examples of the levels of production in the Caribbean region.

Briefly describe the three levels of production.

In what ways can entrepreneurs be said to co-ordinate the factors of production?

Explain the difference between fixed capital and working capital.
Things to do

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10. Search and find revision notes.
11. Chapter 12 - Production

This section contains a variety of exercises to help you create revision notes, test your understanding, and prepare you for examinations.
26 What are the advantages enjoyed by large firms? Why do large firms also have disadvantages?
27 In what ways does the Law of Diminishing Returns show the limits of large-scale production?
28 Why do small firms continue to exist even though large businesses have so many advantages?
29 Why are cottage industries important to the Caribbean region?
30 What is a linkage industry? Why are they important?
31 Give an account of what you see as the most significant influences on the location of business.
32 How can business size affect the organisational structure of a business?
33 Give two examples each of internal and external economies of scale.
34 Describe the four main ways a firm can grow.
35 What factors influence the location of a business?
36 Explain the difference between the terms ‘labour-intensive’ and ‘capital-intensive’?
37 Explain the similarities and the differences between CAD and CAM.
38 ‘CAI has taken the human element out of learning.’ Briefly discuss this statement.
39 Explain how a business can benefit from computer technology. Are there any disadvantages from the point of view of the business?
40 ‘Technological developments are good for business, but many workers fear the changes they bring.’ Discuss this statement.

What do you know?

Write out the complete sentence and insert the missing word, which can be chosen from the list at the end of the test.

1 The purpose of production is to provide people with the things they ..... or want to consume.
2 A major decision that a firm has to make is where to ..... its premises.
3 ..... occurs when a person leaves one area and moves to another.
4 The ..... of value that a firm owns is usually referred to as its capital.
5 The ..... level of production meets only the basic needs.
6 In order to be able to export a country needs to be producing a ..... .
7 ..... is the human contribution to production.
8 The chain of production shows the ..... between the three levels of production.
9 If an entrepreneur successfully predicts future demand they are usually rewarded with ..... .
10 Large firms achieve bigger profits because they enjoy ..... of scale.

Choose the missing words from the following:
surplus need subsistence migration economies locate links profit assets labour
Structured questions

The tables 12.4 and 12.5 relate to a small firm which specialises in the production of hand-made dolls. The firm has varied its workforce in order to assess the optimum size.

<table>
<thead>
<tr>
<th>Labour force</th>
<th>Total output (per week)</th>
<th>Average output</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>200</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>260</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>324</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>392</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>456</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>504</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>540</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>572</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>576</td>
<td></td>
</tr>
</tbody>
</table>

Table 12.4 Varying the workforce

Table 12.5 The different costs incurred by the firm during a five day working week

- Number of workers employed: 10
- Number of dolls produced: 540
- Weekly wages of each worker: $1100
- Rent, rates, depreciation, etc.: $260
- Power: $100
- Raw materials: $500

(a) Explain the difference between the terms ‘output’ and ‘average output’.
(b) What does the wording ‘optimum size’ mean?
(c) What is the optimum sized labour force indicated by table 12.4?
(d) Calculate the average output of dolls for each of the different sizes of labour force.
(e) Using the given data draw curves on a graph to show average output.
(f) Give a reason why the firm may not wish to produce its maximum output of 576 dolls per week.
(g) If the dolls were selling for $10 each:
   (i) What would be the firm’s weekly income?
   (ii) Subtract the total production costs from the firm’s weekly income to calculate the firm’s weekly profit.

Q2

(a) What do you understand by the term ‘automation in relation to production?'
(b) In what ways could automation improve working conditions in a factory?
(c) Give three examples of ways that automation can ‘increase technical innovation’.
(d) Why does automation often result in a need for retraining? How can CAI assist in this?
(e) What are CAD and CAM and how do they contribute to automated production?
(f) Give examples of what makes some production defined as ‘labour-intensive’ and others ‘capital-intensive’.
Q3
(a) Define the terms below.
   (i) economies of scale
   (ii) diseconomies of scale.
(b) Select one product being manufactured for the tourist industry in your country, and explain to a manufacturer who could, but does not currently benefit from large-scale business, four benefits to be derived from such an operation.
(c) Since you wish to provide some amount of balance in your discourse with the manufacturer in (b) above, highlight four disadvantages which could result from large-scale business operations.

Q4
(a) Primary production is sometimes referred to as the extractive industries. Why is it referred to in this way?
(b) How do the extractive industries support the other forms of production?
(c) What is secondary production? Name and define the two main categories into which this form of production can be divided.
(d) Wholesalers, retailers, exporters and importers are sometimes referred to as the 'distribution trades'. Explain why they are referred to in this way.
(e) Tertiary production is very different from the other forms of production but it is just as important.' Discuss this statement.
(f) Take a particular product and describe its development from primary through to the tertiary stage. Explain why each stage is important to the others.

Q5
(a) What is the 'chain of production'?
(b) Briefly describe the three types of production that are normally involved in the chain of production.
(c) Why does the chain of production result in interdependence in the economy?
(d) Draw a simple flow diagram to show comparisons of the contrasting chains of production of each of the following items: a woollen sweater, a china vase, cheese.
(e) Draw a simple table with three columns headed by the titles 'Primary', 'Secondary' and 'Tertiary' production. Enter six of the following occupations in the appropriate columns, with at least two in each column: farmer, shopkeeper, road maker, fisherman, builder, bank cashier, lorry driver, miner, oil driller, market trader, engineer, insurance agent, dressmaker, carpenter.

Q6
(a) Name two of the basic needs of people.
(b) State one way that secondary production helps to meet the basic needs of people.
(c) Describe three ways that tertiary production helps both producers and consumers.
(d) State two contrasting examples of enterprises you would expect to find in each of the sectors of production (primary, secondary and tertiary). Give reasons why you have categorised them in the way you have.

(e) Clearly explain why all three sectors of production are interdependent.

(a) Define production in its broadest sense.

(b) How does production provide help to meet human needs?

(c) Define the four factors of production.

(d) How can the four factors of production be linked to earnings?

(e) List each of the following in a table under the appropriate factors of production: oil; computer; fish; farm; farmer; bakery; trees; lorry; factory; stock; supermarket; engineer; electrician; dairy; bricklayer.

Research assignments

1. Describe the economic factors you would consider if you were an entrepreneur choosing a site in the Caribbean to locate a medium-sized manufacturing business. Include in your report information and evidence to support your views.

2. a) What is meant by 'economies of scale'. Use specific examples from businesses in your region to illustrate your answer.

   b) Using examples from your region, show why small firms are able to survive even though they do not benefit from economies of scale in the manner of large organisations.

3. Give an outline description of four firms within a 25-mile radius of your home, and offer explanations of the reasons they are situated where they are. Present copies of all correspondence between yourself and these firms.

4. What is meant by the term 'linkage industry'? Select one product from one sector and trace the linkages which result in its production. Provide evidence to show that you have personally researched a genuine linkage.

5. Consider the extent to which siting of any two businesses in your locality can be seen to be influenced by local or national government. Write a summary report containing evidence to support your findings.

6. Investigate the various types of cottage industry that are in operation in your local community. How do they benefit the economy?

7. Produce a report that contains evidence from local businesses that shows that the success of manufacturing industry is dependent on the effectiveness of those engaged in tertiary production.

8. Design and implement a survey of local firms that clearly shows the difference between the manufacturing and construction industries, and compares the percentage of each in your sample area. Write up a report that includes graphic illustrations of the data you have collected.

9. Research evidence that illustrates the types of production that have declined and those that have grown in your country. To what extent are these trends reflected in business in your area? Give possible reasons for the trends you have identified.