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Management in Practice

M5X02110 – Level 5

2: Money makes the
World go round....
Key economic
concepts



Last time.....



1. Introduce the module's structure and content
2. Considered some key concepts and themes
3. Discussed the assignment

Today's Objectives



1. To examine demand, supply and markets
 - identify a market and define the attributes of a perfect market
 - analyse the factors that affect the demand for a good or service
 - analyse the factors that affect the supply of a good or service
 - understand the concept of equilibrium price
 - analyse the factors that cause changes in equilibrium price
 - relate price theory to real-world examples

2. To define money

Economics for everyone...



<https://youtu.be/NdbbcO35arw>

The economics of recreation, leisure and tourism

- Scarcity and choice
- Demand, supply and markets
- Work vs. leisure
- Government intervention
- Economic impacts
- Growth and development
- Externalities and the environment

A few for starters.....

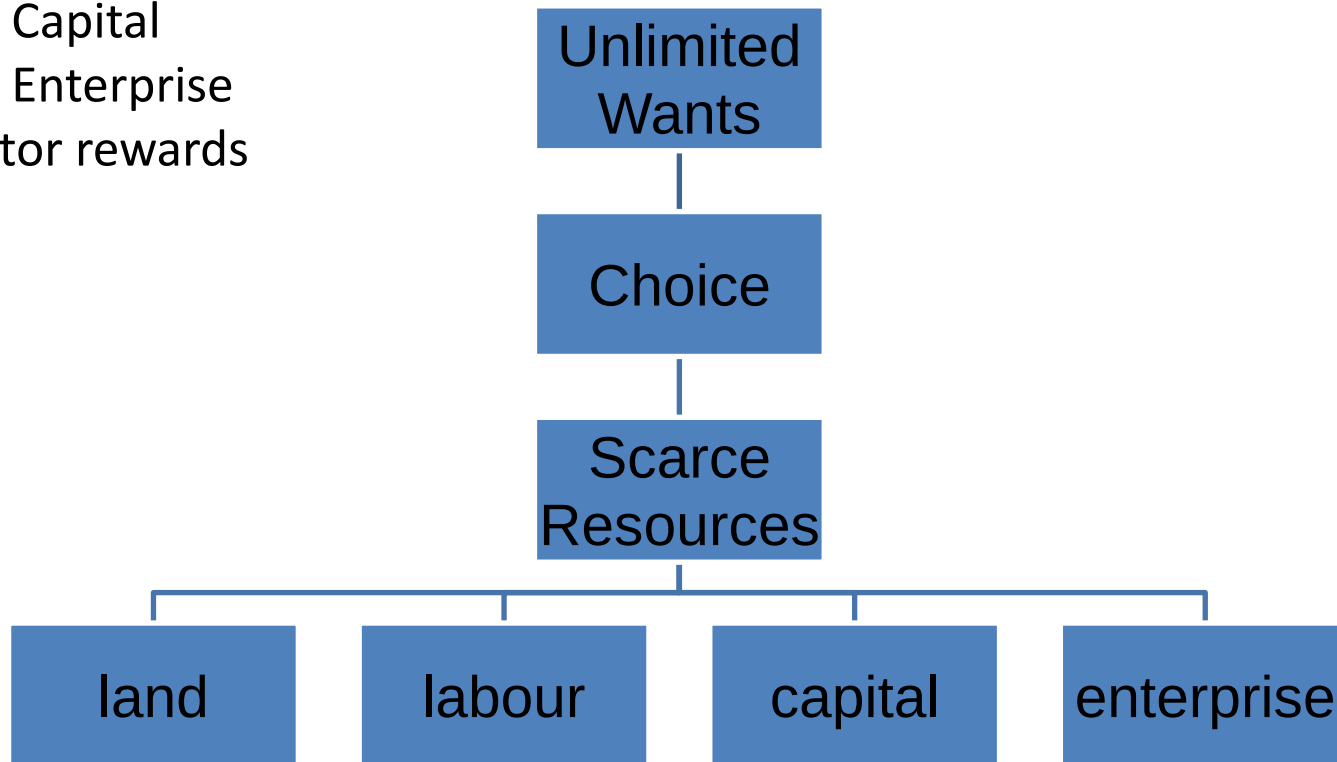
- The economy – demand and supply – for?
Inflation/wages/interest rates/exchange rates etc.....
- Competition
- Government – laws/regulations
- Brexit – why?
- Business rates revaluation
- The weather
- Events – planned and unplanned
- Terrorism
- Changing consumer behaviour tastes/social trends
- The internet

Definition, scope and methodology of economics 1

- The nature of economics
 - Resources and wants
 - Scarcity and choice
 - Opportunity cost
 - Allocative mechanisms
 - Macroeconomics and microeconomics
 - Marginal analysis

Basic terms

- Scarcity and choice
- Factors of production
 - Land
 - Labour
 - Capital
 - Enterprise
- Factor rewards



Review of key terms

- Leisure
 - discretionary time
- Recreation
 - pursuits undertaken in leisure time
- Tourism
 - visiting for at least one night for leisure and holiday, business and professional or other tourism purposes
- Economic problem
 - scarcity and choice
- Leisure and tourism sector organisations
 - organisations producing goods and services for use in leisure time, and organisations seeking to influence the use of leisure time

Review of key terms

- Opportunity cost
 - the alternatives or other opportunities that have to be foregone to achieve a particular thing
- Free market economy
 - resources allocated through price system
- Centrally planned economy
 - resources allocated by planning officials
- Mixed economy
 - resources allocated through free market and planning authorities
- Microeconomics
 - study of household and firm's behaviour
- Macroeconomics
 - study of whole economy

The Business Environment

- PEST analysis (PESTLE - +Legal & Environmental)
 - **P**olitical factors
 - government policies affecting business
 - **E**conomic factors
 - the microeconomic environment
 - specific industries, firms, markets and individuals
 - the macroeconomic environment
 - the national and international economic environment
 - effect of government policies
 - **S**ocial/cultural factors
 - attitudes / composition of consumers and workers
 - **T**echnological factors
 - affect industry structure and production methods

Q As far as a pub is concerned, in terms of a PEST analysis, a nationwide ban on smoking would represent a change in the

- A. Political environment.
- B. Economic environment
- C. Social environment
- D. Technological environment
- E. A and B above

The Business Environment

- Businesses increasingly affected by concerns about the environment and social responsibility
- STEEPL analysis
 - Environmental (ecological) factors
 - Legal factors
 - Ethical factors
- Using STEEPL analysis
 - purpose/use for businesses
 - relations between the sets of factors
- Importance of the economic factors

Q Which of the following would NOT be counted as an economic factor affecting a firm?

- A. The prices set by the firm's competitors.
- B. The cost of raw materials.
- C. The rate of interest set by the Bank of England.
- D.

 A requirement that the firm recognises trade unions.
- E. A change in consumer tastes.

The Determinants of Business Performance

- Structure → conduct → performance
 - relationship between business structure and business conduct (behaviour)
 - competitive markets and competitive behaviour
 - limited competition and collusion
 - relationship between business conduct and business performance
 - performance indicators:
profitability, market share, growth in market share, share prices, etc

Q The Structure → Conduct → Performance paradigm implies that business performance is strongly affected by the

- A. aims of the firm.
- B. competence of management.
- C. internal organisation of the firm.
- D.

 degree of competition the firm faces.
- E. technology the firm uses.

The Determinants of Business Performance

- Internal aims
 - profit maximisation as the prime goal
 - Is this too simplistic?
 - other goals
- Internal organisation
 - distinction between owners and managers
 - importance of managers' own objectives
 - satisficing behaviour
- Conflicts between objectives

The Determinants of Business Performance

- Other factors affecting performance
 - internal structure
 - information
 - competence of management
 - quality of the workforce
 - systems
 - information systems; technical systems
 - motivation
 - distribution systems
 - financial systems

Do you? What is money?

