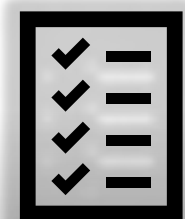
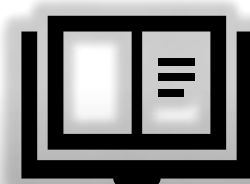


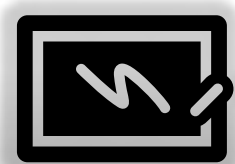
EZYBUSINESS COURSE STARTER PACK



Module Breakdown



Topic Revision Cards



Assessment Details

 EZY BUSINESS

FULL A-LEVEL COURSE



EZY

THEME 1

MARKETING



This section will show you how a business can make decisions to improve their own marketing performance and strategy.

EZY

26

VIDEOS

13

ASSESSMENTS

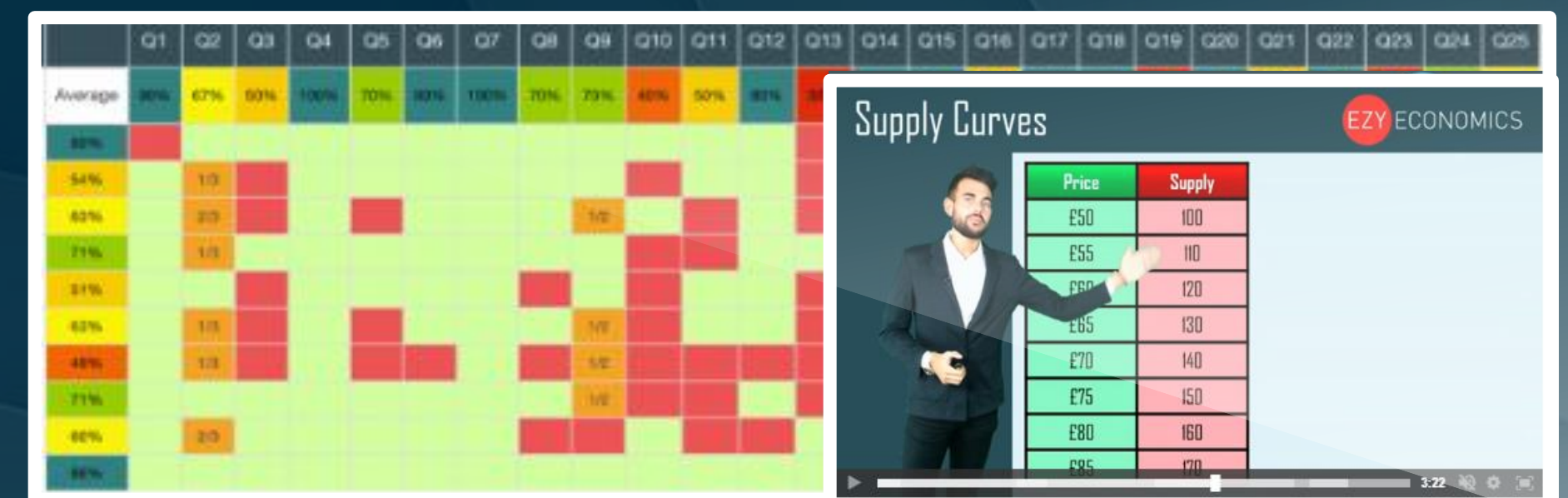
140

QUESTIONS

EZY

TEST YOURSELF WITH OUR END OF SECTION ASSESSMENT (ESA)

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THEME 1

MARKETING OBJECTIVES

EDEXCEL SPECIFICATION REFERENCE – 1.1.1

1

What is marketing?

2

How does a business decide on its marketing strategy?

3

What are the main objectives a marketing department sets?

4

What internal factors affect marketing performance?

5

What external factors affect marketing performance?

6

What are the benefits of running a successful marketing strategy?

LEAD GENERATION

Convert initial interest in a product/service into demand for the business.

SALES VOLUME & VALUE

Improve sales performance via campaigns and marketing strategies.

MARKET SIZE & GROWTH

Capture new customers from the growth of the market by well designed marketing strategies.

CUSTOMER SATISFACTION

Listen to feedback and improve on product weaknesses.

MARKETING OBJECTIVES

SALES GROWTH

Effectively target customer base to increase annual sales performance.

ENVIRONMENTAL OBJECTIVES

Improve the ethical performance of the business to improve reputation with customers.

MARKET SHARE

Cement the market position of the firm by targeting new customers and retaining existing ones.

BRAND LOYALTY

Build strong relationships with customers to create a positive affinity with the brand.

THEME 1

SEGMENT, TARGETING & POSITIONING

EDEXCEL SPECIFICATION REFERENCE – 1.1.1

1

What is meant by 'Market Segmentation'?

2

How does a business segment the market?

3

What is meant by 'Targeting'?

4

How does a business target a particular group of people?

5

What is meant by 'Strategic Positioning'?

6

How does a business position itself in a market?

1

SEGMENTATION

Dividing the market into self-contained sections.



BY REGION

2

TARGETING

Deciding which of these sections you would like to hone in on.



AGE GROUP (18-24)

3

POSITIONING

The strategy the business takes to target the section that has been chosen.



NEW PRODUCTS

THEME 1

MARKET RESEARCH

EDEXCEL SPECIFICATION REFERENCE – 1.1.2

1

What is market research?

2

Why does a business need to have market research?

3

What is primary market research?

4

How is primary market research conducted?

5

What is secondary market research?

6

How is secondary market research conducted?

When a business collects information about their target market, rival firms and local suppliers.

PRIMARY MARKET RESEARCH

Gathering data/information directly from the marketplace.

- **Quantitative Research (Numerical)**
- **Qualitative Research (Written)**

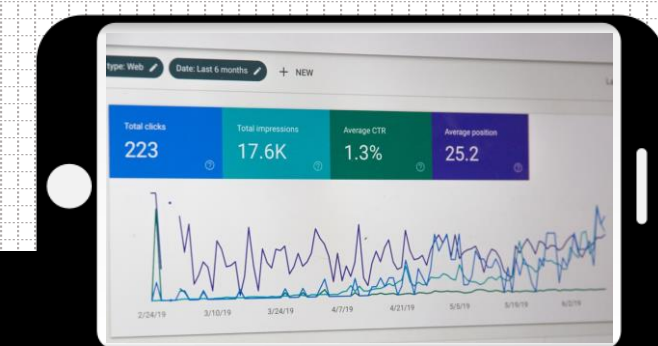
Surveys and feedback forms can gain market insights, but can be expensive to collect.

SECONDARY MARKET RESEARCH

Mining third party data to identify customer buying habits.

- **Existing Online Data**
- **Government Databases**

Quick and easy to collect but data may be general and needs to be applied to the business model.



THEME 1

MARKETING DATA

EDEXCEL SPECIFICATION REFERENCE – 1.1.2

1

What is marketing data?

2

Why do businesses use samples?

3

What is a random sample?

4

What is a quota sample?

5

What is a stratified sample?

6

How does a business interpret marketing data collected?

Samples are formed to collect data that is **REPRESENTATIVE** of the population to generate results quickly and in a cost-effective manner.

RANDOM SAMPLE

A researcher is told to select a random sample of 4 people from the population.

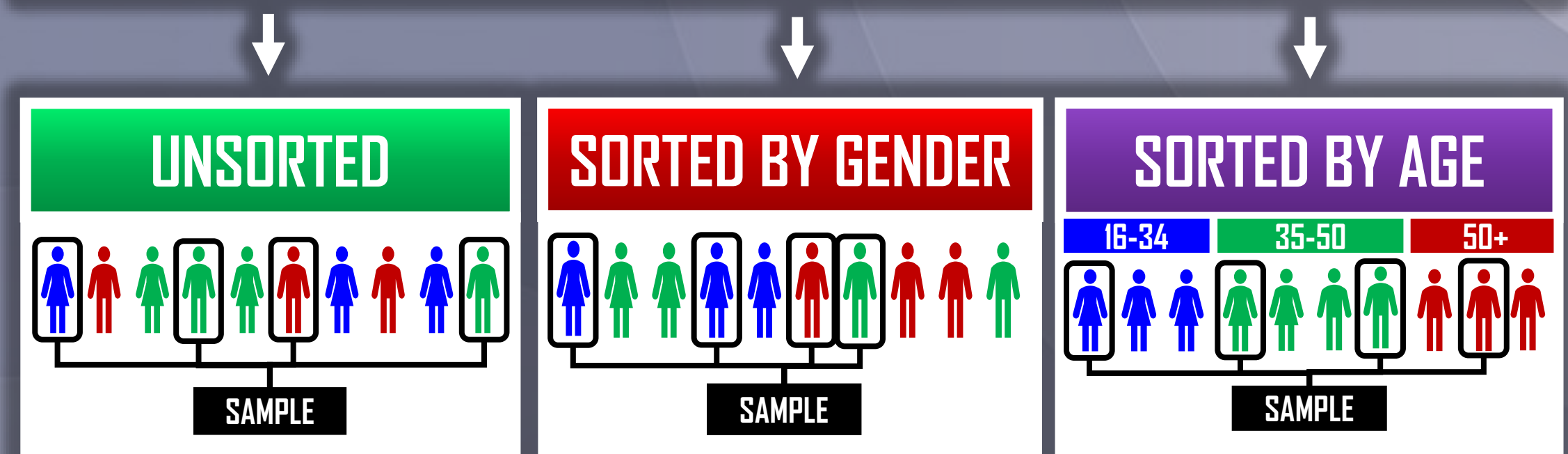
QUOTA SAMPLE

A researcher is told to sort the population based on gender and randomly survey 2 males and 2 females.

STRATIFIED SAMPLE

A researcher is told to sort the population based on three different age groups (strata) and then take a sample of 4, that is weighted based on age group size.

HOW IS A SAMPLE CONDUCTED ON THE POPULATION?



THEME 1

DEMAND, SUPPLY & MARKETS

EDEXCEL – 1.2.1, 1.2.2, 1.2.3

1

How can we represent market demand?

2

What influences market demand?

3

How can we represent market supply?

4

What influences market supply?

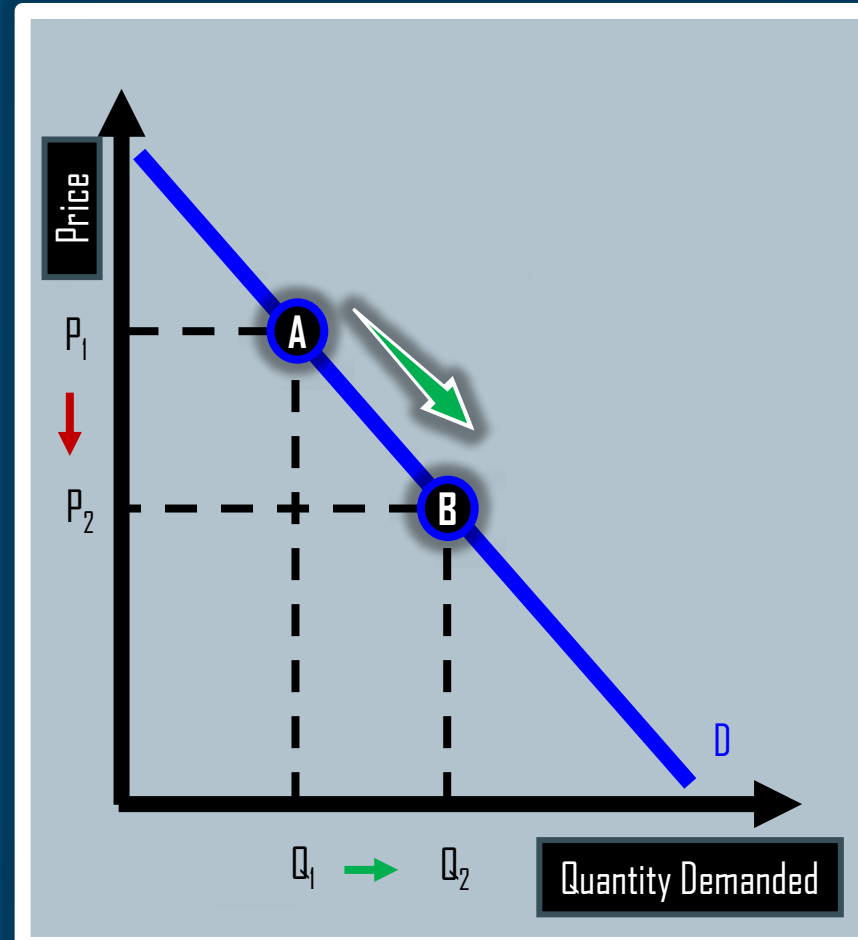
5

How can we analyse a market?

6

How are prices determined?

DEMAND



Quantity of a good that consumers are willing to buy at any given price.

LAW OF DEMAND

Price

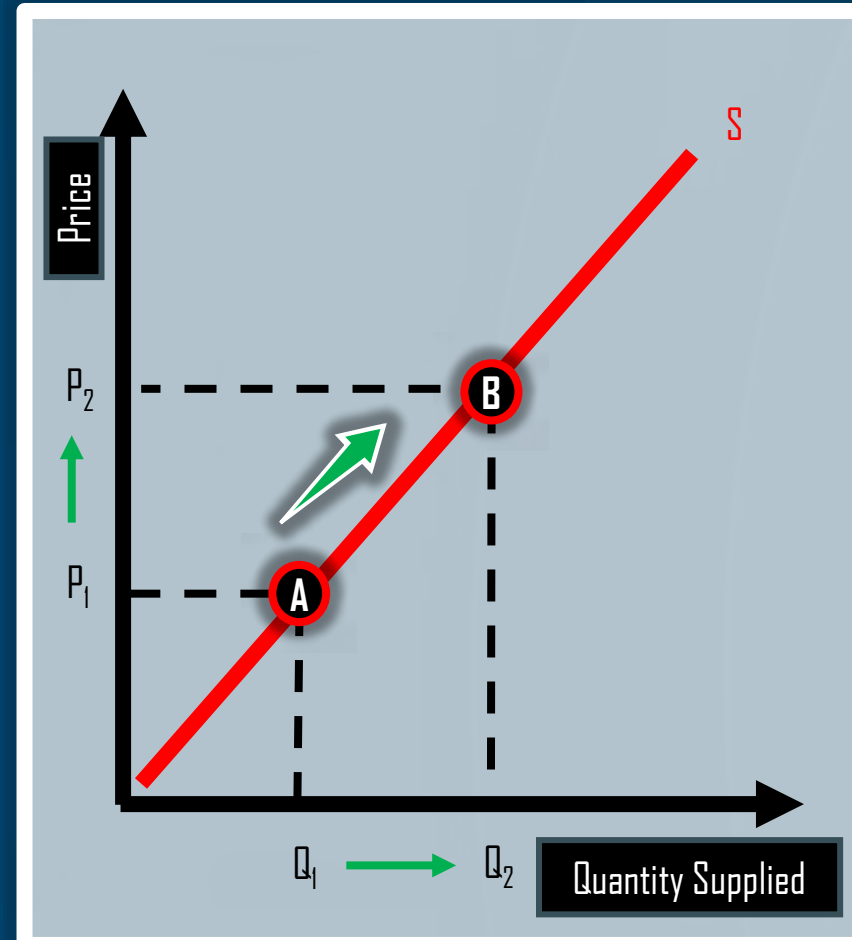


Demand



INVERSE RELATIONSHIP

SUPPLY



Quantity of a good that producers are willing to supply at any given price.

LAW OF SUPPLY

Price



Supply

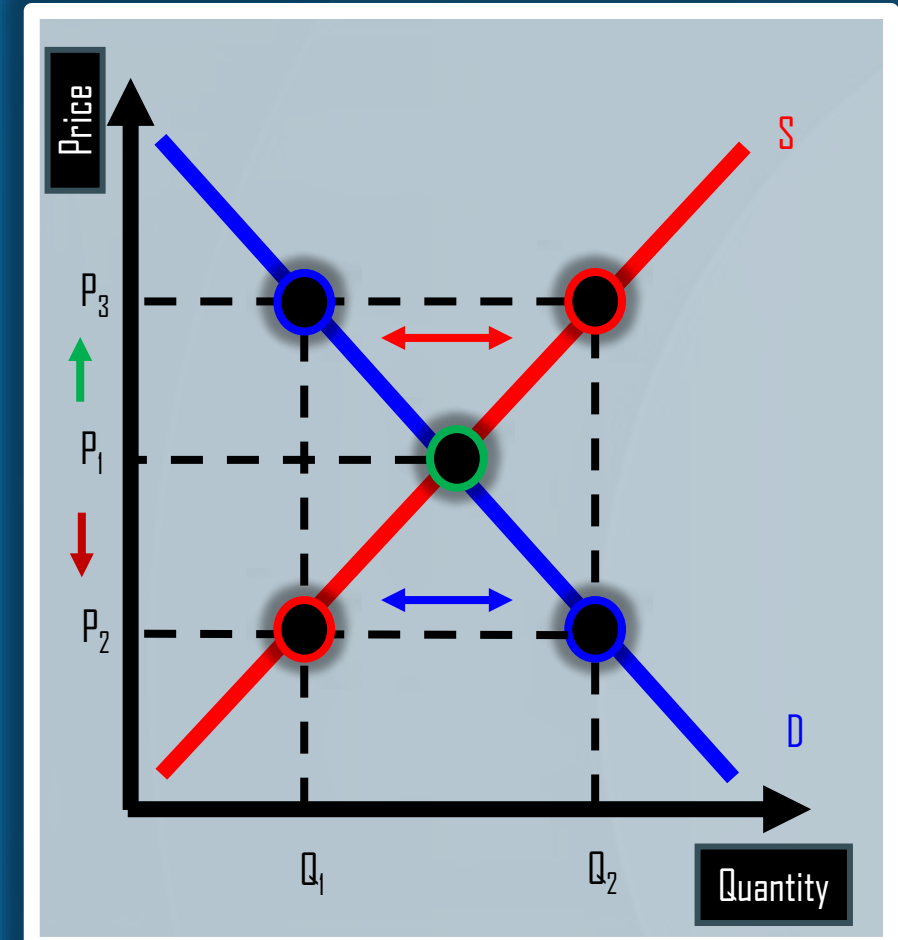


Profit



DIRECT RELATIONSHIP

THE MARKET



If the market price changes this creates a disequilibrium in the short-run. In the long-run the market always re-establishes an equilibrium position if left to market forces.

P_1

MARKET EQUILIBRIUM: $D = S$

P_2

EXCESS DEMAND: $D > S$

P_3

EXCESS SUPPLY: $D < S$

THEME 1

PRICE AND INCOME ELASTICITY OF DEMAND

EDEXCEL SPECIFICATION REFERENCE – 1.2.4/5

1

What do we mean by the concept of 'elasticity'?

2

How do we define the PED and YED of a good or service?

3

How do we calculate the PED and YED value of a good or service?

4

How do we interpret the PED and YED value of a good or service?

5

What is the relationship between PED and a firm's total revenue?

6

What factors influence the PED and YED value of a good or service?

PED measures the responsiveness of firm demand to a change in price.

$$\text{PED} = \frac{\text{Percentage Change in Quantity Demanded}}{\text{Percentage Change in Price}}$$

Definition	Perfectly Inelastic	Inelastic	Unit Elastic	Elastic	Perfectly Elastic
PED Value	0	$0 > \text{PED} > -1$	-1	$-1 > \text{PED} > -\infty$	$-\infty$

YED measures the responsiveness of firm demand to a change in income.

$$\text{YED} = \frac{\text{Percentage Change in Quantity Demanded}}{\text{Percentage Change in Income}}$$

Definition	Inferior Goods	Normal Goods	Luxury Goods
YED Value	NEGATIVE	$0 < \text{YED} < 1$	MORE THAN 1

THEME 1

PRODUCT AND PRICE

EDEXCEL SPECIFICATION REFERENCE – 1.3.1 & 1.3.3

1

What is the 'Marketing Mix'?

2

Why does the product matter for business performance?

3

How can a business use marketing to improve the product element?

4

Why does price matter for business performance?

5

What are the different pricing strategies that can be set?

6

What factors affect the pricing strategy of a firm?

PRODUCT – The focus on the type and quality of the product/service.



RELIABILITY

DURABILITY

AESTHETICS

CONVENIENCE

ADAPTABILITY

USP

NEW PRODUCT
DEVELOPMENT

HELPS IMPROVE
POSITION

PRICE – Setting the right price for a product to maximise revenue.



COST-PLUS

Set a marked-up price above costs

PREDATORY

Set a price below costs

COMPETITIVE

Set a price at the market level

PSYCHOLOGICAL

Set a flexible price based on demand

PENETRATION

Set a low price to launch a product

SKIMMING

Set a high price before rival products launch

THEME 1

THE OTHER 5Ps

EDEXCEL SPECIFICATION REFERENCE – 1.3.2 & 1.3.4

1

How does Promotion affect a company's marketing strategy?

2

How does Place affect a company's marketing strategy?

3

How do People affect a company's marketing strategy?

4

How does Process affect a company's marketing strategy?

5

How does the Physical Environment affect a marketing strategy?

6

What is the difference between Place and Physical Environment?

The other 5Ps from the marketing mix explain how a business can focus on other aspects of the business other than product and price.

PROMOTION

01

Decide upon the image of the brand and the type of customers this will be targeted at.

PLACE

02

The location and medium by which customers can access, sample and purchase the product.

PEOPLE

03

Focusing on the best strategy for the business to build up brand/customer loyalty.

PROCESS

04

Designing the sales process to make it as friendly and informative from the customer's perspective.

PHYSICAL ENVIRONMENT

05

Focus on establishing the right store/web location and set-up to satisfy customers.

The marketing mix has been extended to include people, process and physical environment, to reflect the growing demand for services.

THEME 1

THE MARKETING MIX IN PRACTICE

EDEXCEL SPECIFICATION REFERENCE – 1.3

1

What is the Marketing Mix?

2

How can a business use this framework to improve performance?

3

How has the Marketing Mix evolved?

4

Which industries does the Marketing Mix apply to?

5

What are some of the limitations of using the Marketing Mix?

6

Does the Marketing Mix need to evolve further?

THE MARKETING MIX (7Ps)



THEME 1

MARKETING TECHNOLOGY

EDEXCEL SPECIFICATION REFERENCE – 1.1.2

1

How have marketing techniques evolved?

2

Why do businesses use technology to enhance strategy?

3

How has the internet aided marketing strategies?

4

How has social media aided marketing strategies?

5

How have search engines changed marketing strategies?

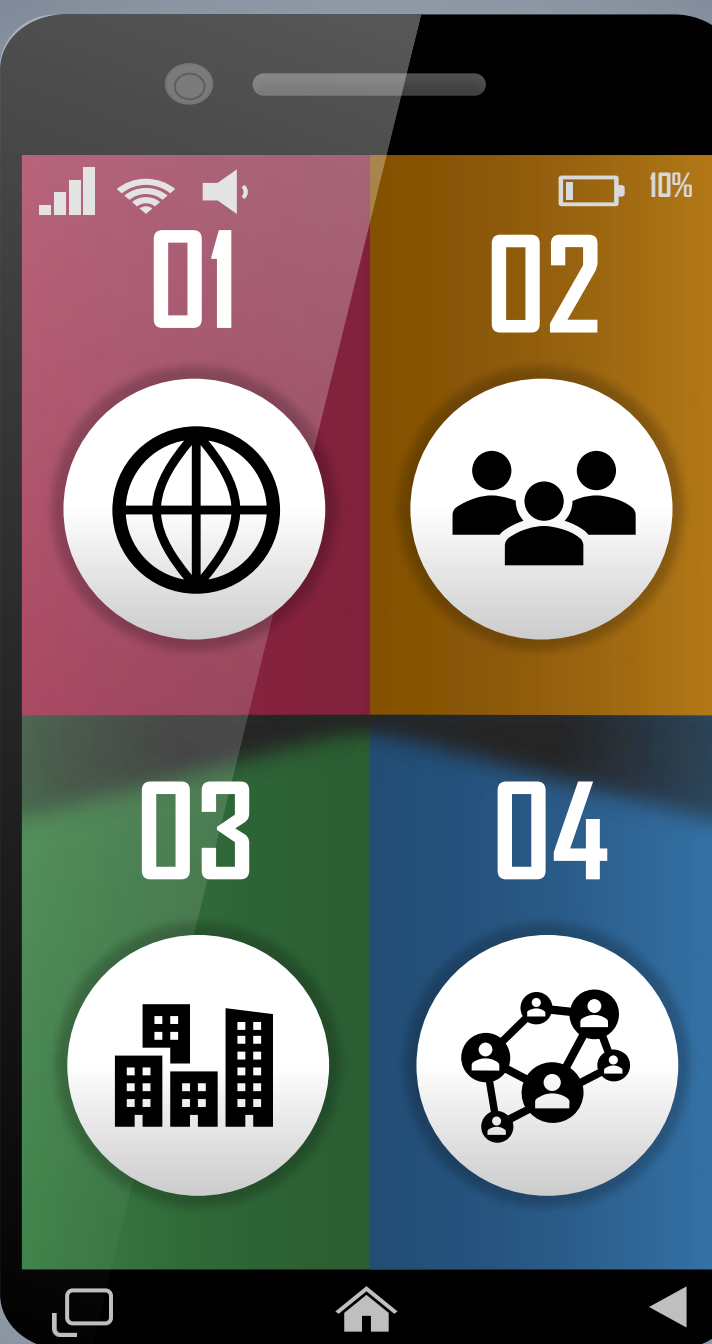
6

What are the limitations of using marketing technology?

MARKETING TECHNOLOGY

THE INTERNET

The internet is a tool that can be used to set up a website to track consumer behaviour and gather data that can be mined.



MARKET DATA

Analytics from search engines and website clicks can be used to target customers and encourage future purchases.

RIVALS' DATA

Data can easily be collected on competitor prices, product ranges and discount offers via websites

SOCIAL MEDIA

Social media platforms can enhance brand awareness and improve customer interactions with the company. It also allows companies to respond to current trends.

TECHNOLOGY HAS ENCHANCED MARKETING PERFORMANCE

THEME 1

DIGITAL MARKETING & E-COMMERCE

EDEXCEL SPECIFICATION REFERENCE – 1.3

1

What is digital marketing?

2

What advantages does digital marketing provide a business with?

3

What is an e-commerce platform?

4

How does an e-commerce platform enhance marketing?

5

What are some of the limitations of going digital?

6

What are some examples of firms with a strong digital presence?

DIGITAL MARKETING involves using different technologies to help anticipate and satisfy customer wants and needs for commercial success.

Develops immediate customer contact

Bespoke marketing – tailored to customers

Can measure the number of website “hits” and “clicks”

Can fast track purchases

Easier to launch new products into new markets

THEME 1

STRATEGIC POSITIONING

EDEXCEL SPECIFICATION REFERENCE – 1.1.3

1

How does a firm position itself in a market?

2

What is Bowman's Strategic Clock?

3

How can this model be used to determine business strategy?

4

Which three strategic positions are undesirable in this model?

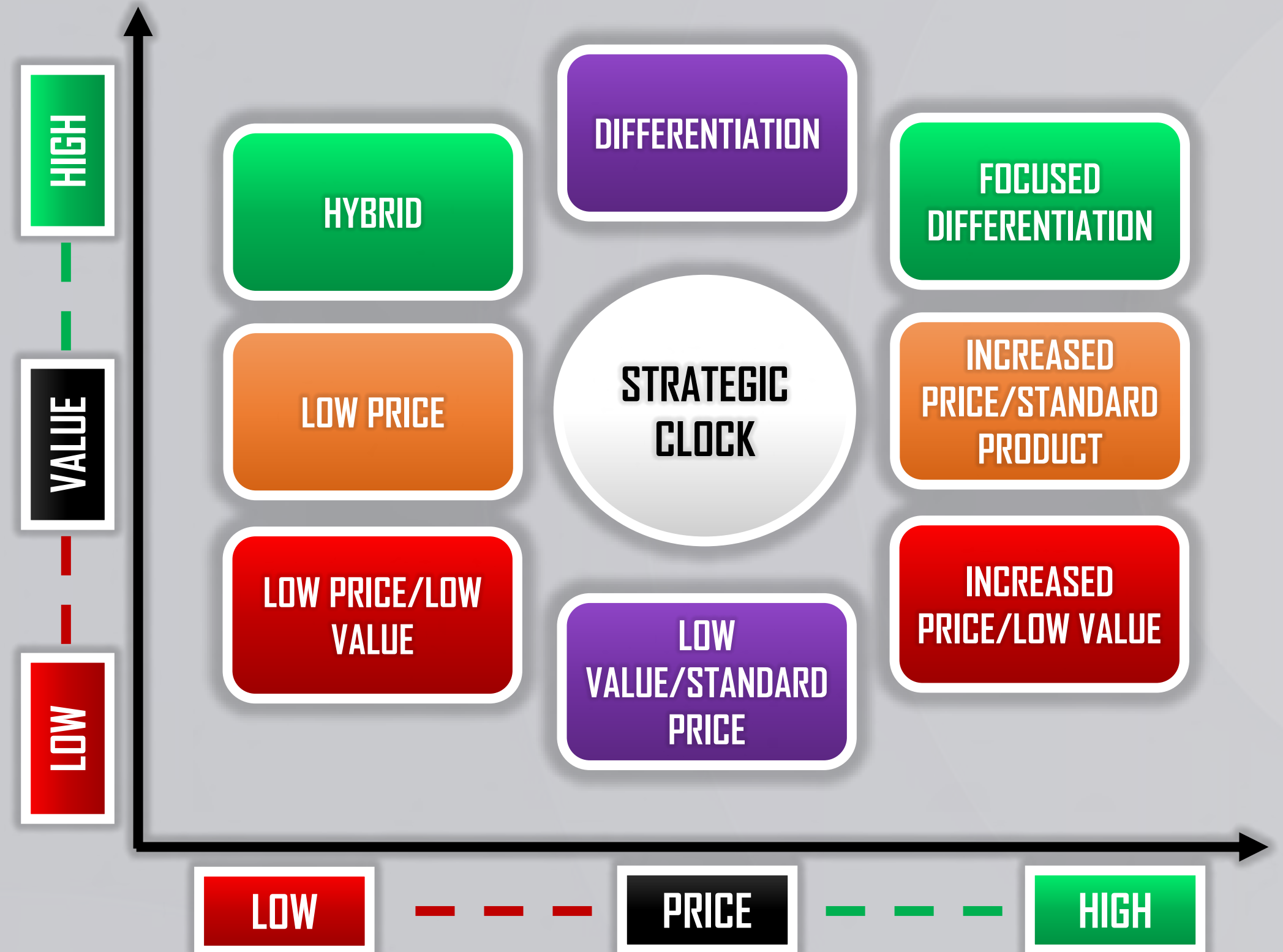
5

What are the limitations of this model?

6

How can a firm generate a competitive advantage over rivals?

BOWMAN'S STRATEGIC CLOCK



Presents 8 strategic choices of market positioning

THEME 1

PEOPLE



This section will show you the importance of people to a business and how a company can manage their workforce to improve business performance.

EZY

25

VIDEOS

10

ASSESSMENTS

130

QUESTIONS

EZY

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THEME 1

HR OBJECTIVES

EDEXCEL SPECIFICATION REFERENCE – 1.4.1

1

What does 'HR' stand for in the context of a business?

2

Why do people matter for the business's performance levels?

3

What are the conventional HR objectives?

4

What factors influence these objectives?

5

What are the different approaches to HR management?

6

Which approach works best in certain industries?



THEME 1

STAFFING

EDEXCEL SPECIFICATION REFERENCE – 1.4.1/2

1

Why do different approaches need to be made for different staff?

2

What is Soft HRM?

3

What is Hard HRM?

4

How can training schemes help a business?

5

What is the distinction between Recruitment and Selection?

6

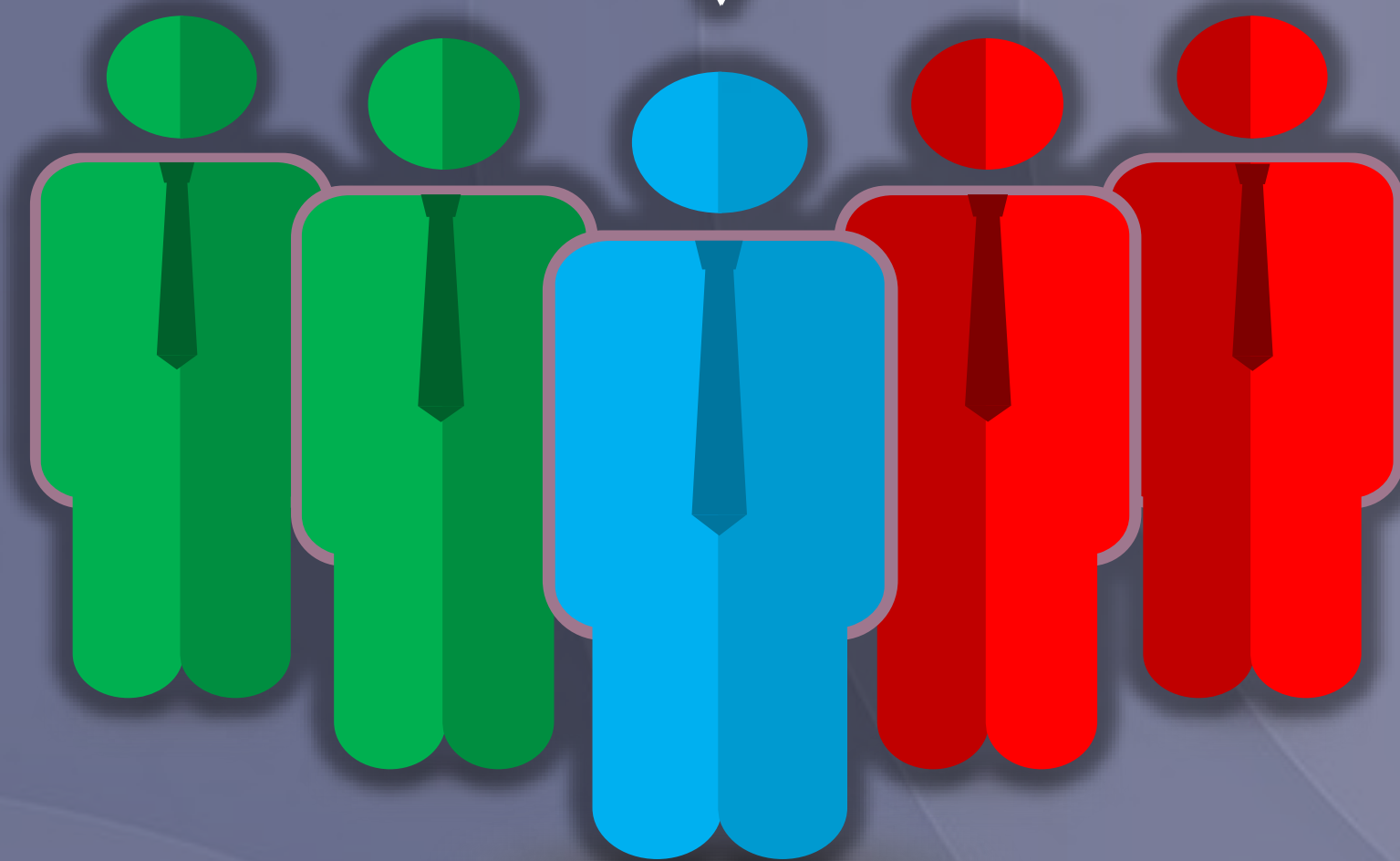
Why is it important to have strong employer-employee relations?

APPROACHES TO STAFF

SOFT HRM means actively involving all employees to bring forward new and different ideas and perspectives.

MAINTAIN A BALANCE

HARD HRM means tightly controlling employees to maintain an efficient decision-making process.



HELPS SHAPE – RECRUITMENT, TRAINING & SELECTION

THEME 1

JOB & ORGANISATION DESIGN

EDEXCEL SPECIFICATION REFERENCE - 1.4.3

1

What is Job Design?

2

How can job design influence the morale and motivation of staff?

3

How do we interpret the Job Characteristics Model?

4

What is a tall organisation structure?

5

What is a flat organisation structure?

6

What is a matrix organisation structure?

JOB DESIGN - Designing and planning the roles that are needed to make the final product or service.

JOB CHARACTERISTICS

Skill Versatility

Task Versatility

Task Importance

Job Autonomy

Job Feedback

PSYCHOLOGICAL STATES

Meaningfulness

Responsibility

Knowledge

JOB OUTCOMES

Performance

Motivation

Satisfaction

Absenteeism

EMPLOYER BENEFITS

Improved Productivity

Reflects Well on Managers

Helps Attract Talent

EMPLOYEE BENEFITS

Reduces Stress Levels

Increases Job Satisfaction

Increases List of Responsibilities

THEME 1

HR FLOW & PLANNING

EDEXCEL SPECIFICATION REFERENCE – 1.4.1

1

What do we mean by the term 'HR Flow'?

2

What are some of the internal reasons for HR inflows?

3

What are some of the internal reasons for HR outflows?

4

What are some of the internal movements within the workforce?

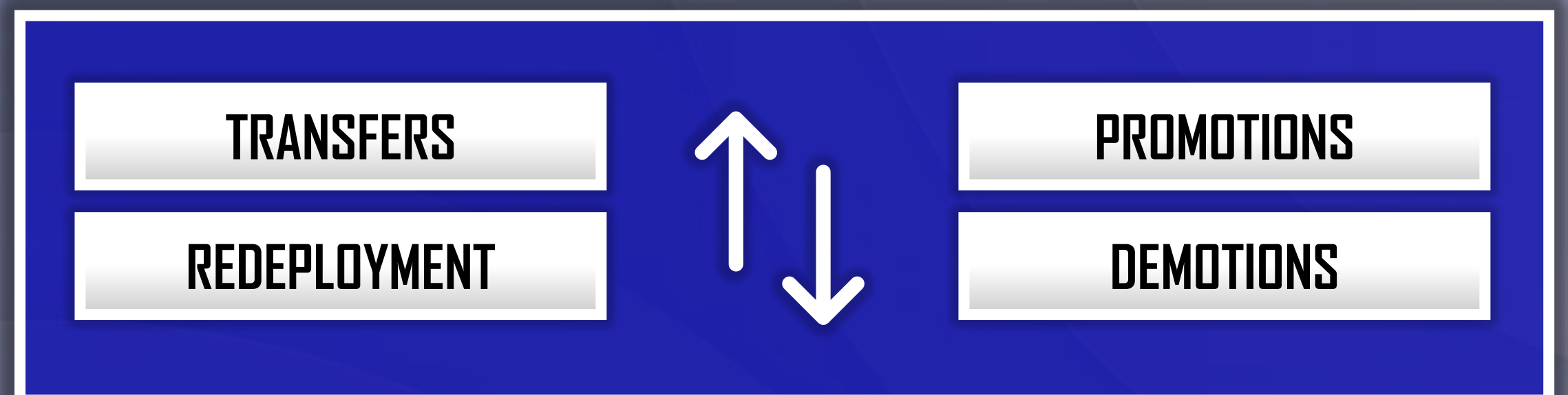
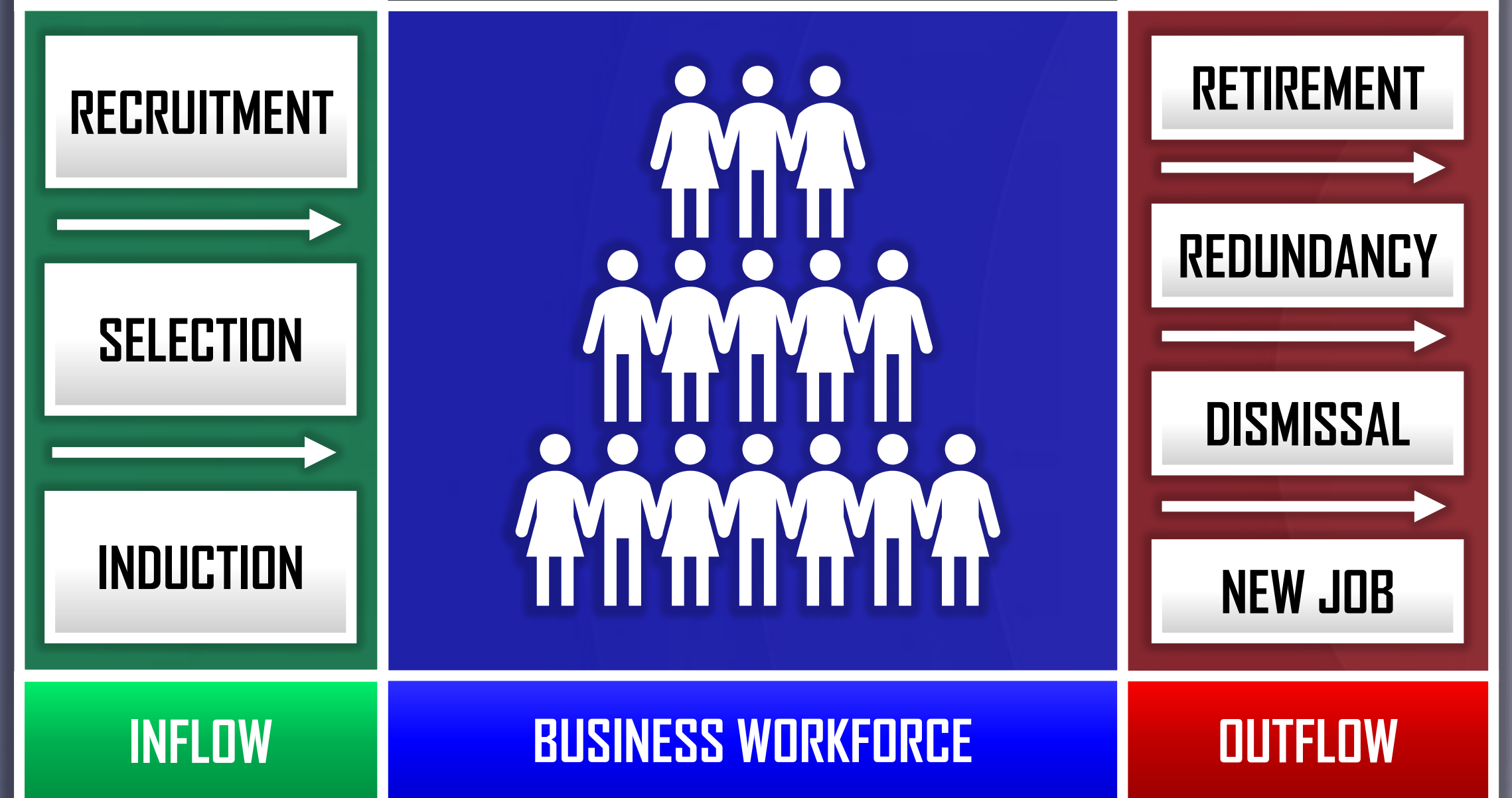
5

What are some of the external influences on the HR flow?

6

How can the organisation's structure affect the HR flow?

HR FLOW describes the worker movements in and out of a business's workforce



THEME 1

MOTIVATIONAL THEORIES

EDEXCEL SPECIFICATION REFERENCE – 1.4.4

1

How can a business motivate staff according to Frederick Taylor?

2

How can a business motivate staff according to Mayo?

3

How can a business motivate staff according to Maslow?

4

How do we interpret Maslow's Hierarchy of Needs?

5

How can a business motivate staff according to Herzberg?

6

What is the distinction between motivator and hygiene factors?

MAIN MOTIVATIONAL THEORIES

TAYLOR



SCIENTIFIC
MANAGEMENT
OF STAFF

01

Workers are driven by financial incentives.

INTRODUCE PIECE RATE PAY & BONUSES

MAYO



STUDY OF
HUMAN
RELATIONS

02

Workers are driven by stronger work relations.

IMPROVE INTER-WORK RELATIONS WITH REST OF TEAM

MASLOW



THE
HIERARCHY OF
NEEDS

03

Workers are driven by the fulfilment of their own needs.

SECURE & CONSOLIDATE EACH NEEDS LEVEL

HERZBERG

2

THE TWO
FACTOR
THEORY

04

Workers are driven by two factor classifications.

FOCUS ON MOTIVATORS OVER HYGIENE FACTORS

THEME 1

THE ROLE OF MANAGERS

EDEXCEL SPECIFICATION REFERENCE – 1.4.5

1

What is a manager?

2

What are the roles and responsibilities of a manager?

3

What are the different management styles?

4

How can good management help improve performance?

5

How can bad management restrict performance?

6

What explanations of management exist in business literature?

MANAGERS help run a business by organising staff



HENRI FAYOL

The founder of the study of management

F orecast

P lan

O rganise

C ommand

C o-ordinate

C ontrol



HENRY MINTZBERG

What managers do in practice

Large Workloads

Fragmented Tasks

Action-Driven Tasks

Verbal Comms.

Under Time Pressure

Regularly Interrupted



PETER DRUCKER

What managers should do in reality

Set Objectives

Compile the Team

Motivate Staff

Support Staff

Review and Adapt

THEME 1

MANAGEMENT & LEADERSHIP STYLES

EDEXCEL SPECIFICATION REFERENCE – 1.4.5

1

What is a manager?

2

What are the roles and responsibilities of a manager?

3

What are the different management styles?

4

How can good management help improve performance?

5

How can bad management restrict performance?

6

What explanations of management exist in business literature?

MANAGER

A person responsible for controlling or administering the day-to-day activities an organisation or group of staff.

LEADER

A person who sets the direction of the business, builds an inspiring vision, and helps guide a team or business as a whole.

AUTOCRATIC

Strict – Issues Orders Only

DEMOCRATIC

Involves Workers

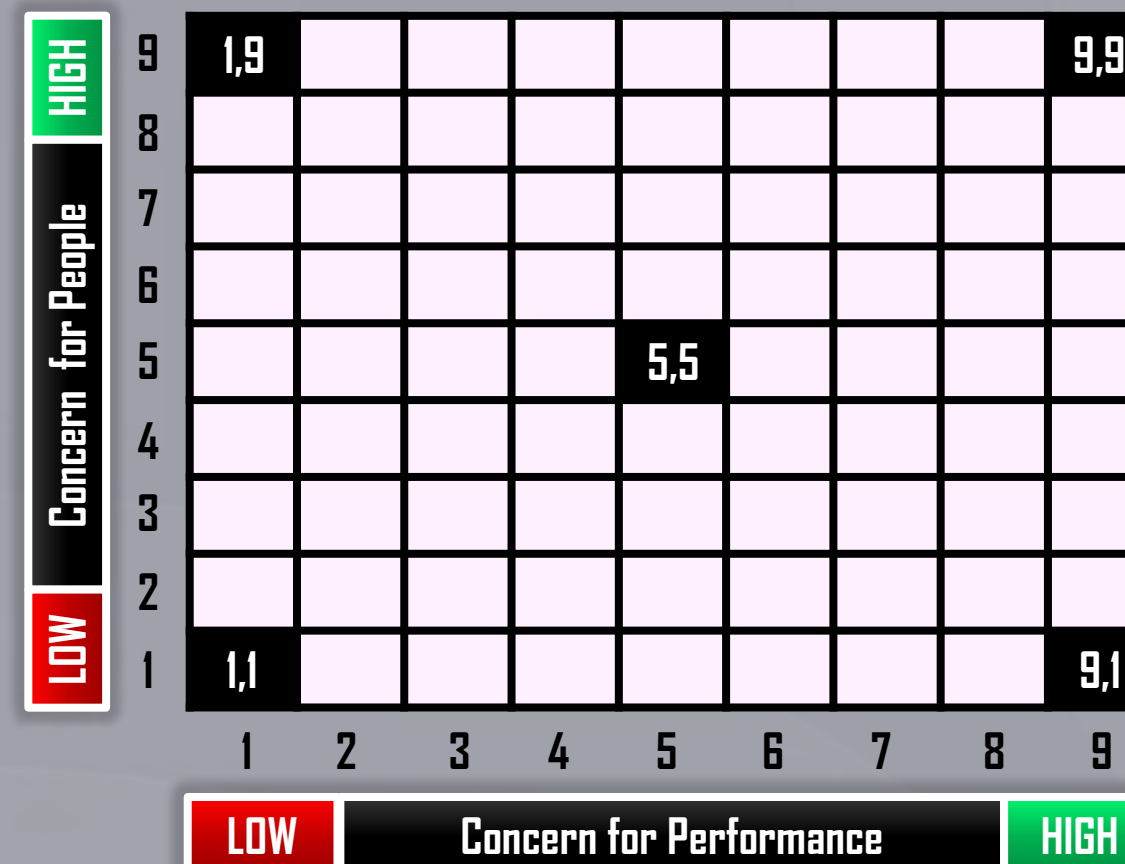
PATERNALISTIC

Nurture and Support Staff

CHARISMATIC

Galvanise Workers

BLAKE MOUTON GRID



- (1,1) Impoverished Management
- (1,9) Country Club Management
- (5,5) Middle of the Road
- (9,1) Task Management
- (9,9) Team Management

THEME 1

BUSINESS FORMS

EDEXCEL SPECIFICATION REFERENCE – 1.5.3 & 1.5.4

1

Why do businesses exist?

2

What do we mean by a company's mission statement?

3

What is meant by a company's strategy?

4

What are SMART objectives?

5

What are the different business forms?

6

What do we mean by business liability?

Firms set **SMART** objectives to manage and improve performance.

S

SPECIFIC

Outlines exactly what the business has set out to achieve

M

MEASURABLE

Business can measure progress against target to manage strategy

A

ACHIEVABLE

Business sets objectives that are feasible and within reach

R

REALISTIC

Business sets objectives that are sensible, practical and achievable

T

TIMEBOUND

Business sets objectives with a specific deadline

BUSINESS LIABILITY

UNLIMITED LIABILITY

The business owners are liable for all of the company's debts.



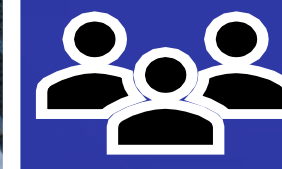
Sole Trader

Partnership



LIMITED LIABILITY

Shareholders of a business only stand to lose what they invested.



Ltd. Company

Plc Company

THEME 1

ENTREPRENEURSHIP

EDEXCEL SPECIFICATION REFERENCE – 1.5.1/2

1

What is an entrepreneur?

2

What is the role of an entrepreneur?

3

What are the motives for becoming an entrepreneur?

4

What are the main characteristics of an entrepreneur?

5

What are the main barriers to enterprise?

6

What are some examples of successful entrepreneurs?

An **ENTREPRENEUR** is a person who sets up a business, taking on the associated financial risks, in the hope of profit.



Sir Richard Branson has built a hundred billion dollar business from an initial idea.

Has been the public face of the Virgin brand and led from the front with a vision.

MOTIVES/CHARACTERISTICS

FINANCIAL
GAIN

YOUR OWN
BOSS

POSITIVE
CHANGE

EYE FOR OPPORTUNITY

AMBITIOUS

INNOVATIVE

PRO-RISK

BARRIERS TO ENTERPRISE

FINANCE

Might not have the initial capital

EFFORT

Have to be prepared to sacrifice life

RED TAPE

Regulations discourage enterprise

MANAGER

Have to manage others

FAILURE

Fear of failing can deter

RISK

Some may be averse to risk

MARKET

May perceive market is challenging

THEME 2

FINANCE & ACCOUNTING



This section will introduce to you the main terms, statements and ratios that feature in the finance department of a business.

EZY

31

VIDEOS

15

ASSESSMENTS

185

QUESTIONS

EZY

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THEME 2

FINANCIAL OBJECTIVES

EDEXCEL SPECIFICATION REFERENCE – 2.1.1

1

Why does finance matter for a business?

2

Why is it important to manage the finance of a business responsibly?

3

What are the conventional finance objectives?

4

What factors influence these objectives?

5

What are the different approaches to managing a firm's finances?

6

Which approach works best in certain industries?



THEME 2

RAISING FINANCE

EDEXCEL SPECIFICATION REFERENCE – 2.1.1/2

1

How does a business raise finance?

2

What are the main internal sources of finance?

3

Who externally funds a business?

4

What are the main external sources of finance?

5

Which method of finance for the business is preferred?

6

Which businesses are more suited to certain sources of finance?

INTERNAL SOURCES OF FINANCE

Funds that are raised from within the business

RETAINED PROFITS

Profits generated by the business are re-invested to help achieve growth plans.

DEBT FACTORING

The sale of business invoices to a bank. The bank is charged with processing the invoices, and the business receives loans based on the expected payments.

CASH METHODS

Process by which a business raises cash from selling or trading day-to-day capital such as stock.

EXTERNAL SOURCES OF FINANCE

Funds that are raised from outside sources such as banks

LOANS

Borrowing funds over a pre-determined time.

SHARE CAPITAL

Selling a stake in the business to private investors or venture capital funds.

BANK OVERDRAFTS

Business withdraws money from a bank and the available balance is permitted to go below zero.

TRADE CREDIT

Acquiring goods and services from a business with delayed payments attached.

LEASING

A contractual agreement whereby the business pays the owner of an asset it currently uses.

GRANTS

Non-repayable funds which act as a gift from party to another.

THEME 2

SHORT AND LONG-TERM FINANCE

EDEXCEL SPECIFICATION REFERENCE – 2.1.1/2

1

What is the distinction between the short and long-term?

2

What are a business's short-term financial needs?

3

What are a business's long-term financial needs?

4

What do we mean by the term 'Overtrading'?

5

How does overtrading threaten the future of a business?

6

How does a business manage its finances effectively?

Business financing strategy is a balancing act..

SHORT-TERM NEEDS

RENT

WAGES

UTILITIES

SUPPLIERS

LONG-TERM NEEDS

GROWTH

SALES

PROFITS

TAKEOVERS

Business must avoid **OVERTRADING** and grow sustainably

STEP 1

Establish
place within
market

STEP 2

Ensure stable
revenue
stream

STEP 3

Consolidate
financial
position

STEP 4

Look to
expand in the
long-term

THEME 2

BUSINESS LIABILITY

EDEXCEL SPECIFICATION REFERENCE – 2.1.3

1

How do we define the term 'liability' for a business's finances?

2

What type of companies have unlimited liability?

3

What are the financial consequences of companies of this structure?

4

What type of companies have limited liability?

5

What are the financial consequences of companies of this structure?

6

What funding options are available to these company types?

UNLIMITED LIABILITY

The business owners are liable for all of the company's debts.



SOLE TRADER

BUSINESS PARTNERSHIP

PROFIT

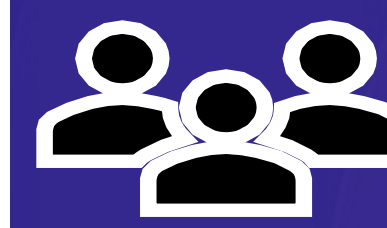
OWNER(S)

LOSS

OWNER(S)

LIMITED LIABILITY

The shareholders of a business only stand to lose what they have invested.



LTD. COMPANY

PLC COMPANY

PROFIT

SHAREHOLDERS

LOSS

BUSINESS

FUNDING OPTIONS

Personal Funds (Savings)

Retained Earnings

Bank Loans/Overdrafts

Crowd Funding Platforms

P2P Funding

Equity Capital

Retained Earnings

Business Angels

Venture Capitalists

Debentures

THEME 2

CASH FLOW

EDEXCEL SPECIFICATION REFERENCE – 2.1.4

1

How do we define the term 'cash flow' in relation to a business?

2

What are the main cash inflows to a business?

3

What are the main cash outflows to a business?

4

How does a business manage its cash flow position?

5

Why is it important for a business to hold cash at all times?

6

How can a business use a forecast to improve their position?

The **CASH FLOW** of a business is the net balance of cash at any point in time



Business must have cash available to them at all times to cover unexpected costs

CASH INFLOWS	CASH OUTFLOWS
SALES REVENUE	MACHINERY COSTS
CAPITAL INJECTIONS	SUPPLIER PAYMENTS
Cash may not always arrive in time so this is why businesses need to hold onto a cash pile to meet outflows	RENT PAYMENTS
	WAGE PAYMENTS

Business constructs cash flow forecast to plan ahead and manage the cash flow

THEME 2

SALES FORECASTING

EDEXCEL SPECIFICATION REFERENCE – 2.2.1 & 3.3.1

1

What is a sales forecast?

2

Why do sales forecasts matter?

3

How does a business plot a time series sales forecast?

4

How do we calculate moving averages for sales data?

5

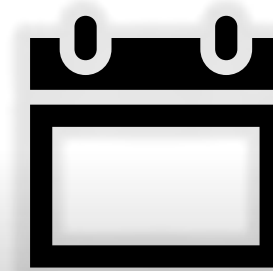
What are the advantages of using moving averages?

6

What is a line of best fit and how can it be used in this context?

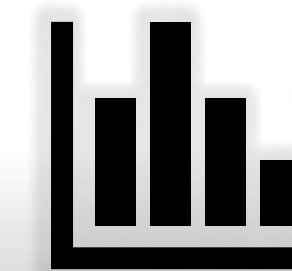
A **SALES FORECAST** is a projection of the revenue that is expected to be generated by the business over the trading year based upon...

HISTORICAL DATA



EXTRAPOLATE PAST FIGURES

PERFORMANCE METRICS



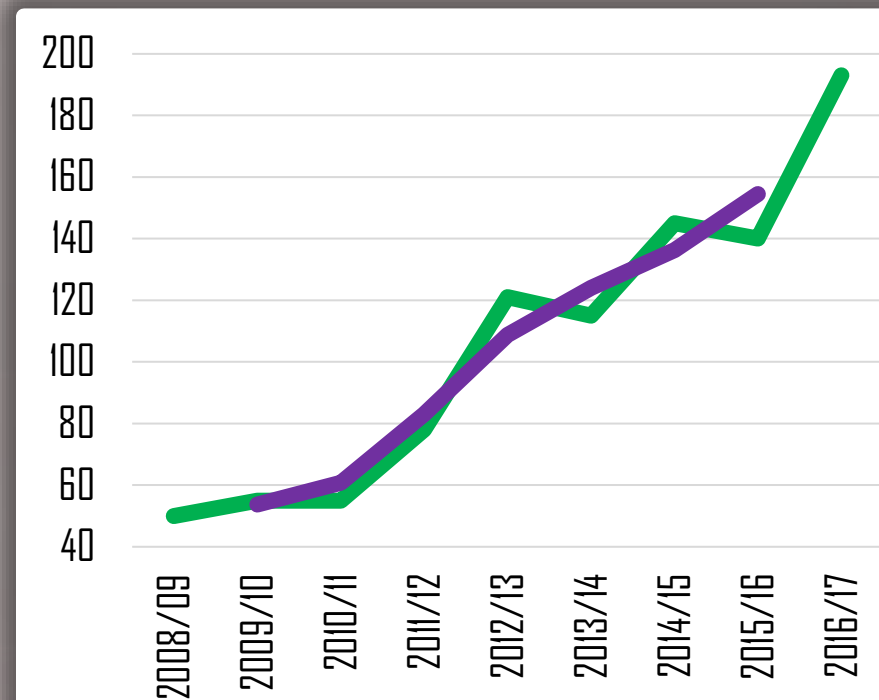
ANALYSE CURRENT PERFORMANCE

MARKET RESEARCH



MEASURE MARKET SENTIMENT

TRADING YEAR	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17
SALES (£000S)	50	55	55	78	121	115	145	140	193
MOVING AVERAGE			53.75	60.75	83	108.75	124	136.25	154.5



Using **MOVING AVERAGES** smooths out the volatility in the original forecast data

Allows forecasters to create a **LINE OF BEST FIT** to make better predictions about future sales figures

THEME 2

SALES REVENUE

EDEXCEL SPECIFICATION REFERENCE – 2.2.2

1

What is the 'Revenue' of a business?

2

How do we calculate the revenue of a business?

3

What factors influence the revenue levels of a business?

4

What causes an increase in sales revenue?

5

What causes a fall in sales revenue?

6

How can we use revenue to assess the profitability of a business?

REVENUE is the income generated by a business from sales i.e. sales revenue or business turnover

$$\text{SALES REVENUE} = \text{VOLUME OF GOODS SOLD} \times \text{AVERAGE SELLING PRICE}$$

REVENUE INCREASES

REVENUE DECREASES

RISE IN VOLUME SOLD

FALL IN VOLUME SOLD

RISE IN AVERAGE PRICE

FALL IN AVERAGE PRICE

Trade-off between the two is determined by the PED value of the good



Business must raise revenue in order to cover the costs associated with operating

THEME 2

BUSINESS COSTS

EDEXCEL SPECIFICATION REFERENCE – 2.2.2

1

How do we define the term 'costs' in relation to a business?

2

What are some examples of costs to businesses?

3

What do we mean by 'fixed costs'?

4

What do we mean by 'variable costs'?

5

What factors affect the cost levels of the business?

6

How can a business minimise their costs?

COSTS are the expenses levied on the firm from operating in the market.

TRANSPORTATION COSTS

RAW MATERIALS

RENT/LEASE OF PREMISES

STAFF WAGES

OFFICE UTILITY COSTS

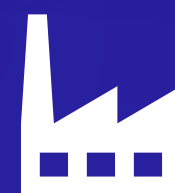
TAXATION

We can classify these costs into different categories to reflect the nature of the costs in relation to output levels.

FIXED COSTS (FC)

Costs that do not vary with output

Producer Overheads



Rent



Fees



Insurance

VARIABLE COSTS (VC)

Costs that vary with output

Direct Producer Costs



Labour



Fuel



Materials

THEME 2

BREAK-EVEN

EDEXCEL SPECIFICATION REFERENCE – 2.2.3

1

What do we mean by the term 'break-even' in relation to a business?

2

How is the break-even point calculated?

3

How can a firm influence their break-even point?

4

How is a break-even chart constructed?

5

How do we interpret a break-even chart?

6

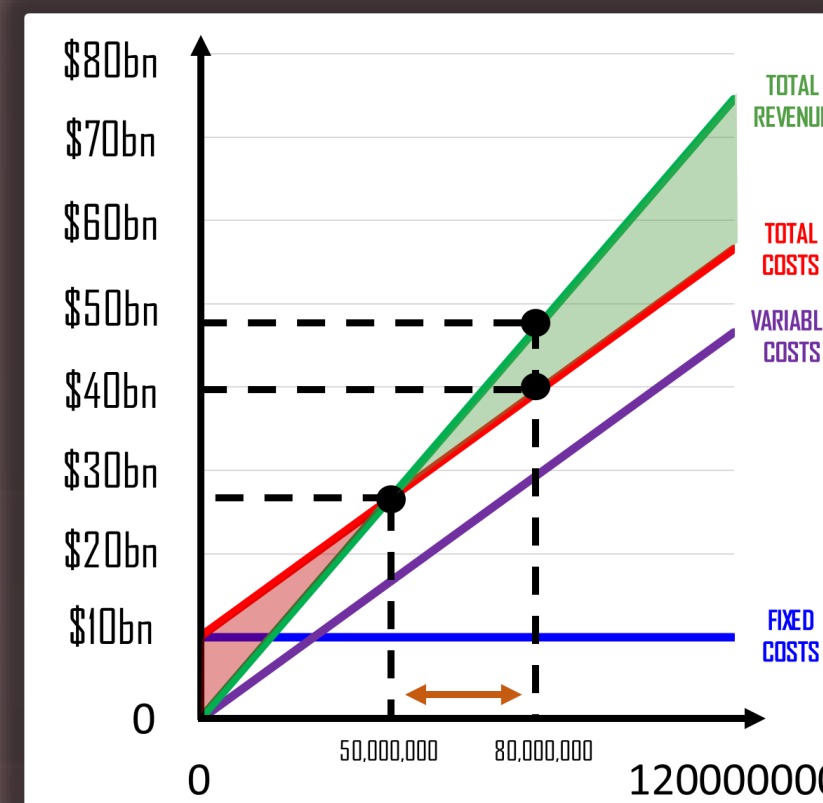
How can we illustrate changes to the break-even chart?

The **BREAK-EVEN** point of a business is found where the business produces and sells enough output to raise enough revenue to cover business costs

OUTPUT	REVENUE	COSTS
0	0	£20,000
100	£15,000	£30,000
200	£30,000	£40,000
300	£45,000	£50,000
400	£60,000	£60,000
500	£75,000	£70,000

BREAK-EVEN POINT

SPECIFIC SALES LEVEL REQUIRED TO BREAK-EVEN



FACTORS INFLUENCING BREAK-EVEN

PRICE CHANGES

VARIABLE COST CHANGES

FIXED COST CHANGES

THEME 2

PROFIT

EDEXCEL SPECIFICATION REFERENCE – 2.3.1

1

How do we define the term 'profit' in relation to a business?

2

How do we calculate the profit levels of a business?

3

How do firms increase their profit levels?

4

What factors can result in a fall in profits?

5

Which business stakeholders care most about profit?

6

Why might a business aim for more than just profit?

A business declares a **PROFIT** when it's revenues are greater than its costs



$$\text{REVENUE} = \text{VOLUME SOLD} \times \text{PRICE}$$

$$\text{COSTS} = \text{FIXED COSTS} + \text{VARIABLE COSTS}$$

$$\text{PROFIT} = \text{REVENUE} - \text{COSTS}$$

PROFIT INCREASES

PROFIT DECREASES

REVENUE RISES

REVENUE FALLS

COSTS FALL

COSTS RISE

Business wishes to maximise revenue and minimise costs

THEME 2

ANALYSING PROFIT

EDEXCEL SPECIFICATION REFERENCE – 2.3.1

1

How do we calculate the profit levels of a business?

2

How do we measure business profitability?

3

What is gross profit and how is it measured?

4

What is operating profit and how is it measured?

5

What is net profit and how is it measured?

6

How can a firm increase its profitability?

GROSS PROFIT

TOTAL REVENUE – COST OF SALES

$$\text{GROSS PROFIT MARGIN} = (\text{GROSS PROFIT} / \text{SALES REVENUE}) \times 100$$

OPERATING PROFIT

GROSS PROFIT – FIXED OVERHEADS

$$\text{OPERATING PROFIT MARGIN} = (\text{OPERATING PROFIT} / \text{SALES REVENUE}) \times 100$$

NET PROFIT

OPERATING PROFIT – FINANCE AND TAX

$$\text{NET PROFIT MARGIN} = (\text{NET PROFIT} / \text{SALES REVENUE}) \times 100$$

THEME 2

BUDGETING

EDEXCEL SPECIFICATION REFERENCE – 2.2.4

1

What do we mean by the term 'budget' in relation to a business?

2

What are the different types of budgets that businesses can use?

3

What is a historical budget?

4

What is a zero-based budget?

5

What are the main advantages of using a budget?

6

What is variance analysis and how does it help a business?

A **BUDGET** helps a business allocate the right level of finance to each of its main departments to meet the targets and objectives of that department

HISTORICAL BUDGETING

A budget which is primarily based on a previous budget, but with figures incrementally adjusted to reflect next trading year.

BUDGET METHODOLOGY IS STABLE AND CERTAIN

CREATES CONSISTENCY AND CERTAINTY

FAILS TO ADJUST FOR CHANGING ENVIRONMENT

CORPORATE STRATEGY MAY HAVE CHANGED

ZERO BASED BUDGETING

A budget which starts from a "zero base", so that each department of the business has to justify the expenses they expect to incur in the next trading year.

ACTUAL FIGURES OVER HISTORICAL FIGURES

HELPS BUSINESS IDENTIFY UNPRODUCTIVE AREAS

TIME EXHAUSTIVE EXERCISE

INCREASES COMPLEXITY AND CHALLENGES

VARIABLE	BUDGET	ACTUAL	VARIANCE	OUTCOME
Rev.	£200m	£230m	£30m	Fav.
Costs	£100m	£115m	£15m	Adverse

VARIANCE ANALYSIS compares the business performance against its budgeted figures.

THEME 2

THE STATEMENT OF FINANCIAL POSITION

EDEXCEL SPECIFICATION REFERENCE – 2.3.2

1

What are the assets of a business?

2

What are the liabilities of a business?

3

What is the distinction between current and non-current?

4

What is the basic structure of the balance sheet?

5

How do we interpret the balance sheet?

6

What is the equity position of a business?

An accounting overview of the value of a business's assets and liabilities

	As at 31.12.17 (£ms)	
NON-CURRENT ASSETS		350
Inventories	95	
Receivables	120	
Cash and other cash equivalents	200	
TOTAL CURRENT ASSETS		415
Payables	(50)	
CURRENT LIABILITIES		(50)
NON-CURRENT LIABILITIES		(150)
Share capital	400	
Retained profits	165	
TOTAL EQUITY		565

$$\text{ASSETS} = \text{LIABILITIES} + \text{EQUITY}$$

CURRENT ASSET

Assets which can be converted into cash within one year

NON-CURRENT ASSET

Assets which cannot be converted into cash within the next year

CURRENT LIABILITY

Liabilities that are due to be paid within the next year

NON-CURRENT LIABILITY

Liabilities that are not required to be paid within the next year

TOTAL EQUITY

The book value of the ownership's stake

THEME 2

THE STATEMENT OF COMPREHENSIVE INCOME

EDEXCEL SPECIFICATION REFERENCE – 2.3.1

1

What does the income statement record?

2

What is the basic structure of the income statement?

3

How do we interpret the income statement?

4

What is the value of producing an income statement each year?

5

Which business stakeholders use the income statement?

6

What are some of the limitations of this financial statement?

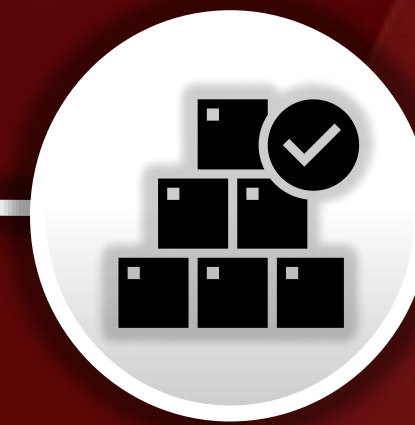
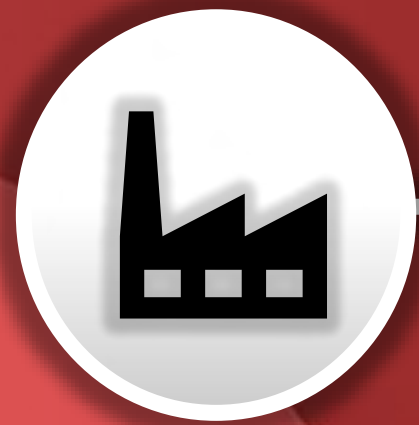
A statement that records all of the business's revenue and expenses

	£m	
REVENUE	100	=
COST OF SALES	40	=
GROSS PROFIT	60	=
OVERHEADS	30	=
OPERATING PROFIT	30	=
FINANCING COSTS	10	=
PROFIT BEFORE TAXATION	20	=
TAX TO BE PAID	6	=
PROFIT FOR THE YEAR	14	

Comparing year-on-year figures from this account can help assess progress

THEME 2

PRODUCTION



In this section you will be introduced to the production department of a business and the factors that affect its productivity and efficiency.

EZY

16

VIDEOS

8

ASSESSMENTS

115

QUESTIONS

EZY

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THEME 2

OPERATIONAL OBJECTIVES

EDEXCEL SPECIFICATION REFERENCE – 2.4.1

1

What do we mean by the term 'Operations' in the context of a firm?

2

What are the main objectives of this department of the business?

3

Why is it important that a business sets itself these objectives?

4

What are the limitations of these objectives?

5

What are the internal influences on these objectives?

6

What are the external influences on these objectives?



THEME 2

METHODS OF PRODUCTION

EDEXCEL SPECIFICATION REFERENCE – 2.4.1

1

Why do businesses need different methods of production?

2

What is job production?

3

What is batch production?

4

What is flow production?

5

What is cell production?

6

Which industries are more suitable to certain production models?

Production is all about **ORGANISING**, **COMBINING** and **CONVERTING** inputs into an output.

PRODUCTION PROCESS

Management	ORGANISATION	Allocating Resources
Co-ordination	COMBINING	Labour + Capital
Factors of Production	CONVERSION	Goods and Services

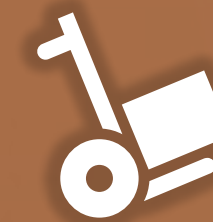
METHODS OF PRODUCTION

JOB PRODUCTION



A production method that involves a business employing all of its employed factors of production to complete one job.

BATCH PRODUCTION



A production method that involves a business focusing on particular stages of the production process rather than the entire product.

FLOW PRODUCTION



A production method that involves a business focusing on the standardisation of products via a production line.

CELL PRODUCTION



A production method that involves producing a standard product on a very large scale.

THEME 2

LABOUR PRODUCTIVITY & EFFICIENCY

EDEXCEL SPECIFICATION REFERENCE – 2.4.1

1

What do we mean by the term 'Productivity' in the context of a firm?

2

How is labour productivity measured?

3

How do we interpret productivity measures?

4

What factors affect productivity in the workplace?

5

What can be done to improve overall productivity levels?

6

What are some of the limitations of using this type of data?

$$\text{LABOUR PRODUCTIVITY} = \frac{\text{UNITS PRODUCED}}{\text{NUMBER OF EMPLOYEES}}$$

1
MEASURE
LABOUR
PRODUCTIVITY

2
ANALYSE DATA
AND COMPARE
ACROSS
PREVIOUS DATA

3
PUT IN PLACE
STRATEGIES &
POLICIES TO
IMPROVE

PRODUCTIVITY FACTORS

TECH.	Capital that workers have
MOTIVATION	State of mind of worker
BUSINESS	Structure and set-up of firm
MANAGEMENT	Quality of management practices

POLICIES TO IMPROVE

STAFF APPRAISALS	Help improve the morale and motivation of staff members.
STAFF TRAINING	Improves the skills and commitment of workers.
BUSINESS INVESTMENT	Improves the quality of the workplace or tech.

THEME 2

CAPACITY UTILISATION

EDEXCEL SPECIFICATION REFERENCE – 2.4.2

1

What do we mean by the term 'Capacity' in the context of a firm?

2

How does a firm utilise its own capacity?

3

How does a firm calculate its capacity utilisation rate?

4

What factors affect the capacity of the business?

5

What are the consequences of a business having spare capacity?

6

How can a business increase its own capacity?

CAPACITY determines the total output of a business when all resources are being fully employed.

$$\text{CAPACITY UTILISATION} = \frac{\text{ACTUAL OUTPUT}}{\text{MAXIMUM OUTPUT}} \times 100$$

LOW capacity utilisation is caused by low efficiency and results in significant waste.

HIGH capacity utilisation is caused by high efficiency and results in little waste.

DISADVANTAGES OF SPARE CAPACITY

COSTS	Higher unit costs – fixed costs are spread over fewer units.
PROFIT	Lower profit levels due to less being sold.
STAFF	Workers have less to do and become bored and demotivated.
BRAND IMAGE	Presents a lethargic and lazy image of the firm.

ADVANTAGES OF SPARE CAPACITY

TIME	More time available to train staff and organise business.
PLANNING	Business can use the stock to make calculations to plan.
STAFF	Workers will not burn out and become stressed.
FLEXIBILITY	Business has the ability to scale up production if demand rises.

THEME 2

IMPROVING BUSINESS EFFICIENCY

EDEXCEL SPECIFICATION REFERENCE – 2.4.3

1

What is Lean Production?

2

How does this method of production help eliminate waste?

3

What are the main sources of waste in a business?

4

How can a business eliminate this waste?

5

How can Just-In-Time (JIT) production help a business?

6

How does technology aid this production method?

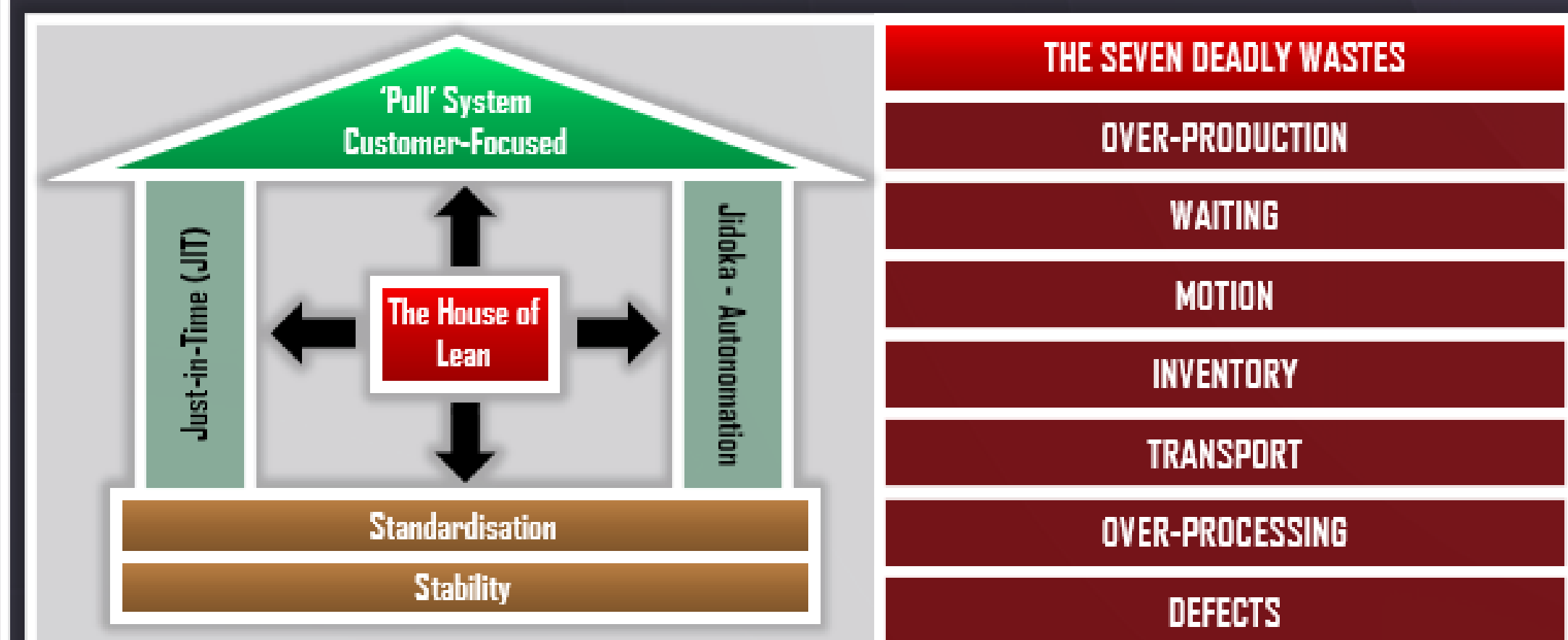
LEAN PRODUCTION is a method of production used to focus on minimising waste within the production process.



Better to have two highly productive and efficient factories than three unproductive ones.

Better to use up all the existing stock before ordering or producing more.

THE HOUSE OF LEAN



THEME 2

STOCK CONTROLS

EDEXCEL SPECIFICATION REFERENCE – 2.4.3

1

Why is it important that the supply chain is managed properly?

2

What tactics can a business use to manage supplier relationships?

3

What different inventories does a business hold?

4

How can a business control its inventory holdings?

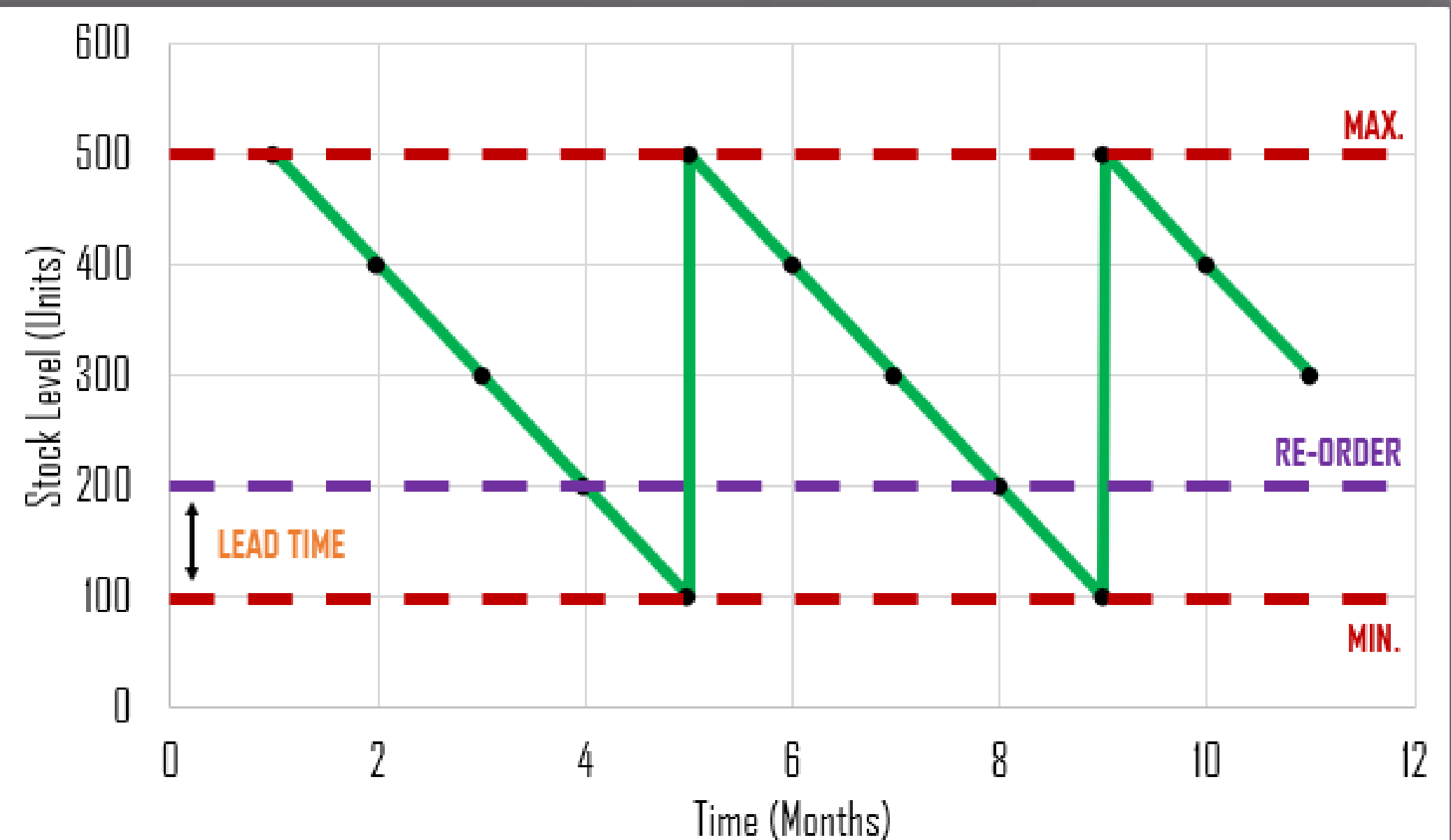
5

How can a business use an inventory control chart to aid planning?

6

What is the value of outsourcing departments of a business?

INVENTORY CONTROL CHARTS visually represent the amount of stock belonging to the firm at any point in time.



INVENTORY LEVEL

The current stock level of the business being held.

BUFFER LEVEL

Smallest amount of stock the firm is willing and able to hold at any point.

TRIGGER LEVEL

The stock level that causes the firm to order more stock.

LEAD TIME

Time it takes for stock to be delivered once an order has been placed.

THEME 2

QUALITY

EDEXCEL SPECIFICATION REFERENCE – 2.4.4

1

What is Kaizen?

2

How can a commitment to Kaizen help minimise waste in a business?

3

What is Quality Control?

4

What are Quality Assurances?

5

What is Total Quality Management (TQM)?

6

What are the limitations of these quality initiatives?

BUSINESS QUALITY INITIATIVES



THEME 2

THE EXTERNAL ENVIRONMENT



This section will introduce you to the external environment and the threats that it exposes businesses to when there are changes.

EZY

14

VIDEOS

5

ASSESSMENTS

65

QUESTIONS

EZY

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THEME 2

THE EXTERNAL ENVIRONMENT

EDEXCEL SPECIFICATION REFERENCE – 2.5

1

What are some of the political threats and opportunities?

2

What are some of the economic threats and opportunities?

3

What are some of the social threats and opportunities?

4

What are some of the technological threats and opportunities?

5

What are some of the legal threats and opportunities?

6

What are some of the environmental threats and opportunities?

POLITICAL

Changes in political structure

- Changes in Government
- Changes in Policy
- Changes in Legislation



ECONOMIC

Changes in economic environment

- Changes in GDP
- Changes in Inflation
- Changes in Interest Rates



SOCIAL

Changes in consumer behaviour

- Changes in Behaviour
- Changes in Population
- Changes in Expectations



TECHNOLOGICAL

Changes in technological advances

- New Innovations
- New Inventions
- New Tech. Application



LEGAL

Changes to the legal framework

- Competition Laws
- Employment Laws
- Taxation Laws



ENVIRONMENTAL

Changes to environment regulations

- Resource Constraints
- Environmental Laws
- Renewable Energy



THEME 2

ECONOMIC BUSINESS INFLUENCES

EDEXCEL SPECIFICATION REFERENCE – 2.5.1

1

How does the political framework influence businesses?

2

How has the UK's relationship with the EU influenced businesses?

3

Why does political instability hurt businesses?

4

How do competition laws affect businesses and consumers?

5

How do employment laws affect businesses and workers?

6

How do tax laws affect businesses?



How do businesses react to laws passed by Parliament?

How does business performance change when the political structure changes?

How are businesses affected by external political institutions?

COMPETITION LAWS

A law that promotes or seeks to maintain market competition by regulating anti-competitive conduct by companies.

PROHIBITS ANTI-COMPETITIVE BEHAVIOUR

ANALYSES IMPACT OF MERGERS + TAKEOVERS

MONITORS DOMINANT FIRMS (HIGH MARKET SHARE)

Helps to prevent **CONSUMERS** from being exploited by dominant firms.

EMPLOYMENT LAWS

Laws that seek to protect and promote existing workers rights and prevent the exploitation of employees by businesses.

MINIMUM WAGE

WORKERS RIGHTS

MATERNITY & PATERNITY PAY

SICK PAY

WORKING CONDITIONS

Helps to prevent **WORKERS** from being exploited by dominant firms.

TAX LAWS

Laws that state the amount of tax that needs to be paid by individuals & companies in their local jurisdiction.

SALES TAX (VAT)

CORPORATION TAX

EXCISE DUTIES

BUSINESS RATES

NATIONAL INSURANCE

Helps to prevent **FIRMS** from exploiting their position.

THEME 2

EXTERNAL ECONOMIC INFLUENCES

EDEXCEL SPECIFICATION REFERENCE – 2.5.1

1

How do changes in the economic environment affect businesses?

2

What is the business cycle?

3

How do changes in the business cycle affect businesses?

4

How do changes in GDP affect businesses?

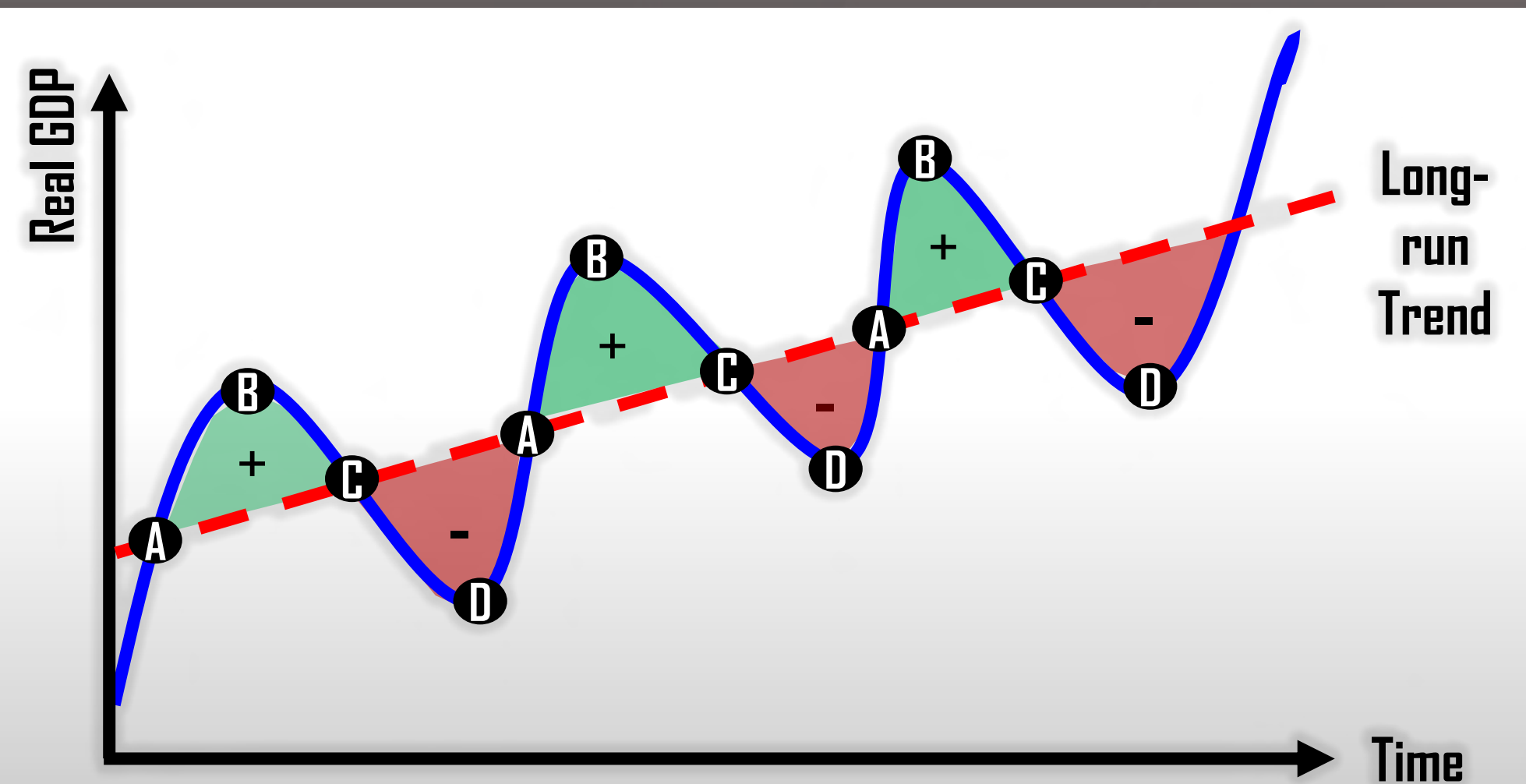
5

How do changes in fiscal policy affect businesses?

6

How do changes in monetary policy affect businesses?

PHASES OF THE BUSINESS CYCLE



EXPANSION

CONTRACTION

+

Positive Output Gap

-

Negative Output Gap

A

Growth Phase

C

Recession Phase

B

Boom Phase

D

Trough Phase

THEME 2

IMPACT OF LEGISLATIVE CHANGES

EDEXCEL SPECIFICATION REFERENCE – 2.5.2

1

How do changes in the external environment affect businesses?

2

What is inflation?

3

How do inflationary changes affect business and consumers?

4

What is international trade?

5

How do we interpret exchange rates?

6

How do exchange rate changes influence businesses?

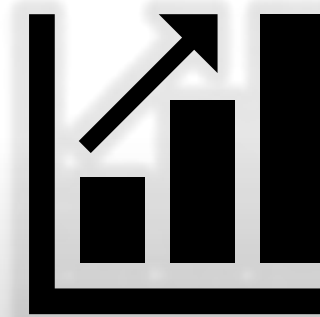
INFLATION describes the rate at which average prices are rising over a given period of time

BUSINESS BENEFITS

HIGHER PROFITS IF PED < -1

FIRMS SOURCE EFFICIENCIES

REDUCES REAL VALUE OF DEBTS



BUSINESS COSTS

HIGHER PROFITS IF PED > -1

PRESSURE TO RAISE WAGES

DEFLATIONARY WORRIES

EXCHANGE RATES describe the value at which one currency exchanges for another

EXCHANGE RATE FALLS

Every £ buys less \$

US PRICED IMPORTS



Every \$ buys more £

UK PRICED EXPORTS



BENEFITS UK EXPORTING FIRMS

£

\$

EXCHANGE RATE RISES

Every £ buys more \$

US PRICED IMPORTS



Every \$ buys less £

UK PRICED EXPORTS



HURTS UK EXPORTING FIRMS

THEME 3

BUSINESS PERFORMANCE & STRATEGY



This section of the course explores some of the functions of business strategy and how businesses grow.

EZY

36

VIDEOS

16

ASSESSMENTS

175

QUESTIONS

EZY

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THEME 3

BUSINESS PERFORMANCE

EXTENSION MATERIAL FOR EDEXCEL

1

How can businesses measure their own performance levels?

2

What are the financial methods to measuring performance?

3

What are the non-financial methods to measuring performance?

4

How to measure short and long-term performance?

5

What is Kaplan & Norton's Balanced Scorecard Model?

6

What is Elkington's Triple Bottom Line Model?

Measures how well the business performs against its set and agreed upon objectives and targets.

FINANCIAL METHODS

PROFIT TARGET

SALES REVENUE TARGET

MARKET SHARE TARGET



NON-FINANCIAL METHODS

PRODUCTIVITY TARGET

JOB SATISFACTION TARGET

PUNCTUALITY TARGET

KAPLAN & NORTON'S BALANCED SCORECARD MODEL

1992

Robert Kaplan + David Norton

Profit may be a false indicator

Well-rounded view of performance

Encourages 'target hitting'

ELKINGTON'S TRIPLE BOTTOM LINE

1994

John Elkington

Accounting, Social and Environmental Profit/Loss

Measures full 'social cost'

Some performance aspects missed

THEME 3

OBJECTIVES & STRATEGY

EDEXCEL SPECIFICATION REFERENCE – 3.1

1

What is the mission statement of a business?

2

What are the conventional corporate objectives of a business?

3

How does a business decide on its strategy?

4

What are some of the theories on corporate strategies?

5

What influences a business's strategy and objectives?

6

What is SWOT Analysis?

MISSION STATEMENT

Ultimate aim or long-term ambitions of the organisation.

CORPORATE OBJECTIVES

Organisation-wide goals, rather than department-specific targets.

STRATEGY

The medium- to long-term plan via which a business will achieve its goals.

SWOT ANALYSIS

S

STRENGTHS

Business reviews the aspects of the business it has mastered to see if it can add to its strengths and improve position.



W

WEAKNESSES

Business reviews the aspects of the business which leave the company vulnerable, to see if it can improve on those weaknesses.



O

OPPORTUNITIES

Business identifies the potential areas that it can exploit in the near future to improve performance and efficiency.



T

THREATS

Business identifies the future hurdles it must overcome to take advantage of opportunities that may exist in the market.



THEME 3

BUSINESS GROWTH

EDEXCEL SPECIFICATION REFERENCE – 3.2

1

What is organic business growth?

2

What is external business growth?

3

Why do businesses wish to grow?

4

What are the challenges in managing business growth?

5

What do we mean when a business 'retrenches'?

6

How can we use Greiner's Model of Growth to analyse a business?

BUSINESS GROWTH

The process of scaling up the capacity of the business

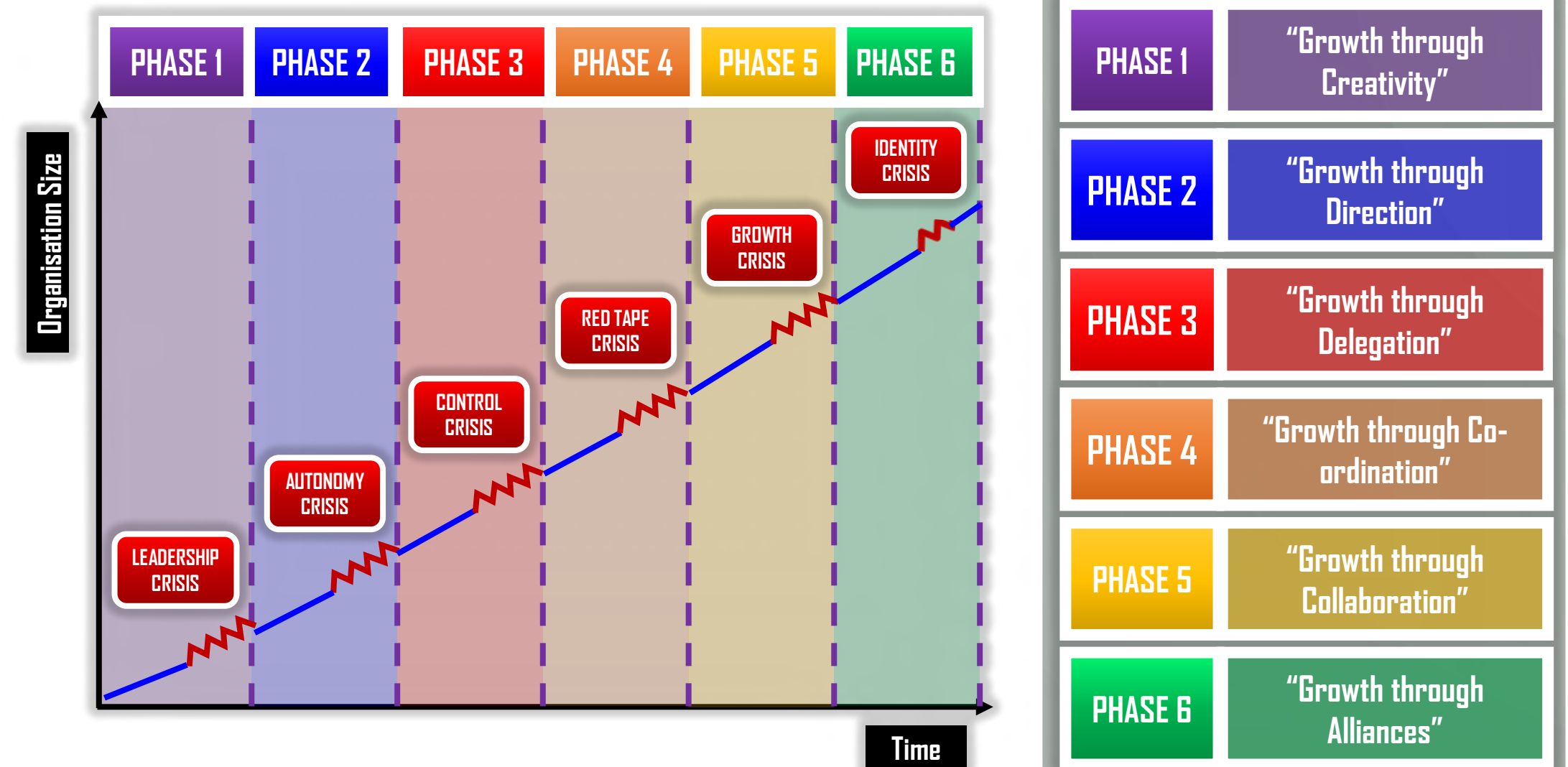
Can be organic (internal) or through external channels

BUSINESS RETRENCHMENT

The process of scaling back the capacity of a business

Often used to cut costs and simplify the business model

GREINER'S MODEL OF GROWTH



THEME 3

COMPETITIVE MARKETS

EDEXCEL SPECIFICATION REFERENCE – 3.1.4

1

What are the main characteristics of a competitive market?

2

How does competition influence businesses?

3

What is Porter's Five Forces Model?

4

How can it be used to identify competitive pressures faced?

5

What are the main limitations of this model?

6

How can competition be increased in a market?

PORTER'S FIVE FORCES MODEL

A model devised by Michael Porter to illustrate the different pressures that a business faces when competing in a market

Competitors bring new product developments

THREAT OF NEW ENTRY

Significance of factor depends on barriers to entry and brand loyalty

The influence of firms when dealing with suppliers

BARGAINING POWER OF BUYERS

Affects supplier profitability and solvency

The influence of suppliers when dealing with firms

BARGAINING POWER OF SUPPLIERS

Affects firm profitability and solvency

RIVALRY BETWEEN FIRMS

New competition brought from outside the traditional market

THREAT OF SUBSTITUTES

Forces incumbent firms to change their pricing strategies

THEME 3

CHANGE

EDEXCEL SPECIFICATION REFERENCE – 3.6.1

1

What is 'change' within a business?

2

How does internal change take place within a business?

3

How does external change take place outside a business?

4

Why is it important that businesses accept and implement change?

5

What are some of the barriers to change?

6

What is Lewin's Force Field Analysis Model?

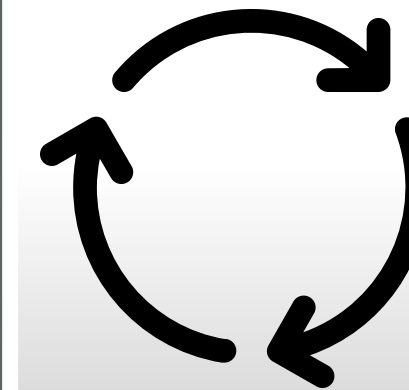
STRATEGIC CHANGE involves a business changing the strategic direction of the company because of changing circumstances

INTERNAL CHANGE

New Strategic Direction

New Employee Bonus Scheme

New Dividend Scheme



EXTERNAL CHANGE

Change in Consumer Tastes

Change in Economic Climate

Change in Market Dynamics

LEWIN'S FORCE FIELD ANALYSIS

A model to evaluate the opposing forces for and against change when making a business decision

- 3 QUALITY IMPROVEMENTS
- 3 RAISE PRODUCTIVITY
- 1 REDUCE WORK BURDEN
- 2 ECONOMIES OF SCALE



Decision over whether to increase role of automation in production process.

- 4 JOB CUTS
- 2 ENVIRONMENT IMPACT
- 3 FINANCIAL COST
- 1 INTEGRATION PERIOD

TOTAL = 9

Resistant to Change

TOTAL = 10

THEME 3

BARRIERS TO CHANGE

EDEXCEL SPECIFICATION REFERENCE – 3.6.2

1

What is 'change' within a business?

2

How does internal change take place within a business?

3

How does external change take place outside a business?

4

Why is it important that businesses accept and implement change?

5

What are some of the barriers to change?

6

What is Kotter & Schlesinger's Model?

IMPROVING BUSINESS FLEXIBILITY

DELAYERING

Removing inefficient layers of management

RESTRUCTURING

React to declining products by reducing capacity

CONTRACT CHANGES

Introduce flexible labour contracts to manage demand

KNOWLEDGE MANAGEMENT

Cost-effective way of collecting and analysing data

STRUCTURAL CHANGES

Move from a dictatorship structure to a collaborative one

KOTTER AND SCHLESINGER'S BARRIERS TO CHANGE

INTERNAL BARRIERS TO CHANGE

PAROCHIAL SELF-INTEREST

Considers impact of change on individual rather than business.

FAILURE TO UNDERSTAND

Misunderstanding of changes being made and the impact they will have.

LOW TOLERANCE

Favour stability and security over volatility and uncertainty.

DIFFERENT PERCEPTIONS

Staff may not always universally agree on changes which need to be made.

INTERNAL SOLUTIONS TO BARRIERS

Improved Education + Communication

Incentivise Resisters to Change

Increased Participation + Involvement

Manipulation of Events to Persuade

Provide Greater Levels of Support

The Use of Explicit and Implicit Threats

THEME 3

CHANGING ORGANISATIONAL CULTURE

EDEXCEL SPECIFICATION REFERENCE – 3.6.2

1

How do we define the 'organisational culture' of a business?

2

What factors affect the culture of a business?

3

How easy is it to change the culture of a business?

4

What are the different types of culture that exist?

5

What cultures breed the highest level of productivity?

6

Which cultures create the highest levels of productivity?

The **ORGANISATIONAL CULTURE** of a business shapes the ethos and vision of a company

MISSION OBJECTIVE

STAFF BEHAVIOUR

LEADERSHIP ATTITUDE



BUSINESS SPIRIT

RECRUITMENT PROCESSES

TRAINING PROCESSES

CULTURE TYPES

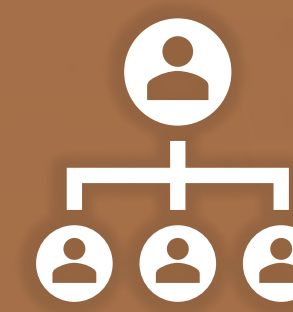
POWER CULTURE



Power emanates from the centre

Lack of business flexibility

ROLE CULTURE



Power depends on job position

Long chain of command

TASK CULTURE



Departmental power

Run by project leaders

PERSON CULTURE



Collaborative approach taken

Increases knowledge pool

THEME 3

STRATEGIC CHANGE & IMPLEMENTATION

EDEXCEL SPECIFICATION REFERENCE – 3.6.2

1

What is 'strategic change'?

2

What factors result in a business instigating strategic change?

3

How do businesses implement strategy effectively?

4

What factors affect the effectiveness of this implementation stage?

5

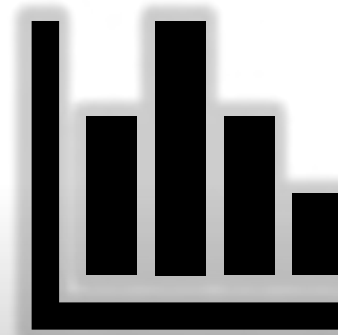
How does the culture and structure of a business affect this?

6

Why is it important to maintain clear leadership and communication?

STRATEGIC CHANGE involves a business changing the strategic direction of the company because of changing circumstances...

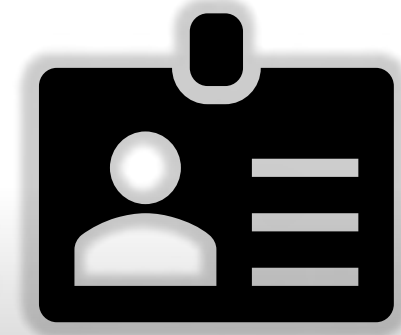
END OF PRODUCT LIFE



DEMAND SHRINKS



PERSONNEL CHANGE



STRATEGIC IMPLEMENTATION

Identify Strategic Goals

Identify Tasks, Activities and Components

Management Oversight of Strategy Planning

Assigning Tasks to Workers

Setting Task Deadlines

Incentives to Improve Motivation

Securing Resources for Projects

SUCCESSFUL AND EFFECTIVE STRATEGY

THEME 3

DEALING WITH CHANGE

EDEXCEL SPECIFICATION REFERENCE – 3.6.3

1

What is 'strategic change'?

2

What factors result in a business instigating strategic change?

3

How do businesses implement strategy effectively?

4

What factors affect the effectiveness of this implementation stage?

5

How does the culture and structure of a business affect this?

6

Why is it important to maintain clear leadership and communication?

Managing strategic change requires clear communication and strong leadership...

LAISSEZ-FAIRE

Freedom for employees to carry out tasks in their own way

Staff expected to understand vision from the start and start working on new strategy

No settled route to solve problems that may arise

DEMOCRATIC

Involves employees in the decision-making process

Consultation and collaboration to bring forward the best workers for the tasks

Problems minimised as all concerns have been listened to

PATERNALISTIC

Puts the interest and welfare of employees first

Discussion based exercises to fully understand staff concerns regarding change

Leader draws upon togetherness to overcome issues

AUTOCRATIC

Instructs employees what to do on each task

Managers will make all the decisions regarding the strategy

Any worker objections will be dismissed

Often the leadership style is set by the organisation structure and culture!

FUNCTIONAL

REGIONAL

PRODUCT BASED

MATRIX

THEME 3

SCENARIO PLANNING

EDEXCEL SPECIFICATION REFERENCE – 3.6.3

1

What does scenario planning consist of for a business?

2

What risks do businesses need to protect themselves against?

3

What are the general phases of scenario planning?

4

How do businesses assess and predict future risks?

5

How do businesses minimise the financial cost of risks by planning?

6

What is risk mitigation planning?

RISK ASSESSMENT PLANNING

ECONOMIC SHOCK



NATURAL DISASTER



IT FAILURE



LOSS OF KEY STAFF



1

Businesses need to explore the risks they are likely to contend with in the next trading year.

SCIENTIFIC APPROACH

SWOT + PESTLE Analysis

2

Businesses then construct scenarios to assess the severity of the consequences that are likely to prevail.

RELEVANT SCENARIOS

Spectrum of Outcomes

3

Businesses need to devise a strategy as to how they will respond to these risks that have been identified.

IMPACT ASSESSMENTS

Outline Detailed Response

4

Businesses need to identify the probability of certain scenarios coming to fruition.

PROBABILITY ESTIMATIONS

Focus on Most Likely Outcomes

5

Focus on implementing the response to the risks that the business may face.

COMMUNICATE STRATEGIC CHANGE

Turn Negatives into Positives

THEME 3

SENSITIVITY ANALYSIS

EXTENSION MATERIAL FOR EDEXCEL

1

What is Sensitivity Analysis?

2

How does Sensitivity Analysis improve planning?

3

What advantages does this type of analysis provide managers with?

4

Which variables can be applied to Sensitivity Analysis?

5

How can this form of analysis form the basis of scenario planning?

6

What are the main limitations of Sensitivity Analysis?

SENSITIVITY ANALYSIS is a quantitative process which accounts for uncertainty in forecasts by changing assumptions made about important variables

	NEGATIVE OUTCOME	EXPECTED OUTCOME	POSITIVE OUTCOME
PRICE	£15	£20	£25
VARIABLE COSTS	£9	£7	£5
FIXED COSTS	£5,000	£4,000	£3,000
FORECASTED SALES	1,000	2,000	3,000
Business takes a negative perspective of the business.		The business expectation of what will happen.	Business takes a positive perspective of the business.
LOWER PROFITS	EXPECTED PROFITS	HIGHER PROFITS	
£1,000	£22,000	£57,000	

Allows managers to focus on the variables that they can influence in preparation for the worst-case scenario

THEME 3

BUSINESS STRATEGIES

EDEXCEL SPECIFICATION REFERENCE – 3.1.2

1

How does a firm position itself in a market?

2

What is Ansoff's Matrix?

3

How can this matrix be used to determine business strategy?

4

What is Porter's Strategic Matrix?

5

How can we interpret this model?

6

How can this matrix be used to determine business strategy?

ANSOFF'S MATRIX

Outlines the risks involved in making strategic choices and decisions in regards to developing and launching new products on the marketplace.

MATRIX TABLE

		PRODUCTS	
		EXISTING	NEW
MARKETS	EXISTING	MARKET PENETRATION	PRODUCT DEVELOPMENT
	NEW	MARKET DEVELOPMENT	DIVERSIFICATION

PENETRATION – Targets more market share with existing strategy.

MARKET DEV. – Business repositions product into new market.

PRODUCT DEV. – Attempt to nudge ahead of market.

DIVERSIFICATION – Evolving into a different firm.

PORTER'S STRATEGIC MATRIX

Highlights the generic strategic position any business can take to capitalise on the best opportunities available in the market.

MATRIX TABLE

		STRATEGIC ADVANTAGE	
		LOW COST	HIGH VALUE
STRATEGIC TARGET	MASS	COST LEADERSHIP	DIFFERENTIATION
	NICHE	FOCUSED COST LEADERSHIP	FOCUSED DIFFERENTIATION

COST LEADER - Low costs generated from economies of scale.

COST FOCUS - Well-considered approach to reach low costs.

DIFF. - Developing a unique product in a large market.

DIFF. FOCUS - Differentiating a niche product.

THEME 3

MEASURING HR PERFORMANCE

EDEXCEL SPECIFICATION REFERENCE – 3.5.3

1

Why do businesses measure HR performance?

2

How does a business measure labour productivity?

3

How does a business measure labour turnover?

4

How does a business measure labour retention?

5

How does a business improve labour productivity?

6

How does a business reduce turnover and improve retention?

LABOUR PRODUCTIVITY

$$\frac{\text{UNITS PRODUCED PER PERIOD}}{\text{NUMBER OF WORKERS PER PERIOD}}$$

The output produced per worker employed per period

LABOUR TURNOVER RATE

$$\frac{\text{NUMBER OF STAFF LEAVING PER PERIOD}}{\text{AVERAGE NUMBER OF STAFF PER PERIOD}} \times 100$$

The proportion of workers who leave the business

LABOUR RETENTION RATE

$$\frac{\text{NUMBER OF STAFF WITH ONE YEAR SERVICE}}{\text{TOTAL NUMBER IN POST ONE YEAR AGO}} \times 100$$

The proportion of workers who remain at the business

LABOUR COST PER UNIT

$$\frac{\text{TOTAL LABOUR COST PER PERIOD}}{\text{TOTAL OUTPUT PER PERIOD}}$$

EMPLOYEE COSTS OVER TURNOVER

$$\frac{\text{TOTAL LABOUR COSTS PER PERIOD}}{\text{TOTAL BUSINESS TURNOVER PER PERIOD}}$$

THEME 3

MEASURING FINANCIAL PERFORMANCE

EDEXCEL SPECIFICATION REFERENCE – 3.5.2

1

How do financial ratios help measure performance?

2

How does a business measure profitability?

3

How does a business measure liquidity?

4

How does a business measure efficiency?

5

What are the benefits of using ratio analysis?

6

What are some of the limitations of ratio analysis?

PROFITABILITY – RETURN ON CAPITAL EMPLOYED (ROCE)

$$\frac{\text{OPERATING PROFIT}}{\text{CAPITAL EMPLOYED}} \times 100$$

Measures the return that shareholders receive for each penny invested

GEARING RATIO

$$\frac{\text{NON-CURRENT LIABILITIES}}{\text{CAPITAL EMPLOYED}} \times 100$$

Measures how indebted the business is to creditors

LIQUIDITY – CURRENT RATIO

$$\frac{\text{CURRENT ASSETS}}{\text{CURRENT LIABILITIES}} \times 100$$

Measures a business's ability to meet short-term obligations

INVENTORY TURNOVER

$$\frac{\text{COST OF GOODS SOLD}}{\text{INVENTORIES}}$$

RECEIVABLES DAYS

$$\frac{\text{RECEIVABLES}}{\text{ANNUAL REVENUE}} \times 365$$

PAYABLES DAYS

$$\frac{\text{PAYABLES}}{\text{COST OF SALES}} \times 365$$

THEME 3

ANALYSING FINANCIAL RATIOS

EDEXCEL SPECIFICATION REFERENCE – 3.5.2

1

What are the benefits of using financial ratios?

2

What are some of the limitations of using financial ratios?

3

How can financial ratios mask poor business performance?

4

How can financial ratios be used to make comparisons?

5

Which business stakeholders use financial ratios?

6

Why is context required alongside the reporting of ratios?

FINANCIAL RATIOS provide a business with a snapshot of their performance levels

VALUE

Allows quick and easy comparisons

Provides management insight

Can be used for comparisons

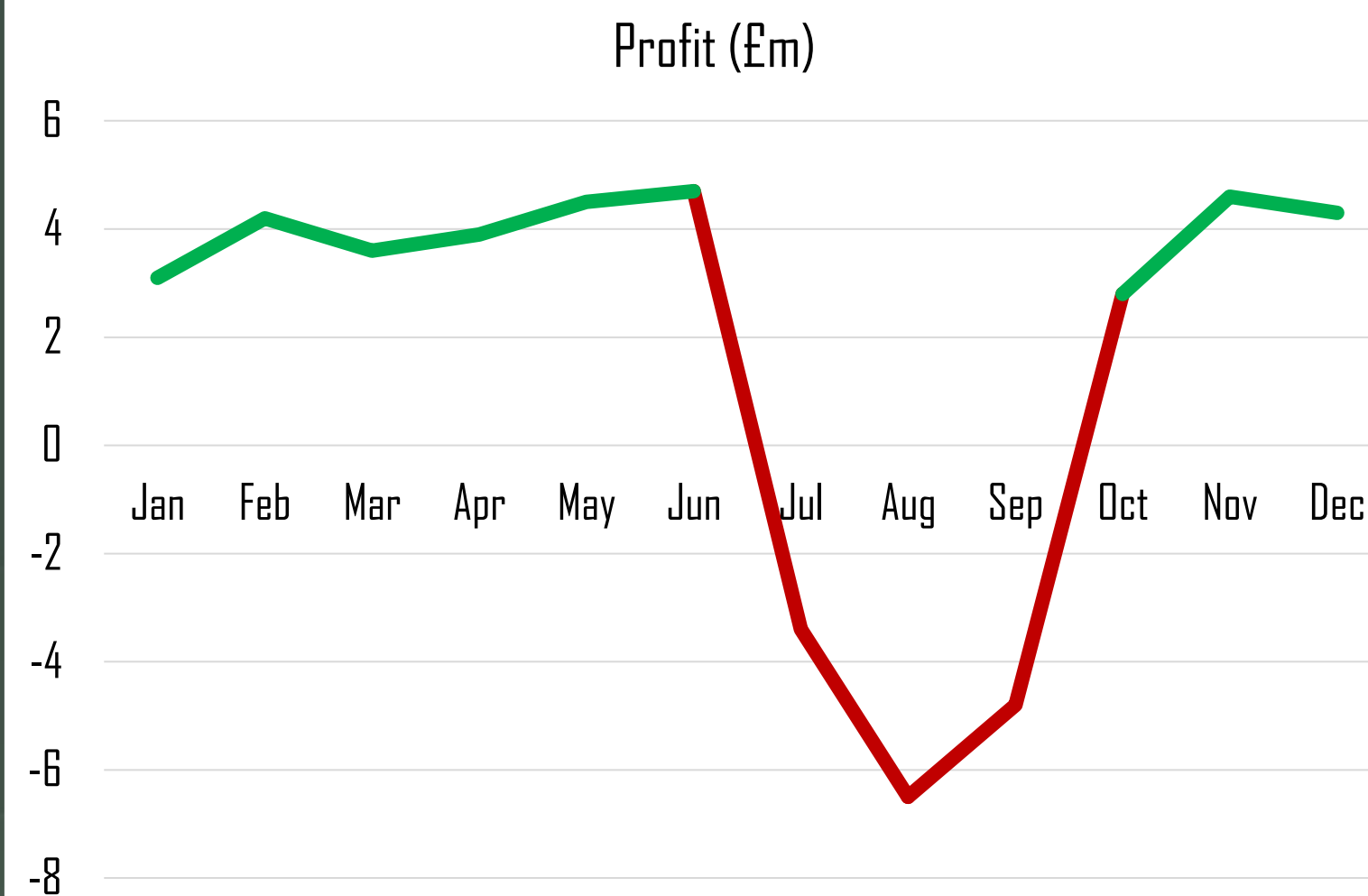
LIMITATIONS

Can be vague and miss details

Only reflect historical performance

Does not explain the numbers

Ratios can sometimes be used to “window-dress” the flaws of the business



The average monthly profit for this business over the course of the year was £1.75m

But this figure masks the period of loss-making that occurred between June and October

THEME 3

STRATEGIC DECISION MAKING



This section of the course covers the areas of business that require strategic decisions to be made to improve performance.

EZY

23

VIDEOS

8

ASSESSMENTS

100

QUESTIONS

EZY

TEST YOURSELF WITH OUR END OF SECTION ASSESSMENT (ESA)

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THEME 3

DECISION MAKING

EDEXCEL SPECIFICATION REFERENCE – 3.4.1

1

What do businesses have to consider when making a decision?

2

What is meant by the term 'opportunity cost'?

3

What are main types of decisions businesses must make?

4

What is the distinction between tactical and strategic decisions?

5

What is the scientific decision-making process?

6

What is the intuitive decision-making process?

DECISION-MAKING is the thought process of selecting a logical choice from several alternative options that weighs up the following elements...

RISK OF DECISION

The possibility of a negative outcome

REWARD OF DECISION

The possibility of a positive outcome

UNCERTAINTY OF DECISION

Outcome may not be predictable

OPPORTUNITY COST OF DECISION

The next best alternative sacrificed

TACTICAL DECISIONS

Short to medium-term predictable decisions which have little repercussions for the business.

Middle Management Decisions

Hard Numerical data

Computer Software

SCIENTIFIC DECISION MAKING



STRATEGIC DECISIONS

Long-term uncertain decisions which are important in shaping the future direction of the business.

Senior Management Decisions

Experience

'Hunch'

INTUITIVE DECISION MAKING

THEME 3

STAKEHOLDERS & SHAREHOLDERS

EDEXCEL SPECIFICATION REFERENCE – 3.4.3

1

How do we define a shareholder of a business?

2

What are the main objectives of shareholders?

3

What is the shareholder concept?

4

Who are stakeholders of a business?

5

What are the main objectives of stakeholders?

6

What is the stakeholder concept?

SHAREHOLDERS vs. STAKEHOLDERS



DEFINITION

Individuals that have an ownership stake in the business



DEFINITION

Individuals that are indirectly affected by business decisions



OBJECTIVES

Individuals want the business to be profitable to return owner value



OBJECTIVES

Individuals wish to work/deal with a company that stands for their values



INFLUENCED BY

Individuals will be influenced by financial metrics such as ROE



INFLUENCED BY

Economic, environmental, social, and ethical performance metrics



DECISION MAKING

Shareholders prefer an exclusive in-house decision making system



DECISION MAKING

Stakeholders would prefer an inclusive decision making system



ROLE OF CSR?

THEME 3

STAKEHOLDERS & SHAREHOLDERS

EDEXCEL SPECIFICATION REFERENCE – 3.4

1

What is the distinction between short- and long-term?

2

What is short-termism?

3

How does a business avoid short-termism?

4

What is a corporate culture?

5

How does a business set out to cement a culture in the workplace?

6

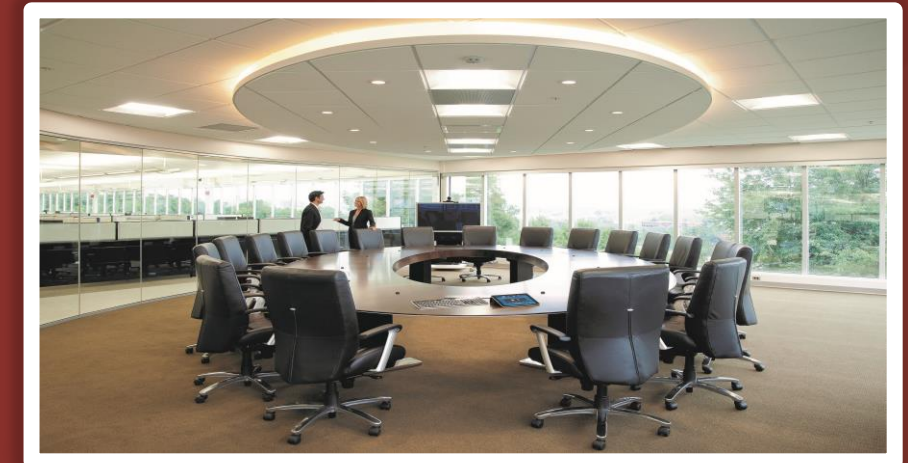
What do we mean by Corporate Social Responsibility (CSR)?

"To remain competitive in the long-term, we should consider expansion now"



LONG-TERM PLANS

"But shareholders want to extract the business's profits for their dividends"



SHORT-TERM REWARDS

CORPORATE SOCIAL RESPONSIBILITY (CSR)



THEME 3

PAYBACK PERIOD & ARR

EDEXCEL SPECIFICATION REFERENCE – 3.3.2

1

What is an investment appraisal?

2

How does a business calculate the payback period?

3

What factors affect the payback period of an investment?

4

How does a business calculate the average rate of return?

5

What factors affect the ARR of an investment?

6

What are the limitations of both of these investment appraisals?

PAYBACK PERIOD calculates the time taken for an investment decision to provide the cash flow required to pay off the initial outlay

$$\text{PAYBACK PERIOD} = \frac{\text{INITIAL OUTLAY}}{\text{NET CASH FLOW}}$$

FOCUSES ON TIME OF PAYMENTS RATHER THAN PROFITS

This is found in the year in which the cumulative cash flow is at ZERO

AVERAGE RATE OF RETURN (ARR) calculates the return, generated from the annual average profit, of the proposed investment

$$\frac{\text{AVERAGE ANNUAL RETURN}}{\text{INITIAL OUTLAY}} \times 100$$

CALCULATES THE TOTAL YIELD OF THE INVESTMENT FOR A BUSINESS

YEAR 1

YEAR 2

YEAR 3

CALCULATION

(£20,000)

£20,000

£50,000

$(£50,000/4)/£20,000 \times 100$

62.5%

THEME 3

NET PRESENT VALUE

EDEXCEL SPECIFICATION REFERENCE – 3.3.2

1

What do we mean by the term 'discounting'?

2

What is the formula for calculating the present value?

3

How do we interpret the discount factor table?

4

How do we calculate the Net Present Value?

5

What are the main limitations of this appraisal method?

6

How do all the investment appraisal methods compare?

The **NET PRESENT VALUE** calculates the current monetary value of an investment project's future cash flows.

$$\text{PRESENT VALUE} = \frac{A}{(1 + r)^n}$$

A = Amount (Cash Flow)

r = Discount Rate

n = Payment Years

	NET CASH FLOW	DISCOUNT FACTOR	PRESENT VALUE
INITIAL OUTLAY	(£100,000)	1	(£100,000)
YEAR 1	£50,000	1.03	£48,543.69
YEAR 2	£50,000	1.06	£47,169.81
YEAR 3	£50,000	1.09	£45,871.56
YEAR 4	£50,000	1.12	£44,642.86
YEAR 5	£70,000	1.15	£43,478.26

Net Present Value (NPV)

=

Discounted Cash Flow

=

Initial Outlay

=

£129,706.18

=

£100,000

=

£29,706.18

THEME 3

DECISION TREES

EDEXCEL SPECIFICATION REFERENCE – 3.3.3

1

What is a decision tree used for in the context of a business?

2

What are the basics of decision trees?

3

How do we construct decision trees?

4

How do we interpret decision trees?

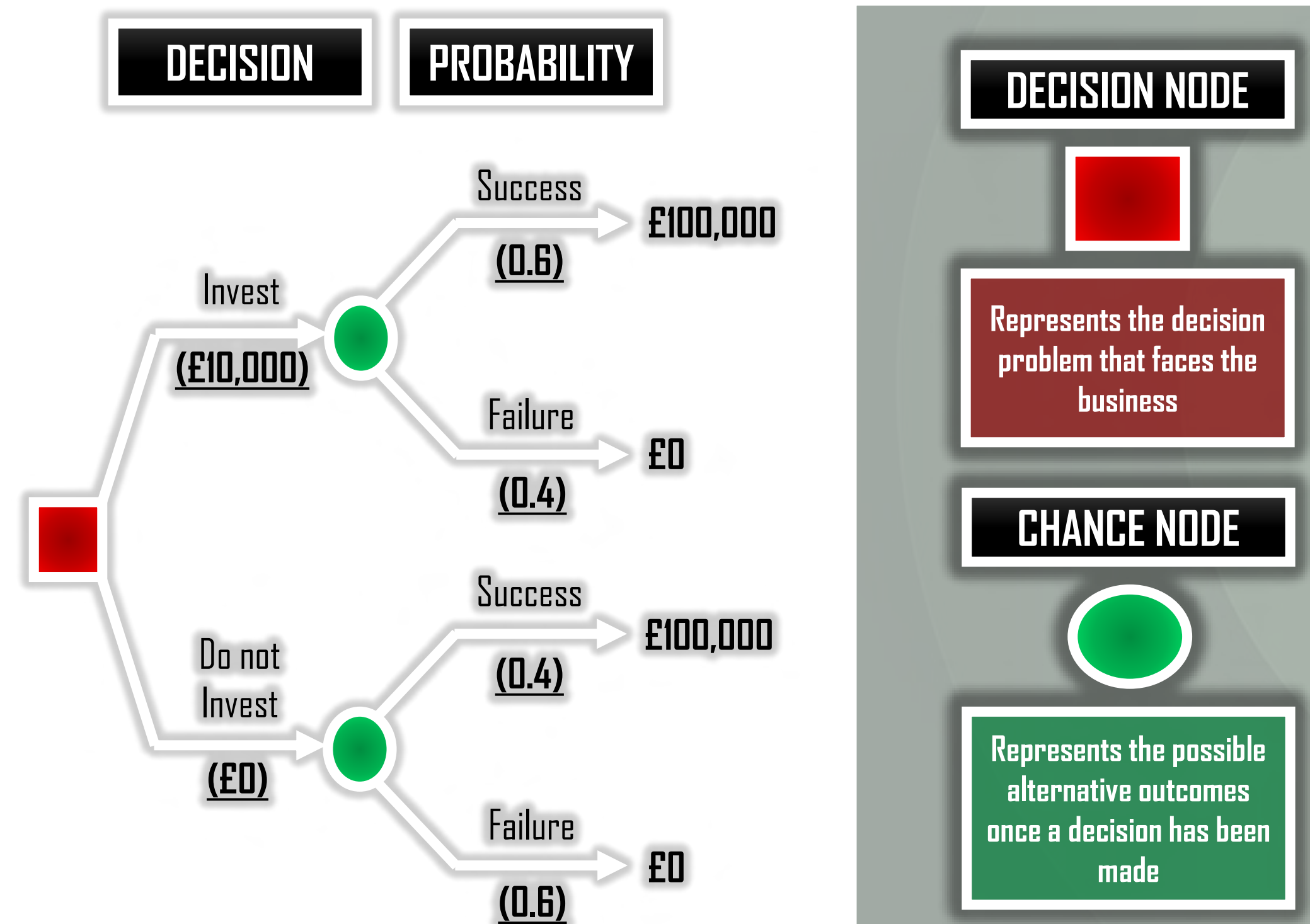
5

How do we use decision trees to calculate the expected outcome?

6

What are the limitations of using decision trees in this context?

DECISION TREES are a logical way of representing all the possible options available when making a decision



Possible events laid out in the sequence they occur with attached cost/probabilities

A decision tree helps to decide whether the net gain from a decision is worthwhile

THEME 3

CRITICAL PATH ANALYSIS

EDEXCEL SPECIFICATION REFERENCE – 3.3.4

1

What is network analysis?

2

What are the basic elements of network diagrams?

3

How does a business construct a network analysis diagram?

4

What is the critical path of a project?

5

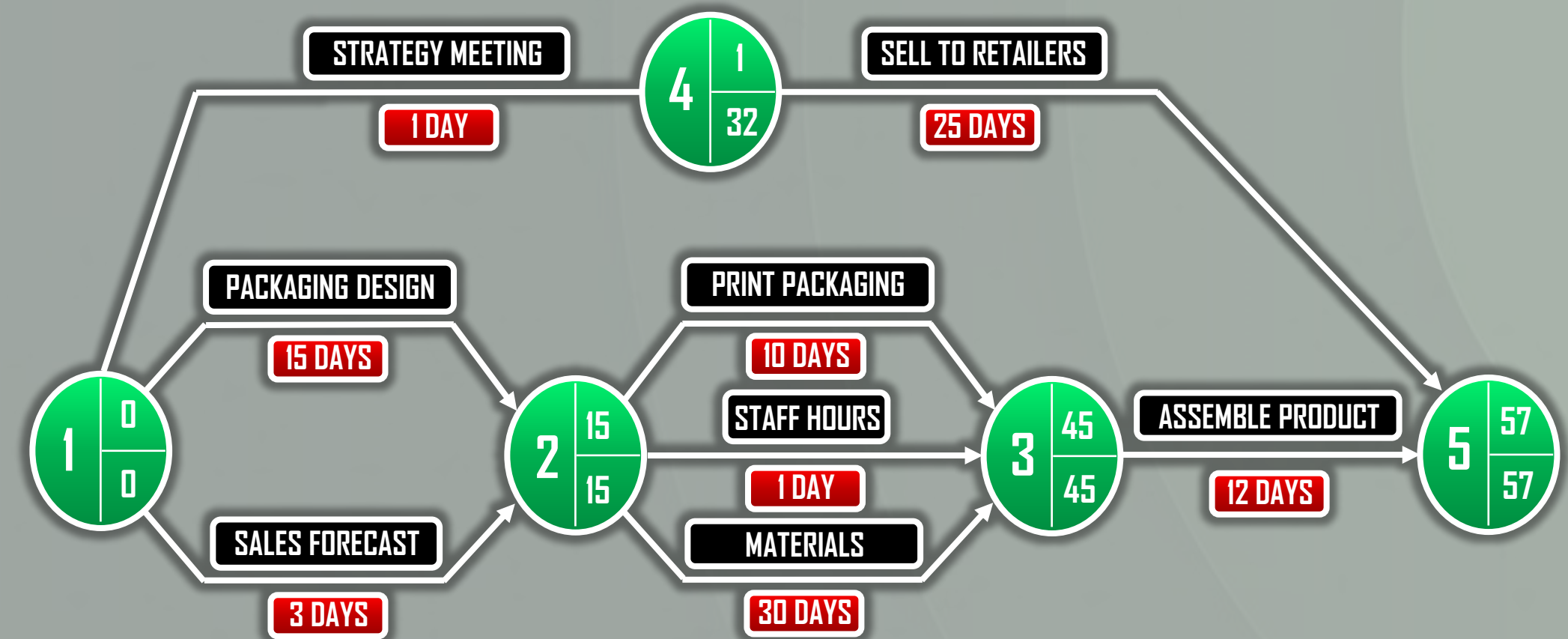
How can a business use these diagrams to analyse the critical path?

6

How can these diagrams improve productivity and efficiency?

Businesses use network analysis to show the shortest possible time a project can be completed in. The business can then identify the activities that are critical for a project to finish on schedule.

	1	Activity Number	Order of activities in the project
	2	Earliest Start Time (EST)	Earliest point by which activity can start
	3	Latest Finish Time (LFT)	Latest time all activities must finish by

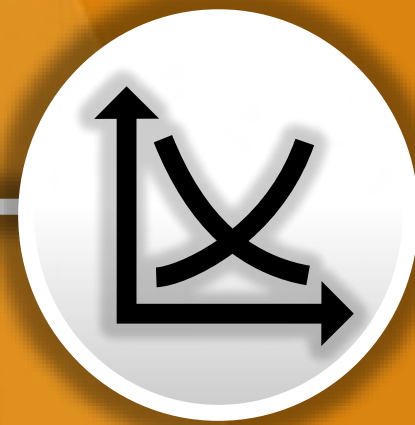


CRITICAL PATH represents the activities that cannot be delayed (i.e. no float time)

Critical Path Analysis helps a business divert resources away from non-critical tasks to critical tasks to raise efficiency!

THEME 4

GLOBAL BUSINESS



This section will cover how and why businesses branch out of their own domestic market and operate and sell on a global stage.

EZY

16

VIDEOS

11

ASSESSMENTS

120

QUESTIONS

EZY

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THEME 4

ECONOMIC GROWTH

EDEXCEL SPECIFICATION REFERENCE – 4.1.1

1

How do we measure economic growth?

2

What factors affect the growth rate of an economy?

3

What is the distinction between nominal and real GDP?

4

How do growth rates differ across countries?

5

Why do growth rates differ across countries?

6

What characteristics are businesses looking for when investing?

NOMINAL GDP

The final value of all the goods and services produced in a country over a period of time.

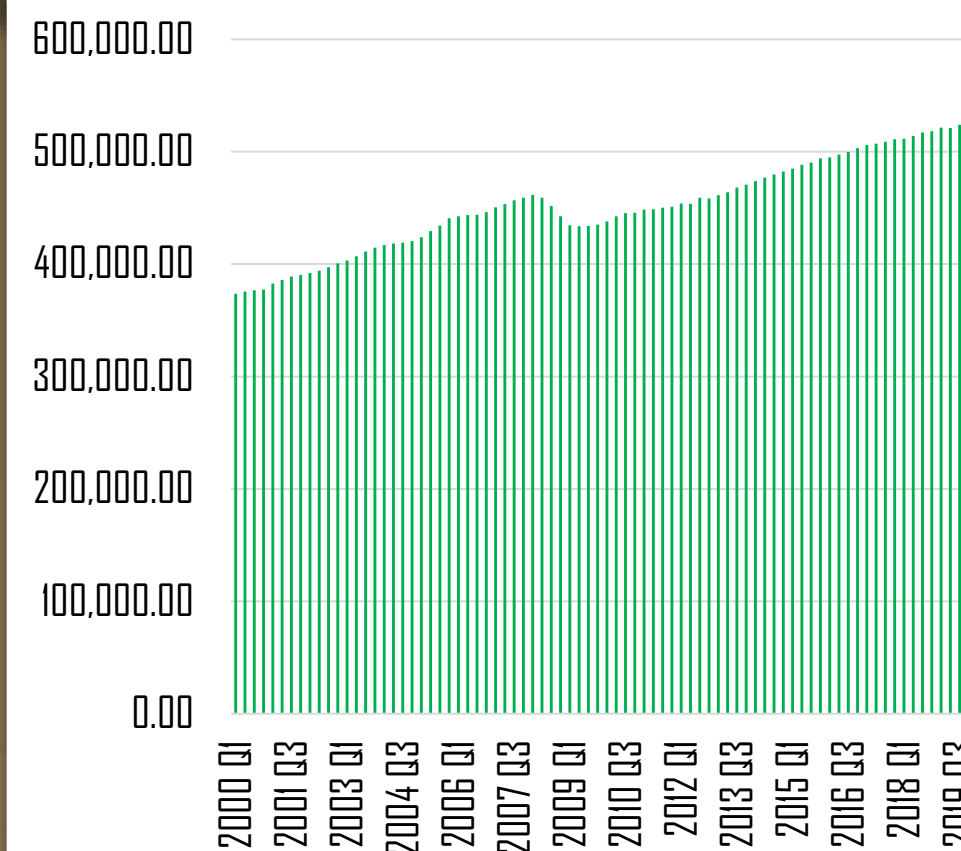
REAL GDP

The final value of all the goods and services produced in a country over a period of time adjusted for inflation.

CALCULATING GDP GROWTH

Find the percentage change between different quarters/months/years of GDP data.

UK QUARTERLY REAL GDP (£m)



UK REAL GDP GROWTH (%)



THEME 4

GLOBALISATION

EDEXCEL SPECIFICATION REFERENCE – 4.1.3

1

How do we define globalisation?

2

What factors have caused globalisation?

3

What impact has globalisation had on economies and businesses?

4

How has globalisation affected international trade patterns?

5

How have individual business departments been affected?

6

Who are the winners and losers from increased globalisation?

A term used to describe the ongoing process of increased integration between the world's economies.

PHASE 1

1870 - 1913

Long Distance Trade +
Information Transfers

PHASE 2

1913 - 1929

Growing Confidence
and Power of MNCs

PHASE 3

1950 - 1980

Movement Towards
Trade Liberalisation

PHASE 4

1980 onwards

Increase in Pace of
Technological Change

CAUSES



Falling Transportation Costs



Trade Liberalisation i.e. WTO



Increased Mobility of Factors



Greater MNC Influences



Technological Uptake



Dilution of Local Culture

CONSEQUENCES

ADVANTAGES

DISADVANTAGES

Economies of Scale

Tax Avoidance

FDI

Cultural Division

Knowledge Sharing

Resource Depletion

Job Creation

Environmental Destruction

Economic Growth

Worker Exploitation

Product Choice

Income Distribution

THEME 4

INTERNATIONALISATION

EDEXCEL SPECIFICATION REFERENCE – 4.2

1

How do we define internationalisation?

2

What is the distinction between a domestic and global business?

3

What market opportunities are available to a global firm?

4

What production opportunities are available to a global firm?

5

What are the risks of international expansion?

6

How does a business manage international expansion?

A term used to describe the process of businesses selling/operating in more than one country



EXPORTS

FDI

MERGER

OFFSHORING

ALLIANCES

LICENSES

RISKS

CO-ORDINATION PROBLEMS

COMMUNICATION PROBLEMS

ENVIRONMENT PROBLEMS

CULTURAL BARRIERS

QUALITY INCONSISTENCIES

BUSINESS IMPACT

FINANCE

Opened
Doors

Raised
Complexity

MARKETING

Global
Strategy

Increased
ROI

HR

Migration
Flows

Brain
Drain

OPERATIONS

Comparative
Advantage

Efficiency
Changes

THEME 4

INTERNATIONAL PRODUCTION & TRADE

EDEXCEL SPECIFICATION REFERENCE – 4.1 & 4.2

1

What is international trade?

2

How do we define an 'export'?

3

How do we define an 'import'?

4

What push factors encourage international trade?

5

What pull factors encourage international trade?

6

What economic factors encourage international trade?

Describes the process of a business purchasing products abroad and/or selling products abroad

EXPORTS

Selling goods and services to firms based abroad

INCREASES REVENUE

IMPORTS

Purchasing goods and services from firms based abroad

REDUCES COSTS



Trade is determined by the relative push and pull factors of operating in certain countries

PUSH FACTORS

Domestic factors which encourage firms to expand their operations and trade

Extend Product Lifecycle

Competition

Demographics

Saturated Market

PRESSURE TO GO GLOBAL!

PULL FACTORS

External factors which entice firms to expand abroad to take advantage of opportunities

Economies of Scale

Diversification

New Markets

Offshoring

INCENTIVE TO GO GLOBAL!

ECONOMIC FACTORS

The economic factors which can affect the relative attractiveness of trading

Economic Growth

Exchange Rates

Laws/Regulations

Resource Access

Infrastructure Quality

EASE OF GOING GLOBAL!

THEME 4

ENTERING INTERNATIONAL MARKETS

EDEXCEL SPECIFICATION REFERENCE – 4.2.4

1

What is a market opportunity?

2

What is a production opportunity?

3

What are the six ways in which a business can enter a new market?

4

What factors need to be considered when entering internationally?

5

What are the risks of some of these methods?

6

How do geopolitical factors affect international expansion?

MARKET OPPORTUNITIES

Expansion abroad to take advantage of the larger and more lucrative international markets

Disposable Income

Quality of Infrastructure

Political Set-Up and Stability

Economic Performance

Ease of Doing Business

PRODUCTION OPPORTUNITIES

Expansion abroad to take advantage of lower production costs that exist in other countries

Production Costs

Infrastructure Quality

Political Structure

Labour Skills

Part of Trade Bloc

ROI

Government Incentives

Ease of Doing Business

Transportation Costs

Resource Endowment

THEME 4

GLOBAL MARKETING STRATEGIES

EDEXCEL SPECIFICATION REFERENCE – 4.3

1

Why do businesses wish to globally expand?

2

What are some of the challenges businesses face?

3

How does global expansion change the marketing mix?

4

What are the different global marketing strategies?

5

What strategy does an international business strive for?

6

What do we mean by the term 'Glocalisation'?

If businesses wish to grow internationally they need to be able to adapt their strategy for different international markets.



FACTORS TO CONSIDER

CULTURE	Different beliefs and values
TASTES	Consumers like different things
LANGUAGE	Translation issues
MEANINGS	Words may have different meanings
REFERENCES	Inappropriate branding

GLOBAL MARKETING STRATEGIES

ETHNOCENTRIC	Applies the same domestic strategy to all markets.
GEOCENTRIC	Promotes strategic diversity to select regions.
POLYCENTRIC	Each country receives an independent strategy.

THEME 4

PROTECTIONISM & TRADING BLOCS

EDEXCEL SPECIFICATION REFERENCE – 4.1.4/5

1

What do we mean by the term 'trade protection'?

2

Why do protectionist policies exist?

3

What are the main protectionist policies used?

4

What is the role of the World Trade Organisation (WTO)?

5

What is a trading bloc?

6

What are some examples of high profile trading blocs?

PROTECTIONISM describes trade policies that are designed to restrict trade moving between countries

TARIFFS

Taxes levied on foreign imports to raise the final price

QUOTAS

Limits imposed on the quantities of a good that can be imported

SUBSIDIES

Money provided by the govt. to local firms to undercut foreign producers

REGULATIONS

Tighter product standards that make it harder to export to a country

The World Trade Organisation (WTO) and trading blocs work to reduce trade frictions

USMCA

Free trade agreement between the US, Mexico and Canada covering over a \$1tn worth of trade

ZERO TARIFFS FOR TRADED CARS

\$16/HR FOR WORKERS

REFORMS TO DAIRY PRICES

STEEL & ALUMINIUM TARIFFS FALL

THE EU

Single Market and Customs Union between 27 member states on the European continent

FREE MOVEMENT OF GOODS

PRODUCT STANDARDS EQUALISED

FREE MOVEMENT OF LABOUR

TARIFFS ON NON-MEMBERS

RCEP

2020 Partnership signed between China and 14 other countries covering 28% of global trade

LARGEST TRADING BLOC

AIMS TO ELIMINATE TARIFFS

INCREASE GLOBAL GDP BY \$186BN

ESTABLISH FIXED STANDARDS

THEME 4

THE IMPACT OF MNCs

EDEXCEL SPECIFICATION REFERENCE – 4.4.1

1

What is a Multinational Corporation?

2

What are the advantages of being a MNC?

3

What are some high-profile examples of MNCs?

4

What impact do MNCs have on the local economy?

5

What impact do MNCs have on the national economy?

6

What are some of the arguments against MNCs?

A **MULTINATIONAL CORPORATION (MNC)** is a business that has activities and operations in more than one country. This allows the MNC to take advantage of a series of opportunities...

Closer to Local Markets

Avoid Protectionist Policies

Lower Costs of Production

Diversify Operational Risk

Access to Larger Markets

Increase Revenue from New Markets

COMPANY	REVENUE	PROFIT	EMPLOYEES
APPLE	\$260bn	\$55bn	137,000
WALMART	\$523bn	\$15bn	2,200,000
AMAZON	\$280bn	\$12bn	798,000
TOYOTA	\$275bn	\$19bn	359,542
ROYAL DUTCH SHELL	\$352bn	\$15bn	83,000

Labour Market Impact?

Impact on Local Consumers?

Local Business Community Impact?

Impact on FDI?

Environment Impact?

Impact on Tax Collection?

THEME 4

MNC ETHICS & BEHAVIOUR

EDEXCEL SPECIFICATION REFERENCE – 4.4.2

1

What is the impact of MNCs on the environment?

2

What is the impact of MNCs on the local labour market?

3

What is the impact of MNCs on the local natural resources?

4

What is the impact of MNCs on the country's tax collection?

5

What is the impact of MNCs on the local culture?

6

What is the impact of MNCs on local businesses?

Despite their advantages MNCs have often come under fire for the impact they have on the local community that they operate in...

DAMAGES ENVIRONMENT



DEPLETES LOCAL RESOURCES



DILUTES LOCAL CULTURE



HURTS LOCAL BUSINESSES



EXPLOITS CHEAP LABOUR



REDUCES TAX COLLECTION



THEME 4

CONTROLLING MNCs

EDEXCEL SPECIFICATION REFERENCE – 4.4.3

1

How can MNC behaviour be curbed?

2

How can the political structure of a country influence MNCs?

3

How can the legal structure of a country influence MNCs?

4

How can pressure groups influence MNCs?

5

How can MNCs self-regulate their own behaviour?

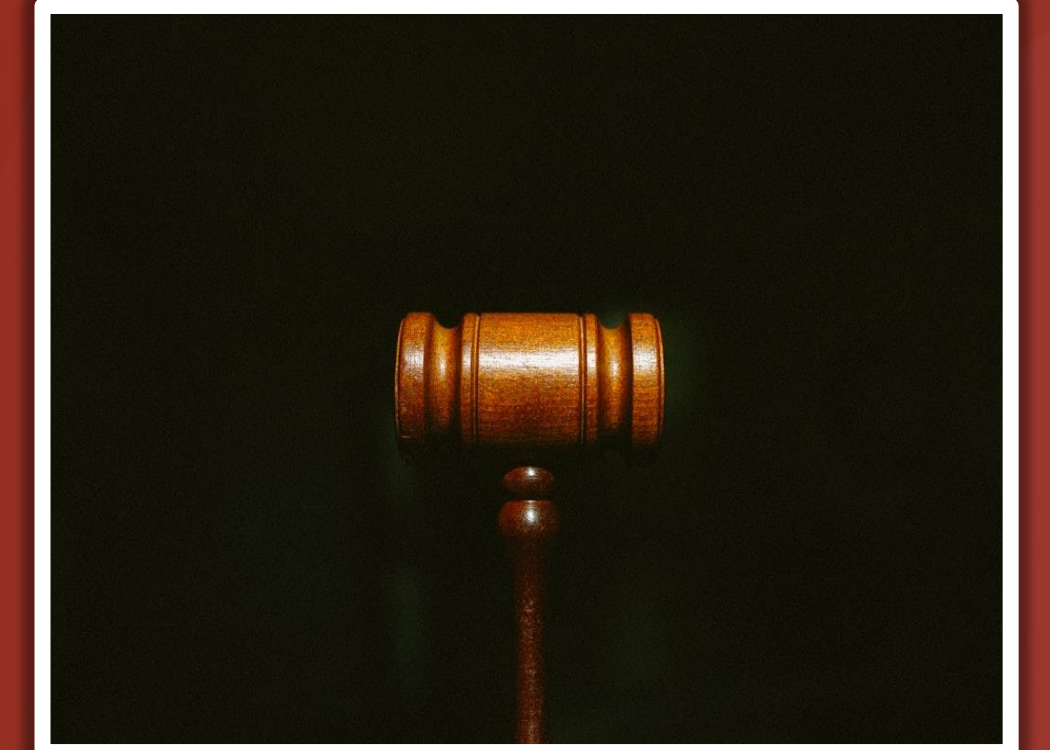
6

How has technology affected some of these strategies?

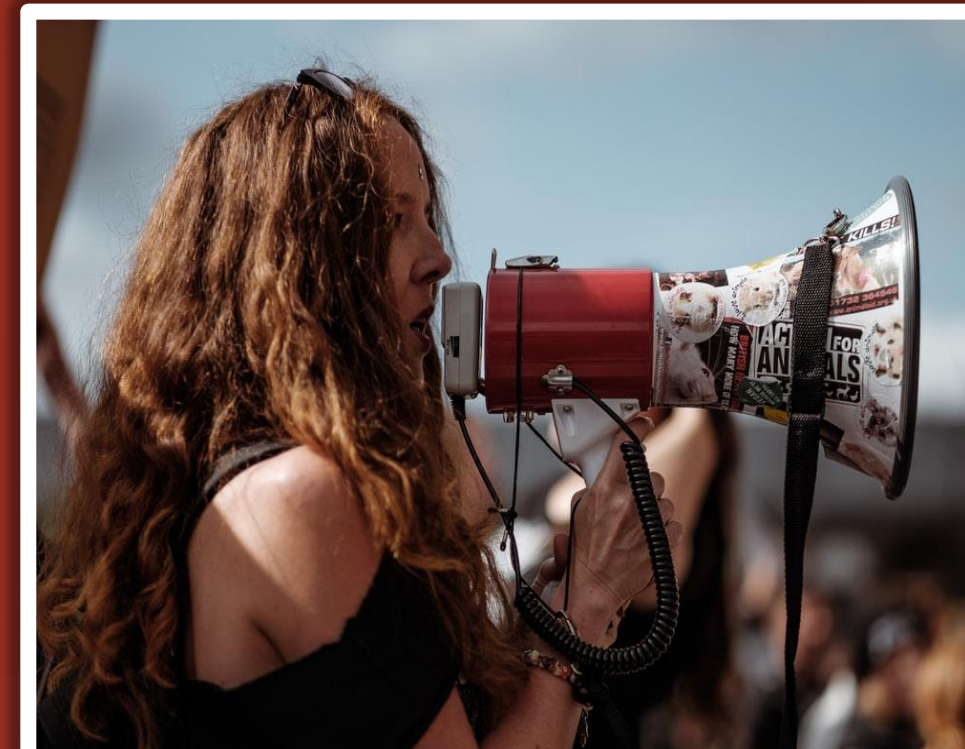
POLITICAL INFLUENCES



LEGAL INFLUENCES



PRESSURE GROUPS



SELF-REGULATION

