BUSINESS: ***Creating informed, discerning employees, consumers and future leaders***

Topic 2.1.1 Business Growth

Key Vocabulary

Organic Growth – growing through internal growth

Innovation – adapting existing products to develop improved versions

R&D – research and development. The activities to research and develop new products

Marketing Mix – the 4 Ps: Price, Place, Product, Promotion

Inorganic growth – growing through mergers or takeovers

Merger – when two firms mutually join together

Takeover – when one firm buys another one

PLC – Public Limited Company. A business that sells its shares on the stock exchange

Retained profit – profit left after the business has paid dividends and taxation

Selling assets – the sale of items the business owns

Loan capital – finance received from a bank when taking out a loan

Share capital – the money invested into a business by shareholders

Core Knowledge

A business can grow internally by expanding its own activities, i.e. opening more outlets, selling more, targeting new markets or increasing the range of products.

External growth is quicker but more expensive and riskier.

Mergers & takeovers could be between competitors, suppliers, customers or unrelated businesses.

A business may choose to finance growth through becoming a PLC and selling shares on the stock exchange.

A quicker way to open lots of outlets is through offering franchises – when you allow entrepreneurs to use your business name.

Larger firms benefit from economies of scale, so can reduce their unit costs.

Growing too large can increase costs and lead to diseconomies of scale.

Don't be a "man on the street"

- Not all businesses are companies
- Not all companies are PLCs
- Not all takeovers and mergers are allowed to happen

Wider Business World

The planned merger of Sainsbury and ASDA – was not allowed

Iberia and British Airways merger

Sainsbury and Argos merger

Quote from the founder of Iceland "businesses can't stand still"

Synoptic Links

Ownership – knowing what a private limited company is

Sources of finance for small businesses – most of these are available for growing businesses too

Interest rates – the rate will affect the cost of borrowing

Economic influences – the state of the economy will impact whether a business can grow

Marketing Mix

BUSINESS: ***Creating informed, discerning employees, consumers and future leaders***

Topic 2.1.2 Changing business aims and objectives

Key Vocabulary

Aim – something the business is trying to achieve

Objective – a more specific breakdown of an aim

Survival – generating enough revenue to cover costs and therefore continue to trade

Workforce – the number of employees a business has

Product range – the variety and number of products a business sells

Entering markets – when a business decides to open up in a market it hasn't been in before, e.g. If McVities starting making crisps

Exiting markets – choosing to leave a market, e.g. when Tesco sold all their optical stores

Core Knowledge

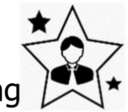
A business has to continually change and evolve over time. Therefore, what it is attempting to achieve will also change. Aims change because of:

- Changing **market conditions** – an increase or decrease in the number of competitors
- Changing **technology** – the rise of e-commerce led to businesses introducing online sales; click and collect, self-service tills
- Changing **performance** – if a business is not making as much profit as before, it will need to change its aims
- Changing **legislation** – new laws can affect costs and so a business may need to change aims
- **Internal** reasons – an arrival of a new CEO can affect the direction of the business

How aims change:

- Focus on survival or growth
- Entering or exiting markets
- Growing or reducing a workforce
- Increasing or decreasing a product range

Don't be a "man on the street"



- Remember that businesses have to continually adapt and chang in order to be successful
- Remember that reducing the workforce by making staff redundant will have a large short-term cost

Wider Business World

Tesco – changed focus back to food after rise of Lidl and Aldi

Iceland – increasing non-food range to be more competitive

Kodak – an example of company that did not keep up with technology and left the camera market

Synoptic Links

**Dynamic nature of business – ** business has to continually evolve

Aims and Objectives – the difference between the two, examples and how they might be suitable

External influences – the factors outside a business's control that can influence their actions

BUSINESS: ***Creating informed, discerning employees, consumers and future leaders***

Topic 2.1.3 Globalisation

Key Vocabulary

Globalisation – tendency for economies to trade with each other and buy global goods

Export – selling goods or services to consumers in another country

Import – buying goods or services from businesses in another country

MNC – Multinational Company. A business that has operations in more than one country

Free trade – trading between countries with no barriers

Trade barriers – an action put in place to discourage free trade / protect the businesses of a specific country

Tariffs – taxes changed on imports

Trading blocs – a group of countries that have agreed free trade within external tariff walls, e.g. the EU

e-commerce – buying and selling goods online

Core Knowledge

Types of imports into the UK:

- Goods we cannot grow or produce, e.g. olive oil
- Goods that require a lot of labour, so is cheaper to make where wages are lower
- Goods that are made in the UK, and elsewhere, but consumer may prefer a foreign produced item, e.g. Audi cars

To export successfully a business must:

Keep costs down to be competitive

Produce original, well-designed and well-made items

Deliver on time and provide excellent service and after-sales service

Barriers to international trade can be set as a government might want to protect domestic industry and reduce competition. On way is to charge a tax or tariff on all imported goods increasing the cost of imports

How to compete internationally

- Use of the internet and e-commerce
- Changing the marketing mix
  - Different products for different counties, e.g. left- and right-hand drive cars
  - Charging different prices based on popularity and reputation
  - Adapting promotion to reflect cultural differences
  - Using retailers in countries where e-commerce is not well established

Don't be a "man on the street"

- Remember that income levels, technology access etc is widely different across the world, so don't fall into the trap of "everyone has the internet" – in some countries less than 10% do
- Remember that the names or goods, images of people using it or the promotion may need to be adapted to fit local culture and traditions

Wider Business World

Jaguar Land Rover – has factories in China, Brazil, Austria and Slovakia

McDonalds – has different menus in different countries, e.g. no beef in India

Synoptic Links

Technology – made e-commerce easier, increasing globalisation

Exchange rates – changing rates affect the cost of importing and exporting

Growth – expanding overseas is easier due to globalisation

Customer needs – a business must understand the needs of different countries / cultures

Marketing mix – there is an impact on all 4 Ps

BUSINESS: ***Creating informed, discerning employees, consumers and future leaders***

Topic 2.1.4 Ethics and Environmental constraints

Key Vocabulary

Ethical considerations – thinking about ethics, which may lead to making morally valid decisions or lead to the manipulation of customer attitudes

Ethics – weighing up decisions or actions based on morality not personal gain

Fair Trade – a social movement whose goal it is to help producers in developing countries achieve better trading conditions and promote sustainability

Trade-offs – having more of one thing may force you to less of the other

Environment – condition of the natural world that surrounds us which is damaged when there is pollution

Environmental considerations – factors relating to green issues, such as sustainability and pollution

Sustainability – whether or not a resource will inevitably run out in future. A sustainable resource will not

Core Knowledge

Ethics are moral guidelines – it is doing MORE than the legal minimum.

Ways for a business to be ethical:

- Pay a fair wage to workers
- Pay suppliers a fair price and on time
- Ensure production does not harm the environment, animals or people
- Label products clearly and correctly

Ways to consider the environment:

- Reduce / minimise pollution
- Only use sustainable resources
- Reduce packaging

Being ethical and environmentally friendly can increase costs leading to a reduction in profit. This can be considered a trade-off.

Benefits can include improving customer image and easier recruitment

Don't be a "man on the street"

- Remember that Fair Trade is NOT a brand name or a business
- Avoid the 'all', 'everyone' comments, e.g. 'everyone will pay more for ethical goods'; some will, some simply can not afford to or will choice to ignore ethics

Wider Business World

Body Shop – never tested products on animals; had a bottle recycling scheme

Marks & Spencer – Plan A for environmental sustainability

Starbucks – saw a drop in sales after it was announced it avoided paying UK taxes

Synoptic Links

Aims and Objectives – social objectives

External influences – changes to legislation can encourage a business to be more ethical or environmental

Customer needs – consumers have more interest in ethical products

Marketing mix – aiming to be more ethical or environmental can affect element of the 4 Ps

BUSINESS: ***Creating informed, discerning employees, consumers and future leaders***

Topic 2.2.1 Product

Key Vocabulary

Design mix – the combination of aesthetics, function and cost that are the combined design priorities for a product

Aesthetics – how things appeal to the senses, i.e. look, smell, sound

Function – how well the product or service works for the consumer

Economic manufacture – making a product cheaply enough to make it profitable

Product life cycle – the theory that every product goes through the same stages

Introduction phase – phase of the product life cycle when a product is developed and launched onto the market

Growth phase – phase of the product life cycle where sales are growing; costs will be very high

Maturity phase – phase where sales and revenue is at the highest point

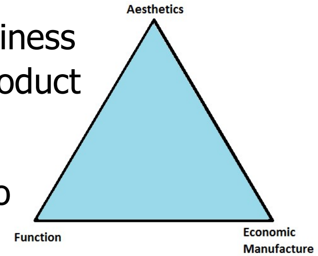
Decline phase – phase when sales are dropping

Extension strategy – an attempt to prolong sales of a product to avoid the decline phase

Product differentiation – the extent to which consumers see your product as distinct from rivals

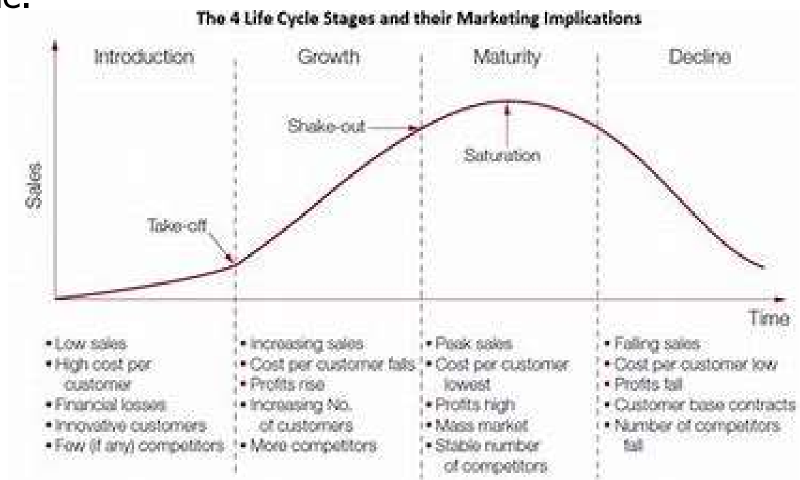
Core Knowledge

The **design mix** is a diagram to show how a business must consider the aesthetics and function of a product as well as the cost.



When creating a product a business will want it to stand out from rivals. This is known as **product differentiation**. Businesses can use **branding** or **USPs**.

The **Product life cycle** shows the stage that every product goes through. A business will use **extension strategies** to extend the life cycle.



Don't be a "man on the street"

- Don't assume everyone prefers branded products – some consumers will consider cost more important
- Remember that all products will see a decline in sales, eventually, but the time this takes will differ
- Just because a product is in decline does not mean it must be withdrawn – it may still contribute a considerable amount of revenue

Wider Business World

Apple – use of branding and extension strategies

Kellogg's – developed new products such as cereal bars to meet customer needs

KitKat – launched different flavours and sizes as an extension strategy

Synoptic Links

Customer needs – if these change products will need to change

Market research – how a business finds out customer needs

External influences – will lead to changes in 4Ps

Operations – need to be able to make the product

Breakeven – understanding the link between costs and economic viability

BUSINESS: ***Creating informed, discerning employees, consumers and future leaders***

Topic 2.2.2 Price

Key Vocabulary

Profit margin – profit as a percentage of the selling price; the difference between total costs and selling price

Mass market – a broad market segment that includes most consumers buying within a market

Niche market – a small sub-section of a larger market in which customers share similar needs

Price – what the consumers pay for the product

Freemium – used mainly for digital products, when something is offered for free with charges for additional features

Core Knowledge

Price is what consumers pay for the product. It is essential that the price charged is appropriate for the product and for the **target market**

A business can use a variety of strategies:

- **Penetration** – setting a low price to start with to enter a market
- **Skimming** – setting a high price to start to recoup research costs
- **Competition based** – setting a price based on what rival products are charging

Influences on pricing strategies:

- **Technology** – consumers can compare prices easily so it is important a business is competitively priced
- **Competition** – the fewer rivals a business has, the more they are able to set their own price
- **Market segments** – the business needs to consider the income levels of their customers and how sensitive they are to price changes
- **Product life cycle** – price will change throughout the life cycle of the product

Don't be a "man on the street"

- Remember that putting the price up will not always lead to more revenue and profit for a business, as some customers will not pay the extra
- Don't assume that everyone looks for the lowest price – sometimes other factors are more important

Wider Business World

Apple – use price skimming when launching new products

Supermarkets – often sell basics at a loss to encourage customers in

Synoptic Links

Revenue & costs – price affects the revenue received

Break-even – price rises, lower the break even point

Competitive environment – the more competition a business faces, the more competitive their price will need to be

Market segmentation – the price a business charges will need to be appropriate for the target market

BUSINESS: ***Creating informed, discerning employees, consumers and future leaders***

Topic 2.2.3 Promotion

Key Vocabulary

Promotional strategy – a medium to long term plan for communicating with customers

Sponsorship – paying to have a brand associated with an individual, event or team

Branding – giving your product or service a name that helps recall and recognitions and gives a sense of personality

e-newsletters – updates on the activities of a business sent electronically

Viral advertising – when people start to spread your message for you through social means

Sales promotion – a short term strategy such as BOGOF

Pressure group – a group of people who join together to try to influence government policy or business policy for a particular cause

e-commerce – buying and selling on-line

product placement – when a business product or brand is seen in tv shows or films

publicity – promotion that is not paid for, e.g. being discussed on a TV show

Core Knowledge

Promotion methods are used to inform consumers about products and persuade them to buy them.

Mass market products can use mass media, such as Television, national newspapers or radio. These are expensive, but *cheap per customer*. **Niche market** products, or smaller businesses can use local radio, local newspapers or social media.

Businesses may use **sponsorship** to build their **brand** through selecting a business that reflects their values, e.g. Red Bull sponsors extreme sports.

New products may offer **product trials**, e.g. free tastes or samples.

Impact of technology:

Targeted advertising online through the use of cookies
Viral advertising via social media, e.g. the Ice bucket challenge to raise awareness and donations to ALPS
Apps for engaging with customers
E-newsletters and emails

Don't be a "man on the street"

- Remember promotion is not just advertising – it includes lots of other strategies as well
- Don't just say "TV" or "in a newspaper" – be specific, i.e. which channels? Which programs? What time? Link to the target market
- Social media is not "free" – it costs in time and in search optimisation

Wider Business World

Football teams – sponsored by businesses, as are sporting events such as the FA cup

Echo Falls – a wine brand that sponsored a cooking program; an example of linking the product to the likes of the target market

Synoptic Links

Technology – made it easier to advertise on social media

Legislation – adverts must be true and meet regulations

Market Segmentation – a business will need to know the target market well to know where to advertise

Break-even – promoting will have a cost implication, therefore raising the break-even point

Globalisation – will the promotion work in all countries?

BUSINESS: ***Creating informed, discerning employees, consumers and future leaders***

Topic 2.2.4 Place

Key Vocabulary

Distribution – how ownership changes as a product goes from producer to consumer

Producer – the business or individual who makes the product / service

Wholesaler – a business that buys in bulk from a producer and sells onto to retailers in smaller quantities

Retailer – a shop or chain of shops, usually selling from a building on the high street or shopping centre

Agent – a business that sells something on behalf of the producer but never owns the product, e.g. a travel or estate agent

Customer – the person or business who buys the product

e-tailer – an electronic retailer

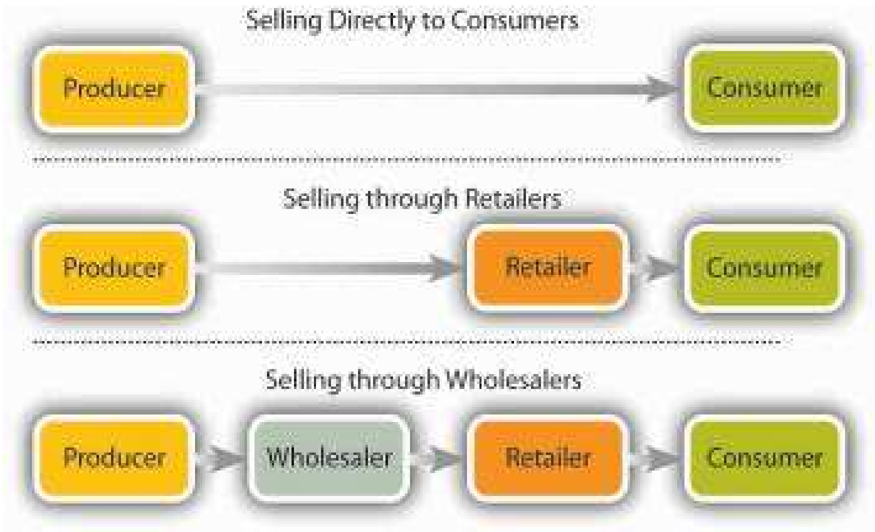
Mark-up – the additional amount added to the price of the product as it moves through the distribution channel

Third-party platform – an e-commerce website or service that is run by an unrelated business where businesses can sell their products

Core Knowledge

Place is NOT to be confused with location. *It is about how the product gets to the consumer and which other businesses it needs to pass through, not the physical location of the premises*.

The more third parties in the channel, the greater the mark-up and so the higher the price for the consumer



Don't be a "man on the street"

- Remember that not ALL customers have access to the internet like online shopping, so selling exclusively online may not be appropriate for all businesses
- Amazon is a third party – a significant number of its products are produced by other businesses

Wider Business World

Amazon – an example of a third party retailer

Booker – an example of a wholesaler

NEXT – a business that is a retailer and e-tailer

ASOS – an e-tailer

Synoptic Links

Technology – has enabled more businesses to become e-tailers, and for small businesses to use third-party platforms

Globalisation – using third party platforms enables more businesses to sell worldwide

Customer needs – channels can meet needs of convenience

Market segmentation – the channel needs to be appropriate for the market segment

BUSINESS: ***Creating informed, discerning employees, consumers and future leaders***

Topic 2.2.5 Marketing Mix and business decisions

Key Vocabulary

Marketing mix – the four elements that work together to make the marketing of a business or product successful

Product – the actual product the business produces / sells. Cost, aesthetics and function need to work together

Price – what the customer is charged for the product

Promotion – the methods used to inform customer about a product and persuade them to buy it

Place – the distribution methods used to get the product from the producer to the consumer

Competitive advantage – something a business does that is better than all of its rivals

Core Knowledge

Each element of the marketing mix can influence another

- **Product** design can influence the **price** charged, especially if costs increase
- The type of **product** will affect the distribution channel (**place**) used; if e-tailing is to be used, the **product** will need to be designed so that posting is easy
- If the business wishes to charge a premium **price**, it will need to use premium retailers (**place**) and use **promotion** strategies that enhance this message of quality
- **Promotional** offers may lower **price**
- A **distribution channel** that uses wholesalers and retailers will increase the **price**

Building competitive advantage:

- **Product –** unique features, quality, design
- **Price –** selling at the cheapest price in a market
- **Promotion –** creating a memorable or catchy campaign can make a product stand out
- **Place –** more stores that rivals, effective websites

Don't be a "man on the street"

- Remember that each element must be considered
- Marketing decisions must be linked to the business overall objectives
- Marketing decisions must be relevant to the individual business and the market it is in – just doing more promotion, or lowering price will not guarantee success

Wider Business World

Dyson – has a competitive advantage due to uniqueness of product

Lindor chocolate – unique product, higher price, promotion suggests luxury / handmade, sold in department stores as well as supermarkets. An integrated mix.

Synoptic Links

Customer needs – each element of the marketing mix, must meet needs

Market research – needs to be completed to understand customer needs

Market segmentation – identifying different groups of people

Finance – a budget must be agreed for Marketing

Objectives – the marketing mix will depend on what the business wants to achieve

BUSINESS: ***Creating informed, discerning employees, consumers and future leaders***

Topic 2.3.1 Operations

Key Vocabulary

Good – a tangible item that exists in a physical sense, e.g. a car

Service – an experience or non-physical item, e.g. a trip to a theme park

Job production – one-off production of a one-off item for each individual customer

Batch production – producing a limited number of identical products

Flow production – continuous production of identical products, which gives scope for high levels of automation

Productivity – a measure of efficiency, usually output per person per time period

Automation – using machines that can operate without people

Robots – machines that can be programmed to do tasks that can be done by humans, e.g. spray painting

Flexibility – the ability to switch quickly and easily from one task to another

CAD – Computer Aided Design

CAM – Computer Aided Manufacture

Core Knowledge

The purpose of production is to create **goods** and **services**.

Production Method	Advantages	Disadvantages	Examples
Job	• Unique products • High quality • Higher prices	• Need highly skilled workers • Lengthy process • Higher cost per unit	Tailoring, bridges, Olympic Stadium
Batch	• Variety and choice for customers • Materials purchased in bulk, lowering production costs	• Work is repetitive • Equipment must be cleaned after each batch	Bread, clothing
Flow	• Bulk buyer leads to lower unit costs • Production 24/7 • Consistent quality	• High capital investment • Less flexibility to adapt products • Very repetitive work	Canned food, bottled drinks

Impact of technology:

- Lower costs in long term due to lower labour costs; improved quality so less wastage
- Increased productivity due to no breaks or holidays
- Improved quality / consistency
- Lower costs can lead to competitive prices

Don't be a "man on the street"

- Remember not all production happens in a factory: a bakery is also manufacturing
- Introducing technology does not lower costs immediately: in the short term there are high costs and this will affect cash flow and profit margins

Wider Business World

Morgan cars – produced by job production

Ford cars – considered to be the first mass produced car in the world

Synoptic Links

Technology – has had an impact on production

Marketing – creates the demand for the product

Finance – introducing technology will incur costs and affect cash flow

Human Resources – if staff lose their jobs they will be entitled to redundancy payments

Legislation – operations will need to follow Health & Safety law

BUSINESS: ***Creating informed, discerning employees, consumers and future leaders***

Topic 2.3.2 Working with suppliers

Key Vocabulary

Stock – items held by a firm for use or sale. Also called inventory

Bar gate stock graph – a diagram to show changes in the level of stock over time

Maximum stock level – highest level of stock to be held by a business

Minimum stock level – also called buffer stock level. The lowest level of held to avoid running out

Re-order level – the level of stock that will trigger the business to order more

Lead time – number of days or weeks that it takes from ordering stock until it arrives

Order quantity – the number of items ordered by the business

JIT – Just in Time. Running the business with so little stock that supplies have to arrive 'just in time' before they run out

JIC – holding buffer stock levels, 'just in case' there is a sudden increase in demand

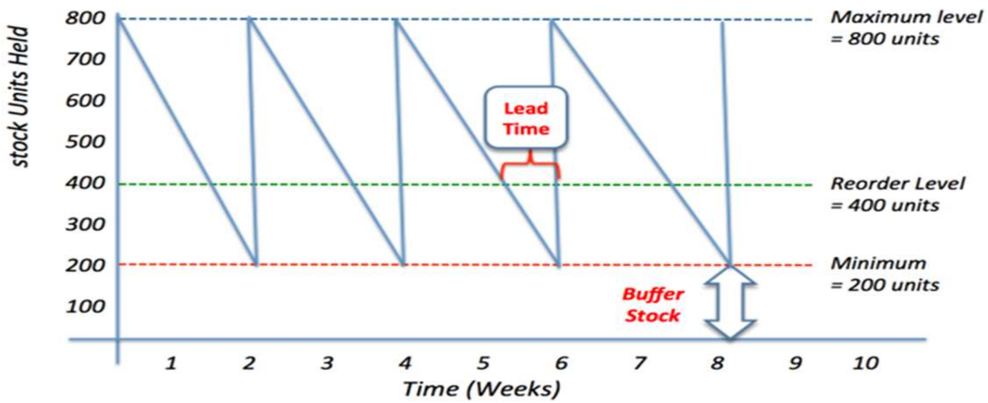
Procurement – obtaining the right supplies from the right supplier

Logistics – ensuring that the right supplies will be ordered and delivered on time

Core Knowledge

The operations department has a role to ensure that there is enough stock to meet demand, so they must work closely with suppliers as well as managing the stock that is in the business effectively.

The amount of stock held is shown in a bar gate graph:



Benefits of JIT	Limitations of JIT
Less storage space needed saving costs	Greater risk of running out and disappointing customers
Fresher produce due to more frequent deliveries	No bulk-buying discounts
Less capital tied up in stock	

Don't be a "man on the street"

- Remember not all business that hold stock are shops – it could be a factory, restaurant, bakery
- The cheapest supplier may not be the best if they are not reliable
- Not all businesses will be able to get trade credit from a supplier – trust may need to built first

Wider Business World

Supermarkets – most run JIT systems to have more selling space and save costs on storage

Restaurants – may limit their menu choices to ensure ingredients are fresher and less stock is wasted

Synoptic Links

Cashflow – holding less stock improves cashflow because the stock is more likely to be sold before payment to suppliers is due

External factors – changes to economic factors can affect the type of products consumers demand

Customer needs – if quality is a concern more than price, this will need to be considered when choosing a supplier

Location – this could affect the logistics for a business

BUSINESS: ***Creating informed, discerning employees, consumers and future leaders***

Topic 2.3.3 Managing Quality

Key Vocabulary

Quality control – putting measures in place to check that the customer receives an acceptable level of quality

Quality assurance – a system based on preventing quality problems by involving all staff within the production team to understand their role in maintaining highest quality standards

Warranty – the guarantee by a producer that it will repair any faults in a product for a specific period of time

Core Knowledge

Quality is about meeting a minimum standard to satisfy customer expectations

Quality control

- Finished goods are inspected
- Checks for defects rather than preventing them
- Costly as it can lead to a high level of wastage
- Workers less involved in process so may be less motivated

Quality assurance

- Quality is checked at every stage in the production process – more time consuming, but defective products are dismissed before being completed
- Aims to prevent defects
- Staff need training – costly in short term; more motivating in long term

Importance

Lowers costs through less wastage
As production costs lower, profit margins increase
Quality can improve reputation and build brand loyalty leading to a competitive advantage

Don't be a "man on the street"

- Remember quality is important for goods as well as services
- Don't confuse quality control and quality assurance
- Quality assurance can not be put in place quickly – staff need to be trained and it takes time to be embedded into the culture of the business

Wider Business World

Gordon Ramsey – in his restaurant the Head Chef will check every plate of food before it is sent out

Hotels – have a check list for cleaners to ensure that all rooms are same standard

Synoptic Links

Motivation – motivated staff are more likely to deliver a high-quality service

Customer needs – quality is one of the needs of customers

Promotion – quality can be used as a promotion tool

Consumer law – products must be 'fit for purpose'; a minimum quality measure

Technology – led to an increase in reviews online, which impacts a firm's reputation

BUSINESS: ***Creating informed, discerning employees, consumers and future leaders***

Topic 2.3.4 Sales Process

Key Vocabulary

Sales process – the process of persuading a customer to buy the products

Product knowledge- how well staff know the features of the products and service issues, e.g. such as the precise terms of a warranty

Customer engagement – the attempt to make a customer feel part of something rather than an outsider

Customer feedback – comments, praise or criticisms given to the company by customers

Post-sales service – anything provided after you have paid for and received the product, e.g. updates, perhaps because something has gone wrong or a way of promoting customer engagement

Core Knowledge

To succeed in the sales process the following need to be provided:

- Strong **product knowledge** and therefore helpful advice from staff
- Speedy and efficient service
- Customer **engagement**
- Responses to **customer feedback**
- Excellent **post-sales service**

Benefits of good customer service:

- Customers feel valued, are loyal and more likely to repeat purchased
- Harder for competitors to steal customers if they are loyal
- Satisfied customers tell others – this could attract more customers to the business
- Satisfied customers can create a positive working environment and make a business a reputable employer
- Developing a reputation for good customer service can develop into a competitive advantage

Don't be a "man on the street"

- Do not assume that negative reviews will make a business fail – can be ignored or people may have little choice
- Remember that not everyone uses social media so this may not be a good way to get customer engagement for some businesses

Wider Business World

Kia – have a 7 year warranty on new cars

Pizza Hut – have a guarantee of receiving your starter within so many minutes of ordering

Burberry – send regular email updates to customers to make them feel part of the brand, rather than just a customer

Synoptic Links

Customer needs – the sales process is about meeting those needs

Recruitment – to provide excellent service the right staff need to be employed

Training – staff will need to be trained about products

Quality and operations – information about the product will need to be provided

Technology – more customer feedback is available

BUSINESS: ***Creating informed, discerning employees, consumers and future leaders***

Topic 2.4.2 Understanding Business performance

Key Vocabulary

Line graph – shows data represented as lines, making it easy to identify trends

Bar graph – data represented so that the height of the bar represents the quantity involved. Good for making comparisons

Pie chart – shows data represented in a circle, with each slice of the pie representing a proportion of the whole, e.g. market share

Core Knowledge

Data can be figures or visually represented. The most common types of visual representation are graphs.

	Line graphs	Bar charts	Pie charts
Pros	Good for data shown over many time periods and for comparisons with how one factor affects another	Good for data over 2-3 time periods Good for comprising size / number of serval different items	Good for showing proportions
Cons	Too many lines can be confusing Assumptions can be made about trends continuing	Cannot be easily used to compare data over many time periods	Show big differences clearly but not small differences Cannot show trends over a number of years

A business can use a variety of data:

- **Financial data** – profit margins, profit levels, ARR, break-even point, cash flows
- **Marketing data** – analysis of sales figures, market research data
- **Market data** – analysis of data such as market size, changes in market size, figures for difference segments

Limitations of data:

- A need to understand why trends are happening and the causes of these trends
- Bias can be in place when interpreting data
- Some numbers will be estimates not facts

Don't be a "man on the street"

- Remember that data may be biased or unreliable – always check the source
- One set of data along is not much help – a business will need to compare to previous years or competitors to put the data into context
- Financial data alone is not the whole picture – consider what external factors may have caused a change, as well as HR and Marketing data
- Don't confuse market data and marketing data

Wider Business World

Government – use line charts to show changes in taxation, inflation etc; pie charts to show how taxation is distributed

Synoptic Links

Business calculations – profit and profit margin calculations can be used to access financial performance

HR – data on staff retention and performance can be used

Operations – productivity and quality data can also be measures of performance

Marketing – data on sales figures and market research

External influences – economic factors may affect a business performance

Aims – the importance of each measure can be different depending on the aims of the business

BUSINESS: ***Creating informed, discerning employees, consumers and future leaders***

Topic 2.5.1b Communication

Key Vocabulary

Communication – the passing of information from one person or organisation to another

Insufficient communication – too little communication which may leave some staff under-informed and demotivated

Excessive communication – too much communication, causing overload for staff; a particular problem with email

Barrier to communication – something that prevents the flow of communication

Jargon – technical or obscure words used by a particular group of people that may not be understood by everyone

Core Knowledge

Communication methods:

- **Verbal –** meetings, telephone, digital methods such as Zoom
- **Written –** letters, reports, posters
- **Digital –** email, instant messenger, texting, social media

Communication problems:

Too little communication – can lead to employees being unaware of what is happening, leading to mistakes and inefficiency

Too much communication so employees are overloaded

Other information or activities act as barriers to communication

Barriers to communication

- **Written –** illegible handwriting, poor spelling and grammar, poor font or presentation
- **Verbal –** language not understood, accent not understood, speaking too fast or slow, not pausing when speaking
- **Receiver –** poor attitude, not listening
- **General –** timeliness, structure of communication not clear, cultural differences, use of jargon, technical issues, no opportunity for feedback

Don't be a "man on the street"

- Remember that not all people have the internet or social media, so don't assume this is always the best way to communicate
- Remember that email is not free communication – it is cheaper than traditional methods, BUT, still costs in terms of connections and time to compose / send and monitor

Wider Business World

Microsoft – research by Financial Times identified Microsoft as having excellent communication

Synoptic Links

Motivation – too little, or too much can lead to poor motivation

Technology – has enabled more methods to be available

Stakeholders – different groups will need to be communicated with in different ways

Globalisation – being able to use electronic communication has helped with globalisation

BUSINESS: ***Creating informed, discerning employees, consumers and future leaders***

Topic 2.5.1a Organisational structures

Key Vocabulary

Centralised structure – an organisation where most decisions are made at head office not within the branch

Decentralised structure – an organisation that allows staff to make decisions at a local level

Flat structure – an organisation with few layers of hierarchy

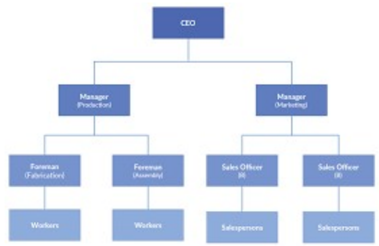
Hierarchical structure – an organisation with many layers of management, therefore creating a tall organisational pyramid

Organisation chart – a diagram that shows the internal structure of an organisation

Span of control – the number of people a manager is directly responsible for in an organisation

Subordinate – the term for people underneath another in an organisation chart

Core Knowledge



An example of an organisation chart.

Each box represents an employee or set of employees.

The vertical lines represent lines of communication.

	Benefits	Limitations
Tall hierarchical	Regular promotion opportunities Easier to maintain standards / check everyone's work	Very hard for lower levels to communicate with the top Decision making may be slow due to many layers
Flat	Fewer managers needed Workers have more responsibility	Each manager is responsible for more people Fewer promotion opportunities
Centralised	Decisions taken with an overview of whole company Consistent policies and decisions	Reduces delegation, so local managers can not respond to changes quickly Less job satisfaction
Decentralised	Involvement in decision making by more staff Can adapt to local conditions	Managers will need more training A mistake in one branch could impact reputation

Don't be a "man on the street"

- When counting a span of control, only include those directly underneath, not all staff
- Delegating work and having more responsibility can make staff more motivated – they feel valued. Don't assume employees want to do as little work as possible
- Consider the level of skills of the workers – more skilled generally need less supervision so flatter structures can work well

Wider Business World

Sainsbury – an example of a centralised business where local branch managers have little power over decision making

NHS, police force – examples of tall hierarchical structures

Synoptic Links

Recruitment – an organisation structure shows the roles within a business

Finance – more managers increases costs for the business

Motivation – responsibility is a non-financial factor

Growth – as businesses expand so will their structures. This can include adding in or removing layers

BUSINESS: ***Creating informed, discerning employees, consumers and future leaders***

Topic 2.5.1c Different ways of working

Key Vocabulary

Full time work – 35-40 hours per week

Part-time – less than 35 hours and usually predictable hours /days

Flexible hours – where days and hours vary from week to week

Zero hour contract – a type of flexible working where employees are not guaranteed any work from week to week

Freelance contract – an agreement over one job between a business and a self-employed worker

Permanent contract – an agreement between a business and an employee that work and income will be provided consistently into the long-term future

Remote working – working away from the office, typically at home

Temporary contract – an agreement between a business and an employee that work and income will be provided for a specific time period, e.g. six months

Core Knowledge

3 main types of employment: full-time, part-time and flexible hours

3 main types of contract: permanent, temporary and freelance

Benefits of a full or part-time contract are:

Stable earnings and high degree of job security
Regular contributions towards pension
Likely to receive holiday and sick pay, providing more security
More likely to be sent on training courses to improve skills

The impact of technology:

- Has made it easier to work with people without being physically close to them
- Can be used to monitor staff, e.g. productivity, breaks, accuracy
- Can be used to improve efficiency by doing repetitive jobs more consistently and accurately
- Remote working has pros and cons – a lack of natter and banter could mean good ideas are missed

Don't be a "man on the street"

- Remember not all self employed people are super rich and successful entrepreneurs
- Self-employed workers will not get holiday pay, sick pay or contributions by their employer into their pension
- Flexible working may sound ideal to some, but for others it would not work. Don't assume everyone wants to work as little as possible!

Wider Business World

Remote working – due to COVID-19 there has been a huge increase in people working this way

Amazon – reputation for poor working conditions with excessive monitoring

Brompton bikes – uses automation and robotics alongside skilled workers

Synoptic Links

Technology – has enabled more remote working and can contribute to improvements in efficiency

Recruitment – the type of contract offered may impact where and how the vacancy is advertised

Training – more likely for permanent staff

BUSINESS: ***Creating informed, discerning employees, consumers and future leaders***

Topic 2.5.2 Effective recruitment

Key Vocabulary

Directors – people who make the biggest decisions faced by the business, e.g. aims and objectives

Managers – the people wo organise others to carry out tasks

Supervisors / team leaders – these people ensure that the staff below them do what they are supposed to do

Operational staff – a member of staff who has specific responsibility for meeting for meeting a target set by the business that is focused on achieving the business's aims and objectives

Support staff – staff who provide help to operational staff, providing assistance with computer networks, administration task etc

Job description – a short account of the main features of the job

Person specification – a description of the type of person who would best fit the job: their character, their experience and skills

Application form – a series of questions a job-seeker must fill in when trying to get an employer interested in interviewing them

CV – curriculum vitae. Sets out the person's experience, qualifications and other relevant facts

References – people such as teachers or previous bosses who are willing to answer questions about the qualities of a job applicant

Internal recruitment – appointing someone from within an organisation

External recruitment – appointing a new employee who does not work for the business

Core Knowledge

In a large business there are 5 main job roles:

- Directors
- Senior Managers
- Supervisors / team leaders / junior managers
- Operational staff
- Support staff

Documents used in the recruitment process:

- **Job description** and **person specification** – created by the business so they are clear about the job that is needed to be filled and what the ideal candidate would be like
- **Job advert –** this can be placed in various places, such as job centre, recruitment agency, online, internal notice board or email, newspapers or specialist magazines
- **Application form, CV, letter of application –** completed by the candidate to provide all the information required by the business
- **References –** supplied by people who know the candidate to support an application

A candidate can be chosen through an interview, assessments, further tests or tasks

	Benefits	Limitations
Internal	Quicker and cheaper Motivational for employees Business knows the candidate well	Existing workers may not have necessary skills Creates a new vacancy
External	Wider range of applicants New skills and ideas	Expensive and time consuming processes

Don't be a "man on the street"

- Don't confuse Directors or Mangers with owners of a business
- Not all businesses will have all job roles – it will depend on the structure and size of the business
- Not all vacancies will be advertised in the same way, or place. It will depend on the role and urgency

Wider Business World

McDonald's – only recruit online

Merlin entertainments – require candidates to attend assessment centres

B&Q – one of many businesses that no longer accept CVs, only application forms

Synoptic Links

Organisational structures – HR will need to know where a vacancy fits within the hierarchy

Legislation – there are laws regulating how employees can be recruited

Motivation – offering internal promotion opportunities can be non-financial motivation

BUSINESS: ***Creating informed, discerning employees, consumers and future leaders***

Topic 2.5.4 Motivation

Key Vocabulary

Motivation – the desire to do the best you can

Remuneration – all the financial rewards received from work, both direct and indirect

Fringe benefits – rewards you get from work that are non-financial such as a company car or free membership of a club

Salary – an annual amount paid to employees, usually divided into 12 equal payments

Wage – an hourly rate

Overtime – working more than your contracted hours. Sometimes paid at a rate above your usual pay

Bonus – extra payments over and above your basic wage, often related to a target

Commission – being paid a percentage of the value of a sale you made

Promotion – being given a more important job in the organisational structure

Job rotation – having several tasks to do at work to remove the boredom of doing the same thing all the time

Job enrichment – being given a range of activities and responsibilities, some more complex than others

Autonomy - the independent power to decide what you are going to do at work

Core Knowledge

Having staff who want to work, want to do the best job possible and are committed to the success of the business is important because

- Higher productivity
- Attracts the best employees to apply for vacancies
- Lower staff turnover, so lower recruitment costs
- Better quality production or customer service, leading to repeat customers and less wastage
- More ideas from staff

Why is motivation important?

motivated workers → high productivity → increased output → higher profits ☺
unhappy workers → low productivity → low output → low or no profits ☹

Financial methods

- Payment, i.e. a wage or salary
- Fringe benefits (more likely in private sector)
- Bonuses
- Commission
- Promotion

Non-financial methods

- Job rotation
- Job enrichment
- Autonomy

Don't be a "man on the street"

- Remember earning more money does not motivate staff to work harder – they may be pleased but won't do any more
- Financial rewards cost the business, so can affect profit margins, unless greater sales and revenue can be generated or cost savings
- Don't confuse job rotation and job enrichment
- Don't assume that staff want to do the littlest amount of work

Wider Business World

Avon – sales representatives are paid a commission rate

Clothing retailers – use job rotation, e.g. time on tills, time on changing room, time on shop floor

Synoptic Links

Costs & revenue – remuneration impacts on fixed costs; commission on variable costs, therefore affecting profit margins

Training – employees who are invested in tend to be more motivated

Business aims – bonuses can be related to targets, which usually relate to the business aims

BUSINESS: ***Creating informed, discerning employees, consumers and future leaders***

Topic 2.5.3 Effective training and development

Key Vocabulary

Formal training – the official training program, e.g. a 2 year graduate training program

Informal training – the unexpected, unplanned extra advice of demonstrations that come form colleagues or occasionally from customers

On-the-job training – training that occurs in the workplace whilst doing the job, e.g. on an apprenticeship

Off-the-job training – training away from the workplace, e.g. in a college

Induction training – training that occurs when you first start a job or join a new business

Self-learning – teaching yourself, perhaps by thinking why a problem occurred and making sure you learn from your mistakes

Ongoing training – regular, perhaps weekly training sessions for all staff

Target setting – when you are set goals by a manager and your job is to achieve them

Performance review – discussion between you and your line manager about how well you are working towards the targets set for you

Retention – calculation of how many staff stay loyal rather than leaving

Core Knowledge

Training can be:

- Formal and informal
- Self-learning
- On-going throughout your career

A formal method to ensure staff develop throughout their career, and to ensure staff contribute to the business aims is to set targets for staff each year. These are reviewed in performance reviews or appraisal meetings.

Why train?

- Motivate staff therefore improving retention
- Introduction of new technology or working practices

Benefits of providing training	Costs of providing training
Improvements to efficiency and quality	Paying to send staff on courses or bringing in external providers can be expensive
Wider range of staff skills allows a business to respond to market changes quickly	Staff who are training can not do normal work
Boosts motivation of staff	Staff may leave for better jobs

Don't be a "man on the street"

- Remember training does need to have a formal qualification linked to it
- Remember to analyse training benefits from the employer's point of view, not the employees

Wider Business World

Teachers – must have a minimum of 5 training days per year (INSET)

Doctors – an example of on-the-job training as part of their medical degree and after

Aldi – offer a training program for all new branch managers

Synoptic Links

Motivation – providing training can motivate staff by making them feel valued

Aims – performance targets usually relate to the overall aims of the business

Technology – an investment in new technology will be wasted if staff are not trained to use it

Sales process – effective training leads to better customer service, part of the sales process