

Getting Started September 2007

GCE Business Studies

Edexcel Advanced Subsidiary GCE in Business Studies (8BS01)

First examination 2009

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Introduction

This Getting Started book will give you an overview of the Edexcel GCE Business course and what it means for you and your students. The guidance in this book is intended to help you plan the course in outline and give you further insight into the principles behind it to assist you and your students in succeeding in the qualification. If you require a copy of this document in Word, so that you can adapt and amend the scheme of work and lesson materials, please email ria.bhatta@excel.org.uk or sara.furness@edexcel.org.uk.

Edexcel GCE in Business overview

Unit 1: Developing New Business Ideas

- Business opportunities
- Entrepreneurial skills
- Business ideas in practice
- Economic context for business

AS

Unit 2a: Managing the Business

- Marketing
- Finance
- People
- Operations

Unit 3: International Business

- Why a business looks for international markets
- The changing economic world (including growing economic power of China and India)
- How a company decides which markets to target
- Implications of trading internationally
- Globalisation
- Should multi nationals be controlled?

A2

Unit 4a: Making Business Decisions

- Corporate strategy
- Making business decisions
- Decisions and ethical responsibilities
- Company mergers and acquisitions and government intervention

Suggested delivery/activity schedule — Unit 1: Developing New Business Ideas

Please note that two teachers could teach different topics at the same time, eg Topics 1 and 2.

Topic 1: Characteristics of successful entrepreneurs

Week commencing	Subject area	Activity	Resources
	Characteristics of entrepreneurs	<p>Students to work in small groups to research definitions of entrepreneur, enterprise etc (see Activity sheet 1, Task 1.)</p> <p>Students to discuss the contribution to the economy of well-known entrepreneurs (Activity sheet 1, Task 2). See also Times 100 case study on the importance of entrepreneurship.</p> <p>Students should consider the characteristics of people who set up a new business (see Activity sheet 1, Task 3a.) Use a video of 'The Apprentice', 'Dragons Den', 'Risking it All', or another TV programme to illustrate this. Examples of ineffective entrepreneurs can also be informative.</p> <p>Students should consider whether or not they have sufficient entrepreneurial skills to set up their own business and, if not, how they could develop them (see Activity Sheet 1, Task 3a.)</p>	<p>Activity sheet 1, Task 1–3a.</p> <p>Case study on the importance of entrepreneurship at: www.thetimes100.co.uk/case_study.php?cID=63&csID=242&pID=1</p> <p>Video, of a TV programme, eg: www.bbc.co.uk/apprentice/ www.bbc.co.uk/dragonsden/ www.channel4.com/money/ontv/risking_it_all</p> <p>Additional reading: Gillespie A — The Kwik-Fit Formula, Business Review, Volume 6, Issue 2, November 1999, pages 2-3 Wood S — Philip Green, Business Review, Volume 10, Issue 2, November 2003, pages 34-35 Getting a New Business Off the Ground, Business Review, Volume 12, Issue 1, September 2005, pages 2-3</p>

Topic 1: Characteristics of successful entrepreneurs

Week commencing	Subject area	Activity	Resources
	<p>What motivates entrepreneurs?</p> <p>Leadership styles</p>	<p>Students should explore the profit and non-profit related motives of why people set up businesses, eg desire to work independently or from home. Some may start businesses for social purposes, eg an organic farm. (See Activity sheet 1, Task 3b.)</p> <p>Students should consider the various leadership styles, eg autocratic, democratic, that can be used and which are appropriate for different situations and skilled and unskilled staff. Students may reflect on their own preferred leadership style. (See also Activity sheet 1, Task 4.)</p>	<p>Activity sheet 1, Task 3b</p> <p>Additional reading: Wood S — Michael O’Leary, Business Review, Volume 10, Issue 4, pages 2-3</p> <p>Activity sheet 1, Task 4</p> <p>PowerPoint and activity on leadership theory at: www.bized.co.uk/educators/16-19/business/hrm/activity/leadertypes.htm</p> <p>Additional reading:</p> <p>Coates G — Top Secrets, Business Review, Volume 3, Issue 2, November 1996, pages 20-22.</p> <p>Kakabadse A — Life at the Top, Business Review, Volume 1, Issue 2, November 1994, pages 21-23</p>

Topic 2: Identifying a business opportunity

Week commencing	Subject area	Activity	Resources
	<p>What makes a market? What should firms supply?</p>	<p>Students could explore the changes in the market, and charges, for mobile phones — from when mobile phones were first available to now. What do they conclude about the interaction between price, supply and demand? (See Activity sheet 2, Task 1 and 2.)</p>	<p>Activity sheet 2, Task 1 and 2</p> <p>Interaction activity and tasks on supply and demand at: www.bized.co.uk/educators/16-19/economics/markets/activity/demandsupply.htm</p>
	<p>What consumers want or need</p>	<p>Students should identify a market need for a business idea of their own. Students could gain new business ideas from, eg www.start-ups.co.uk. Why do they think that there is a potential demand for the business? This could be set as homework.</p>	<p>Activity sheet 2, Task 3</p> <p>Additional reading:</p> <p>Zhang L — Identifying a Market Opportunity, Business Review, Volume 7, Issue 4, April 2001, pages 2-4</p>



Topic 3: Evaluating a business opportunity

Week commencing	Subject area	Activity	Resources
	Researching demand for the business idea	<p>Teacher to define primary (quantitative and qualitative) and secondary research and why they are used, eg to quantify demand and gain insight into consumer behaviour. In addition, students can use a business textbook to define methods of research in Activity sheet 3, Task 1.</p> <p>Teacher to identify problems that arise with small sample sizes; and the sampling method used, eg convenience sampling and potential bias.</p> <p>Students could gain new business ideas from a website such as www.start-ups.co.uk. It is a good idea for them to choose a product or service for which they can get a market summary (secondary data) on www.keynote.co.uk (see next topic.) They may carry out their own brief survey using quantitative and qualitative questions to ascertain demand for several business ideas. (See Activity sheet 3, Task 2.)</p>	<p>Activity sheet 3, Tasks 1–2.</p> <p>Visit to local business to determine the research methods they use and why.</p> <p>Market research methods at: www.thetimes100.co.uk/theory/theory.php?tID=315</p> <p>Additional reading: Marcoué I — Market Research, Business Review, Volume 6, Issue 1, September 1999, pages 18–20</p>
	Is there a market for the business idea?	<p>Market summaries for different product or service areas can be found on www.keynote.co.uk. Students can see the overall market size for their product or service area and whether the market is growing (see Activity Sheet 3, Task 2.) Please note that this topic could be taught before 'Researching demand for the business idea' — it has been separated so that the topics could be taught by two teachers simultaneously.</p> <p>Using the respondent classification data from their questionnaires (see Activity sheet 3, Task 2) they may gain some market segmentation information for their potential customers, for example, gender and where they live.</p>	<p>Activity Sheet 3, Task 2</p> <p>Additional reading: Stimpson P — When Second Comes First, Business Review, Volume 10, Issue 1, September 2003, pages 22–24 Coates G — Customer Segmentation, Business Review, Volume 7, Issue 4, April 2001, pages 14–15</p>

Topic 3: Evaluating a business opportunity

Week commencing	Subject area	Activity	Resources
	Positioning the business idea.	Students could identify the market competition for their product or service idea; and the strengths and weaknesses of the competition. They could use market mapping to identify an appropriate market niche; and the competitive advantage of their product or service idea and how they will add value to it.	Activity sheet 3, Task 3 Additional reading: SurrIDGE M — Niche Markets, Business Review, Volume 9, Issue 4, April 2003, pages 2-3
	Product trial Opportunity costs of developing one business idea as opposed to another	Students could consider the benefits of trialling a product or service before it is launched, eg to assess likely demand levels: and how to turn the product trial into repeat purchases (see Activity sheet 3, Task 2.) From the results of their research, students could consider which business idea seems to have the most demand and the price (s) they could charge for the product or service. What are the trade-offs of going with one particular business idea (see Activity sheet 3, Task 3)? Students could use a case study to identify the potential effects on stakeholders of a decision by a business to offer a particular product or service.	Activity sheet 3, Task 2 Additional reading: Zhang L — The Power of Stakeholders, Business Review, Volume 5, Issue 2, November 1998, pages 9-11

Topic 4: Economic considerations

Week commencing	Subject area	Activity	Resources
	Current economic climate	Using the latest economic data, students could analyse the potential effects of the latest economic trends on their new business idea (see Activity sheet 4). The economic data should include: <ul style="list-style-type: none"> • interest rates • exchange rates • inflation rates • local or national unemployment figures 	www.statistics.gov.uk Activity sheet 4 Additional reading: Boden A — Interest Rates, Business Review Volume 6, Issue 3, February 2000, pages 26-28 Boden A — UK Business in a Low Unemployment Environment, Business Review Volume 8, Issue 3, February 2002, page 20-22 Harrison S — Inflation, Business Review Volume 6, Issue 4, April 2000, pages 30-31 SurrIDGE M — The Price of Trading Internationally, Business Review Volume 11, Issue 4, April 2005, pages 8-9 Williams R — Exchange Rate, Business Review Volume 8, Issue 2, November 2001, pages 24-26



Topic 5: Financing the new business idea and putting it into practice

Week commencing	Subject area	Activity	Resources
	Sources of finance	<p>The teacher should provide an input on:</p> <ul style="list-style-type: none"> • internal sources of finance: retained profit, sale of assets • external sources of finance: loans, debentures, venture capital, ordinary share capital, overdrafts, leasing, trade credit • sources of finance appropriate for sole trader and company organisations; implications of limited or unlimited liability. <p>Activity sheet 5, Task 1 and 2 can be used for practical activities for students on sources of finance and how to apply the information learnt to their new business idea.</p>	<p>A guest speaker could be invited from a local bank to provide information on sources of finance which are commonly used by start-up businesses.</p> <p>Activity sheet 5, Task 1 and 2</p> <p>Additional activities:</p> <p>www.bized.co.uk/virtual/bank/business/finance/sources/theories1.htm</p> <p>www.bized.co.uk/virtual/bank/business/finance/sources/theories2.htm</p> <p>www.bized.co.uk/educators/16-19/business/accounting/activity/sourcefinance.htm</p> <p>Additional reading:</p> <p>Brewer M — Financing Growth, Business Review, Volume 3, Issue 4, April 1997, pages 23-25</p>
	Sources of finance	<p>For their own new business idea, students could consider the total cost of a commercial loan and the loan repayment period from different financial providers. They could weigh this up against the benefit of a personal loan from family or friends and any resulting interference in the business. They should consider the implications of unlimited liability.</p>	<p>Activity sheet 5, Task 3 and 4</p>

Topic 6: Measuring the potential success of a business idea

Week commencing	Subject area	Activity	Resources
	Estimation of sales levels, costs and profits	<p>Students should try several exercises provided by the teacher to calculate revenue, variable costs, total costs and potential profit. Students may also need to practise identifying fixed costs.</p> <p>Activity Sheet 6 (Task 1-3) uses a case study introducing revenue, fixed and variable costs and cash flow.</p>	<p>Activity sheet 6, Task 1-3</p>

Topic 6: Measuring the potential success of a business idea

Week commencing	Subject area	Activity	Resources
	Break-even revenue level	<p>Activity Sheet 6 (Task 4–6) uses a case study to calculate breakeven. Teacher should introduce the concept of margin of safety.</p> <p>Students should be able to calculate basic profit and loss (sales revenue less deductions to identify gross and operating profit) and be able to calculate gross and operating profit margins. They should be able to comment on their calculations, such as identify ways in which the profit level could be improved. Activity Sheet 6 Task 7 enables students to prepare a profit and loss statement and identify ways in which profit level could be improved. In Unit 2a: Managing the Business, students will identify the difference between cash and profit.</p> <p>Activity Sheet 6 Task 8 enables students to use pricing and cost information for their own business idea gathered by research to calculate break-even level and potential profit.</p>	<p>Activity sheet 6, Task 4–8</p> <p>Additional activities: www.bized.co.uk/virtual/bank/business/planning/financial/step1.htm www.bized.co.uk/virtual/bank/business/planning/case_study.htm www.bized.co.uk/educators/16-19/business/accounting/activity/finance1.htm</p> <p>Additional reading: Wolinski J — Simple Break-even Analysis, Business Review Volume 11, Issue 1, September 2004, pages 10-12 Morris J — Improving Profitability, Business Review Volume 7, Issue 2, November 2000, pages 6-7</p>

Topic 7: Putting a business idea into practice

Week commencing	Subject area	Activity	Resources
	Creation of a business plan	<p>This topic can be introduced by using Activity sheet 7, perhaps as a homework activity.</p> <p>Teacher to cover the purpose of a business plan — to gain finance; the key features of a business plan:</p> <ul style="list-style-type: none"> • product or service to be produced; • marketing plan; • production plan; • premises and equipment needed; • human resources involved in implementing the business idea; • sources of finance; • profit and loss statement; • cash flow forecast. <p>Only a brief overview of this topic is necessary and it could be used to identify the topics already covered in Unit 1 and as an introduction to the main sections of Unit 2a. Students could be given a business plan to evaluate. They do not need to construct one.</p>	<p>Activity sheet 7</p> <p>Sample business plans from local banks or the internet</p> <p>For how to prepare business plans, see also: www.businesslink.gov.uk/bdotg/action/layer?topicid=1073869162&r.s=sl</p>



Unit 1: Developing New Business Ideas

Activity sheet 1 — Characteristics of entrepreneurs

Task 1

Working in small groups research a definition of enterprise, entrepreneur, and leadership. Discuss your definitions with the rest of the class.

Task 2

In small groups discuss and review your knowledge of the contribution to the UK economy each of the following well known entrepreneurs has made: Richard Branson (Virgin), Anita Roddick (Body Shop), James Dyson (vacuum cleaners). Collect information about their business activities.

Task 3a

In groups of three or four list as many people as possible that you know who run their own business locally or watch a video about someone who has set up their own business. What characteristics do you think these people have?

Use the following table to identify which characteristics you think you already possess, rate them accordingly and suggest ways in which they could be developed.

Rating: 1=significant weakness, 2=weakness, 3=neither a strength or weakness, 4=strength, 5=significant strength.

Characteristics	Rating 1-5	What evidence do I have of this?	What sources can I use to develop this skill?
Am I willing to work long hours?			
Am I prepared to take risks?			
Do I like a challenge?			
Do I have initiative?			
Can I solve problems?			
Can I motivate people?			
Am I flexible and adaptable?			
Do I have drive and determination to succeed?			
Am I self-confident?			
Can I be a leader of other people?			

Produce a summary outlining your strengths and weaknesses.

Task 3b

Interview three of these local business owners or watch a video about someone who has set up their own business and find out the reasons why they started up in business. Draw up a list of appropriate questions, examples can include:

Questions	Business 1	Business 2	Business 3
Reasons for starting up in business (include profit and non-profit related motives)			
Skills needed to be successful			
Benefits of having an ethical stance			

Task 4

In small groups produce a wall chart which represents the characteristics and leadership styles of entrepreneurs, drawing upon all the above activities. Do they use different leadership styles in different situations and with skilled and unskilled staff?



Activity sheet 2 — Identifying a business opportunity

Task 1

Before you can set up in business you need to analyse your potential market. A market puts buyers and sellers in touch with one another so that goods or services can be bought and sold. Working in groups, list markets which are of interest to you and discuss your findings as a group. Would the market be easily accessible, is there a lot of competition?

Task 2

Marketing is about identifying consumer needs and then meeting those needs with products or services that can be delivered profitably. In groups, research the interaction between the price, demand and supply of mobile phones. You should look at the various developmental stages of the mobile phone from its first generation commercial use in the 1980s to the present day. You could research the stages in the life of a specific model to help you.

- What do you conclude about the interaction between price, supply and demand at the various stages of development?
- What do you notice about the types of mobile phones which are supplied now?

Stages of development	Demand — increase or decrease	Supply — increase or decrease	Price — increase or decrease

Task 3

What business opportunities can you identify?

You need to identify a market need for your own business idea. Visit as many locations, competitors or similar businesses, as possible, in your own time, to identify a range of possible products and services that your new business could offer. Produce a list of possible products or service ideas and potential demand for the product/service.

My business idea	Demand for the product/service

Activity sheet 3 — Evaluating a business opportunity

Task 1

Imagine you are employed to research a product or service of your choice. Discuss how you might do this. You will need to identify how the information will be used and what methods you will use to collect the appropriate marketing information. You should also discuss the difficulties you might encounter and/or the compromises you might have to make in carrying out your research.

Method of collection	Qualitative/quantitative	Purpose
eg survey questionnaire		
eg focus group		

Task 2

Divide into small groups for this activity

Select three of your business ideas and carry out primary and secondary market research to establish information about your competitors and potential market. Initially, a questionnaire will be needed, a significant number of relevant responses obtained and the results analysed. From this you will gain information that will inform your business idea. You will need to carry out the following:

- design a short questionnaire which you can use to obtain information from potential customers to see if there is demand for your product/service — make sure your teacher checks this
- interview 20 people using the questionnaire
- using www.keynote.co.uk, determine the market size for your product or service idea and whether or not the market is growing
- list the factors that could affect the demand for your product/service
- use secondary data sources to compile a list of potential local competitors
- identify the strengths and weaknesses of these competitors
- explain the benefits of trialling the product/service before it is launched.



Task 3

- Using the results from your questionnaire, and competitor information, compare each of your business ideas and consider the trade-offs.
- Use market mapping to identify a possible gap in the market.
- Identify the idea for which there is most demand and the price you would charge for the product/service.
- How could you add value to your product or service idea?
- Present your findings to the rest of the class and justify your choice of business idea.

Activity sheet 4 — Economic considerations

There are a number of economic considerations that affect the decisions a business might make. Use the following table to explain how each factor would affect your business idea and how you might ensure that there was no damage to the business.

Exchange rates	Interest rates	Inflation rates	Unemployment (local or national)

Collect recent newspapers and find articles that explain how businesses have been affected by economic considerations such as those listed above.

Cut out these articles and make a collage out of the headlines.

Choose one of the articles and write out the key points. In a presentation explain to the rest of the class the main issues affecting the business in the article. What actions might the business take to minimise the threat posed or to capitalise on the opportunity?



Activity sheet 5 — Financing the new business idea and putting it into practice

Task 1

Finance is the crucial element for any successful enterprise. This activity sheet will guide you through a suggested format for handling this in a manageable way. Initially, you will need to decide upon the likely sources of finance available to your business, bearing in mind that your business plan will be scrutinised by potential lenders.

Research possible sources of finance for your business:

Sources of finance	Types of finance	Suitability for business idea

Select a suitable source of finance for the following:

- a plumber, presently working from home, wants to buy a small shop from which to work and to sell bathroom and other plumbing-related equipment. The plumber also wants to borrow money to obtain stock for the shop
- the directors of a medium-sized limited company want to buy a new computer network
- a partner in an estate agents needs to get a new car so she can travel to meet potential clients.

Task 2

Use the internet, or visit as many banks etc as possible, and produce a database showing the different methods of finance available from each eg:

Field name	Typical entry
Method of finance	Loan
Sources of finance	Barclays' Bank
Time span	3 years
Interest rate	7.5%
Minimum amount	£2,000
Maximum amount	£25,000
Type of business	Small/Medium

Task 3

Using the information gathered so far compare the cost of a commercial loan against a loan from family or friends. List the advantages and disadvantages of each.

Type of loan	Advantages	Disadvantages
Commercial loan		
Loan from family or friends		

In a group discuss how you could fund your business idea, how much money you could raise, and how this would limit the type of enterprise you could start up.

Task 4

What would be the implications for you as the owner of your new business of having unlimited liability?



Activity sheet 6 — Measuring the potential success of a business idea

Sally has had a fast food shop selling pizzas for the last 12 months. She has decided to expand her business into a wider range of fast food outlets and is looking for suitable premises in Marketville. She has employed a small team of market researchers to find out what other fast food would be acceptable to the residents of Marketville. The results of the market research were as follows:

- fish and chips 12% of those surveyed
- kebabs 30%
- burgers 44%
- rolls and sandwiches 14%.

Sally decides to offer both burgers and kebabs in her new fast food outlet.

Task 1

Sally has found suitable premises in Marketville to rent and has incurred a lot of expenses in getting the premises ready for business. Which of the following costs are classified as start-up costs and which are classified as running costs?

Cost	Type	Cost	Type
Rent of premises	Running	Grills and spits	
Freezers		Decorating	
Market research fees		Purchases of food	
Packaging		Machinery	

(One is filled in to get you started.)

Task 2

Sally will need to borrow money from the bank to finance this new venture. The bank has asked her to submit a cash flow forecast of all income and expenditure over the first six months of trading. She has estimated the following costs and revenues.

Income	January	February	March	April	May	June
Sale of burgers	1025	1300	1500	1600	1600	1600
Sale of kebabs	1350	1450	1500	1550	1600	1650

Enterprise Grant of £3000 received in January

Capital introduced; £500 in January and a further £500 in April.

Expenditure

- Freezers — £1350, purchased in January
- Grills — £1850, purchased in January
- Market research fees — £1000, paid in February
- Wages — £500 every month
- Advertising — £100 payable January, March and May
- Rates — £450 in March and June
- Drawings — £100 per month
- Rent — £1000 per month

	January	February	March	April	May	June
Stocks of foodstuffs £	1700	1200	1000	1200	1300	1000
Sundry expenses £	70	60	50	90	10	50

There is no opening bank balance.

Prepare a cash flow forecast for the first six months of trading for Sally and identify the maximum amount that she will need to borrow and how long she will need this loan/overdraft.

Task 3

From the costs in the cash flow forecast, list those which are fixed costs (ie do not vary with output) and those which are variable (vary with output).

Task 4

The bank manager was very impressed with the cash flow forecast but is not quite convinced that the business is viable. He needs to be persuaded that the business will cover its fixed costs. Sally has suggested that she prepare a break-even analysis to show him that, these costs will be adequately covered.

Sally has worked out the following weekly costs.

- Wages £125
- Advertising £25
- Sundry £18
- Rates £37
- Rent £250
- Drawings £25

The market research survey showed that the price of a burger should be no more than £2.50. At that price the business should be able to sell at least 400 burgers per week. Sally estimates that the variable cost of each burger will be:

- Bread roll £ 0.10
- Burger £ 0.50
- Salad £ 0.20
- Packaging £ 0.10



Using the break-even formula, which is:

$$\text{Break-even point in units} = \frac{\text{Fixed Costs}}{\text{Selling price per unit} - \text{variable costs per unit}}$$

Calculate how many burgers Sally needs to sell each week to break-even.

Task 5

Sally may need to buy top quality beef for her burgers, which would increase her variable cost per burger to £1.10. How many burgers would Sally now have to sell to break-even?

Task 6

Using the information in Tasks 2 and 3, prepare two break-even charts, identifying the following:

- fixed costs
- total costs
- total revenue
- area of profit
- area of loss.

Task 7

Sally's Burger Bar has now been trading for two months (Jan and Feb) and the bank manager is keen to see if it has made a profit. From the following costs and revenues prepare a profit and loss statement.

Revenue/cost	£
Sales	6200
Cost of sales	2875
Wages	950
Rent	1500
Advertising	102
Sundry expenses	26

In groups, discuss ways in which the profit level could be improved.

Task 8

Using the above scenario as an example, identify and calculate the following for your business idea:

- sales level
- costs
- profit
- break-even revenue level
- profit and loss account.

Activity sheet 7 – Putting a business idea into practice

Task 1

a) Identify different plans you have helped to produce with which you have been involved. Examples include planning:

- a holiday or other trip
- a school or college production of a play
- how to get to and from a Saturday job.

b) Identify what these plans have in common and compare this with the business planning cycle of:

- constructing the plan
- carrying out the plan
- monitoring the plan
- changing the plan (if necessary).

c) Study your local paper(s), and the business section of broadsheet newspapers (eg *The Times*, *The Telegraph* or *The Guardian*), for a week. Identify, cut out and analyse any articles about plans that will affect local people and businesses. Examples include plans to:

- build new houses
- extend a shop
- close down a factory
- increase the number of buses.

d) Explain fully how these plans will affect key stakeholders and why the stakeholders will want to see clear and detailed planning. For example:

- building new houses – construction businesses, their suppliers, their bank
- extending a shop – local plumbers, builders
- closing down a factory – employees, suppliers, the local council
- increasing the number of buses – the bus company, customers.



Suggested delivery/activity schedule — Unit 2a: Managing the Business

Topic 1: Marketing plan

Week commencing	Subject area	Activity	Resources
	Marketing objectives and strategy	<p>Students could refer back to their sales and profit calculations in Unit 1 Topic 6 to set marketing objectives for their business idea.</p> <p>They could consider whether a niche or mass marketing strategy applies to their business idea. They may like to think how they could move from serving a niche market to a mass market.</p>	<p>Revision presentations: www.tutor2u.net/business/presentations/marketing/marketingstrategy/default.html www.tutor2u.net/business/presentations/marketing/nichemarketing/default.html</p> <p>Additional reading: McGee R — Strategic Thinking in Marketing, Business Review Volume 12, Issue 4, April 2006, pages 34–36</p>
	Identification of a marketing mix (4 Ps — Product, Price, Promotion, Place)	<p>Students could consider the marketing mix that they would offer for their business idea or how they might improve the marketing mix for a current product (see Activity sheet 1.) They could consider how current social trends affect the composition of a new or existing marketing mix. For example,</p> <ul style="list-style-type: none"> • ethical trading; • sourcing of sustainable materials; • food miles labelling; • reduction/recycling of packaging; • environmental factors; • online retailing; • retailer purchasing power. 	<p>Activity sheet 1, Task 1</p> <p>Additional reading: Stimpson P — The Product Decision, Business Review Volume 11, Issue 1, September 2004, pages 24–26 Stimpson P — The Price Decision, Business Review Volume 11, Issue 2, November 2004, pages 8–10 Stimpson P — Promotion, Business Review Volume 11, Issue 3, February 2005, pages 4–5 Stimpson P — Place, Business Review Volume 11, Issue 4, April 2005, pages 16–18</p>

Topic 1: Marketing plan

Week commencing	Subject area	Activity	Resources
	Identification of a marketing mix (4 Ps — Product, Price, Promotion, Place)	<p>Students should use the product life cycle and Boston Matrix to analyse the implications for cash flow and marketing of the position of a current or new product idea, either on its own or in relation to a product range (Cadbury's product portfolio is a useful example).</p> <p>Students should consider an appropriate product extension strategy for an existing product.</p> <p>Students should consider the importance of branding and the purpose of trademarks and patents in protecting sales/market share.</p>	<p>Activity Sheet 1, Task 2–4</p> <p>www.tutor2u.net/business/presentations/marketing/productlifecycle/default.html</p> <p>www.tutor2u.net/business/presentations/marketing/bostonmatrix/default.html</p> <p>Additional reading:</p> <p>Marcousé I — Place: The Silent 'P', Business Review Volume 8, Issue 1, September 2001, pages 12–13</p> <p>Williams R — The Product Life Cycle — A Critique, Business Review Volume 4, Issue 1, November 1997, page 19</p> <p>www.thetimes100.co.uk — Kellogg's case study on branding and positioning</p> <p>Additional reading:</p> <p>Wilson I — Building a Brand, Business Review Volume 9, Issue 1, September 2002, pages</p>
	Price elasticity of demand	<p>Students should calculate price elasticity of demand interpret results of the calculation and consider what creates inelastic demand for products.</p>	<p>www.bized.co.uk/virtual/vla/theories/interpreting_ped.htm</p> <p>Additional reading:</p> <p>Wolinski J — Elasticity of Demand, Business Review Volume 5, Issue 4, April 1999, pages 31–33</p>



Topic 2: Managing the provision process

Week commencing	Subject area	Activity	Resources
	Product or service design	<p>Students should consider examples of standard or bespoke product or service designs which meet identified market needs.</p> <p>Students should consider the efficiencies that can be achieved from changing the type of materials and technology used in making products.</p>	<p>www.bized.co.uk/educators/16-19/business/production/lesson/methods.htm</p> <p>Additional reading: Barnes S — What is a Product?, Business Review Volume 12, Issue 4, April 2006, pages 4–6 Smith S — Is a Practice a Business?, Business Review Volume 2, Issue 4, April 1995, pages 9–11</p>
	Productivity and efficiency	<p>Teacher should introduce the concept of capital and labour intensity.</p> <p>Students could be taught this topic in a factory or service context, eg setting up a café or using their new business idea. Students should realise that companies are constrained by the labour, technology or equipment they can afford.</p>	Activity sheet 2 , Task 1 and 2

Topic 2: Managing the provision process

Week commencing	Subject area	Activity	Resources
	Capacity utilisation	This topic is important as it allows students to consider how they could improve productivity. It could also be taught in the context of improving the throughput of customers in a café or restaurant.	<p>Activity Sheet 2, Task 3</p> <p>Case studies on improving productivity from: www.thetimes100.co.uk</p> <p>Additional reading:</p> <p>Gillespie A — Capacity and Capacity Utilisation, Business Review Volume 12, Issue 1, September 2005, pages 19–21</p> <p>Harrison S — Capacity Utilisation, Business Review Volume 9, Issue 4, April 2003, pages 10–11</p>
	Stock control	<p>Students should analyse stock control graphs how stock control could be improved and problems of cash tied up in stock.</p> <p>Invite a representative from, or visit your local supermarket to talk about how they handle stock control and wastage.</p>	<p>Information on stock control: www.bized.co.uk/learn/business/accounting/busaccounts/notes/sto-th.htm</p> <p>Guest speaker or visit to local supermarket.</p>
	Lean management	Students should consider the advantages and disadvantages of JIT. A visit to a car factory would be useful. Short product development lead-times could be taught in conjunction with product design.	<p>Case study on car factory at: www.thetimes100.co.uk</p> <p>Additional reading:</p> <p>Fosten M — Toyota's Way, Business Review Volume 4, Issue 4, April 1998, pages 16-17</p> <p>Harrison S — Lean Production, Business Review Volume 9, Issue 1, September 2002, page 32–33</p> <p>Leiper N — Just in Time?, Business Review Volume 9, Issue 1, September 2003, pages 32–34</p> <p>Watson N — Lean Times, Business Review Volume 2, Issue 3, February 1996, pages 5–6</p>



Topic 2: Managing the provision process

Week commencing	Subject area	Activity	Resources
	Quality management techniques	Students could consider how a culture of quality is created, eg through management expectations of continuous improvement (Kaizen), quality assurance processes and self-checking. They should consider why quality control inspections may still be used by some firms. Case study examples of different quality management techniques would be useful here.	Case studies at: www.thetimes100.co.uk www.bized.co.uk Additional reading: Dorton I — The Three Deadly Sins, Business Review Volume 1, Issue 1, September 1994, pages 24-26
	Consumer protection legislation	Purpose of legislation — to ensure goods or services are fit for purpose, do not harm the consumer, that information on packaging does not mislead, awareness of associated cost with implementation of legislation and the need to deal with customer complaints. Students do not need to know the names or dates of acts, just the purpose of consumer protection legislation.	Information on legislation: www.businesslink.gov.uk

Topic 3: How does a company budget efficiently?

Week commencing	Subject area	Activity	Resources
	Budgets	Students should consider the purpose of budgets; the difficulties of budgeting when there is no historical information to go on; problems inherent in using historical figures; zero-based budgeting. Students should compare actual figures with budget figures to provide elementary variance analysis.	Activity sheet 3 Task 1 and 2
	Sales forecast	Students should consider the difficulties of estimating sales. Using a case study they should identify potential ways of increasing sales. Invite a business owner or bank representative to give a talk on the subsequent financial topic areas to explain how crucial it is for the survival of the business to manage sales and cash flow effectively.	Sales forecasting case study at: www.bized.co.uk/educators/16-19/business/strategy/activity/analysis.htm Additional reading: Evans P — Tomorrow's World, Business Review Volume 3, Issue 1, September 1996, pages 24–26
	Cash flow forecasting	Students should undertake simple cash flow exercises (filling in the blanks.) Students should interpret a cash flow forecast and know how they are used to manage finances.	Activity sheet 3, Task 3 Additional reading: Coates G — Cash Flow, Business Review Volume 10, Issue 1, September 2003, pages 28–29
	Managing working capital	Students need to identify how a shortage of working capital may impact on the running of the business and what potential solutions may be appropriate, eg contingency finance planning such as an overdraft or loan, managing customer and supplier credit terms and payment, holding appropriate levels of stock.	Activity sheet 3, Task 4



Topic 3: How does a company budget efficiently?

Week commencing	Subject area	Activity	Resources
	Differences between cash and profit	Teacher could use case study scenarios to demonstrate that taking a profitable contract can mean a negative cash flow in the short term, due to cost of stock or labour to fulfil the deal. Similarly, that businesses can't survive or continue to trade, with negative cash flow without additional finance. In the long term, retained profit can be used to invest in the business.	www.bized.co.uk/learn/business/accounting/cashflow/trail/cashflow1.htm Additional reading: Marcou�� I — Cash Versus Profit, Business Review Volume 11, Issue 2, pages 4–5
	Why businesses fail?	Students could research why small businesses fail, eg poor management of cash flow, overestimation of sales; poor stock control, changing market conditions.	Management of cash flow: www.bized.co.uk/learn/business/accounting/cashflow/simulation/index.htm Additional reading: Coates G — Practical Problems of Start-Ups, Business Review Volume 11, Issue 1, September 2004, pages 30–31 Marcou�� I — Business Start Up: Success or Failure, Business Review Volume 12, Issue 1, September 2005, pages 33–34

Topic 4: Managing other people

Week commencing	Subject area	Activity	Resources
	Different types of organisational structures	<p>Students should consider how they might organise the number of staff they need to recruit to implement their business idea. Will it be a tall or flat organisation? What will be the chain of command or span of control? Will decision making centralised or decentralised?</p> <p>Using a case study, students could consider how an organisational structure may affect communications between employer and employee.</p>	<p>Activity sheet 4 Task 1 and 2</p> <p>Additional reading: Harrison S — Decentralisation, Business Review Volume 9, Issue 2, November 2002, pages 22-24 Harrison S — Is there a Right Span of Control?, Business Review Volume 10, Issue 3, February 2004, pages 10-12 Zhang L — How Organisations are Structured, Business Review Volume 6, Issue 2, November 1999, pages 11-13</p> <p>Case study: www.bized.co.uk/educators/16-19/business/strategy/lesson/orgcomms.htm</p>
	Recruitment and training	<p>Students should consider the advantages and disadvantages of internal and external recruitment. Students should realise that some employers recruit for positive attitude and then train for skill. Low labour turnover should be linked to staff motivation.</p>	<p>Activity sheet 4 Task 4 www.cipd.co.uk</p> <p>Additional reading: Gillespie A — Kingfisher, Business Review Volume 5, Issue 3, February 1999, pages 4-6</p>



Topic 4: Managing other people

Week commencing	Subject area	Activity	Resources
	<p>Motivation of staff</p> <p>Financial incentives — piecework, bonus, profit share, performance — related pay</p>	<p>Motivation theory — Taylor, Herzberg, Maslow. Don't spend too long on the motivation theorists. Criticisms of motivational theorists students should consider.</p> <p>Students should realise that financial incentives may not be possible for a new business.</p>	<p>Case study on motivation at: www.thetimes100.co.uk/case_study.php?cID=81&csiID=222&pID=3</p> <p>Additional reading:</p> <p>Harrison S — Maslow, Business Review Volume 11, Issue 3, February 2005, pages 8-9</p> <p>Jewell B — Herzberg's Two-Factor Theory, Business Review Volume 11, Issue 2, November 2004, pages 30-31</p> <p>Jewell B — McGregor's Theory, Business Review Volume 12, Issue 3, February 2006, pages 6-7</p> <p>Rapley, P — How do workers Represent Value for Money, Business Review Volume 12, Issue 1, September 2005, pages 22-23</p> <p>Wray T — Does Money Motivate?, Business Review Volume 1, Issue 2, November 1994, pages 9-13</p>
	How managers can get the best from staff	<p>Case studies could be used to consider the techniques of</p> <ul style="list-style-type: none"> • delegation, • consultation, • empowerment, • team working, • flexible working, • job enrichment, • job rotation within a context. 	<p>www.times100.com</p> <p>Additional reading:</p> <p>Jewell B — Meredith Belbin and Teamworking, Business Review Volume 6, Issue 2, November 1999, pages 16-17</p> <p>Jewell B — Hackman and Oldham's Job Characteristics Model, Business Review Volume 10, Issue 4, April 2004, pages 28-29</p>
	Reduction of labour costs	Students should consider the benefits and disadvantages of using a flexible workforce. They should know what natural wastage is and how this affects labour costs. Teachers could provide a brief overview of the rights of staff when dismissed or made redundant, to promote discussion.	www.cipd.co.uk

Unit 2a: Managing the Business

Activity sheet 1 — Marketing plan

Task 1

You have now identified your business idea and to help you develop this further you need to investigate the appropriate marketing mix.

In groups, choose a branded product with which you are all familiar and discuss how you would define the marketing mix for that product.

Who are the target customers? You can identify this by thinking about:

- where the product is sold and where it is not sold
- how and where it is advertised
- what the price is compared with similar competitor's products
- external factors that have had an impact on the company's marketing decisions (carry out a PESTLE analysis for the company). Using the table below.

Factor category	Description	Impact
Political		
Economic		
Social		
Technological		
Legal		
Environmental		

Feed back your answers to the whole class and discuss any issues that may arise.

Task 2

In groups

Compare the way that two different products are targeted at different customers.

How have you arrived at your conclusions?

What does this tell you about segmentation?

Draw a positioning (perceptual) map for each product and feed back to the whole class for discussion. To do this, choose two features of the product that are used to differentiate from it competitors products. Give each producer a rating from 1 to 10 based on your group's perceptions. Then plot the position on a map. Typically, variables are price and quality but they could be anything relevant, eg for cars they could be safety and design.



Positioning features

Brand	Quality 1-5 (low)	Quality 6-10 (high)	Price 1-5 (low)	Price 6-10 (high)
eg Brand 1	4		3	
eg Brand 2		8		7
Etc				

Plot your products on the appropriate place in each quadrant.

Low price High quality	High price High quality
Low price Low quality	High price Low quality

Task 3

Product mix

Choose a clearly differentiated branded product with potential for after sales service or other add-ons. Can you identify the core, actual and augmented product aspects of your chosen product?

Identify where it might be in its product life Cycle — why do you think this?

Where is the product within its producer's Boston Matrix — why do you think this?

Star	Problem child
Cash cow	Dog

Task 4

Collect a range of marketing materials relating to a current promotional campaign with which you are familiar. These could be from magazines and newspapers, leaflets and brochures, the internet, packaging or notes on TV, radio, posters, cinema, advertisements.

Discuss how these different tools are used to achieve particular objectives within the campaign as a whole. How successful do you think the campaign has been? What were the good and bad aspects?

If you were working for the company, how might you measure the performance of the campaign?

Activity sheet 2 — Managing the provision process

Operations management is all about how organisations produce goods and services. A friend who wants to set up a café has asked for your help.

Task 1

In small groups, visit two or three local cafés (you can include a well known fast food chain such as MacDonalds and compare this with a small privately owned café). Observe how they operate, where the customers go, how staff interact with them, size of the cafe, how the café uses its space, the variety of products it offers. Identify:

- a. what are the inputs and outputs?
- b. what type of transformation process is it?
- c. what type of production system.

Inputs include:

- finance
- renewable resources
- consumable resources
- human resources
- finished products from another process
- skills
- technology.

Outputs include:

- finished products
- services
- combination products
- rejected products
- waste products.

Wild (1985) identifies four main types of transformation process:

- changing raw materials into finished products (manufacture)
- changing ownership of materials or stocks (supply)
- changing the place of items (transport)
- changing the state of the customer (service).

The basic types of production system are:

- job
- batch
- line (mass or flow)
- cell.

Draw up a table giving an example of each type of production system listing the advantages and disadvantages of each. Present your results to the rest of the class.

**Task 2**

Research information to describe operations in terms of their processes.

Operation	The process inputs	What the operation's processes do	The process outputs
Furniture manufacturer			
Hospital			
Supermarket			
Airline			

Task 3

Working in groups, prepare a short PowerPoint presentation for your friend which explains the concept of capacity utilisation and giving examples, explain how it is measured. Suggest ways for coping with demand fluctuation at the café.

Deliver your presentation to the rest of the class for discussion.

Activity sheet 3 — How does a company budget efficiently?

Task 1

In small groups, discuss and list the ways that people in your group budget, and why all of you have to budget.

Compare the results of your discussion with the 'textbook' reasons for why businesses budget.

Which of these would apply to your personal situations?

Reasons for budgeting	Relevance to personal situations
To study alternative courses of action	
To predict what will happen in the future	
To help monitor and control performance	
To set targets	
To motivate people	
To communicate information to people	

Task 2

Research the budgeting process in your school or college by completing the table below.

What budgets are set?	
When are budgets set?	
What is the purpose of each budget?	
How are these budgets created?	
Who is the budget holder for each budget?	
How is overspending prevented?	
What happens if a budget surplus occurs?	



Compare the budgets set by your school or college with those set by a typical manufacturing business, which include:

- sales
- production
- purchases
- labour
- capital expenditure
- cash
- profit and loss.

Does your school/college set different budgets to these and if so, why?

Task 3

Working in groups research how much it can cost to live away from home when attending university. You should create a realistic cashflow forecast which shows your expected income and expenditure. When you have completed this identify any areas where you could reduce your expenditure and any areas you could increase your income.

Present your findings to the rest of the class and discuss.

Task 4

In small groups, select a business for which you have financial information relating to its balance sheet. List the various current assets and liabilities for this business. What are the total values of the current assets and the current liabilities, and which is the greater amount?

Calculate the difference between these two totals to discover the amount of working capital the business has. How does this amount differ if stock is omitted from the calculation?

Express the ratio of current assets to current liabilities. How does this ratio differ if stock is omitted from the calculation?

Explain why it is important for your chosen business to have working capital.

Draw a diagram to illustrate the operating cycle of the business.

For a manufacturing business with which you are familiar, give examples for each description in the diagram (other than cash). How would this diagram differ if you were considering the operating cycle for a retailer? Amend the diagram to illustrate any differences.

Activity sheet 4 — Managing other people

Task 1

The structure of any organisation will depend on the following factors:

- what it does
- how it does it
- whether or not operates it in one place, or on several sites
- its size.

Carry out research into how your school/college/ workplace is organised. What departments or sections does it have? Is there an organisational chart that summarises its structure? Is it up to date? Does it contain the names of who holds which posts? (If not, update the chart and/or add names against posts.) If there isn't a chart, construct one to show the organisation and its hierarchy.

Who is at the top of the hierarchy?

Who is at the bottom?

How many layers are there in the chart?

What are the roles and responsibilities of each member of the teaching staff? How are these divided into teaching and non-teaching responsibilities? How is the administration of your school/college/ workplace organised — who are the key personnel and what are their main tasks?

Try to find out how a small organisation, such as an estate agency, dental surgery or a hairdresser is structured. Produce a simple structure chart to show the positions of each member of staff.



Task 2

In a small organisation, staff work closely together, and there is frequent communication.

What difficulties might there be in a large organisation in relaying information to all employees?

Look at the ways in which your own workplace, school or college communicates information, both:

- internally — to staff, visitors etc
- externally — to customers, clients, suppliers, VAT people, banks.

What is the most commonly used form of communication in each case?

What the method of communication is the best in each of the following cases:

- a. an employee needs to be reminded of what is acceptable dress for work
- b. your manager needs to call a departmental meeting
- c. your firm needs to get expert advice from an overseas supplier
- d. prices for materials are needed for a new contract: the suppliers are in the US and their office is not open yet
- e. messages must be sent to all sales representatives in full calling them to a meeting tomorrow
- f. copies of a specification for a new design must be sent to a laboratory for testing
- g. you need to recruit additional staff at management level
- h. you need to tell customers how much they owe you for goods supplied
- i. a government department has requested information about employment statistics
- j. the VAT people need to know how much money they are owed
- k. a record is required of the hours a truck driver has driven on his recent journey to France.

Discuss your findings with the rest of the class.

Task 3

In small groups, research and then visit three local businesses to find out how they manage their staffing to meet changing business demands. Try to select different types of business, eg retail shops, factories, local council, professional offices, charities.

Draw up a table to illustrate your findings and present this to the rest of the class.

	Organisation 1	Organisation 2	Organisation 3
Type of business			
Organisational structure			
How teams are organised			
Staffing levels			

Task 4

A friend who is setting up a new company needs to recruit staff and they have asked you how they should go about it and the different recruitment methods they could use. Produce a summary describing the following methods, listing the advantages and disadvantages of each:

- online recruitment
- telephone interview
- assessment centre
- recruitment agency.

Task 5

The Yellowfin Restaurant is about to move from a city centre site to newly refurbished property on the quayside at Seatown. The owners want the new working environment to reflect this phase in their expansion and have decided to set up team working based upon the staff who work during the day and those who work in the evening. This is a complete change to the previous pattern of working and will require careful handling to ensure it is successful.

Carlos and Zophia have discussed their ideas with friends and agree that the best way to introduce team working is to have a friendly meeting with all staff, in a relaxed environment away from the restaurant. They have asked for your help in drafting notes of the points they should cover during this meeting. Prepare a briefing paper showing the main points to discuss:

- the benefits of working as part of a team
- how specialist skills can combine to provide a more efficient service to customers
- what is required of each person once they become a team member
- what will be gained from increased flexibility
- ways to share problem solving and encourage ideas
- methods of rewarding individual efforts and team achievements
- how customers are likely to react to the improvement in atmosphere and service.

Carlos and Zophia would like to hold the first training session next week.

Suggest an interesting activity they could use as a team-building exercise.

Suggested delivery/activity schedule — Unit 3: International Business

Topic 1: Why does a business seek international markets?

Week commencing	Subject area	Activity	Resources
	Product or market conditions that may prompt a business to trade internationally	<p>Look at examples of companies that have extended the product life cycle through selling in new (country) markets or through selling product innovations in multiple (country) markets, or that have sought new (country) markets due to domestic competition. Examine the implications of global sourcing and improvements in transportation and communication links with countries.</p> <p>Students need to know why there is increasing international trade, ie due to increasing trade liberalisation through reduction of international trade barriers by WTO, ability to trade within a trading bloc, eg European Union and the benefits of trading within the European Union.</p>	<p>Activity sheet 1 — identifying household items that have been bought abroad, investigating the rise of mobile telecommunication industries in developing countries, the international expansion of Tesco and the global launch of Coca Cola Zero in 2007.</p> <p>Wall N — Going Global, Business Review Volume 5, Issue 4, April 1999, pages 4-6</p>

Topic 2: Key players in the world economy

Week commencing	Subject area	Activity	Resources
	The likely impact of the growing economic power of China and India on individuals, national or multi-national firms in the 21st century?	<p>Students should consider what makes India and China economically powerful (eg population size, economic growth and export rates) how they impact on individuals or firms with their manufacturing exports (China) and call centres (India) and how a national firm may seek to trade with these countries (eg articles and case studies on Cobra beer).</p>	<p>Activity sheet 2 — developing an understanding of the factors influencing the rise of China/India. See also the case study on BT's outsourcing.</p> <p>Additional reading: Burnett E — Opportunities in China, Business Review Volume 9, Issue 3, April 2003, pages 13-14 Lawley F — Cobra Beer, Business Review Volume 12, Issue 1, September 2005, pages 6-7</p>

Topic 3: How does a company decide which countries to target?

Week Commencing	Subject area	Activity	Resources
	Assessment of country markets	Assessment of potential country markets is based on corporate policy (which countries the company wants to target) and market attractiveness. Using one country market (eg a European country, USA, India, China, Singapore, Taiwan or South Korea) and a company's product or service, identify if the country market would be attractive to the company.	Activity sheet 3 — a list of factors that companies may wish to consider when entering a new market, followed by application of these factors to a number of scenarios. Additional reading: Jewell B — Entering Markets Overseas, Business Review Volume 1, Issue 2, November 1994, pages 17-20
	Comparative advantage and the role of specialisation by countries	Identify the advantages for a company of trading with a country which can produce goods or services more cheaply through specialisation. For example, the advantages and disadvantages for companies of using call centres in India could be examined.	Activity sheet 4 — survival game to demonstrate comparative advantage. Numerical approach to proving the role of comparative advantage and specialisation in boosting world trade. Investigation into the specialisms of various countries.

Topic 4: Other considerations before trading internationally

Week Commencing	Subject area	Activity	Resources
	Responsibility to stakeholders	Ethical decisions as to what and where to manufacture, balance between capital and labour, where to sell, pay and working conditions, environmental factors eg emissions, waste disposal. Students should consider the potential conflicts of socially responsible and ethical behaviour with profit-based and other objectives.	These sites provide useful resources on ethical trading: www.justbiz.org www.anitaroddick.com Activity sheet 5 — identifying stakeholders and their objectives. Investigating the Corporate Social Responsibility (CSR) work of Tesco, Amway, Costa Coffee, Kelloggs and BP. Identifying the advantages and disadvantages of adopting a CSR policy. Additional reading: Gillespie A — Corporate Social Responsibility: Is it Worth It?, Business Review Volume 12, Issue 4, April 2006. pages 24-25 Zhang L — The Power of Stakeholders, Business Review Volume 5, Issue 2, November 1998, pages 9-11



Topic 4: Other considerations before trading internationally

Week commencing	Subject area	Activity	Resources
	Social/cultural differences in doing business	There are numerous examples of companies trying to use the same promotional message for each country in which they trade and finding that, when translated, the message is different to what was intended. Students should consider when companies need to use a different promotional message for every country. Students should consider the role of international branding in communications. It is important to emphasise that a business person needs to know of any social/cultural differences in order to do business in a certain country. Some companies prefer to use agents as they have local knowledge and appropriate language skills. Students should consider the appropriateness of different distribution channels and pricing strategies for different countries.	news.bbc.co.uk/1/hi/business/77273.stm provides a summary of Mars rebranding Marathon as Snickers and Opal Fruits as Starburst. Activity sheet 6 — watching HSBC adverts. Reading a global branding article containing examples of companies trying to reach local markets with their global brands.
	The purpose of tariffs, laws, import quotas.	Only a brief overview is required of why tariffs, laws or import quotas are used, eg to protect domestic industries or balance of trade. Students should consider the constraints on businesses that these barriers present.	Activity sheet 7 — analysis and discussion centred around a newspaper article on the 2007 US imposition of tariffs on Chinese paper.

Topic 5: Globalisation

Week commencing	Subject area	Activity	Resources
	Global industries	Students could cover all the three subject areas through examining one company such as Microsoft, Disney, Mercedes, Gucci. A company in a operating global industry such as banking, clothing, tourism or computers, requires a worldwide strategy. Students should consider the role of takeovers/mergers in strengthening company position, advantages to a multi-national company of global technology, R&D, sourcing, and the ability to balance resource investments in different countries.	Activity Sheet 8 provides a basis from which to investigate various global companies, by allowing students to consider the theory behind the internationalisation of companies, and the success of international merger and acquisition activity. Additional reading: Gillespie A — Johnson and Johnson, Business Review Volume 9, Issue 2, November 2002, pages 10-12

Topic 5: Globalisation

Week Commencing	Subject area	Activity	Resources
	Global marketing	Those carrying out global marketing may concentrate on product markets, where there is emphasis on the similarities of customers' aspirations or tastes and access to media for each country. The promotional message may be the same leading to reduced average marketing costs. Sales incentives used may vary due to differences in local market segments. Disney will concentrate on selling their films in countries where there is an existing film distribution, and similar media, infrastructure. They may be able to use the same promotional message for their film in each country reducing the average cost of marketing. For some products, sales incentives may be necessary due to the use of different distribution channels, eg agents or distributors.	Activity sheet 8 Additional reading: Jewell B — Entering Markets Overseas, Business Review Volume 1, Issue 2, November 1994, pages 17-20
	Global market niches	Students should know that some companies may identify a target market across countries which is much larger than a single domestic market eg for luxury goods. International trends or sub-cultures may exist for some products or services, because they meet shared values and perceptions. For example, the Mercedes brand is respected worldwide, due to the innovative design and quality of their cars.	Activity sheet 9 — Task 1b — investigating the acquisition of luxury/ethical /fairtrade food and drink companies by large multi-national corporations.

Topic 6: Are multi-nationals a force for good or should they be controlled?

Week commencing	Subject area	Activity	Resources
	Benefits that multi-national bring to overseas countries	Students should consider examples of the contributions different multi-national companies have made to local economies, such as the Body Shop and Starbucks who pay premium prices for produce.	Activity sheet 9 — investigations into Green and Blacks' fairtrade organic chocolate, and the Body Shop's Community Trade and Protect our Planet programmes.
	Potential negative impact of multi-nationals on overseas countries	Students should consider the potential negative impact of multi-nationals on foreign governments in gaining concessions. Exploitation of labour in developing countries, implementation of working practices which would be unacceptable in their home country, sale of unsafe products to consumers, use of unsustainable resources, and degradation of the local environment.	Activity sheet 9 — Task 2 — investigations into the consequences of the overseas activities of Union Carbide, Shell, Coca Cola, Nestle and Nike. www.tutor2u.net/business/external/globalisation_multinationals.htm provides some excellent background theory and information
	Can multi-national firms be controlled?	Students should identify ways of controlling multi-national firms eg political, legal or economic constraints, competition policy, pressure groups.	Activity sheet 9

Unit 3: International Business

Activity sheet 1 — Why has international trade increased?

Task 1

Each student should list 10-20 items in their household that have not been made in Britain. They should then identify why each of these items has been made/bought abroad rather than in the UK. Teachers should then ask students about their items in order for students to construct a set of notes as to why these items are bought/made abroad.

Reasons that they might identify include:

- exchange rates, eg if the £ is relatively strong buying iPods in the USA proves to be very cheap
- the growth of China as a manufacturer of cheap goods and clothing
- the inability of the UK to grow agricultural products such as bananas and coffee
- no barriers to trade with the European Union
- better quality goods abroad, eg German-made cars.

This could then lead to a class discussion on Britain's main trading partners, (The National Statistics Office is an excellent source of information on who we trade with and what we trade.) Students should be encouraged to consider that we traded heavily with Commonwealth countries before joining the EU, and to discuss the consequences of this diversion of trade for the Commonwealth countries, especially the developing nations in Africa.

Task 2

Students should carry out a short research assignment into one or more of the following case studies:

Mobile phones

The mobile phone industry is growing rapidly in developing countries (where there is no landline infrastructure) — the take-up of mobile phones in India is the fastest anywhere in the world. Students should investigate why companies such as Vodafone and Nokia have chosen to target developing countries as a new source of revenue. The Oxfam website is useful, as is www.vodafone.com/africa.

Tesco

Despite being the UK's largest supermarket, Tesco has put in place an international expansion strategy. They now have stores in for example Poland, Slovakia, Japan, South Korea and China. Students should investigate Tesco's domestic competition within the UK, why they think Tesco has decided to expand abroad, and how they have achieved this. A useful website as a starting point is: www.corporatewatch.org.uk/?lid=252

Before starting students should consider the following quote on UK supermarkets:

'...they've got nowhere else to go. Their domestic markets are saturated, so they are looking for countries with large populations, high population growth, per capita GDP edging toward consumer levels, high income growth, and low supermarket presence. Countries with all five of these characteristics are a good bet, and companies rush to get there before everyone else.' (David Hughes, Professor of Agribusiness and Food Marketing at Imperial College, London)

Coca Cola Zero

This new Coca Cola product was launched in over 20 countries in 2007. Its target market is young adult men who don't want to drink Diet Coke (or Coca Cola Light as it is branded in most countries) as it is associated with women who are dieting. Students should investigate why Coca Cola decided to launch this new product and any differences in their launch campaign in the various countries in which it is sold. An excellent source of information, as a starting point, can be found at Wikipedia, en.wikipedia.org/wiki/Coca-Cola_Zero — this website also contains a number of links to the official Coca Cola Zero launch campaigns in various countries.

Activity sheet 2 — The economic growth of China and India

China's economy grew by an average of 9.9 percent between 1998 and 2004 and this looks set to continue. The number of cranes dotted around Chinese cities bear testament to this, as does the development of the new 'mega-city' Chongqing which has been built from scratch by the Chinese government in anticipation of future growth. The World Bank has also indicated that India's growth is roughly 6-8 percent per year. The Task, helps students to identify reasons for these phenomenal growth rates.

Task 1

Students should start by reading the following:

China and India — economic growth in Asia

With population sizes of 1.3bn (China) and 1.1bn (India), these countries have a large and relatively poor, but educated, labour force readily available in their quest for economic growth.

China's astonishing growth rates have worried the rich, developed countries, as they struggle to compete with huge quantities of low cost manufactured goods leaving China every day. China has achieved this through its highly disciplined workforce, often living in appalling conditions for low pay away from their home and families, and its rapidly improving transport infrastructure. It is estimated that one new power station opens every day in China to cope with the ever increasing demands for energy for production purposes. Foreign Direct Investment (FDI) is very high in China, roughly 15 times more than that in India, although much of the Chinese government's own investment is considered to be wasted.

India, on the other hand, is somewhat different. More of its people live in poverty than in China and more of its workforce are illiterate. India has become known for being the home of outsourced call centres, pharmaceutical companies and software companies. Many of the people in these jobs, however, are graduates. India's transport system is less developed than China's, and government bureaucracy and red tape is high, meaning that the level of FDI is much lower than that entering China. These are probably the main reasons why it has gone down the road of service provision, rather than the provision of manufactured goods. Two-thirds of India's population work in the low-paid, monsoon-affected agricultural sector.

After reading the extract, working in pairs or small groups, students should list as many factors as they can that they think enable a country to grow rapidly. They may wish to do more research before starting on this activity, depending on the available time.

Task 2 — The impact of China's growth on UK industry

Working in small groups, students should research and discuss the impact of China's growth on UK manufacturing industry, and make brief notes. They should then investigate the causes and consequences of the collapse of the MG Rover plant at Longbridge.

This activity should result in a poster outlining and evaluating a strategy that small manufacturing businesses in the UK could adopt in order to stave off competition from abroad and save local jobs.

Task 3 – The impact of Indian call centres on UK business

Students should begin this activity by researching the relocation of BT’s call centre activity to India in 2003.

Working in pairs, students should first consider why it was possible for BT to outsource its call centre activities to India.

Students should, again in pairs or small groups, copy and complete the following table, which looks at the pros and cons of outsourcing this type of work to another country.

Advantages for BT customers	Disadvantages for BT customers
Advantages for BT	Disadvantages for BT
Advantages for India	Disadvantages for India
Advantages for the UK economy	Disadvantages for the UK economy

The teacher should now hold a class vote — do the advantages of outsourcing outweigh the disadvantages?

Activity sheet 3 — Identifying a country's attractiveness as a market

The following list of factors should be photocopied so that there is one copy per student pair (depending on class size). The teacher should ensure that students understand the importance of each of the factors before continuing with the activity.

Students should then be allocated one of the scenarios from the second list. They should produce posters outlining all the factors they think are relevant in influencing a company's decision to enter that market. This could be done on a carousel basis, so that students can think about a number of scenarios.

Factors that may influence a company's decision to expand into new markets

If the company is aiming to provide goods to consumers within a new country, then they may wish to consider:

- whether GDP per head is rising
- whether there is economic growth
- the degree of urbanisation
- the transport infrastructure to get their products into shops
- whether the product needs to be manufactured in the country of sale and, if so, whether raw materials are available
- cultural similarities
- existing of competitors
- age distribution
- sophistication of advertising media
- exchange rates
- barriers to trade such as tariffs or quotas.

If the company wishes to manufacture goods in a different country, and then sell them elsewhere, they may wish to consider:

- availability of low-cost labour
- level of education
- accessibility of ports/other transport modes
- telecommunications infrastructure
- exchange rates
- banking/financial infrastructure
- availability of natural resources such as oil and timber
- degree of technological sophistication and knowledge
- reliability of the legal system
- local laws, regulations and customs
- level of corporation tax
- language
- the country's political system/degree of government involvement in business activities
- barriers to trade such as tariffs or quotas
- protection of intellectual property, eg will trademarks and patents be protected?

Potential markets – scenarios

1. Jack Daniel's (US whiskey company) wanting to sell its products in Ireland.
2. Starbucks wanting to set up coffee shops in China.
3. Motorola wanting to make and sell mobile phones in Nigeria.
4. A UK-based accountancy firm wanting to set up and provide accountancy services in New York, USA.
5. Microsoft outsourcing its software development to India.
6. Cadbury outsourcing its chocolate manufacturing to Brazil.
7. British Gas outsourcing its call centre (dealing with payments, changes of details, subscriptions and gas leaks) to India.
8. Manchester United setting up football schools in Italy.
9. General Motors setting up a production plant for cars in Poland.
10. A UK-based sportswear manufacturer setting up a swimwear manufacture and distribution centre in India.

This list can be added to as contemporary examples develop.

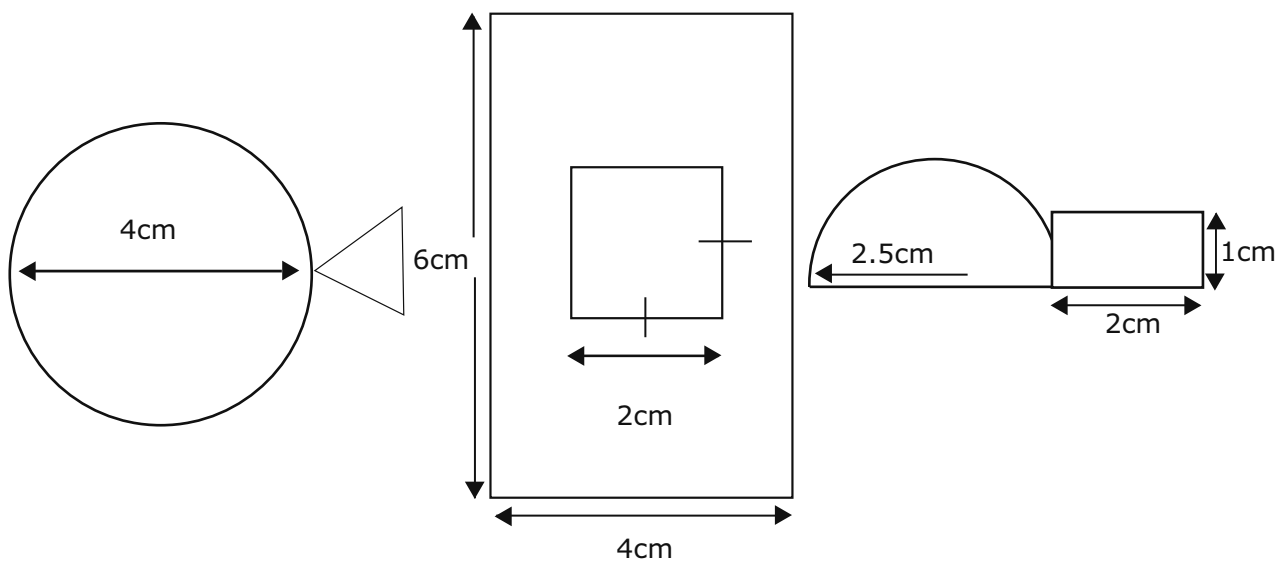
Activity sheet 4 — Comparative advantage

Task 1 — Introducing the idea of specialisation

This game is often used as a starter activity for specialisation. Students should imagine that they are stranded on a desert island and must make a poncho, an igloo and catch a fish in order to survive. The items must be made to the precise specifications given by the teacher, along the lines of the sizes given below. The teacher should provide some different coloured paper/card for each of the items, as well as glue, scissors and pairs of compasses. Students get two minutes to 'survive'.

Firstly, students need to make each item for themselves.

They can then split into groups and specialise in producing of just one of the items.



The outcome is that students will find it difficult to 'survive', on their own, but will find that in groups not only do they make enough to 'survive', but they actually make a surplus of goods. (This could be taken forward in a discussion, since in post-industrial countries this surplus is what is traded with other countries. The lack of surplus in developing countries, since many people live from subsistence farming, is one of the reasons that trade, and thus economic growth, is prevented.)

Task 2 – Introducing the idea of comparative advantage.

The teacher should explain that a country has a comparative advantage in producing a good when it can produce that good at a lower opportunity cost than another good. This means that it is relatively better at producing the good than other countries.

The teacher should then introduce the Law of Comparative Advantage, which states that countries should specialise in producing those goods that they can produce at a lower opportunity cost than other countries and then trade them, since this increases total world output. There are, therefore gains from trade.

The following numerical example can be used with students to build on the ideas developed in Task 1, and help them to understand why there are gains in specialising and trading. The table can be photocopied and given to students to write on.

It is to be assumed that, initially, each country is devoting 50 per cent of its resources to producing lamb and bacon.

	Lamb	Bacon	Opportunity cost of producing lamb	Opportunity cost of producing bacon
New Zealand output	20	10		
UK output	18	12		
World (NZ + UK)	38	22		

To complete the table, the teacher should ask students how much bacon would need to be given up to produce one more unit of lamb in each country (ie the opportunity cost of producing lamb) and then how much lamb would need to be given up to produce one more packet of bacon (ie the opportunity cost of bacon). These numbers can be entered in the two right-hand columns.

Students should then determine which country has the lowest opportunity cost of producing each good. They should find that New Zealand has the comparative advantage in lamb production and the UK in bacon. This means that New Zealand should specialise in lamb production and the UK in bacon, ie devote 100 percent of their resources to it. If this happened, then New Zealand will produce 40 lamb units and the UK will produce 24 bacon units. This clearly demonstrates that production of each has increased and, therefore, that countries should specialise and trade.

Extension material

Students who work through this quickly, should be asked to consider the flaws with this theory, and then investigate their ideas using business and economics textbooks and websites such as www.bized.co.uk.

Task 3 – Applying comparative advantage

First of all, students should consider the problems that a country might face if it specialised in producing just one or a very small number of goods. Each idea can be written onto a post-it note and all ideas collated onto an ideas wall in the classroom. (Points that should come out of this are boredom/lack of motivation, risk, economies/diseconomies of scale etc.)

Secondly, students should be given an outline world map (eg at www.abcteach.com/Maps/world.htm) Split students into small groups and allocate them one or two countries. Ask them to investigate what that country specialises in producing, if anything.



Activity sheet 5 — Responsibility to stakeholders

Task 1 — Identifying stakeholders and their needs.

For most students this should be a revision activity. Ask students to consider a large multi-national company. Oil companies such as Shell work well for this activity. Students should identify as many stakeholders as they can and identify the objectives of each of these stakeholders. They should also question whether there are any conflicts between the different objectives. Students could consider how companies can aim to reduce these conflicts. Results can be summarised in a table as follows (some examples have been given as a starting point). Depending on the ability of students in the class, the teacher can provide a blank table or include some examples.

Stakeholder	Objectives	Potential conflict with other stakeholder objectives
Shareholders	Profits, to allow high dividends	
Employees on oil rigs	Strong health and safety guidelines and conditions; good pay	
Petrol consumers	High quality petrol; low prices	

Task 2 — Investigating the rising importance of corporate social responsibility

Corporate Social Responsibility, or CSR, is one of the 'hottest' topics on many company agendas. The teacher should start this task by asking students what they think CSR actually means. The discussion should revolve around ethical issues, such as reducing pollution, ensuring fair working conditions for overseas workers, and companies 'giving something back' to local communities.

The teacher should then ask students to investigate in small groups one or more of the following example, in order to make a wall collage of CSR activities:

- **Tesco** heavily promotes its social responsibility actions (Computers For Schools vouchers, donation of 1 percent of pre-tax profits to charity etc) — see www.tescocorporate.com/cr.htm for more details
- **Amway** (one of the world's largest direct sales organisations) works closely with UNICEF (the children's charity) on its One by One programme, which aims to help children in the developing world survive beyond their 5th birthday — see www.amway.co.uk for more information
- **Kelloggs** (the cereal company) has been working to encourage people, especially children, to participate in sport and eat more healthily — see www.kelloggs.co.uk for more information
- **Costa Coffee** set up its Costa Foundation in 2006 to 'put something back' into the communities from which it gets its coffee beans — see www.thecostafoundation.org for more information
- **BP** (the oil company) is focusing on developing sustainable sources of energy and reducing its impact around the world — see www.bp.com/productlanding.do?categoryId=6900&contentId=7028276 for more information.

Task 3 – Assessing the advantages and disadvantages of CSR as a corporate strategy

Students should copy and complete the following table, in terms of the advantages and disadvantages to companies of adopting a CSR strategy.

Advantages	Disadvantages
Encourages consumers to purchase more from them, increasing profit	Can be expensive, therefore increasing costs



Activity sheet 6 — Local/cultural differences

Task 1 — Introduction to local differences using HSBC adverts

This task can be introduced, if the facilities are available, by showing students a number of TV adverts — HSBC adverts will work very well (ie HSBC adverts based around 'the world's local bank' slogan). Many of these can be downloaded in advance from websites such as www.visit4info.com (which has a school's membership deal), and www.yourpointofview.com/hsbcads_tv.aspx (a large number of HSBC adverts are freely available).

Students should be asked to consider, via class discussion, why companies might be keen to 'customise' their global products for local markets.

Task 2 — Investigating localised 'global' products

Students should begin by reading the following article, taken from www.brandchannel.com/features_effect.asp?pf_id=297 (NB: there are a number of other excellent articles linked at the bottom of this web page).

a) Students should take brief notes, perhaps in mindmap format, on the various examples provided in the body of the extract.

In 2003, McDonald's announced that all of its restaurants — 30,000 in over 100 countries — would soon be adopting the same brand packaging for menu items. According to a company press release, the new packaging would feature photographs of real people doing things they enjoy, such as listening to music, playing soccer, and reading to their children. McDonald's global chief marketing officer was quoted as saying, 'It is the first time in our history that a single set of brand packaging, with a single brand message, will be used concurrently around the world.' Two years later, the company appeared to backpedal when it announced plans to localize nutritional value charts on its packages.

To the extent that international brands appeal to global tastes, worldwide packaging strategies might be expected to show signs of convergence, especially as consumer tastes around the world become more homogeneous. But there is little evidence that this is happening.

Computer manufacturer HP strives to convey brand personality on packages that may need to accommodate text in as many as eight local languages. Fast-moving consumer goods companies, for their part, have hardly been more successful in finding global solutions to their packaging needs. Unilever standardizes some branded products while localizing others. Procter & Gamble adjusts branding strategies across borders. P&G markets its brands in Asia under the company brand name, but in Europe and the US, the product brands are not blatantly branded as P&G brands.

Much of the reason is that, with the notable exceptions of a few mono-brands like Coca-Cola and Pepsi, few international brands address the same markets wherever they are sold. Mark Kennedy, chief strategy officer at the brand consulting firm Landor Associates, is of the opinion that the term 'global brand' is actually a misnomer when applied to most brands marketed by international companies. 'There are very few truly global brands — brands that occupy a similar space in multiple markets from the point of view of who they are targeted against and their level of premium-ness in that market. Do they do the same kind of job in all the markets they are in? If they don't, I'm not sure they are global brands,' he says.

By way of illustration, Kennedy — whose office is in Hong Kong — points to problems international companies have had entering the Chinese market. Kennedy says there have been three waves of attempts to get a foothold in that country. The first involved joint ventures with Chinese companies, most of which failed. In the second wave, foreign companies attempted to launch international brands without well thought-out marketing plans. These also failed. It has only been in the third wave, he says, that companies have actually attempted to understand the market and its consumer needs—and to develop products to meet those needs.

Kennedy says that companies that have successfully entered the Chinese market with an international product have often ended up localizing it, while launching a second 'local' product. The first product remains the premium one and provides profile, but small sales volume. It is the second product that, with its lower marketing costs, yields a high market volume.

Local competitors in China typically rush to market with competing products following the successful introduction of a new international product. The super-charged competition encourages consumers to demand products that better meet their needs. By contemporary Western standards, the current proliferation of products and brands in the Chinese marketplace may seem a consumer's dream.

*Herbert Meyers, co-author of *The Visionary Package*, says he was astonished on a recent trip to China to see the range of toothpaste offerings there. 'The Colgate packages carried such a variety of promotional copy, all right next to each other on the same shelves, that they, in my view, made no sense at all,' he says. 'Different packages promoted 'MaxFresh Breath Strips,' 'Sensitive Breath Strips,' 'Advanced Whitening,' 'Total Plus Whitening,' 'White Teeth in 14 Days,' and 'Maximum Cavity Protection.'" Adds Meyers, 'If I were looking for Colgate toothpaste there, I wouldn't know which to choose.'*

The current high level of product differentiation in China may be reminiscent to some in the United States of the 1980s, when American corporations were busy extending their product lines to address every perceptible customer preference. In a 20-month period during 1989 and 1990, for example, Procter & Gamble introduced 90 new products. By 1994, Colgate and Crest each offered more than 35 types and packages of toothpaste.

But this situation didn't last. Large retailers in the US began to recognize that they held tremendous power and influence over their suppliers. Taking their cues from the successes of Loblaws in Canada, Marks & Spencer in the UK, Aldi in Germany, and Carrefour in France, they decided to take on brand manufacturers with their own private store labels. With the additional help of product listing fees, retailers were able to exercise enormous control over what appeared on the shelves. The shift of power to retailers left fewer distribution channels available to brand manufacturers, who had to focus their resources on fewer product variants. The result was a marketing model characterized by fewer 'bigger' brands.

Compared to markets in the US, markets in China are at very different levels of development. It may not always be possible to cover the entire market there with a single brand. A mainstream brand in Shanghai, for example, may be super premium in a smaller city. In response, international brand manufacturers have resorted to maintaining very high volume shares. This has effectively translated to producing products to fit every consumer need — usually under one master brand.

b) As a follow-up, students can investigate products which are slightly different in the various countries in which they sell.



Activity sheet 7 — The use of protectionist policies

Task 1

Students should start by defining tariffs and quotas and making notes.

Task 2

Students should read the following extract, taken from the New York Times, March 31st 2007, regarding the imposition of tariffs by the US government on imports of Chinese paper. They should highlight any reasons given by the USA as to the benefits of this trade restriction, and also highlight, in a different colour, any negative consequences. This should then act as a starting point for a class discussion/debate. Split the class into two groups. One group will need to argue that the tariff is a wise move from the USA's point of view and the other will need to argue that it is detrimental to the USA.

In Big Shift, U.S. Imposes Tariffs on Chinese Paper

By STEVEN R. WEISMAN

Published: March 31, 2007

WASHINGTON, March 30 — The Bush administration, in a major escalation of trade pressure on China, said Friday that it would reverse more than 20 years of American policy and impose potentially steep tariffs on Chinese manufactured goods on the ground that China is illegally subsidizing some of its exports.

The action, announced by Commerce Secretary Carlos M. Gutierrez, signaled a tougher approach to China at a time when the administration's campaign of quiet diplomacy by Treasury Secretary Henry M. Paulson Jr. has produced few results.

The step also reflected the shift in trade politics since Democrats took control of Congress. The widening American trade deficit with China, which reached a record \$232.5 billion last year, or about a third of the entire trade gap, has been seized upon by Democrats as a symbol of past policy failures that have led to the loss of hundreds of thousands of jobs.

Mr. Gutierrez's announcement has the immediate effect of imposing duties on two Chinese makers of high-gloss paper, one at 10.9 percent and the other 20.4 percent, calculated by adding up the supposedly illegal subsidies.

But trade and industry officials say future actions based on the department's new policy could lead to duties on imports of Chinese steel, plastics, machinery, textiles and many other products sold in the United States, if as expected those industries seek relief and the department finds that they are harmed by illegal subsidies.

Indeed, industry and administration officials say that they chose the high-quality paper industry last year to serve as a test case for a sweeping revision of the administration's previous policies, which did not allow for antisubsidy duties for Communist or other nonmarket economies.

Mr. Gutierrez said that the administration's step was based on careful study of Chinese subsidy practices and was being carried out irrespective of any pressure from Congress. 'This is simply an application of our law,' he declared. 'The message that we have been sending all along to all of our trading partners is that we want fair trade and that we will use every tool at our disposal to guarantee that our workers and our companies have a level playing field.'

A spokesman at the Embassy of China, Chu Maoming, said in Washington that China expressed 'strong objection' to the Commerce Department announcement, which he said sets a bad precedent that could damage China-United States relations. 'The Chinese side strongly urges the U.S. side to reconsider the decision and reverse it as soon as possible,' he said.

The stock market at first reacted negatively to the news, on fears that a trade war with China could erupt, harming the dollar as well as stocks of companies that rely on trade with China. But stocks later recovered, ending the day barely changed.

Beyond seeking a review of the new policy in coming months, China is expected to challenge it in federal court and also at the World Trade Organization, but not through imposing tariffs of its own on American goods, according to lawyers who have been representing China in the dispute. Under W.T.O. rules, China must seek recourse through the courts or the W.T.O.'s adjudication process if it hopes to get the new tariffs declared illegal.

Democrats in Congress hailed the announcement by Mr. Gutierrez but said they would continue their efforts to force a tougher policy on China through various pieces of legislation. Many Democrats won their elections last fall in part by advocating a tougher policy on trade with China and other countries where labor and material costs are much lower than those in the United States.

Some lawmakers also complain bitterly that China unfairly ties its currency to the dollar, which aggravates the trade imbalance by making exports to America cheaper and imports to China more expensive. But American officials say there is no thought being given to citing currency policies as a form of subsidy that would bring about import duties.

'This is a long-overdue change in policy,' said Sander M. Levin, a Michigan Democrat who is chairman of the trade subcommittee of the House Ways and Means Committee. He said that lawmakers would nonetheless press for sweeping legislation calling for tougher actions against American trading partners deemed to be engaged in unfair practices. He also said that he would try to enact legislation codifying the new administration policy in case the courts overturn it.



Activity sheet 8 — Global industries

Students should be introduced to the idea that global companies can develop/manufacture their product globally as well as sell it globally.

Task 1 — Global sourcing/manufacture

Many companies, especially car manufacturers, make different components in different countries, and then assemble them near to their final market. Students could investigate where Ford, for example, makes its various components. Can they explain why Ford may make different components in different countries?

Task 2 — Why companies grow internationally

Some markets are considered to be local markets ie the goods/services offered are very specific to a geographic area. Examples could include local food items. Other markets are considered to be international markets, where people from all over the world want to buy the same or very similar products. Examples include cars/vehicles, banking/financial services and basic clothing.

- a) Students should then start by listing any examples of global markets they can think of.
- b) They should identify why those markets are global in nature — what is it about them that means people all over the world want those goods.
- c) They should consider the benefits (from the point of view of consumers and of the global business itself) there might be of one company supplying a particular product around the world.
- d) Are there any disadvantages?

Task 3 — How companies grow internationally

The main ways in which companies can grow internationally include mergers/acquisitions of existing companies overseas or starting from scratch overseas. In a merger and acquisition situation, the company may choose to adopt the name of the company it acquired or change the name to its main trading name. When starting from scratch, it usually makes more sense to keep the main trading name.

Students should research, and write a short report outlining, the factors that a company should consider in merging with or acquiring another company overseas.

Activity sheet 9 — The role of multi-nationals

Task 1 — Positive influences of multi-national companies (MNCs) on host countries

The Body Shop's Community Trade and Protect our Planet programmes

Students should be directed towards the following web pages as a starting point:

www.thebodyshopinternational.com/Values+and+Campaigns/Our+Values/Support+Community+Trade

www.thebodyshopinternational.com/Values+and+Campaigns/Our+Values/Protect+Our+Planet

Green and Black's organic fair trade chocolate range

Students should be directed towards the following website:

www.greenandblacks.com

The aim of this short task is to enable students to get to grips with the idea of ethical trading and the positive influence that MNCs can have on host countries.

Following initial research, students should work in twos or threes to produce a colourful spider diagram outlining some of the benefits that MNCs can provide to their host countries. Some initial ideas are:

- increased employment
- higher income
- provision of education/training
- investment in local infrastructure eg electricity supply, roads, banks.

The growth of MNCs into niche markets and global market niches

Previously in this unit, students will have looked at how MNCs grow internationally, either through acquisition/merger or through setting up new branches in host countries. Students should be aware that companies also grow through acquiring other MNCs that may offer a product that fits neatly into their existing portfolio.

One global market niche that has developed fairly recently is fair trade or ethical consumerism. The following examples should be used as investigation material for students. The class should be split into groups and each group allocated one area to investigate. They should produce a small poster and present their findings to the rest of the class.

Green and Black's

In Task 1, students will have found Green and Black's promotes itself as a provider of ethical chocolate. However, they are now owned by Cadbury Schweppes. Students should research the details of this acquisition. They should produce an A4 poster outlining what advantages Cadbury Schweppes will have gained from this acquisition, and whether there will be a positive or negative influence on the countries in which Green and Black's has operations.

**Ben and Jerry's**

Ben and Jerry's is committed to providing a fair income to farmers, promoting education and is keenly aware of its environmental impact. They make their packaging from environmentally friendly sustainable sources and give a significant proportion of their pre-tax profits to charity. However, they were taken over by Unilever in 2000. Students should outline what benefits Unilever, as an MNC, might have hoped to gain from this acquisition, and whether there has been any detrimental effect on Ben and Jerry's as a brand.

PJ Smoothies

P J Smoothies operate at the 'luxury' end of the fruit drinks market in the UK, with about 30 per cent of the market share. They were bought for an undisclosed sum by PepsiCo in 2005. Students should investigate the unique advantages this acquisition brought to PepsiCo, and whether there were any detrimental effects on P J Smoothies as a brand.

Task 2 – Negative influences of MNCs on host countries

There are a number of case studies which can be investigated. Students should be split into small groups and allocated one case study each to investigate. They should produce a summary of the problems, as well as any actions taken by the host country and the MNC to address the problems. All of these cases are well-documented on the internet and this should be used as the primary research tool.

- a) Coca Cola's activity in Kerala, India (where their use of water to manufacture Coca Cola led to severe shortages of drinking water for locals in 2003).
- b) The accident at the Union Carbide plant in Bhopal, India in December 1984 (where a lack of health and safety protocol led to the production of toxic gas, killing thousands of people).
- c) Nike have been criticised by international pressure groups for allowing 'sweatshops' to manufacture their clothing and footwear ranges, where workers are paid low wages and work in poor conditions. There are many documented examples which students could investigate.
- d) Nestlé's baby formula milk story from Africa, where they advertised formula milk and gave it away free. The problem here is that the water used to make up the milk in these countries is contaminated.
- e) Shell's activities in Nigeria, where oil spills in the early 1990s led to thousands of deaths from poisoning, and subsequently from cancer.

Task 3 – Tackling MNCs

Many developed countries have advanced legal frameworks to deal with activity by MNCs. For example, in the EU there are working time directives and established laws dealing with employee rights and pollution. However, in many Less Developed Countries, the government often turns a blind eye and actively encourages MNC activity. For example, in China unionisation is banned, allowing workers to be exploited (admittedly by both MNCs and its own companies).

Students should work towards constructing a wall display. There should be a section on the laws against unethical or exploitative activity by MNCs in developed and developing countries. There should also be a section on approaches adopted in host countries that allow MNCs to behave in certain ways. Finally, there should be a section outlining Non-Government Organisation (NGO) activities and the activities of pressure groups (some websites are given below) that aim to counteract how governments in developing countries deal with exploitative behaviour by MNCs.

www.ethicalconsumer.org

www.greenpeace.org.uk



Suggested delivery/activity schedule — Unit 4a: Making Business Decisions

Topic 1: Corporate objectives and strategy

Week commencing	Subject area	Activity	Resources
	Corporate objectives	Students to use company annual report and accounts, company websites or Times 100 case studies (www.times100.com) to identify company mission statements, corporate aims and objectives. Students should identify how corporate objectives have been developed from the mission statement/corporate aims and critically appraise mission statements.	<p>Activity sheet 1 — Corporate Objectives</p> <p>Additional activities: Information on aims and objectives: www.thetimes100.co.uk/theory/theory--aims-objectives--361.php Case study on mission and organisational objectives: www.thetimes100.co.uk/case-study--mission-organisational-objectives--103-274-3.php</p> <p>Additional reading: M Katsioloudes — Strategic Management (Butterworth-Heinemann, Apr 2006) ISBN 0750679662, Chapter 1 Barnes S — Business Objectives, Business Review Volume 2, Issue 3, February 1996, pages 24-27</p>

Topic 1: Corporate objectives and strategy

Week commencing	Subject area	Activity	Resources
	Stakeholder influences on corporate objectives	<p>Students should identify the potential influences of stakeholders on corporate objectives and which stakeholder objectives are in common, or in conflict, eg a supermarket wanting to build a new store to create profit for their shareholders compared with local community concerns over traffic growth.</p> <p>Students should examine the business principles and objectives of a multi-national company and consider how these may conflict with stories about their unethical behaviour.</p> <p>Students should define Corporate Social Responsibility and consider the policies of major companies such as Cadbury and Coca Cola.</p>	<p>Activity sheet 2 — Stakeholder influences on corporate (CSR) objectives</p> <p>Activity sheet 3 — Corporate Social Responsibility</p> <p>Additional resources:</p> <p>Stakeholders information including mindmap: www.bized.co.uk/educators/level2/busactivity/activity/knowning11.htm</p> <p>Corporate social responsibility case study: www.thetimes100.co.uk/case-study--corporate-social-responsibility--11-247-1.php and associated quiz</p> <p>www.thetimes100.co.uk/revision/quiz--amway-11-200-1.php</p> <p>Additional reading:</p> <p>M. Katsioloudes — Strategic Management (Butterworth-Heinemann, Apr 2006) ISBN 0750679662</p> <p>Stakeholders</p> <p>Zhang L — The Power of Stakeholders, Business Review Volume 5, Issue 2, November 1998, pages 9-11</p>
	Corporate culture	<p>Students should consider power, role, task and person cultures (Handy). They should look at any company stories, heroes, sagas and symbols that may have influenced the corporate culture. Also they should use the mission statements and corporate objectives considered earlier to see how they may have influenced corporate culture.</p>	<p>Activity sheet 4 — Corporate culture</p> <p>Additional reading:</p> <p>Useful links and references www.bized.co.uk/fme/3-8.htm</p> <p>Harrison S — Corporate Culture, Business Review Volume 9, Issue 3, February 2003, pages 2-3</p>

Topic 1: Corporate objectives and strategy

Week commencing	Subject area	Activity	Resources
	Corporate strategy	<p>Students should consider how corporate strategy is developed;</p> <ul style="list-style-type: none"> the aim of portfolio analysis (BCG Matrix) and how this contributes to corporate planning; how competitive advantage is achieved through distinctive capabilities; and the effect of strategic and tactical decisions on human, physical and financial resources. <p>The competitive environment of a company should be analysed through a model such as Porter's Strategic Matrix. Students should understand the difficulty of changing corporate strategy in response to the influence of a competitive environment. Students should also consider political, legal or other influences that encourage co operation between companies on strategy.</p>	<p>Activity sheet 5 — Business environment analysis</p> <p>Additional resources:</p> <p>Environmental analysis case study using SPELT framework at: www.thetimes100.co.uk/case-study--how-mccain-responds-to-changes-external-environment--101-272-1.php</p> <p>Associated quiz at: www.thetimes100.co.uk/revision/quiz.php?cID=101&quizID=217&piD=1</p> <p>Porter's Five Forces at: www.tutor2u.net/business/strategy/porter_five_forces.htm</p> <p>SWOT case study at: www.bized.co.uk/virtual/cb/factory/marketing/further1.htm</p> <p>Business strategy mindmap at: www.bized.co.uk/educators/16-19/business/strategy/presentation/strategic1_map.htm</p> <p>Case study — competitive advantage at: www.bized.co.uk/dataserv/chron/news/2651.htm</p> <p>Case study — BCG at: www.bized.co.uk/educators/16-19/business/marketing/activity/portfolio.htm</p> <p>Additional reading:</p> <p>M Katsioloudes — Strategic Management (Butterworth-Heinemann, Apr 2006) ISBN 0750679662 page 83</p> <p>Porters Five Forces</p> <p>M Katsioloudes — Strategic Management (Butterworth-Heinemann, Apr 2006) ISBN 0750679662, page 101</p> <p>Distinctive competencies</p> <p>M Katsioloudes — Strategic Management (Butterworth-Heinemann, Apr 2006) ISBN 0750679662 page 153</p> <p>Portfolio Management Approaches</p> <p>Marcousé I — Porter's Strategic Matrix, Business Review Volume 8, Issue 4, April 2002, pages 10-12</p>

Topic 2: Making strategic decisions

Week commencing	Subject area	Activity	Resources
	Decision-making model	The Ansoff Matrix and organic growth could be taught together, eg internal company growth by growing products and markets. Students should consider how the Ansoff Matrix could be used to communicate intended strategic direction.	<p>Activity sheet 6 — Making Strategic Decisions</p> <p>Additional resources: Case studies may be found on websites such as www.times100.com Ansoff's growth matrix case study: www.bized.co.uk/compact/daychocolate/choc12.htm Ansoff's growth matrix case study: www.thetimes100.co.uk/case-study--entering-new-market-with-new-product--83-244-1.php</p> <p>Additional reading: M. Katsioloudes — Strategic Management (Butterworth-Heinemann, Apr 2006) ISBN 0750679662, pg 136 Growth strategies Activity sheet 6 — Making Strategic Decisions</p>
	• investment appraisal	Students need to understand the following techniques: simple payback; Average Rate of Return, Discounted Cash Flow (Net Present Value only). They should be able to do calculations and interpret figures generated by these techniques. They also need to know the limitations of these techniques.	<p>Activity sheet 7 — Investment appraisal</p> <p>Additional resources: Presentation for teaching investment appraisal can be found on www.tutor2u.net Discounting methods at: www.tutor2u.net/business/presentations/accounts/investappraisaldiscounting/default.html</p> <p>Additional reading: Coates G — Investment Appraisal, Business Review Volume 10, Issue 4, April 2004, pages 19-21</p>
	• decision trees	Students need to construct and interpret simple decision trees. They also need to know the limitations of this technique.	<p>Activity sheet 8 — Decision trees</p> <p>Additional resources: Presentation and activities for teaching decision trees can be found on www.bized.ac.uk Decision tree presentation www.bized.co.uk/educators/16-19/business/strategy/presentation/decision1.ppt</p> <p>Additional reading: Coates G — Decisions, Decisions, Business Review Volume 10, Issue 3, February 2004, pages 16-18</p>



Topic 2: Making strategic decisions

Week commencing	Subject area	Activity	Resources
	<ul style="list-style-type: none"> project planning and network analysis 	Students need to know the nature and purpose of critical path analysis. They need to draw simple networks, calculate Earliest Start Time and Latest Finish Time, identify the critical path and calculate the total float. They also need to know the limitations of these techniques.	Activity sheet 9 — Critical path analysis Additional resources: Activity for teaching critical path analysis can be found on www.bized.ac.uk Critical path analysis presentation at: www.bized.co.uk/educators/16-19/business/production/presentation/cpa.ppt Additional reading: Coates G — Critical Path Analysis, Business Review Volume 10, Issue 2, November 2003, pages 2-4
	<ul style="list-style-type: none"> contribution; special order decisions 	Students need to know whether an unexpected order is worth accepting based on the contribution it will bring.	Activity sheet 10 — Contribution Additional resource: Special order contract part of www.tutor2u.net/business/presentations/accounts/contribution/default.html Additional reading: Surridge M — Special Order Decisions, Business Review Volume 11, Issue 2, November 2004, pages 6-7
	Business contingency planning	Students need to understand the importance of contingency planning, eg consider the risk of operating in a country or seeking growth in new overseas markets. Students to use the Ansoff Matrix to consider why a company may seek to invest in a factory overseas, eg to reduce dependence on domestic market through planning for growth.	Activity sheet 11 — Contingency planning

Topic 3: Assessing competitiveness

Week commencing	Subject area	Activity	Resources
	Interpretation of financial statements	<p>Students need to use ratio analysis on simplified financial statements to Return on Capital, Liquidity (Current and Acid Test Ratio), and Gearing. They may examine a company's performance over time and should understand the limitations of ratios as a decision making tool; the likely corporate responses to results of ratio analysis and how level of assets can influence the level of financial borrowing permitted.</p>	<p>Activity sheet 12 — Financial ratios</p> <p>Additional resource: Financial ratios exercise at: www.bized.co.uk/educators/16-19/business/accounting/activity/ratio.htm</p> <p>Additional reading: Morris J — Profitability Ratios, Business Review Volume 9, Issue 2, November 2002, pages 20-21</p>
	Human resource competitiveness	<p>Students should use labour productivity calculations based on labour/ inputs/outputs and labour turnover calculations, including unavoidable leavers, in measuring organisational effectiveness (eg in different country offices). Students should consider the use and limitations of such analyses and potential corporate responses to results of human resource analysis.</p> <p>Ask a representative from a business to give a talk on their labour turnover and productivity the reasons behind the figures and how they are seeking to improve them.</p>	<p>Activity sheet 13 — Human resource analysis</p> <p>Additional resource: Absenteeism at: www.bized.co.uk/current/mind/2003_4/190404.htm</p> <p>Additional reading: Swift I — Personnel Performance Indicators, Business Review Volume 4, Issue 1, September 1997, pages 4-5</p>



Topic 4: Company growth

Week commencing	Subject area	Activity	Resources
	Nature of company growth	<p>Students should consider examples of different types of organic and acquisitive growth, the differences between mergers and takeovers, why growth is necessary and the role of competition law.</p> <p>Case study examples can illustrate horizontal, vertical and conglomerate, but these terms will not be specifically examined.</p>	<p>Activity sheet 14 — More on organisational growth</p> <p>Activity sheet 15 — Competition law</p> <p>Additional resources:</p> <p>www.bbc.co.uk for articles on recent mergers and takeovers. Historical articles should reveal if the Competition Commission intervened</p> <p>Information on growth at: www.thetimes100.co.uk/theory/theory--growth-firms--251.php</p> <p>Quiz on growth at: www.thetimes100.co.uk/revision/company-details--company--68.php</p> <p>Takeover case study www.bized.co.uk/current/pbl/2006_07/070507.htm</p> <p>Additional reading:</p> <p>M. Katsioloudes — Strategic Management (Butterworth-Heinemann, Apr 2006) ISBN 0750679662, page 136</p> <p>Growth Strategies</p> <p>Korah V — An Introductory Guide to EC Competition Law and Practice (Hart Publishing, September 2004) ISBN 1841133973</p> <p>Marcou�� I — Growth, Business Review Volume 9, Issue 1, September 2002, pages 2-4</p> <p>Rees D — Growth by Acquisition, Business Review Volume 11, Issue 3, February 2005, pages 19-20</p> <p>Romer S — Why Do Firms Merge?, Business Review Volume 4, Issue 3, February 1998, pages 12-13</p>
	Effects of growth	<p>Students should consider potential problems resulting from organisational restructuring, eg diseconomies of scale.</p>	<p>Activity sheet 16 — Effects of growth</p> <p>Additional resource:</p> <p>Information on economies and diseconomies of scale at: tutor2u.net/business/production/economies-of-scale.htm</p> <p>Additional reading:</p> <p>Marcou�� I — Growth, Business Review Volume 9, Issue 1, September 2002, pages 2-4</p>

Unit 4a: Making Business Decisions

Activity sheet 1 — Corporate objectives

Task 1 — Business planning — an overview

The following terms will be used within this unit:

- Mission statement
- Business environment analysis
- Corporate objectives
- Corporate strategy
- Tactics.

To help build an understanding of these terms find a diagram of the planning process that includes as many of the above terms as possible and draw it in the space below.

AN OVERVIEW OF THE PLANNING PROCESS



Now you are familiar with the business planning process define the following terms.



MISSION STATEMENT

A large empty rectangular box for writing the mission statement.

BUSINESS ENVIRONMENT ANALYSIS

A large empty rectangular box for writing the business environment analysis.

CORPORATE OBJECTIVES

A large empty rectangular box for writing corporate objectives.

CORPORATE STRATEGY

A large empty rectangular box for writing corporate strategy.

TACTICS

A large empty rectangular box for writing tactics.

Task 2 – Mission statements

As part of Task 1 you studied mission statements. Now, think of three large organisations you are familiar with.

Using resources, such as company websites or their latest annual report and accounts, find out the mission statement of each of your chosen organisations.

Also, given your knowledge of each organisation, comment on whether you feel that their mission statement is appropriate.

Company name:
Mission statement:
My comments:

Company name:
Mission statement:
My comments:

Company name:
Mission statement:
My comments:



Task 3 – Corporate aims and objectives

The terms aims and objectives are often used interchangeably, but there are distinct differences between them.

Find definitions of both terms and write them below.

Aims are ...

Objectives are ...

It is often said that good objectives are SMART objectives.

Does SMART stand for:

- a) Specific, Measurable, Achievable, Realistic and Time bound
- b) Sensible, Measurable, Achievable, Relentless and Tedious
- c) Specific, Meaningless, Arduous, Realistic and Terrible.

Why do you think that good objectives should be SMART?

Task 4 – Corporate objectives

Corporate objectives tell us what the organisation wants to achieve.

In Task 2 you found the mission statements for three organisations of your choice.

Using resources such as corporate websites or company annual report and accounts, research the corporate objectives of each of your chosen organisations and list them below.

Company name:

Corporate objectives:

Comments: (For example, are the objectives SMART? Are there clear links between the mission statement and the corporate objectives?)

Company name:

Corporate objectives:

Comments: (For example, are the objectives SMART? Are there clear links between the mission statement and the corporate objectives?)

Company name:

Corporate objectives:

Comments: (For example, are the objectives SMART? Are there clear links between the mission statement and the corporate objectives?)



Task 5 – Review of mission statements, aims and objectives

By completing Tasks 2, 3 and 4 you should have discovered a lot about the mission statement, aims and objectives of your chosen organisations.

Prepare a five-minute presentation summarising your findings.

When preparing your presentation, remember that your audience may not be as familiar with your chosen organisations as you are.

It may be helpful to begin with a brief introduction outlining who they are and the nature of their business.

Activity sheet 2 — Stakeholder influences on corporate objectives

Stakeholders can be defined as any individual/group affected by/interested in the activities of an organisation.

Task 1 — Stakeholders — who are they?

List at least eight typical organisational stakeholders.



Task 2 – Stakeholders and corporate objectives

Imagine you work for the head office of a large grocery retailer. A key corporate objective for this year is to increase profit by 10 per cent.

The company has decided that the most cost-effective way to meet this objective is by opening five new out of town stores within the next six months.

List below both the internal and external stakeholders that may be affected by or interested, in your company's new store launch programme.

Internal stakeholders	External stakeholders

Which of these stakeholders do you think would be supportive of the new store launch programme and which do you think may be against it — please state why?

For	Against

How might your organisation overcome any stakeholder opposition?

Activity sheet 3 — Corporate Social Responsibility (CSR)

Many organisations publish their CSR policies or have corporate responsibility statements. Some also publish an annual CSR report. Think of four large organisations you are familiar with and note the key points of their policy or statement below.

Then think about what you know about the organisations. How socially responsible do you think they actually are?

Rate each organisation on a scale of 1 to 10, with 1 being highly socially irresponsible and 10 highly socially responsible. Please explain how you came to your conclusions.

Company name:
Notes on their approach to CSR.
CSR rating — please circle the rating you feel best represents how socially responsible this organisation is. 1 2 3 4 5 6 7 8 9 10 Please explain your rating.

Company name:
Notes on their approach to CSR.
CSR rating — please circle the rating you feel best represents how socially responsible this organisation is. 1 2 3 4 5 6 7 8 9 10 Please explain your rating.



Company name:
Notes on their approach to CSR.
CSR rating — please circle the rating you feel best represents how socially responsible this organisation is. 1 2 3 4 5 6 7 8 9 10 Please explain your rating.

Company name:
Notes on their approach to CSR.
CSR rating — please circle the rating you feel best represents how socially responsible this organisation is. 1 2 3 4 5 6 7 8 9 10 Please explain your rating.

Company name:
Notes on their approach to CSR.
CSR rating — please circle the rating you feel best represents how socially responsible this organisation is. 1 2 3 4 5 6 7 8 9 10 Please explain your rating.

Finally, through your own research, identify one organisation that has recently been exposed as being less than socially responsible.

Compare your findings with any CSR statements the organisation makes on its website or within their annual report and accounts.

Comment on your findings.

Activity sheet 4 — Corporate culture

Task 1 — Power, role, task and person cultures

Corporate culture is commonly defined as 'the way we do things around here'.

Charles Handy identified four different cultures based on: power, roles, tasks and the person.

Briefly define each of these four different cultures. Try and include a diagram that represents each of them.

Power culture

Role culture

Task culture

Person culture

Choose two of the organisations you looked at when completing Activity sheet 1 Tasks 2 and 4.

How do they describe their corporate culture?

Does their description match any of the four cultures described by Handy?

Do you think that their mission statements and objectives may have influenced their corporate culture? Explain your answer.

**Task 2 – Company stories, heroes, sagas and symbols**

The following phrases are often used when discussing corporate culture:

- company stories
- heroes
- sagas
- symbols.

Research the meaning of each of these terms and give examples below:

Company stories

Heroes

Sagas

Symbols

Activity sheet 5 — Business environment analysis

Task 1

Looking back at Activity sheet 1 you will have seen that many planning models refer to business environment analysis or, as it is sometimes also called, situation analysis.

A business environment analysis looks at both internal and external factors. However, this task will focus on external factors.

Companies do not operate in isolation. And they are affected by a number of external macro and micro environmental factors.

Macro-environmental factors are often categorised as:

- social
- political
- economic
- legal
- technological.

The above are often referred to as SPELT factors.

Micro-environmental factors are often categorised as:

- customers
- competitors
- distributors
- suppliers.

The main purposes of an external business environment analysis are to:

- try and find new opportunities for the organisation
- try and identify any threats to the organisation.

For example:

- personal computers posed a real threat to typewriters manufacturers
- increased participation in sports, such as long distance running, has provided opportunities for manufacturers of energy drinks.

In small groups list choose an organisation you are all familiar with.

Using the categories listed above (for example social factors) complete the table overleaf by listing as many relevant macro and micro-environmental factors as possible. Tick the appropriate box to indicate whether they would provide an opportunity for or pose a threat to your chosen organisation.



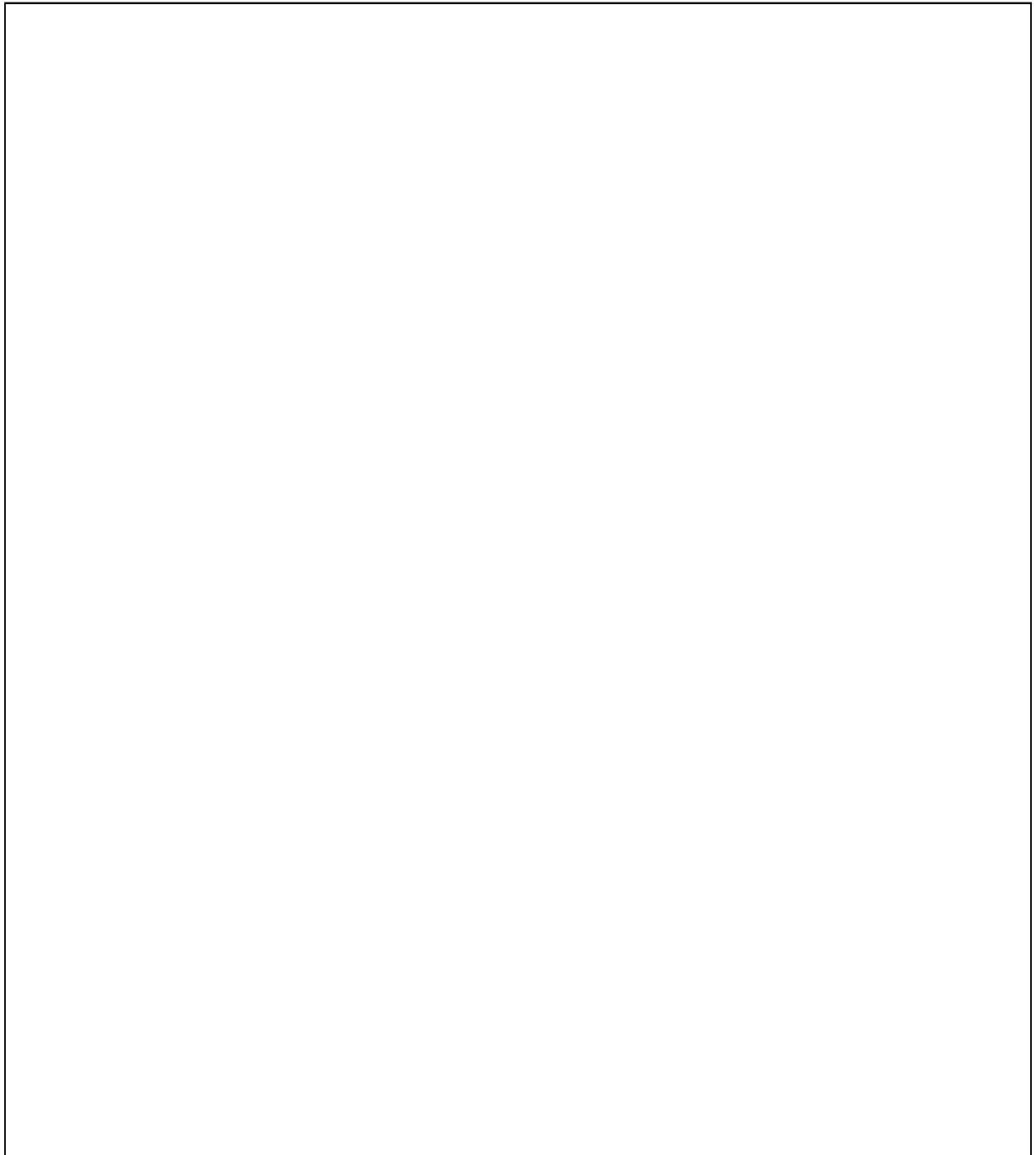
Name of chosen organisation		
Macro-environmental factors	Opportunity	Threat
Micro-environmental factors	Opportunity	Threat

Task 2 – Porter’s Five Forces Analysis

From the previous activity you will have seen that competition is a micro-environmental factor.

Michael Porter identified five forces that determine competitive intensity and, therefore, how attractive a market/industry sector is.

Find a diagram showing Porter’s Five Forces and draw it below.



Briefly describe each of Porter's Five Forces:

Threat of new industry entrants

Threat of substitute products

Bargaining power of buyers

Bargaining power of suppliers

Intensity of rivalry between competitors

Porter states that the profitability of an industry is a function of these five forces.

Split into small groups and choose one of the following industry sectors.

- airlines
- grocery retailing
- MP3 players.

Given what you have learnt about Porter's Five Forces how attractive is your chosen industry sector? Please note that in this context attractive refers to the profit potential of the industry.

Please use appropriate research to justify your answer.

Task 3 – Business environment – internal factors

The last two tasks looked at external business environmental factors that can present the organisation with opportunities or threats.

This task will focus on the internal business environment. Analysing the internal environment of an organisation should enable the strengths and weaknesses of that organisation to be identified.

List some of the factors that should be considered when analysing an internal business environment.

Examples: Company reputation, cash flow

Task 4 – SWOT analysis

In Task 1 you considered the opportunities and threats that an organisation may face. In Task 3 you considered internal factors that are generally categorised as either strengths or weaknesses.

A SWOT analysis looks at the strengths, weaknesses, opportunities and threats of an organisation.

In small groups, undertake a SWOT analysis of an organisation of your choice and present your findings to the class in the format shown on the next page.



S (Strengths)	W (Weaknesses)
O (Opportunities)	T (Threats)

Task 5 – Competitive advantage/distinctive capabilities

In small groups discuss why it is important to analyse both the external and the internal business environments.

Your discussion should refer to the following:

- competitive advantage
- distinctive capabilities/competencies.

Task 6 – Portfolio analysis

So far you have looked at mission statements, aims and objectives, the internal and external business environment, competitive advantage and distinctive competencies/capabilities.

This is because we can think of planning in terms of a series of questions and answers:

- | | |
|---------------------------------|--|
| • What is our purpose? | Mission statement |
| • Where are we now? | Business environment analysis, SWOT analysis |
| • Where do we want to be? | Objectives |
| • How are we going to get there | Strategy |

Portfolio analysis can help us devise appropriate strategies.

The Boston Consulting Group Matrix is a very popular approach to portfolio management.

By carrying out your own research, describe the following:

- cash cows
- dogs
- question marks
- stars.

Questions

- Would a harvesting strategy be appropriate for a star?
- Why should organisations aim to have a balanced portfolio?
- Is hold an appropriate strategy for a question mark?
- What is an appropriate strategy for a dog?



Activity sheet 6 — Making strategic decisions

Task 1 — Strategic versus tactical decisions

Briefly describe the difference between a strategic and a tactical decision.

Task 2 — Ansoff's Growth Matrix

If an organisation has decided that it wants to grow its business, according to Ansoff, there are four strategic growth options to choose from. Each of the four options has a different level of associated risk.

- a) Find a version of Ansoff's Growth Matrix that refers to the level of risk associated with each of the four strategic options.
- b) Which of Ansoff's strategic growth options has the highest level of associated risk and why?
- c) Which of Ansoff's strategic growth options has the lowest level of associated risk and why?

Task 3 — Applying Ansoff's growth matrix

- a) Working in small groups choose a large organisation you are all familiar with.
- b) Research their products and markets.
- c) Given your research, which of Ansoff's Growth strategies would you recommend your organisation follows and why?
- d) Prepare a brief presentation that explains your choice to the rest of your class. Your presentation should include a representation of Ansoff's Growth Matrix.

Activity sheet 7 — Investment appraisal

In order to achieve their objectives, organisations may have to make substantial investments in, for example, new factories.

The following are investment appraisal techniques that organisations can use to help them make investment decisions.

- Simply payback
- Average Rate of Return
- Net Present Value (a form of discounted cash flow)

Go to the worksheet titled 'Investment Appraisal' found at:

www.bized.co.uk/timeweb/reference/using_experiments.htm

Complete the parts of the worksheet that relate to the three project appraisal methods listed above.



Activity sheet 8 — Decision trees

Decision trees are used because they can help in decision making.

Read the information about decision trees that can be found at:

www.thetimes100.co.uk/theory/theory--decision-tree-analysis--323.php

Then complete the exercise that can be found at:

www.bized.co.uk/educators/16-19/business/strategy/activity/decision1.htm

Activity sheet 9 — Critical path analysis (CPA)

Read the case study Critical Path Analysis at Network Rail that can be found at:

www.thetimes100.co.uk/case-study--critical--path-analysis-at-network-rail--105-261-1.php

Then complete the quiz that can be found at:

www.thetimes100.co.uk/revision/quiz.php?cID=105&quizID=224&pID=1

Given what you have learnt about critical path analysis what do you think could be its limitations as an approach to project planning?

Use critical path analysis to plan a project of your choice, for example your next holiday.

Activity sheet 10 — Contribution

A customer has approached your organisation with an order for 100 premium widgets. Your organisation has never dealt with this customer before but would like to.

You have been asked to investigate if the organisation should you accept the order?

Undertake your own research on special order contracts.

List the information you need in order to make an informed decision about whether or not to accept the order.

--

Describe the financial circumstances under which you would, and would not, accept the order.

Accept	Reject

Activity sheet 11 — Contingency planning

Contingency planning will be considered in terms of developing plans we can turn to if events we foresaw, but thought unlikely, actually happen.

Think of an organisation you know well. What contingency plans might they need in order to ensure they still achieve their corporate objectives?



Activity sheet 12 — Financial ratios

Questions

An organisation makes a gross profit when:

- a) Sales revenue is greater than the cost of the goods sold
- b) Sales revenue is less than the cost of the goods sold
- c) The sales team's expenses are less than £1000
- d) Other (please state)

The amount of net profit an organisation makes is calculated within its:

- a) Profit and loss account
- b) Balance sheet
- c) Rent book
- d) Other (please state)

In accountancy, 'being liquid' can be defined as:

- a) Being able to pay debts as they are due
- b) Being able to pay the tea and coffee bill
- c) Being able to take key account customer out to lunch
- d) Other (please state)

In small groups discuss one of the following topics.

- Do ratios help us understand how successful an organisation is?
- What ratios might a bank look at before lending money to an organisation and why?
- Could an organisation's desire to achieve a particular level of gross profit result in conflict between certain stakeholders/stakeholder groups?

Activity sheet 13 — Human resource analysis

Many organisations are beginning to realise that good employees are a valuable asset.

Some organisations state on their website that their employees are their greatest asset and you may see the phrase 'human capital' used in some textbooks.

At its most basic, organisations need to have the right number of people, with the right skills in the right place at the right time.

Many writers believe that, in the future, organisations that manage their employees well will be able to outperform their competitors. It is therefore important that Human Resources are managed well.

Imagine you are the chief executive of a large organisation.

You have asked the human resource (HR) director to give a presentation at the next board meeting about how effectively your organisation is utilising its 'human capital'.

You are not a human resource expert but have noticed that a number of people have left the organisation lately and that it seems difficult to find replacements.

Your real concern is that without the right people with, the right skills in the right place at the right time, your organisation will not achieve its corporate objectives. Not only would that be bad for the organisation it would directly affect your bonus!!

Before the presentation you undertake some research on what information the human resource department should be analysing in order to ensure that, as you would say, they are doing their job properly!

Your research should include finding definitions of the following:

- staff turnover
- retention
- unavoidable leavers
- sickness absence rates
- workforce planning.

Armed with your new knowledge of human resource management what are the five key things you think the HR director should include in their presentation and why?

Activity sheet 14 — More on organisational growth

We looked at Ansoff's Growth Matrix during Activity sheet 6.

Ansoff's growth matrix provides organisations with a choice of four growth strategies.

But we can look at growth in a different way, ie in terms of organic growth versus acquisitive growth.

Define the following terms, list some possible advantages and disadvantages of each approach to organisational growth and include appropriate examples.

	Definition	Advantages	Disadvantages	Examples
Organic growth				
Mergers				
Takeovers				

- What do mergers and takeovers have in common?
- What is the key difference between a takeover and a merger?
- Could any of Ansoff's strategic growth options be said to represent organic growth?
- Why do organisations frequently place such importance on growth?

Activity sheet 15 — Competition law

The treaty establishing the Economic Community prohibits two main types of anti-competitive behaviour.

Article 81 prohibits anti-competitive agreements between businesses.

Article 82 prohibits the abusive exploitation of a dominant market position.

List three of the particular activities prohibited by Article 81.

List three of the particular forms of dominant market position abuse referred to within Article 82.

What are the potential consequences of anti-competitive behaviour for an organisation/its employees?

Do you feel that these potential consequences are appropriate? Discuss.



Activity sheet 16 — Effects of growth

When discussing the reasons why organisations frequently see growth as being important you may have discussed the concept of economies of scale.

If not, carry out some research to familiarise yourself with the concept of economies of scale.

Now familiarise yourself with the concept of diseconomies of scale.

Prepare a brief presentation on the topic 'Why diseconomies of scale are not inevitable'.

Student Guide — GCE in Business

What do I need to know, or be able to do, before taking this course?

You may not have studied any business-related subjects before, but that does not matter! What is much more important is that you want to know how to succeed in setting up and running a business. There are many reasons why people want to set up businesses — perhaps they want to make money for themselves or their family or they want to contribute something special to the life of their community. However, most schools or colleges will expect you to have achieved at least a grade 'C' in GCSE Maths and English.

What will I learn?

Unit 1: Developing New Business Ideas covers the thinking and activities that entrepreneurs and existing businesses undertake when developing and researching new business ideas.

Unit 2a: Managing the Business covers the activities that an entrepreneur, or existing business, may be involved in when managing their business, such as promoting a new business idea, deciding how much stock of a new product the business will have, how many staff will be needed and how much money they will need to finance the new business idea.

Unit 3: International Business introduces you to what businesses need to consider if they were to trade internationally, such as which countries to sell their product in, and why some companies sell their products worldwide.

Unit 4a: Making Business Decisions should enable you to assess the current competitiveness of a business using various indicators. You will look at the causes and effects of change on a business and how a company can manage risk effectively.

Throughout the course you will develop a clear and concise (short!) style of writing, the type used in business, enabling you to communicate effectively about business-related issues. You will also learn how to analyse and interpret figures relating to money, this is a crucial part of running a business successfully.

Is this the right subject for me?

This course is suitable if you:

- prefer examinations to coursework
- are prepared to take an interest in current national news and international business news
- want to learn how to analyse information effectively and suggest solutions to real business problems
- enjoy analysing and presenting the merits of alternative courses of action
- want to gain a background in business to enable you to gain a future management position in any organisation.

How will I be assessed?

Unit number and unit title	Level	Assessment information	Number of marks allocated in the unit
Unit 1: Developing New Business Ideas	AS	Examination length: 1 hour 15 minutes Supported multiple-choice questions where students write a short justification of why they chose that answer and/or why the other answers are incorrect. 32 marks. Questions based on data*: 38 marks.	70
Unit 2a: Managing the Business	AS	Examination length: 1 hour 15 minutes Supported multiple choice questions worth 24 marks. Questions based on data*: 46 marks.	70
Unit 3: International Business	A2	Examination length: 1 hour 30 minutes Questions based on data*: 35 marks. Case study and questions: 45 marks (the case study is not pre-released).	80
Unit 4a: Making Business Decisions	A2	Examination length: 1 hour 30 minutes Questions based on data: 30 marks. Decision making report and questions: 50 marks (the context of the decision-making report is pre-released).	80

* Note: 'data' represents passages of text that may include graphs, table(s) of information, diagrams etc.

What can I do after I've completed the course?

The course provides a solid foundation for studies at a higher level in the following subject areas:

- business management
- business administration
- accountancy and finance
- human resource management
- marketing
- retail management
- tourism management
- international business

It can also lead on to a career in the commercial world, eg in banking, sales, product management or general management. Business and management skills are also desirable in public sector organisations or charities.

Next steps

You should find out:

- what grade you are likely to get in your GCSE Maths and English
- whether a GCE in Business will help you to progress on to the degree course or job that you want to do
- about the specification for each unit which can be found under the GCE Business subject heading on www.edexcel.org.uk, the Edexcel website.



Edexcel GCE in Business (2008 specification) — Mapping to previous Edexcel GCE in Business (9076) specifications

Unit 1: Developing New Business Ideas

New specification content	9076 specification content
Characteristics of successful entrepreneurs	9076 — Unit 1: The Structure of Business (The role of the entrepreneur); Business Objectives and Stakeholders (The role and importance of profits)
Identifying a business opportunity	9076 — Unit 1: Economic Influences
Evaluating a business opportunity	9076 — Unit 2 : Market Research
Economic considerations	9076 — Unit 1: Economic Influences
Financing the new business idea	9076 — Unit 5: Financial planning
Measuring the potential success of a business idea	9076 — Unit 3: Financial Accounts (Classification and analysis of costs)
Putting a business idea into practice	9076 — Unit 5: Financial planning

Unit 2a: Managing the Business

New specification content	9076 specification content
Marketing plan	9076 — Unit 2: Marketing and Production
Managing the provision process	9076 — Unit 2: Marketing and production, Unit 4: New product decisions
How does a company budget efficiently?	9076 — Unit 3: Budgeting; Unit 4: Sales forecasting as an aid to decision-making
Managing other people	9076 — Unit 1: Internal organisation, Motivation in business

Unit 3: International Business

New specification content	9076 specification content
Why does a business seek international markets?	9076 — Unit 6: Developing a Global Strategy — European Union
Key players in the world economy	9076 — Unit 6: Export opportunities
How does a company decide which countries to target?	9076 — Unit 6: Export opportunities
Other considerations before trading internationally	–
Globalisation	–
Are multinationals a force for good or should they be controlled?	9076 — Unit 6: Multinational corporations

Unit 4a: Making Business Decisions

New specification content	9076 specification content
Corporate objectives and strategy	9076 — Unit 6: Responding to the external environment; Responding to social responsibilities and ethics; Corporate and organisational culture; Strategic decisions
Making strategic decisions	9076 — Unit 4: Decision tree analysis; critical path analysis; investment appraisal techniques
Assessing competitiveness	9076 — Unit 4: Ratio analysis in decision making
Company growth	9076 — Unit 6: Mergers and acquisitions

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We will inform centres of any changes to this issue. The latest issue can be found on the Edexcel website: www.edexcel.org.uk.

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