

# **BUSINESS STUDIES**

## **EDEXCEL - GCSE**



## **THEME 2**

# **KNOWLEDGE ORGANISER**

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

# KNOWLEDGE ORGANISER

## Topic 2.1 Growing the Business

### Key Vocabulary

**Innovation** – bringing a new idea into the market.

**Inorganic (external) growth** – growing by buying another business or by merging with another business of roughly equal size.

**Organic (internal) growth** – growth from within the business, such as creating and launching new successful products.

**Takeover** – obtaining control of another business by buying more than 50% of its share capital.

**Research & Development** – the scientific research and technical development needed to come up with successful new products.

**Flotation** – listing a company on the stock market, allowing the public to buy shares.

**Public Limited Company (PLC)** – a company with at least £50,000 share capital that can advertise its shares to outsiders.

**Entering new markets** – when a company decided to open up in a market it hasn't been before.

**Exiting markets** – choosing to leave a market, probably because it was loss making.

### DO I UNDERSTAND THIS TOPIC?



#### Topic 2.1.

##### 2.1.1 Business Growth - Revision

- Understand different methods of business growth and their impact:
- Internal (organic) growth: new products (innovation, research and development), new markets (through changing the marketing mix or taking advantage of technology and/or expanding overseas)
- External (inorganic) growth: merger, takeover.
- The types of business ownership for growing businesses - public limited company (plc)
- Sources of finance for growing and established businesses - internal sources: retained profit, selling asset External sources: loan capital, share capital, including stock market flotation (public limited companies).

##### 2.1.2 Changes in business aims and objectives - Revision

- Why business aims and objectives change as businesses evolve - in response to: market conditions, technology, performance, legislation, internal reasons.
- How business aims and objectives change as businesses evolve:
- Focus on survival or growth - entering or exiting markets, growing or reducing the workforce, increasing or decreasing product range.

### Wider Business World

**Apple** – great example of business that continually adapts products to meet changes in the market

**Iceland** – changed from frozen only foods to non-frozen and non-food goods because this is what consumers want when they shop

**Thomas Cook** - Blame their failure on how we are now taking holidays- no more package holidays which meant big losses

**Morrisons** – taken over by an American company at a value of 6.3billion.

**Hovis** – taken over by a British equity firm – Endless.

John Lewis – enters a new market by planning to build 10,000 rental properties. Diversification from what it originally set up to do.

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## Theme 2 – Building a Business

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### DO I UNDERSTAND THIS TOPIC?



#### Topic 2.1. Growing the Business

##### 2.1.3 Business and Globalisation - Revision

- The impact of globalisation on businesses:
- imports: competition from overseas, buying from overseas
- exports: selling to overseas markets
- changing business locations
- multinationals.

Barriers to international trade:

- tariffs
- trade blocs.

How businesses compete internationally:

- the use of the internet and e-commerce
- changing the marketing mix to compete internationally

##### 2.1.4 Ethics, the environment and business- Revision

The impact of ethical and environmental considerations on businesses:

- how ethical considerations influence business activity: possible trade-offs between ethics and profit
- how environmental considerations influence business activity: possible trade-offs between the environment, sustainability and profit
- the potential impact of pressure group activity on the marketing mix.

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BT - EE  
Takeover



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## Theme 2 – Building a Business

### Key Vocabulary

**Design Mix** – function, cost and aesthetics – the areas which need to be considered when putting a product together.

**Product Life Cycle** – the stages a product goes through.

**Extension Strategies** – ways in which a business can try to extend the life cycle of a product.

**Product Differentiation** – how a business makes its products / services different from its competitors.

**Pricing Strategies** – the different ways a business can product a product / service.

**Promotion Strategies** – ways in which a business can advertise / promote its product / service.

**E-Commerce** – selling online- using the internet.

**Distribution** – the way in which a business gets the product to the customer.

**Marketing Mix** – the four P's of marketing – product, price, promotion and place.

**Competitive Advantage** – how a business makes sure it will do better than its competitors.

### DO I UNDERSTAND THIS TOPIC?



#### Topic 2.2 Making Marketing Decisions

##### 2.2.1 Product - Revision

The design mix:

- function, aesthetics, cost.

The product life cycle:

- the phases of the product life cycle
- extension strategies.

The importance to a business of differentiating a product/ service.

##### 2.2.2 Price - Revision

- Pricing strategies
- influences on pricing strategies: technology, competition, market segments, product life cycle.

##### 2.2.3 Promotion - Revision

- Appropriate promotion strategies for different market segments: advertising, sponsorship, product trials, special offers, branding
- The use of technology in promotion: targeted advertising online, viral advertising via social media, e-newsletters.

##### 2.2.4 Place - Revision

- Methods of distribution: retailers and e-tailers (e-commerce).

##### 2.2.5 Using the Marketing Mix to make business decisions - Revision

- How each element of the marketing mix can influence other elements.
- Using the marketing mix to build competitive advantage.
- How an integrated marketing mix can influence competitive advantage

Wider Business  
World – real life  
examples



F1  
Sponsorship

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## Theme 2 – Building a Business

### Key Vocabulary

**Operations**– The department that provides the customer with the goods or services they have asked for

**Method of production** – The process by which a product is manufactured

**Batch production** – Producing a limited number of the same item

**Flow production** – Continuous production of identical products

**Job production** – One off production of a one off order

**Labour intensive** – When an activity is carried out primarily by human labour

**Capital intensive** – When an activity is carried out primarily by machine

**Productivity** – The quantity produced by the resources available

**Efficiency** – Getting the most out of resources

**Automation** – Production without people being involved

**Bar gate stock graph** – A diagram showing how stock levels change over time

**Lead times** – How long it takes between ordering new stock and it arriving

**Buffer stock** – The minimum stock level held at all times to avoid running out

### DO I UNDERSTAND THIS TOPIC?



#### Topic 2.3 Making Operational Decisions

##### 2.3.1 Business Operations - Revision

The purpose of business operations:

- To produce goods
- To product services

Production processes:

- Different types: Job, Batch, Flow
- The impact of different types of production process: keeping productivity up and costs down and allowing for competitive prices.

Impacts of technology on production:

- Balancing costs, productivity, quality and flexibility

##### 2.3.2 Working with suppliers - Revision

Managing stock:

- interpretation of bar gate stock graphs
- the use of just in time (JIT) stock control.

The role of procurement:

- relationships with suppliers: quality, delivery (cost, speed, reliability), availability, cost, trust
- the impact of logistics and supply decisions on: costs, reputation, customer satisfaction.

##### 2.3.3 Managing quality- Revision

The concept of quality and its importance in:

- the production of goods and the provision of services: quality control and quality assurance
- allowing a business to control costs and gain a competitive advantage.

##### 2.3.4 The sales process - Revision

The sales process:

- product knowledge, speed and efficiency of service, customer engagement, responses to customer feedback, post-sales service.

The importance to businesses of providing good customer service.

### Key Vocabulary

**Bar gate stock graph** – A diagram showing how stock levels change over time

**Lead times** – How long it takes between ordering new stock and it arriving

**Buffer stock** – The minimum stock level held at all times to avoid running out

**Just in Time (JIT)** – A stock management process where new stock is ordered so that it arrives “just in time” for existing stock to run out

**Procurement** – The process of finding the right suppliers, ordering the right quantities and checking everything is done on time and to the right standards

**Logistics** – Ensuring the right supplies will be delivered and ordered on time

**Quality control** - Measures put in place to check the quality is acceptable at the end of production

**Quality assurance** – The process of checking quality throughout production

**Culture** – The consistent attitudes and behaviours of a group

**Sales process** – The stages involved in the final stage of the distribution process.

**After sales process** – The support and processes available to consumers after making a purchase





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## Theme 2 – Building a Business

Wider Business World – real life examples

### Key Vocabulary

**Profit** – this is money that is left over once all expenses incurred in running the business have been paid.

**Gross Profit** – the difference between revenue and total costs. (sales revenue – cost of sales)

**Net Profit** – Profit calculated by deducting all expenses away from gross profit.

**Gross Profit Margin** – the % of sales revenue that is left once the cost of sales has been paid.

**Net Profit Margin** – the % of sales revenue that is left once all costs have been paid.

**Average Rate of return** – a method of comparing the profitability of different choices over the expected life of an investment.

**Quantitative Data** – data made up of numbers.

### DO I UNDERSTAND THIS TOPIC?



#### Topic 2.4 Making Financial Decisions

##### 2.4.1 Business Calculations - Revision

The concept and calculation of:

- gross profit
- net profit

Calculation and interpretation of:

- gross profit margin
- net profit margin
- average rate of return.

Qatar Airlines  
Profit

##### 2.4.2 Understanding Business Performance - Revision

The use and interpretation of quantitative business data to support, inform and justify business decisions:

- information from graphs and charts
- financial data
- marketing data
- market data.

The use and limitations of financial information in:

- understanding business performance
- making business decisions

Retail footfall  
seeing an increase



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## Theme 2 – Building a Business

### Key Vocabulary

**Organisational Structure** – how a business organises its staff to represent the different layers of management.

**Hierarchical structure** – often referred to as a 'tall' structure and has many layers.

**Flat Structure** – a structure with only a few layers of management.

**Chain of Command** – the route by which instructions and communications flow from the top to the bottom of a business.

**Subordinates** – members of staff below a manager in the chain of command.

**Delegation** - tasks are given to members of staff by a manager.

**Delayering** – a business removes layers of its management to make it a flatter structure.

**Span of Control** – the number of staff that a manager has responsibility for.

**Centralised Structure** – all business decisions are made at the top of the business or in a head office.

**Decentralised Structure** – an approach where a business allows decisions to be made by managers and subordinates.

**Permanent contract** – a contract which has no end date.

**Temporary contract** – a job which will only last for a certain amount of time. It has a specific end date.

**Productivity** – the amount of work

### DO I UNDERSTAND THIS TOPIC?



#### Topic 2.5 Making Human Resource Decisions

##### 2.5.1 Organisational Structures - Revision

Different organisational structures and when each are appropriate:

- hierarchical and flat
- centralised and decentralised.

The importance of effective communication:

- the impact of insufficient or excessive communication on efficiency and motivation
- barriers to effective communication.

Different ways of working:

- part-time, full-time and flexible hours
- permanent, temporary, and freelance contracts
- the impact of technology on ways of working: efficiency, remote working.

##### 2.5.2 Effective Recruitment - Revision

Different job roles and responsibilities:

- key job roles and their responsibilities: directors, senior managers, supervisors/team leaders, operational and support staff.

How businesses recruit people:

- documents: person specification and job description, application form, CV
- recruitment methods used to meet different business needs (internal and external recruitment).

Wider Business World – real life examples

### Additional Key Vocabulary

**Barriers to communication** – something that stops communication happening.

**Person Specification** – outlines the qualities a candidate needs for a job.

**Job Description** – outlines what the job involves – duties, pay, location

**CV** – Curriculum Vitae

**Internal Recruitment** – recruiting from inside a business.

**External Recruitment** – recruiting from outside the organisation.

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## Theme 2 – Building a Business

Wider Business World – real life examples

### Key Vocabulary

**On the job training** – sometimes known as 'informal' training as it is carried out in the workplace.

**Off the job training** – sometimes known as 'formal' training as it is carried out away from the workplace.

**Performance Review** – where an employee and their line manager discuss their performance and if they have achieved their performance objectives.

**Staff Retention** – keeping staff working in the business.

**Productivity** – measure of efficiency – usually output per person per time period.

**Remuneration** – wages / salaries

**Commission** – % an employee receives from sales.

**Fringe Benefits**- 'perks' of the job – extras in addition to an employee's salary, such as – car, phone, private health cover.

**Job rotation** – moving around to different workstations- becoming multi skilled.

**Job enrichment** – being given a range of activities and responsibilities.

**Autonomy** – the independent power to decide on what you are going to do at work.

### DO I UNDERSTAND THIS TOPIC?



#### Topic 2.5 Making Human Resource Decisions

##### 2.5.3 Effective Training and Development - Revision

How businesses train and develop employees:

- different ways of training and developing employees: formal and informal training, self-learning, ongoing training for all employees, use of target setting and performance reviews.

Why businesses train and develop employees:

- the link between training, motivation and retention
- retraining to use new technology.

##### 2.5.4 Motivation - Revision

The importance of motivation in the workplace:

- attracting employees, retaining employees, productivity.

How businesses motivate employees:

- financial methods: remuneration, bonus, commission, promotion, fringe benefits
- non-financial methods: job rotation, job enrichment, autonomy.

Temporary workers  
at John Lewis

