

Topic

Types of Business Activity

Important Bits

There are three sectors of the economy - primary, secondary and tertiary. Primary is the first stage, which involves extracting a raw material. The secondary sector is where the raw materials are manufactured into finished products. The final sector is tertiary where a service is provided for the customers.

All of the sectors are interdependent which means one sector cannot produce without work done in another sector. This can create a chain of production by where each sector is involved in of production of the good and will add value to a product or service.

Employment in the primary and secondary sectors in the UK is declining, while employment in the tertiary sector is increasing. When there is a large reduction in the importance of the secondary sector of business activity in a country this is known as de-industrialisation.

Test Yourself

Minerals plc. operates as a large global company involved in the mining of gold.

a) Which sector of business activity does Minerals plc. operate in? (1 Mark)

A&W is a partnership, which sells clothes that they have designed and made themselves.

b) Explain why A&W is part of both the secondary and tertiary sectors? (2 Marks)

Lowton plc. are a large multinational company which has a chain of hotels within the EU.

c) Using Fig. 1, explain what is meant by the term deindustrialisation. (2 Marks)

d) Explain one possible reason for the increase in employment in the tertiary sector. (2 Marks)

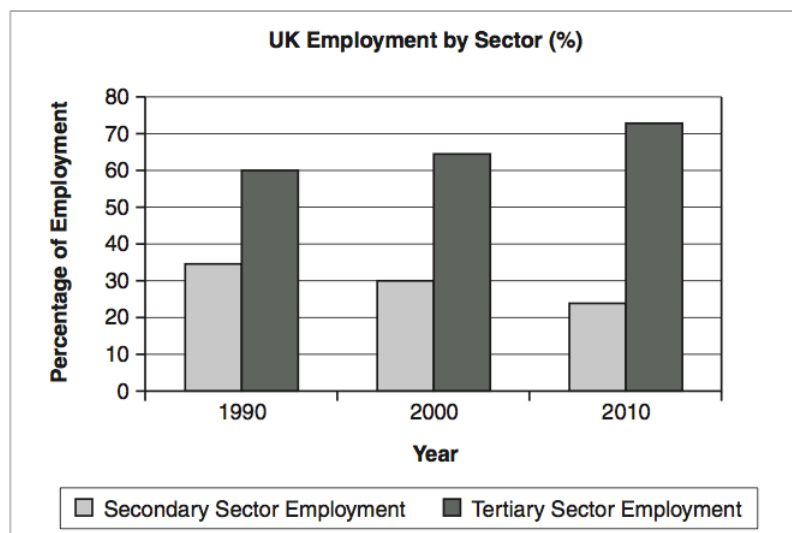


Figure 1

Topic

Business Objectives

Important Bits

All businesses have one or more objectives, which will vary depending on the size and situation of the business. As a business develops over time the objectives will change. Sometimes certain objectives businesses have may be in conflict with one another. Typical objectives a business may have might include maximizing profit, growth, survival or providing a service. It may depend if the business is in the private sector (owned by private individuals) or the public sector (controlled by government) to what their objectives could be.

Test Yourself

Wisdom & Molars Partnership (WMP) is a dental practice, which opened in 2010. Its objective for the first year was to survive.

a) State and explain one reason why Wisdom & Molars Partnership's objectives may have changed after its first year of business. (2 Marks)

Choc-bloc plc. is a well known company which makes and sells chocolate to customers around the world.

b) State and explain one reasons why a business such as Choc-bloc plc. may exist? (2 Marks)

Two aims of Choc-bloc plc. are:

1. Improving the motivation of its employees;
2. Maximising profit.

c) Explain how these two aims may conflict with each other. (2 Marks)

UNICEF is a charity, which aims to raise funds and awareness for child rights worldwide.

d) Explain how the objectives of UNICEF may be different to those followed by other private sector businesses. (4 Marks)

Remember!

Have you fully read the question?

Have you made enough points in your answer to gain all the marks?

*Make sure you **apply** your answer the business in the question!*

Extension – Explain why a businesses objectives need to change over time. Use an example of a business you know to help explain your answer.

Topic

Role of Stakeholders

Important Bits

Stakeholder is an individual or group of people who have an interest in a business. They will be affected by the decisions that a business makes and therefore usually every business will have a large group of different stakeholders. The reasons why stakeholders will be interested in a business will differ depending on the business but there may be some conflict between certain stakeholder groups as they have different objectives. Examples of some of the main stakeholders in businesses are: workers, managers, owners, customers, suppliers, government, local community and competitors.

Test Yourself

AirJet plc is an airline, which flies customers to destinations throughout Europe.

- a) AirJet plc will have many stakeholders. Explain why each of the following stakeholders will have an interest in Airjet plc. (2 Marks)
- Employees
 - Public

Choc-Bloc plc. is a well-known chocolate company. In 2011 they decided to close their UK factories and move production abroad.

- b) State and explain one way in which the local communities around each of the factories might be affected. (2 Marks)

TechTeach Ltd makes and sells computers throughout the UK & Europe.

- c) Identify two reasons why the UK Government has an interest in TechTeach Ltd. (2 Marks)

Fizz plc. makes carbonated drinks, which it sells throughout supermarkets across the UK.

- d) Two of the main stakeholders of Fizz plc. are the workers and the owners. Explain how these two groups may have conflict between their objectives. (3 Marks)

Remember!

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Extension – Choose a company of your choice and list three stakeholders and their reasons for interest in the business.

Topic

Growth & Integration

Important Bits

A business can grow in three main ways: through merging with another business, taking over another business or by internal expansion. The best method a firm could choose will depend on their current situation. It may decide to grow or integrate in a certain direction; horizontal (same stage of production), backwards vertical (stage behind of production), forwards vertical (stage ahead of production) or diversify (unrelated business activity).

If a business grows it may decide to re-locate. Choosing a location for a business to set up is a tough decision and there are a large number of location factors to consider. Not all location factors will affect every type of business and there are some types of business that are not affected by location factors. Some examples of factors which can affect location are cost, access to markets (customers), availability and access to raw materials, climate and transport links.

Test Yourself

TechTeach Ltd has decided to merge with one of its competitors called Wires Ltd.

- a) State which type of integration describes TechTeach Ltd merging with Wires Ltd. (1 Mark)
- b) Explain why TechTeach Ltd decided to merge with Wires Ltd rather than takeover the business. (4 Marks)

Wisdom & Molars Partnership (WMP) is a dental practice, which opened in 2010. They are considering the takeover of an established dental practice called Smiles Perfect.

- c) Explain whether or not Wisdom & Molars Partnership would be likely to benefit from the takeover of Smiles Perfect. In your answer you should refer to the advantages and disadvantages of takeovers. (6 Marks)

Remember!

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Extension – Choose a company of your choice and show all the potential integration moves that that company could make and then advise the company which one would be the best and why?

Topic

Location

Important Bits

If a business grows it may decide to re-locate. Choosing a location for a business to set up is a tough decision and there are a large number of location factors to consider. Not all location factors will affect every type of business and there are some types of business that are not affected by location factors. Some examples of factors which can affect location are cost, access to markets (customers), availability and access to raw material , climate and transport links.

Test Yourself

A&W is a partnership, which sells clothes that they have designed and made themselves. By 2010, A&W had nine shops around the UK. It now wants to open a tenth shop and is looking for a suitable location.

- a) *Explain one factor which may persuade A&W to locate its shop in a particular area. (2 Marks)*

Choc-Bloc plc. is a well-known chocolate company. In January 2011, WCC took over Choc-Bloc plc. WCC wanted to relocate Choc-Bloc plc's factories outside the UK.

- b) *State and explain two reasons why WCC wanted to relocate Choc-Bloc plc's factories outside the UK. (4 Marks)*

Wisdom & Molars Partnership (WMP) is a dental practice, which opened in 2010. When opening its business, Wisdom & Molars Partnership looked at many locations.

- c) *Explain two factors, which Wisdom & Molars partnership may have taken into consideration when locating its business. (4 Marks)*

Remember!

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Extension – Ben & Jerry have decided to open a new sandwich bar. Competition and wealth of area are two factors they have taken into consideration when choosing their location. Explain how these two factors may affect their decision.

Topic

Sole Proprietors & Partnerships

Important Bits

These are two forms of unincorporated business organisations. Setting up as a sole proprietor (owned by one person) or a partnership (owned by 2-20 people) is ideal for particular types of business organisations. There are many advantages and disadvantages to setting up as both these forms of business. The main disadvantage both of these have in common is 'unlimited liability' which is where the owners of the business are liable for all the debts of the business and risk losing personal possessions if the business fails. Because a partnership is more complicated they have to draw up a deed of partnership to detail the responsibilities of all the partners. Recent law changes have allowed partnerships to operate as 'limited liability partnerships' (LLP) that removes the risk of unlimited liability.

Test Yourself

A&W is a partnership, which sells clothes that they have designed and made themselves. When starting A&W, Michaela, Gemma & Joe signed a Deed of Partnership. Joe however is a 'sleeping/limited' partner.

- Identify one item which might be included in a Deed of Partnership (1 Mark)
- Explain one advantage to the partners of operating A&W as a partnership (2 Marks)
- Explain what a 'sleeping/limited' partner means. (2 Marks)

Dave Smith is a sole proprietor who has set up his own business as a painter and decorator.

- Explain the meaning of unlimited liability and how this may affect Dave Smith (2 Marks)*
- State and explain one advantage and one disadvantage of Dave Smith operating as a sole proprietor. (4 Marks)*

Remember!

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Extension – Explain why would a business want to set up as a sole trader or partnership rather than a public or private limited company?

Topic

Public & Private Limited Companies

Important Bits

These are two forms of incorporated business organisations. A private limited company (Ltd) is a business owned by shareholders sold privately to friends and family. A public limited company (plc) is also a business owned by shareholders but shares in a plc. can be bought or sold without restriction usually on the stock exchange. Being a plc. or ltd. is more complicated to set up than a sole proprietor or partnership but they will benefit from being able to raise larger amounts of capital much more easily through the sale of shares. They also both benefit from 'limited liability' whereby the owners/shareholders of the business do not risk losing personal possessions in order to pay off any debts of the business. Limited companies will usually pay a percentage of any profits they make to the shareholders in the form of a dividend, which can be a drain on the company's assets.

Test Yourself

Minerals plc. operates as a large public limited company (plc). Plc's have many advantages and these include:

- *Limited liability for the owners*
- *The ability to raise large amounts of capital.*

a) Explain how important each of the above advantages is to a plc. (4 Marks)

TechTeach Ltd makes and sells computers throughout the UK & Europe. It has offices in five EU countries. It has been suggested to the Board of Directors that TechTeach Ltd should change ownership from a private limited company to a public limited company. Not all the directors agree.

c) Identify a feature of a private limited company (1 Mark)

d) Explain one reason why TechTeach Ltd might want to change the business ownership from a private limited company to a public limited company. (2 Marks)

e) Explain one reason why some directors might be against changing the business ownership from a private limited company to a public limited company. (2 Marks)

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Topic

Other Types of Business Organisation

Important Bits

Businesses in the private sector are organized into one of four basic forms of business however there are some other different ways in which businesses can operate.

Co-operative – Trading organisations where a number of independent producers work together and trade as though they are a single larger seller.

Franchise – A marketing agreement that allows another business to trade in the same style as an existing business.

Multinational Companies – A company with facilities in several different countries.

Social Enterprise – The name given to a business enterprise that is run for the benefit of the community with any profits that are made being put back into community projects.

Test Yourself

Sleepz plc. is a large multinational company, which has a chain of hotels within the European Union.

- a) Explain one advantage and one disadvantage to the shareholders of Sleepz plc of it being a multinational company. (4 Marks)

The Lunch Box Ltd is a sandwich-based franchise, which has stores across the country.

- b) State and explain one reason why a person would want to buy a franchise rather than setting up their own company. (2 Marks)

A worker co-operative is a business owned and controlled by its workers rather than outside shareholders.

- c) State and explain one disadvantage of operating a business as a worker co-operative. (2 Marks)

James is a sole trader who owns a local plumbing business. Recently a social enterprise set up to called delta, which provides plumbing services for the elderly.

- d) Explain what the difference is between a sole trader and a social enterprise (2 Marks)

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Topic

Employment & Retention

Important Bits

Workers are often the most important resource in a business so selecting and keeping the best ones is an important yet expensive process. The department that deals with these issues is called the human resources department (HRM). Firstly needs analysis will allow the firm to be sure of what kind of person the firm will need. They then can advertise for the job but must do so carefully so that they only get people who can and who are willing to do the job. They can then select whom to employ from a number of applicants using more than one source of information about them to get the best picture of who will best suit the role. If a firm doesn't have time to go through this whole process they may allow a recruitment agency to carry out the task on behalf of the organisation. If they just need someone for a short period they may use an employment agency, which has temporary workers available for hire.

Test Yourself

Viva Sports Ltd is a sports manufacturer and retailer, which sell sports clothes in stores across the UK's. Viva Sports is looking to recruit a new store manager and is deciding whether to use one or both of the following recruitment methods:

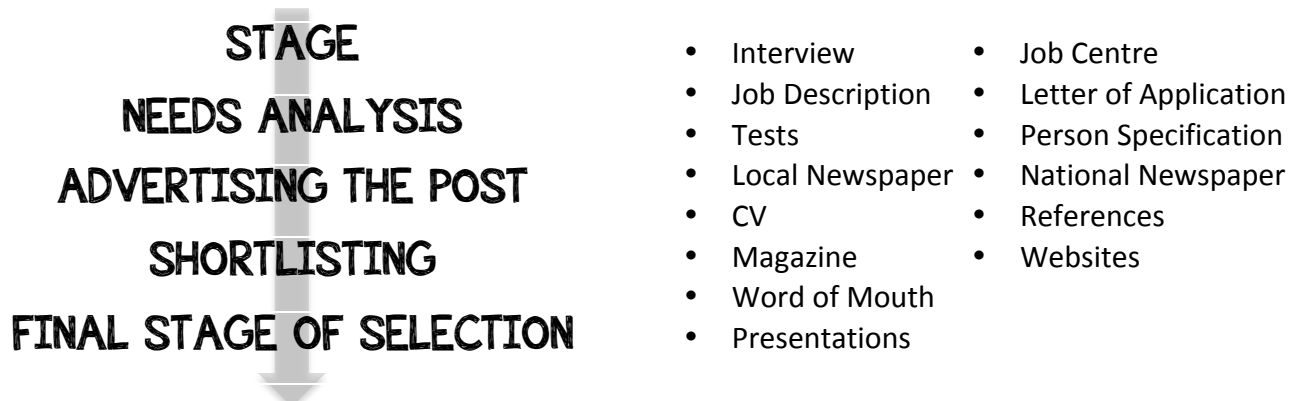
- *National Newspaper*
 - *Company Website*
- a) Explain each of the above methods of recruitment and recommend which would be the most effective for. Give reasons for your recommendation. (6 Marks)

BetaBuys Ltd is a small convenience store retailer. It has decided to use a recruitment agency to recruit a new manager for one of its branches.

- b) Explain one advantage and one disadvantage of BetaBuys Ltd using a recruitment agency to recruit and select a new branch manager.

Extension

Complete the flow chart by putting the terms about recruitment and selection next to the appropriate stage in the process.



Topic

Motivation

Important Bits

There are many reasons why people work and there are different kind of needs that can be satisfied by work, which was one thing that was noted by Maslow, and his hierarchy of needs. Its important to have a motivated work force as it can help the organisation achieve its objectives. Monetary methods (e.g. time rate, salary, overtime, bonus, commission) are important motivators as they provide the money people need to buy what they need. People can be motivated in other ways besides money. Non-monetary methods (e.g. fear, job rotation, job enlargement, team working, awards, promotion) should meet the needs of the people they are intended to motivate & can often work just as well as monetary methods.

Test Yourself

Lynne, the HR manager of TechTeach Ltd, was asked to look at different methods of motivating the production workers. She is considering the following methods:

- *Introducing a bonus scheme*
 - *Introduce an award scheme with a monthly prize for the best worker*
 - *Introduce job rotation*
- a) Recommend which **one** of the methods above should be introduced to improve worker motivation at TechTeach Ltd. You should refer to **each** method in your answer. (6 Marks)

b) Using Maslow's hierarchy of need explain how a company can help employees to achieve each level of the pyramid. (4 Marks)



Topic

Leadership Styles

Important Bits

Leadership is about motivating others to perform well and contribute towards the objectives of the organisations. Some leaders motivate by inspiring people; others may bully and threaten. The leadership styles are:

Autocratic – Leader makes all the decisions and expects workers to carry out all tasks with no discussion about the work.

Democratic – Leader will discuss plans with workers about what to do but will make the final decision.

Laissez-faire – Leader decides the main objective but workers given responsibility for deciding how they are to achieve the objectives.

Test Yourself

Chris has become the new manager of FilmUK Ltd production company. He has been described as having a very laissez-faire style of management.

- a) Discuss the effectiveness of such a leadership style when managing a team of employees. (6 Marks)

- b) Describe and explain a business situation where an autocratic leadership style would be most suitable. (4 Marks)

Extension

Draw three cartoons/faces, which would best illustrate the three examples of leadership style.

Remember!

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Topic

Training

Important Bits

Training is about developing the knowledge, skills and abilities of workers and is usually quite costly. There is lots of different training needs (e.g. induction, technical, personal, knowledge) and they can take place on-the-job (where the worker works) or off-the-job (away from work). Staff appraisal is now important way in which businesses decide what training a worker should receive. Organisations that provide development opportunities for workers can be recognised and awarded by the Investors In People (IIP).

Test Yourself

Choc-bloc plc. have appointed Sharon as a new receptionist. The training planned for her included on-the-job and off-the-job training.

- a) Recommend whether Sharon should be given on-the-job or off-the-job training. In your answer you should make reference to the advantages and disadvantages of both types of training. (6 Marks)

UNICEF is a charity, which aims to raise funds and awareness for child rights worldwide. The have just gone through the recruitment and selection of a marketing director.

- b) The new marketing director will undergo an induction course organized by UNICEF. Explain one benefit of an induction course to new employees. (2 Marks)

Atlas World Ltd is a travel firm, which sells special event trips and holidays.

- c) Atlas World Ltd is concerned that some of its cabin crew do not deal with complaining passengers very well. Recommend a method of training that would improve the personal skills of the cabin crew. Give reasons for your answer. (4 Marks)

Extension

Lifelong learning is the idea that workers will need to keep learning different skills throughout their working life. Why would it be in the interest of a business to ensure this happens?

Remember!

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Topic

Employment Law

Important Bits

Labour laws deal with relations between workers and employers. Many laws are designed to protect the worker from employers who might treat them unfairly in some way. There are lots of laws that exist but the newly introduced Equality Act 2010 covers a majority of laws. The worker can sue the employer if they think they have been unfairly treated. Disputes between workers and employers are heard at an employment tribunal. The tribunal can make a guilty employer pay a fine and/or compensation to the worker.

Test Yourself

James Reddick owns Viva, a business that provides household services including plumbing, electrical and building work. James operates the business as a sole proprietor but is looking for a new trainee employee. One of the applicants for the trainee job, Chris, has a disability. James is unsure whether to shortlist Chris because of his disability.

- a) Advice James on whether or not he should shortlist Chris. Give reasons for your answer. (4 Marks)

Below are some health and safety regulations which businesses have to follow.

- **Regulation 1:** requires employers to plan the activities of those using computer monitors so that daily work is interrupted every hour by breaks or activities.
- **Regulation 2:** gives users of computer monitors the right to have a free eye test after requesting one.

Ollie works as a telephone sales representative for Atlas World Ltd at its call centre. His regular daily work means he spends two hours at a time looking at his computer monitor as he transfers passenger details onto the computer system

- b) Explain whether Ollie's rights are being denied. Give reasons for your answer. (3 Marks)

Remember!

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Topic

Trade Unions

Important Bits

Trade Unions exist to help represent the interest of workers and to deal with employers. Trade unions increase the power of workers because they represent the views of many people. Unions are able to help workers with all kinds of matters and if they cannot resolve a dispute they may encourage workers to take industrial action (e.g. strike, work to rule) but this will cause costs to the workers, customers, the firm and the economy. In some places of work several different unions may exist which can be quite complicated. In some firms there is a single union agreement where all workers agree to be a member of the same union, which should be clearer and simpler for negotiations. If disputes are still ongoing then ACAS (Advisory, Conciliation and Arbitration Service) can step in as an impartial party to help mediate and settle any industrial relation disputes.

Test Yourself

AirJet plc is an airline, which flies customers to destinations throughout Europe. The majority of workers employed by AirJet plc are members of a national trade union.

- a) Explain whether or not this is a benefit to AirJet plc. In your answer you should refer to the advantages and disadvantages of trade unions to AirJet plc. (6 Marks)
- b) Some of the workers have decided not to join the trade union. Explain one disadvantage to the workers of not joining the trade union. (3 Marks)
- c) Due to a recent disagreement with managers about working conditions and pay the members of AirJet plc's trade union are considering going on strike. Explain two likely impacts of strike action on AirJet plc. (4 Marks)
- d) If after the industrial action there was still no agreement reached. Explain how the role of ACAS can help both parties come to an agreement? (2 Marks)

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Topic

Business Communication

Important Bits

Good communications are essential to business. There are many kinds of communication (verbal, written or images) and developments in technology are making it both quicker and easier and more effective to communicate. For it to be effective it is important that the appropriate method of communication is selected. There can be many barriers to communication such as language, timing or attitude of sender however good communication will get around these issues. The developments in technology have also led to changes in the nature and location of work.

Test Yourself

The Managing Director of Atlas World often wants to discuss common issues with all 10 overseas at the same time. In order to use this he uses video conferencing.

- a) State and explain one advantage and one disadvantage to Atlas World plc of using video conferencing to communicate with its overseas directors. (4 Marks)

Good communication is important if a business is to be successful.

- b) State and explain **two** appropriate methods Wisdom & Molars Partnership might use to communicate with its **customers**.
- c) Three potential barriers to communication within a business are shown below. State why each may be a barrier to communication. (3 Marks)
- Attitude to sender
 - Language used
 - The time when the communication is sent

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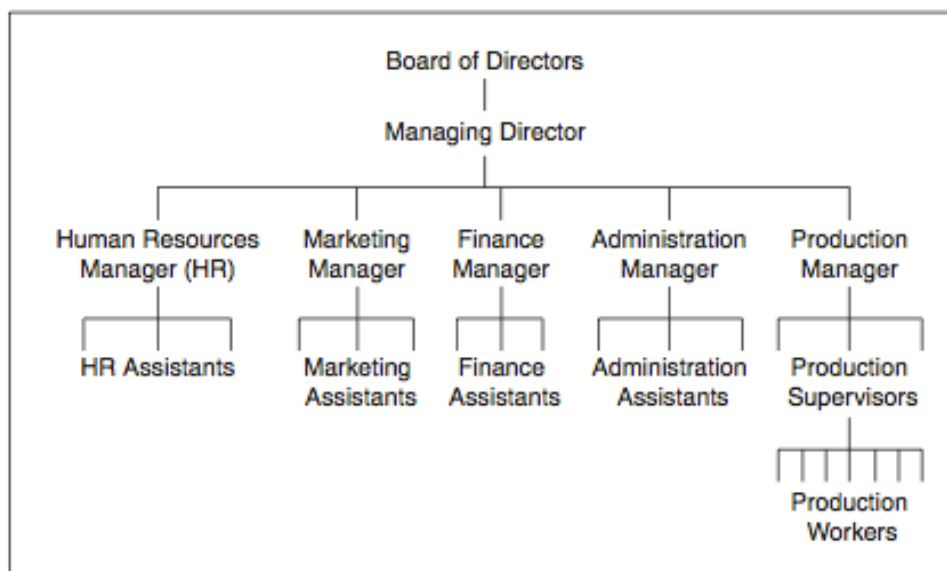
Topic

Organisation Charts

Important Bits

Organisational charts can take very different forms depending on the type of business and the objective that the business is trying to achieve. They allow a business to see worker roles and responsibilities and how departments are linked together. Generally a structure will be either tall or flat depending on how many layers there are in the business. There is a lot of terminology associated with organisational charts such as chain of command, span of control, delegation, hierarchy, subordinates and line of communication. You will need to be familiar with these terms and be able to apply them to a organisational chart.

Test Yourself



The diagram above shows part of the internal organisation structure of BetaBuys Ltd.

- What is the managing directors span of control? (1 Mark)
- Explain what is meant by the term **chain of command**. Use an example from the diagram to support your answer. (2 Marks)
- Use an example from the above organizational chart to explain **delegation** (2 Marks)
- State and explain **one** benefit to of having an internal organisation chart. (2 Marks)
- Explain **why** businesses such as BetaBuys Ltd have a Finance department. (3 Marks)

Extension

Draw out an organizational chart for the school including each department.