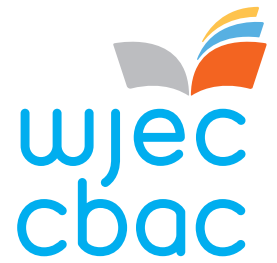


GCE AS/A LEVEL



# WJEC GCE AS/A LEVEL in BUSINESS

ACCREDITED BY WELSH GOVERNMENT

## TEACHERS' GUIDE

Teaching from 2015



This Welsh Government regulated qualification is not available to centres in England.

## INTRODUCTION

The **WJEC AS and A level Business** qualifications, accredited by the Welsh Government for first teaching from September 2015, are available to:

- All schools and colleges in Wales
- Schools and colleges in independent regions such as Northern Ireland, Isle of Man and the Channel Islands.

The AS will be awarded for the first time in Summer 2016, using grades A–E; the A level will be awarded for the first time in Summer 2017, using grades A\*–E.

The specification offers a contemporary, holistic approach to the subject, encouraging learners to develop tools to apply to a wide range of business techniques and concepts across a wide range of business contexts.

The structure of the content is broadly similar to the previous WJEC specification, incorporating new content in four distinctive units – **Business Opportunities, Business Functions, Business Analysis and Strategy** and **Business in a Changing World**.

**Unit 1** focuses on new business start-ups and SMEs to allow learners to understand the issues surrounding small businesses. In **Unit 2** learners are introduced to the four main functions of a business and the core concepts within each function. **Unit 3** introduces learners to analytical techniques and business strategies and requires the analysis and evaluation of quantitative and qualitative data to make reasoned judgements. **Unit 4** completes the holistic approach by introducing the wider external

environment and how businesses adapt to succeed in a global marketplace.

The structure of the assessment also follows a progressive and holistic approach. **AS Unit 1** uses short-answer questions and data response questions to assess the Business Opportunities content. **AS Unit 2** uses data response questions to assess all AS content. **A2 Unit 3** includes more complex data and extended answers to focus on the Business Analysis and Strategy content, but also drawing on and developing Business Opportunities and Functions content. **A2 Unit 4** progresses the assessment to require learners to give extended answers based on a case study and one essay which draws together the content from all four units.

The structure allows learners to provide extended responses and demonstrate their ability to draw together different areas of knowledge and understanding from across the full course of study.

### Additional ways that WJEC can offer support:

- Specimen assessment materials
- Face-to-face CPD events
- Examiners' reports on each question paper
- Free access to past question papers and mark schemes via the secure website
- Direct access to the subject officer
- Free online resources
- Exam Results Analysis
- Online Examination Review

## AIMS OF THE TEACHERS' GUIDE

The principal aim of the Teachers' Guide is to support teachers in the delivery of the new **WJEC AS and A level Business** specification and to offer guidance on the requirements of the qualification and the assessment process.

The guide is **not intended as a comprehensive reference**, but as support for professional teachers to develop stimulating and exciting courses tailored to the needs and skills of their own learners in their particular institutions.

The guide offers assistance to teachers with regard to possible classroom activities and links to useful digital resources (both our own, freely available, digital materials and some from external sources) to provide ideas for immersive and engaging lessons.

The guide will concentrate on those areas new to WJEC subject specifications and those subject areas where guidance has been requested most.

## DELIVERING THE SPECIFICATION: OVERVIEW

### Background

This specification aims to remain faithful to traditional business theory whilst at the same time keeping abreast of the latest developments in business practice and the business environment. Much of the specification will be familiar to centres that followed the old WJEC specification in Business Studies. The main change in emphasis has been brought about due to two factors: the impact of changes in technology on businesses (for example, the impact of the internet on the way that people shop) and the way that business practice has changed due to the increased importance of globalisation.

### Approach

Learners are encouraged to look at business organisations from both the inside and the outside and to understand the importance of all stakeholders. Learners need to be concerned about the factors that affect the success of businesses but they should also be aware of the wider implications of business activity on individuals, society and the environment. On the one hand they will need to appreciate why businesses are opposed to too much regulation but they should also be aware of the arguments in favour of regulating business activities that are, in one way or another, potentially harmful.

One of the great attractions of business as a subject is that it is concerned with the 'real world'. The contemporary nature of the subject has the potential to make it interesting and exciting for learners to study. They should be encouraged, as much as possible, to follow current events and to see how the theory that they learn in the classroom relates to the world of business. The specification also gives learners the opportunity to carry out research and to present their findings. They will have the opportunity to take part in group work and to develop their ICT skills.

Although the specification is now linear, it has nevertheless been designed, as far as possible, to follow a natural progression, starting with small independent businesses and ending with business on a global scale.

Due to the linear nature of the specification, it can, in practice, be taught in any order. For example, the various sections on marketing might be taught at the same time, rather than in the sequence in which they occur in the specification. If the specification is to be taught by several teachers it can be divided up in several different ways to suit the relative specialisms of the individuals concerned.

**Unit 1** begins with small businesses but also covers markets and competition, other forms of business and the role of the public sector.

**Unit 2** focuses on the four main business functions: marketing, people, finance and operations management.

**Unit 3** involves the bulk of the work of handling and manipulating data as well as the problem-solving techniques and tools such as forecasting, decision trees and investment appraisal. This unit will naturally encompass the use and development of quantitative skills.

**Unit 4** considers the external environment of business, what used to be known as the PEST factors, and the international dimension. This unit will introduce more complex issues to learners and develop their ability to develop arguments and offer balanced evaluations.

Each unit builds on the knowledge and skills learned in the previous unit. The assessment for Unit 3 and Unit 4 will contain a number of synoptic questions that integrate knowledge gained throughout the specification.

## USEFUL INTERACTIVE RESOURCES

[Educational Resources > A Level Business](#)

[WJEC > A Level Business > Specification from 2015](#)

[WJEC > A Level Business > Specimen Assessment Materials](#)

## DELIVERING THE SPECIFICATION: DETAILS

### Structure of the AS

The AS qualification has two papers. Each paper has a distinctive approach to ensure the assessment of a full range of academic skills. The exam papers also get progressively more challenging for learners.

#### **Paper 1** (75 minutes, 60 marks)

Paper 1 combines short-answer questions with data response questions. The paper assesses the content in Unit 1 only.

#### **Paper 2** (120 minutes, 80 marks)

Paper 2 includes a number of data response questions, some requiring extended responses, to assess all the AS content.

### Structure of the A level

The full A level comprises the AS and A2 units. In assessing the full A level it will be assumed that learners can draw upon their knowledge and understanding of the AS content.

#### **Paper 3** (135 minutes, 80 marks)

Paper 3 includes a number of data response questions, some short and some requiring extended answers to assess business analysis and strategy. The content from the AS units will be called upon to underpin the responses in this paper. This paper will naturally call upon learners' quantitative skills in order to answer the questions.

#### **Paper 4** (135 minutes, 80 marks)

Paper 4 has two distinct sections. Section A will include a number of questions, mostly requiring extended answers, based on a case study. These questions will call on the content from all four units and will also include synoptic assessment. Section B requires learners to write one synoptic essay from a choice of three. Each essay is split into two parts. Part (a) focuses on knowledge and understanding and part (b) focuses on analysis and evaluation.

## USEFUL INTERACTIVE RESOURCES

[Educational Resources](#) > [A Level Business](#)

[WJEC](#) > [A Level Business](#) > [Specification from 2015](#)

[WJEC](#) > [A Level Business](#) > [Specimen Assessment Materials](#)

ASSESSMENT STRATEGY : KEY EXAMINATION COMMAND WORDS

ASSESSMENT OBJECTIVES AND THEIR RELATED COMMAND WORDS			
Assessment Objective	Learner ability/action	Command word(s)	Example questions
AO1	Demonstrate <b>knowledge</b> of terms, concepts, theories, methods and models to show an <b>understanding</b> of how individuals and organisations are affected by and respond to business issues.	State Define Identify Name Label Suggest Describe Outline Categorise Summarise What is meant	Identify two of the main components of a business plan. [2]  Describe the financial incentives that a large retail store might use to motivate its employees. [6]  State the difference between fixed and variable costs. [2]  What is meant by the term added value? [1]
AO2	<b>Apply</b> knowledge and understanding to various business contexts to show how individuals and organisations are affected by and respond to issues.	Apply/Use Demonstrate Calculate Illustrate Select Show Adapt With reference to	Adapt the diagram to show what will happen to the price of sports clothing as the general level of income rises in the UK. [2]  With reference to the cash-flow forecast identify the problem facing Darnton's Shoes. [2]  Calculate the average rate of return for both machines. [4]  Illustrate how the production process can add value, using the example of a furniture business that makes wooden tables. [2]

## ASSESSMENT STRATEGY : KEY EXAMINATION COMMAND WORDS

ASSESSMENT OBJECTIVES AND THEIR RELATED COMMAND WORDS			
Assessment Objective	Learner ability/action	Command word(s)	Example questions
AO3	<b>Analyse</b> issues within business, showing an understanding of the impact on individuals and organisations of external and internal influences.	Analyse Compare/Contrast Explain Develop Distinguish	Analyse how Aldi and Lidl can take advantage of economies of scale as their businesses continue to grow. [8]  Assess the usefulness of this prediction to the company. [6]  With reference to the data, analyse United Biscuits' strengths and weaknesses. [10]
AO4	<b>Evaluate</b> quantitative and qualitative information to make informed judgements and propose evidence-based solutions to business issues.	Discuss Assess Decide Recommend Conclude Evaluate Argue Justify Consider To what extent Do you agree Advise	Explain the possible benefits and drawbacks of each chosen source of finance. [4]  To what extent do you agree with the view that a business plan will guarantee the success of a business venture? [8]  Discuss the view that, since advertising represents an attempt to persuade people to buy things that they do not need, it is fundamentally unethical. [20]  With reference to the cash-flow forecast propose three possible solutions to solve the financial problem that faces Darnton's Shoes. [3]  Evaluate the importance of Mr Glenn's leadership in bringing about change at United Biscuits. [12]

## WHAT'S NEW, CHANGED AND KEY ASPECTS OF THE SPECIFICATION FROM 2015

The first unit of the specification begins with small businesses but also covers markets and competition, other forms of business and the role of the public sector.

### UNIT 1: BUSINESS OPPORTUNITIES (1 OF 3)

AREA OF STUDY	DESCRIPTION
<p><b>Enterprise:</b></p>	<p>Learners need to gain understanding of the importance of enterprise and SMEs (small and medium-sized enterprises). There is an opportunity here for research into local and national businesses and successful individuals. Learners should identify business opportunities as potential entrepreneurs.</p> <p>The importance of smaller businesses to all three sectors of the economy (primary, secondary and tertiary) should be understood, along with the crucial role that they play in the UK economy in terms of employment, output, exporting and innovation.</p> <p>Consideration should be given to the reasons why many new businesses fail within the first few years.</p> <p>The role and importance of stakeholders to all types of business should be explained.</p>
<p><b>Business Plans:</b></p>	<p>Knowledge of the purpose and contents of a business plan are required as well as an awareness of the main sources of information and guidance to entrepreneurs. Business plan templates are available from the government and the banks, amongst other sources, but learners will need to understand that such templates need to be adapted to particular circumstances.</p>

## WHAT'S NEW, CHANGED AND KEY ASPECTS OF THE SPECIFICATION FROM 2015

The first unit of the specification begins with small businesses but also covers markets and competition, other forms of business and the role of the public sector.

### UNIT 1: BUSINESS OPPORTUNITIES (2 OF 3)

AREA OF STUDY	DESCRIPTION
<p><b>Markets:</b></p>	<p>Learners need to understand the general nature of markets, i.e. places (or situations) where buyers and sellers meet, and then develop this to understand that not all markets are the same and different types of markets exist. The main features of perfect competition, monopolistic competition, oligopoly and monopoly need to be understood in terms of how the differing degrees of competition impact on business behaviour.</p> <p>Learners need to understand how and why businesses segment their markets.</p> <p>An understanding is required as to why consumers need protection from potential exploitation by some businesses. Detailed knowledge of consumer protection legislation is not required – the emphasis should be placed on the reasons why such legislation is deemed to be necessary across a range of markets.</p> <p>Learners need to understand, by using supply and demand diagrams, how, under conditions of perfect competition, the forces of supply and demand influence the prices and quantities of goods and services bought and sold.</p> <p>An understanding of the concepts of both price and income elasticity is now required – although learners do not have to undertake any calculations until Unit 3 in the A level. Learners are also now specifically required to explain the nature of inferior, normal and luxury goods.</p>
<p><b>Market Research:</b></p>	<p>Learners need to understand the nature of desk and field research and the importance of using the most appropriate method. Learners need to be able to use quantitative and qualitative data and correctly interpret and evaluate the research. There is opportunity here for learners to make practical use of these techniques.</p> <p>An ability to explain the concept of sampling is now included and learners are required to explain the difference between random and quota sampling only. In addition, an understanding of the need to avoid bias when undertaking market research is now required.</p>

## WHAT'S NEW, CHANGED AND KEY ASPECTS OF THE SPECIFICATION FROM 2015

The first unit of the specification begins with small businesses but also covers markets and competition, other forms of business and the role of the public sector.

### UNIT 1: BUSINESS OPPORTUNITIES (3 OF 3)

AREA OF STUDY	DESCRIPTION
<p><b>Business Structure:</b></p>	<p>Learners need to understand the importance of the public sector in providing the goods and services that for-profit private sector businesses are unable or unwilling to provide. The role of not-for-profit organisations should also be understood.</p> <p>Knowledge of the different types of private sector business, including advantages and disadvantages to their various stakeholders and being able to evaluate the factors that affect the choice of ownership. Learners need to clearly understand the concept of unlimited and limited liability.</p>
<p><b>Business Location:</b></p>	<p>The emphasis here is on the factors that affect the location decisions of a new business; established businesses are considered elsewhere in the specification.</p>
<p><b>Business Finance:</b></p>	<p>The emphasis here is on sources of finance for SMEs. Other businesses are considered in the section on finance in business functions.</p>
<p><b>Business Revenue and Costs:</b></p>	<p>Learners need to understand the differences and relationship between costs, revenue and profit (N.B. the identification of semi-variable costs is now required).</p> <p>Learners need to calculate contribution in addition to constructing and interpreting break-even charts. Care needs to be taken in order to accurately construct and label break-even charts.</p> <p>Learners need to understand how businesses use break-even analysis in the business and undertake 'what-if' analysis.</p> <p>With an increased focus and demand of quantitative skills in the new GCE specification it is important that learners are given plenty of opportunity to develop these skills and this topic area is ideal to do this.</p>

## WHAT'S NEW, CHANGED AND KEY ASPECTS OF THE SPECIFICATION FROM 2015

The second unit looks at the four main functions of business in greater detail: marketing, people, finance and operations management.

UNIT 2: BUSINESS FUNCTIONS – MARKETING (1 OF 1)	
AREA OF STUDY	DESCRIPTION
<b>The Marketing Mix:</b>	Learners need to understand why different components of the marketing mix are important to different types of business and be able to explain orientation and asset-led marketing.
<b>Marketing – Product:</b>	Learners need to understand the importance of having the right product. They need to understand the product life cycle and its relationship to cash flow. They should be able to use the Boston Matrix to analyse a business's product portfolio.
<b>Marketing – Price:</b>	Learners need to understand the various pricing strategies used by businesses and the appropriate circumstances in which they are used.
<b>Marketing – Promotion:</b>	Learners need to understand the need to use appropriate above and below-the-line promotion strategies depending on the type of business and the market that it is operating in.
<b>Marketing – Place:</b>	Learners need to understand the importance of having their products and services sold in the correct space. The concept of multi-channel distribution now requires explanation, i.e. how and why businesses are now distributing their products and services in a wider variety of channels in today's markets.
<b>Decisions about the Marketing Mix:</b>	Learners need to consider the different types of markets, from niche markets to global markets, and the way that this influences decisions about the marketing mix.
<b>Marketing – New Technology:</b>	Learners are now required to explain the role of digital media, social media, e-tailing and m-commerce when demonstrating how new technology is increasingly used in marketing.

## WHAT'S NEW, CHANGED AND KEY ASPECTS OF THE SPECIFICATION FROM 2015

The second unit looks at the four main functions of business in greater detail: marketing, people, finance and operations management.

### UNIT 2: BUSINESS FUNCTIONS – FINANCE (1 OF 1)

AREA OF STUDY	DESCRIPTION
<b>The Finance Department:</b>	Learners need to understand, in general, the importance of finance and the role of the finance department in a business.
<b>Budgeting:</b>	Learners need to understand the general nature of budgets. Calculations of variances are considered in Unit 3.
<b>Sources of Finance:</b>	Learners need to be aware of the various sources of internal and external finance available to established businesses and be able to assess their appropriateness under different circumstances.
<b>Cash-flow Forecasting:</b>	Learners need to be able to construct and interpret cash-flow forecasts and, where necessary, suggest ways of improving cash flow.
<b>The Income Statement:</b>	Learners should be able to construct straightforward trading and profit and loss accounts and be able to interpret the main points of a PLC's income statement as given in the Annual Report. Learners are not expected to understand any items from an Income Statement that do not appear in a typical textbook profit and loss account. Operating profit before tax and interest can be considered as net profit for calculation purposes.
<b>Ratio Analysis:</b>	Learners are now required to calculate and interpret both gross and net profit margins. In addition, learners will need to be able to evaluate these profitability ratios in order to assess the performance of a business. Other ratios are considered in Unit 3.

## WHAT'S NEW, CHANGED AND KEY ASPECTS OF THE SPECIFICATION FROM 2015

The second unit looks at the four main functions of business in greater detail: marketing, people, finance and operations management.

### UNIT 2: BUSINESS FUNCTIONS – PEOPLE IN ORGANISATIONS

(1 OF 3)

AREA OF STUDY	DESCRIPTION
<b>The Human Resources Department:</b>	Learners should be aware of the functions carried out by the Human Resources department of a business but also that not all businesses have a formal HR department and that these functions, especially in smaller businesses, may be carried out in some other way.
<b>Changes in Working Practices:</b>	Learners should be aware of the way that working practices have changed in recent years: from the traditional pattern of a job for life to the current situation where the workforce is flexible, both in the sense of the nature of employment, including part-time working and zero-hours contracts and the way in which employees carry out their jobs, including home-working and hot-desking. They need to understand the benefits and drawbacks of these developments to employers and employees.
<b>Workforce Planning:</b>	Learners need to understand the importance of workforce planning in ensuring that a business has the right mix of skills and experience in order to carry out its work efficiently.
<b>Recruitment, Training and Appraisal:</b>	Learners should be aware of the methods and importance of recruitment. This could be achieved through analysing and evaluating the approaches used by an actual business or businesses, since many businesses now use online recruitment it is relatively easy to obtain up-to-date information. Learners need to understand the methods and importance of training and appraisal and, once again, will benefit from studying actual business practice in this area.
<b>Workforce Performance:</b>	Learners need to understand how workforce performance can be measured and be able to carry out the relevant calculations. They need to understand the importance of high productivity, low absenteeism and a stable workforce to businesses, bearing in mind that some industries, such as fast food, regularly experience a high turnover of employees due to the nature of the business.

## WHAT'S NEW, CHANGED AND KEY ASPECTS OF THE SPECIFICATION FROM 2015

The second unit looks at the four main functions of business in greater detail: marketing, people, finance and operations management.

### UNIT 1: BUSINESS FUNCTIONS – PEOPLE IN ORGANISATIONS

(2 OF 3)

AREA OF STUDY	DESCRIPTION
<p><b>Organisational Design:</b></p>	<p>Learners should be aware of the traditional pattern of a tall hierarchy with little employee empowerment in contrast to the more modern model of a flatter hierarchy together with greater empowerment. Learners should appreciate the benefits and drawbacks of each and their relevance to different types of business. Real-world examples should help to make these distinctions clear. They should also understand the circumstances in which a matrix structure is appropriate.</p>
<p><b>Motivation:</b></p>	<p>As well as the four well-known theorists Taylor, Mayo, Maslow and Herzberg, the expectancy theories of Vroom, Lawler and Porter have been added. These theories state that, in order to motivate an individual, management must offer a reward that the employee considers to be worthwhile in order to complete a task, but that also the employee must feel that he or she is capable of completing the task that they have been set. It would not be worthwhile putting in a great deal of effort only to find that they have failed to meet the objective and as a result do not receive the reward that they were hoping for.</p> <p>As well as being able to evaluate these theories, learners need to understand the main methods of financial and non-financial motivation.</p>
<p><b>Management and Leadership:</b></p>	<p>Learners are required to explain what is meant by management. In addition, the functions and roles of managers also need to be explained, along with the advantages and disadvantages of management by objectives (MBO).</p> <p>Learners need to understand McGregor's theory X and theory Y and be able to evaluate the various leadership styles.</p> <p>The leadership theories of Fiedler and Wright and Taylor are now included.</p> <p>Fiedler believed that, rather than trying to persuade managers to change their style to fit particular circumstances, it made more sense to find a manager that had an appropriate leadership style for the job in hand.</p> <p>Wright and Taylor believed that being born with appropriate traits is not the only way to become a good leader and that it is possible to learn the necessary skills. They have suggested a number of practical ways in which this can be achieved.</p>

## WHAT'S NEW, CHANGED AND KEY ASPECTS OF THE SPECIFICATION FROM 2015

The second unit looks at the four main functions of business in greater detail: marketing, people, finance and operations management.

### UNIT 2: BUSINESS FUNCTIONS – PEOPLE IN ORGANISATIONS

(3 OF 3)

AREA OF STUDY	DESCRIPTION
<p><b>Employer/Employee Relationships:</b></p>	<p>Learners need to understand the importance of good relationships between employers and employees and understand the types of factors that lead to both good and bad relationships.</p> <p>Learners are required to explain and evaluate the impact of equal opportunities in the workplace.</p> <p>Learners need to have a basic understanding of the origins and recent history of trade unions and their role in the workplace.</p> <p>Learners will need to be able to explain the causes of employer and employee conflict and the various forms of industrial action and the ways in which disputes can be resolved, including the role of ACAS. The evaluation of the impact of (good/bad) employer/employee relations on a business and its stakeholders is also required.</p>

## WHAT'S NEW, CHANGED AND KEY ASPECTS OF THE SPECIFICATION FROM 2015

The second unit looks at the four main functions of business in greater detail: marketing, people, finance and operations management.

UNIT 2: BUSINESS FUNCTIONS – OPERATIONS MANAGEMENT (1 OF 2)	
AREA OF STUDY	DESCRIPTION
<b>Operations Management:</b>	<p>Learners need to understand the importance of the production process.</p> <p>The production process will vary greatly depending on the size and nature of a business and the types of product it is producing. It will be greatly affected by developments in technology and the skills of the workforce.</p>
<b>Added Value:</b>	<p>Learners need to understand the process of adding value as part of the chain of production. They need to understand how value added is calculated, i.e. by subtracting the value of inputs from the value of output. They need to appreciate the ways in which value added might be increased in different circumstances and the advantages to a business of selling products that have higher added value.</p>
<b>Production:</b>	<p>Learners need to be able to explain and evaluate the appropriateness of different methods of production used by different types of business: job, batch and flow production methods.</p>
<b>Productivity:</b>	<p>Learners need to understand the nature and importance of labour productivity and the ways in which it can be measured and improved. The UK lags behind other countries in terms of labour productivity and this has serious implications for the ability of UK companies to compete with businesses from other countries.</p> <p>Learners need to understand the concept of capacity utilisation and the way that it is measured. They should be able to evaluate the impact of low/high capacity utilisation on a business.</p>
<b>Technology:</b>	<p>Learners should be aware of recent developments in technology and the ways that these developments impact on different types of business (for example manufacturing, retailing and transport) and their stakeholders.</p>
<b>Lean Production:</b>	<p>Learners need to understand the meaning of lean production, the various practices that are used and the advantages and disadvantages that it can have for a business and its stakeholders.</p>
<b>Quality:</b>	<p>Learners need to understand the meaning of quality in relation to customer satisfaction rather than as an absolute set of criteria and the importance of quality in relation to different types of specific businesses.</p> <p>In addition they are required to explain the difference between quality control and quality assurance as well as TQM and how it can be achieved.</p>

## WHAT'S NEW, CHANGED AND KEY ASPECTS OF THE SPECIFICATION FROM 2015

The second unit looks at the four main functions of business in greater detail: marketing, people, finance and operations management.

### UNIT 2: BUSINESS FUNCTIONS – OPERATIONS MANAGEMENT (2 OF 2)

AREA OF STUDY	DESCRIPTION
<p><b>Purchasing:</b></p>	<p>Learners need to understand the importance of purchasing to different types of business, e.g. retailing, where merchandising, i.e. having the right range of products, can be crucial.</p> <p>Purchasing affects, amongst other things, the costs of inputs, the quality of inputs (and hence outputs) and the range of products that a business can sell.</p> <p>Learners need to be able to interpret stock control diagrams in addition to understanding other, more modern methods of stock control.</p>
<p><b>Research and Development (R &amp; D):</b></p>	<p>Learners should understand the difference between invention and innovation. The UK has a great record for invention but a relatively poor record when it comes to innovation, i.e. bringing new products to market.</p> <p>The importance of R &amp; D should be understood as should the implications of the fact that many UK industries lag behind those in other countries in terms of the percentage of turnover spent on R &amp; D.</p> <p>Learners should appreciate the importance of good (and bad) product design as a factor in business success.</p>
<p><b>Economies of Scale:</b></p>	<p>Learners should understand the different types of internal economies of scale: purchasing (bulk buying), marketing, technical, technological, managerial and financial, and the ways that they benefit a business.</p> <p>They should also understand the nature of diseconomies of scale. They do not need to explain average cost curves.</p> <p>Learners need to understand external economies of scale but not external diseconomies of scale.</p> <p>Learners need to understand the reasons why small firms continue to exist, despite the obvious advantages that large businesses have over their smaller rivals.</p>

## WHAT'S NEW, CHANGED AND KEY ASPECTS OF THE SPECIFICATION FROM 2015

A2 Unit 3 involves the bulk of the work of handling and manipulating data, as well as the problem-solving techniques and tools such as forecasting, decision trees and investment appraisal. This unit will naturally encompass the use and development of quantitative skills.

### UNIT 3: BUSINESS ANALYSIS AND STRATEGY (1 OF 3)

AREA OF STUDY	DESCRIPTION
<b>Data Analysis:</b>	Learners need to be able to present, interpret and analyse a range of data. They should be able to produce line graphs and bar charts (but are not required to construct pie charts in the examination). They should be able to interpret index numbers but are not required to calculate them.
<b>Market Analysis:</b>	Learners need to be able to analyse a range of quantitative and qualitative market data.  Learners must be able to calculate and interpret price and income elasticities and evaluate the impact of changes in these variables on businesses.
<b>Sales Forecasting:</b>	Learners will need to understand the nature and importance of forecasting. They should be able to calculate a three-point moving average, to plot the results on a scatter graph and use a line of best fit in order to extrapolate.  They need to understand and interpret correlation and appreciate methods of qualitative forecasting.
<b>Analysing Financial Performance:</b>	Learners need to understand how to calculate and interpret budget variances.  They need to be able to interpret balance sheets and use ratio analysis to understand the performance of a business. As well as gross and net profit ratios from Unit 1, they should be able to calculate and interpret: ROCE, the current ratio, the acid test and gearing.  They should be able to calculate depreciation using the straight-line method and understand the reason for doing so.  Learners need to be aware of the benefits and limitations of financial analysis.
<b>Analysing Non-financial Performance:</b>	Learners need to understand how non-financial measures can be used to evaluate business performance.
<b>Aims and Objectives:</b>	Learners need to understand the role of vision statements and mission statements and the relationship of these to objectives. They need to understand the nature of SMART objectives, and reasons for having them.

## WHAT'S NEW, CHANGED AND KEY ASPECTS OF THE SPECIFICATION FROM 2015

A2 Unit 3 involves the bulk of the work of handling and manipulating data, as well as the problem-solving techniques and tools such as forecasting, decision trees and investment appraisal. This unit will naturally encompass the use and development of quantitative skills.

### UNIT 3: BUSINESS ANALYSIS AND STRATEGY (2 OF 3)

AREA OF STUDY	DESCRIPTION
<p><b>Strategy and Implementation:</b></p>	<p>This section considers the relationship between objectives, strategy and tactics and the purpose of corporate plans. It covers a variety of different strategies that businesses can adopt in order to develop and grow. Strategic decision-making should start with an analysis or audit of where a business is now and a plan as to where it wants to be in the future.</p> <p>Learners should be able to carry out SWOT analysis and use Porter's five forces framework to analyse businesses.</p> <p>They need to understand and be able to apply the Ansoff matrix.</p> <p>They need to understand how businesses grow, both organically and externally, and the advantages and disadvantages of different methods of growth including franchising.</p> <p>They need to understand about rationalisation, a process which often occurs after a takeover or merger has taken place and the impact that this can have on a business's stakeholders.</p> <p>They need to be able to analyse and evaluate decisions relating to location and relocation and be able to assess the advantages and disadvantages of using outsourcing.</p>
<p><b>Decision-making Models:</b></p>	<p>This section looks at a variety of ways in which a business can make decisions. Learners need to understand the importance of making correct decisions and the way that both quantitative and qualitative methods can be used. These methods include decision trees, critical path analysis and cost-benefit analysis (the latter often being used in the public sector). Learners need to be able to apply and interpret the results of these techniques.</p> <p>They also need to understand the increasing importance of information and information technology in the process of decision-making. For example, the way that supermarkets use the information from customers' loyalty cards in order to boost sales and profits.</p>

## WHAT'S NEW, CHANGED AND KEY ASPECTS OF THE SPECIFICATION FROM 2015

A2 Unit 3 involves the bulk of the work of handling and manipulating data, as well as the problem-solving techniques and tools such as forecasting, decision trees and investment appraisal. This unit will naturally encompass the use and development of quantitative skills.

### UNIT 3: BUSINESS ANALYSIS AND STRATEGY (3 OF 3)

AREA OF STUDY	DESCRIPTION
<b>Investment Appraisal:</b>	Learners need to be able to apply the main methods of investment appraisal: payback, ARR and NPV. As well as understanding the advantages and limitations of these methods, they should be able to weigh up and evaluate different investment strategies based on both quantitative and qualitative considerations.
<b>Special Orders:</b>	This replaces the section on costing methods in the old BS4: absorption costing and standard costing are no longer required. The emphasis here is on contribution and decisions about whether or not to accept special orders.

## WHAT'S NEW, CHANGED AND KEY ASPECTS OF THE SPECIFICATION FROM 2015

The final unit considers the external environment of business, what used to be known as the PEST factors, and the international dimension. This unit will introduce more complex issues to learners and develop their ability to develop arguments and offer balanced evaluations.

### UNIT 4: BUSINESS IN A CHANGING WORLD (1 OF 4)

AREA OF STUDY	DESCRIPTION
<p><b>Change:</b></p>	<p>This section is concerned with the causes of change and the impact of change on businesses. The following have been added to the previous specification: a change in the size of the business; a change in ownership and changes in the economy.</p> <p>Learners are now asked to distinguish between internal and external causes of change as well as planned and unplanned changes. They need to understand the ways in which businesses can respond to the various changes that they experience.</p> <p>They need to understand how businesses manage change effectively including: Storey's four different approaches and Lewin's three-step process, as well as changes in organisational culture and the role of leadership.</p>
<p><b>Risk Management:</b></p>	<p>This section now combines the 'risk and uncertainty' sections from the old BS3 and BS4 and has been expanded so as to give a clearer idea about what learners are expected to understand.</p> <p>Learners need to be aware of the various types of risk that businesses are likely to face and appreciate the importance of assessing the likelihood of a particular risk occurring. They need to understand the importance of risk assessment and the ways that risks can be minimised in practice. They need to be able to distinguish between insurable and uninsurable risks and understand the importance of contingency planning.</p>

## WHAT'S NEW, CHANGED AND KEY ASPECTS OF THE SPECIFICATION FROM 2015

The final unit considers the external environment of business, what used to be known as the PEST factors, and the international dimension. This unit will introduce more complex issues to learners and develop their ability to develop arguments and offer balanced evaluations.

### UNIT 4: BUSINESS IN A CHANGING WORLD (2 OF 4)

AREA OF STUDY	DESCRIPTION
<b>PEST</b> <b>Political:</b>	<p>Learners need to understand the role that a government can play in supporting business activity.</p> <p>This section is similar to the one in the old BS3 but there is increased emphasis on the impact of taxation and subsidies on business and the impact of fiscal and monetary policies (although some might argue that these are economic factors).</p> <p>Another addition is to: 'explain the importance of the government as a purchaser of goods and services from the private sector'.</p>
<b>PEST</b> <b>Economic:</b>	<p>Learners need to understand the nature of the main macroeconomic variables and their impact on business activity. This section is similar to the section on macro-economic factors in the old BS3 apart from the following addition: 'explain what is meant by economic growth and the business cycle and their measurement'.</p>
<b>PEST</b> <b>Social:</b>	<p>Learners need to understand how changes in society impact upon businesses. This section is more or less the same as the old BS3 apart from the addition of the effect of cultural changes on business activity.</p>
<b>PEST</b> <b>Technological:</b>	<p>Technological change used to be covered under external influences in the old BS1. This section has been expanded slightly here to include automation and communication technology.</p> <p>N.B. Learners would be well advised to keep abreast of the latest developments regarding all of the PEST factors since these are constantly evolving.</p>

## WHAT'S NEW, CHANGED AND KEY ASPECTS OF THE SPECIFICATION FROM 2015

The final unit considers the external environment of business, what used to be known as the PEST factors, and the international dimension. This unit will introduce more complex issues to learners and develop their ability to develop arguments and offer balanced evaluations.

### UNIT 4: BUSINESS IN A CHANGING WORLD (3 OF 4)

AREA OF STUDY	DESCRIPTION
<b>Ethical Factors:</b>	<p>Learners need to understand the nature and importance of ethics to businesses. This section is similar to the section in the old BS3 but now also specifically includes animal rights and the treatment of suppliers.</p> <p>Learners need to be aware of the potential conflict between ethics and profitability.</p>
<b>Legal Factors:</b>	<p>There is no requirement to learn the details of specific pieces of legislation but learners need to be familiar with the main areas of the law that affect businesses. In addition to the section in the old BS3 there is now specific reference to the following: company law, anti-discrimination legislation, data protection, intellectual property and the minimum wage.</p>
<b>Environmental Factors:</b>	<p>Learners need to understand the importance of taking environmental factors into account. This section is similar to the one in the old BS3 but now also specifically includes: air, water and noise pollution; climate change; congestion; destruction of the environment and waste disposal.</p> <p>It also includes the impact of pressure groups, the role of the government and the importance of education when it comes to environmental issues.</p>
<b>International Trade:</b>	<p>This is a new section which is designed to act as a theoretical underpinning to the following sections on globalisation and Europe. Learners need to understand the importance of international trade and the arguments for and against protectionism. They need to understand the difference between a free trade area and a single market.</p> <p>The benefits and difficulties of operating in international markets need to be understood.</p>

## WHAT'S NEW, CHANGED AND KEY ASPECTS OF THE SPECIFICATION FROM 2015

The final unit considers the external environment of business, what used to be known as the PEST factors, and the international dimension. This unit will introduce more complex issues to learners and develop their ability to develop arguments and offer balanced evaluations.

### UNIT 4: BUSINESS IN A CHANGING WORLD (4 OF 4)

AREA OF STUDY	DESCRIPTION
<p><b>Globalisation:</b></p>	<p>There is greater emphasis on globalisation and the section from the old BS3 has been expanded.</p> <p>Additions include the causes of globalisation; details of strategies that might be used to achieve global growth, including: global branding, external growth and the choice of target markets.</p> <p>This specification introduces a new concept: glocalisation, i.e. operating globally but adapting products and service to meet local needs.</p> <p>What is the part played by multinational companies: what are they? Why do they exist? What impact do they have on the countries in which they operate?</p>
<p><b>The European Union:</b></p>	<p>This section is similar to the one in the old BS3 with some development.</p> <p>Learners are asked to explain the nature and purpose of the EU and the single market and the impact on businesses.</p> <p>The emphasis, when looking at the EU and the single currency, is in evaluating their impact on UK businesses. Which UK businesses and their stakeholders benefit and which businesses are harmed by EU membership and/or the prospect of the UK adopting the euro?</p>

## KEY TERMS AND THEIR DEFINITIONS

### GLOSSARY

TERM	DESCRIPTION																				
<b>SMEs</b>	<p>Small and medium-sized enterprises is a term used to talk about relatively small businesses. There are many ways of measuring the size of these businesses and different countries and organisations (e.g. the EU, the World Bank and the World Trade Organisation) will have different criteria for defining the size. The European Union categorises SMEs by the number of employees and either turnover or balance sheet total.</p> <table border="1"> <thead> <tr> <th>Company category</th> <th>Employees</th> <th>Turnover</th> <th>or</th> <th>Balance sheet total</th> </tr> </thead> <tbody> <tr> <td>Medium-sized</td> <td>&lt;250</td> <td>≤ €50m</td> <td></td> <td>≤ €43m</td> </tr> <tr> <td>Small</td> <td>&lt;50</td> <td>≤ €10m</td> <td></td> <td>≤ €10m</td> </tr> <tr> <td>Micro</td> <td>&lt;10</td> <td>≤ €2m</td> <td></td> <td>≤ €2m</td> </tr> </tbody> </table>	Company category	Employees	Turnover	or	Balance sheet total	Medium-sized	<250	≤ €50m		≤ €43m	Small	<50	≤ €10m		≤ €10m	Micro	<10	≤ €2m		≤ €2m
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Micro	<10	≤ €2m		≤ €2m																	
<b>Business plan</b>	<p>A business plan gives an outline of a business, the market in which it will operate and how it aims to make money. There is more than one way of writing a business plan. Important components include:</p> <ul style="list-style-type: none"> <li>The business owner's details, including background, qualifications and skills</li> <li>Products and services</li> <li>The market</li> <li>Market research</li> <li>Marketing strategy</li> <li>Competitor analysis</li> <li>Costs and pricing</li> <li>Financial forecasts</li> </ul>																				
<b>Normal goods</b>	A good that increases in demand when consumer income rises, and falls when consumer income decreases and the price remains constant. Most everyday goods are normal goods.																				
<b>Inferior goods</b>	A good that decreases in demand when consumer income rises, and rises in demand when consumer income decreases. Examples include bus travel, canned food, payday lending services.																				
<b>Luxury goods</b>	Also known as a superior good, similar to a normal good in that demand increases as income increases. Luxury goods can be expensive and are often scarce. They also include prestige brands of everyday goods. A luxury good may be a supercar and a normal good a mainstream sports car.																				
<b>Qualitative data</b>	Data that is descriptive and includes virtually any information that is not numerical in nature. Qualitative data describes and is unable to be measured.																				
<b>Quantitative data</b>	Data that can be quantified and verified. Quantitative data is used to describe information that can be counted or expressed numerically.																				

## KEY TERMS AND THEIR DEFINITIONS

### GLOSSARY

TERM	DESCRIPTION
<b>Market research bias</b>	This is a systematic error in research where a particular research finding deviates from the true finding. This can occur through mistakes in sampling, questioning and interviewing. Bias is a problem with qualitative research as the questioner/interviewer may skew the data.
<b>Semi-variable costs</b>	Also known as a semi-fixed cost. It is a cost that contains both a fixed cost component and a variable cost component. It is fixed as the cost is still incurred if no production occurs, but it is variable in that the total cost increases as production increases. For example, overtime payment to staff and sales commission paid to salespersons on top of their salary.
<b>'What-if' analysis</b>	Break-even analysis is a good example of 'what-if' analysis. It can be used to see the effect that a change in variable costs, fixed costs, price and quantity will have on profit. It is a tool used to help make business decisions.
<b>Asset-led marketing</b>	This is a marketing strategy that uses the attributes of the product to help market the product. The strategy uses the internal strengths of the business (product orientation) and combines these with market needs (market orientation). In other words – 'How can we use the strengths of the business to satisfy consumer needs?'
<b>Product portfolio</b>	A product portfolio is the range of items sold by a business in a given time period. It can be analysed using the Boston Matrix.
<b>Above-the-line promotion</b>	This type of promotion focuses on advertising to a large audience through mass media methods. It includes print, online media, television and cinema advertising.
<b>Below-the-line promotion</b>	This is promotional methods that do not use mass media. It involves targeting consumers directly. Examples include direct mailing and exhibitions.
<b>Multi-channel distribution</b>	A marketing strategy that offers customers a choice of ways to buy a product. Channels include store, website, telephone, mail order, catalogues, smart phones and comparison shopping sites. Multi-channel distribution can maximise revenue and improve customer loyalty by offering customers choice and convenience.
<b>Global marketing</b>	This is marketing on a worldwide scale. It includes selling abroad, the planning, producing, distributing and promoting of products in a worldwide market. Traditionally this is dominated by large multinational companies, but with the development of technology, in particular the expansion of the internet, small-scale businesses can also compete globally.

## KEY TERMS AND THEIR DEFINITIONS

### GLOSSARY

TERM	DESCRIPTION
<b>Digital media</b>	This includes digitised content, such as text, graphics, video and audio that can be transmitted over the internet or computer networks. Digital marketing is still a relatively new concept, but is now an extremely important marketing tool for businesses. It includes activities such as search engine optimisation and marketing, social media marketing, e-commerce marketing, email direct marketing, display advertising, mobile apps, podcasts and electronic billboards. Digital marketing will continue to revolutionise marketing and new forms of digital marketing are being developed all the time.
<b>Social media</b>	Social media marketing refers to the process of gaining traffic or attention through social media sites. There are many different approaches to how a business can best use social media. For example, social networking sites, blogs, content communities and forums are platforms where individuals share their reviews and recommendations of brands, products and services.
<b>E-tailing</b>	This term is short for electronic retailing and is the selling of goods on the internet. It normally refers to the business-to-consumer (B2C) transactions. E-tailing is continuing to grow with an increasing number of customers buying online.
<b>M-commerce</b>	This term is short for mobile commerce and is the selling of goods through wireless handheld devices such as tablets and smart phones. This is a very new platform for businesses but, as with most digital technology, is continuing to grow and new services are constantly being introduced. As content delivery over wireless devices becomes faster and more secure, there is wide speculation that m-commerce will surpass wireline e-commerce as the method of choice for digital commerce transactions.
<b>Income statement</b>	This is a financial document that shows how much money a business has made (or lost) over a specific period of time (usually a year or six months). The income statement is sometimes referred to as the profit and loss statement (P&L), or statement of income.
<b>Profitability ratios</b>	For AS Business profitability ratios refer to gross and net profit margins only.
<b>Gross profit margin</b>	This is a measure of the gross profit as a percentage of sales revenue. The calculation is: $\frac{\text{Gross profit}}{\text{Sales revenue}} \times 100$
<b>Net profit margin</b>	This is a measure of the net profit as a percentage of sales revenue. The calculation is: $\frac{\text{Net profit}}{\text{Sales revenue}} \times 100$
<b>Flexible workforce</b>	Many businesses now require a flexible workforce to compete in a dynamic business environment. A flexible workforce allows both individual and business needs to be met through making changes to the time (when), location (where) and manner (how) in which an employee works.

## KEY TERMS AND THEIR DEFINITIONS

### GLOSSARY

TERM	DESCRIPTION
<b>Zero-hours contracts</b>	An example of a flexible workforce and changes in working practices. Zero-hours contracts are contracts between an employer and a worker where the employer does not have to provide any minimum working hours and the worker does not have to accept any work offered. These contracts have increased in recent years and are controversial.
<b>Hot-desking</b>	Another example of a flexible workforce and changes in working practices. A business supplies a workstation to be used by multiple workers during different time periods. Hot-desking is popular in offices with flexible hours for workers, where not all workers are actually working in an office at the same time. The sharing of the workstation makes more efficient use of space and resources.
<b>Apprenticeships</b>	An apprenticeship is a real job with training which allows participants to earn while they learn, whilst gaining a nationally recognised qualification. Apprenticeships are usually entry level positions into an industry.
<b>360 degree feedback</b>	This is an appraisal system or process in which employees receive confidential, anonymous feedback from the people who work around them. This will include direct feedback from an employee's subordinates, peers (colleagues) and supervisor(s), as well as a self-evaluation.
<b>Motivation – Expectancy theory</b>	Expectancy theory is a motivation theory first proposed by Victor Vroom of the Yale School of Management and later by Porter and Lawler. The theory suggests that an individual's motivation is affected by the reward they expect to receive for completing the task.
<b>Management by objectives (MBO)</b>	This is a philosophy of management designed by Peter Drucker. It involves participative goal setting and working towards goals agreed between management and employees.
<b>Leadership theory – Fiedler's Contingency Model</b>	Fiedler argues that leaders find it difficult to change their style. The model allows organisations to identify the best potential leaders for a particular situation. He called his approach the leadership match concept.
<b>Leadership theory – trait theory</b>	Some studies argue that successful leaders have certain traits such as honesty, creativity, intelligence and charisma.
<b>Leadership theory – P. Wright and D. Taylor</b>	Wright and Taylor argue that managerial leadership is the ability of a manager to inspire people. A good leader has good interpersonal skills and adapts to the needs of employees through identifying problems and creating solutions. In contrast to trait theories, Wright and Taylor believe that managers can be taught these skills.

## KEY TERMS AND THEIR DEFINITIONS

### GLOSSARY

TERM	DESCRIPTION
<b>Equal opportunities</b>	In the workplace everyone has the same opportunity. All individuals have the right to be treated without discrimination, especially on the grounds of one's sex, race, religion, age, mental or physical ability. In the UK legislation is in place to ensure businesses do not discriminate.
<b>Added value</b>	This is the difference between the cost of purchasing raw materials and the price which the finished goods are sold for. Added value is not to be confused with profit.  To calculate: Added value = selling price – cost of inputs
<b>Measuring productivity</b>	Productivity is a measurement of the efficiency with which a business turns production inputs into output. Labour productivity (output per worker) is the most common measure of productivity.  Labour productivity = $\frac{\text{Output (per period)}}{\text{Number of employees (per period)}}$
<b>Quality</b>	Quality is a difficult concept to define. Customers may require certain specifications or demand exceptional levels of comfort. Quality is often defined simply as 'fitness for purpose'. Goods or services which are very successful in fulfilling a need are considered to be high quality. Whichever way we choose to define 'quality', the importance of the concept continues to grow.
<b>Innovation</b>	The process of translating an idea or invention into a good or service that creates value or for which customers will pay. Bringing a new idea to the marketplace is known as 'product innovation'. Doing so in the workplace is known as 'process innovation'.
<b>Research and development (R&amp;D)</b>	This involves the identification of new ideas and turning them into products, services and processes. Businesses who invest in R&D are considered to be innovative and always looking to bring new ideas and products to the market.
<b>Internal economies of scale</b>	Reductions in the average cost per unit of output as a result of increasing internal efficiencies of the business. Examples include purchasing, technical, financial, managerial and marketing.
<b>External economies of scale</b>	These are the advantages of scale that benefit a whole industry and not just an individual business. Examples include supplier, educational and financial.
<b>Diseconomies of scale</b>	The factors that cause higher costs per unit of output when the scale of an organisation continues to increase – the causes of inefficiency in large organisations. Examples of internal diseconomies of scale include coordination, communication and motivation.

## KEY TERMS AND THEIR DEFINITIONS

### GLOSSARY

TERM	DESCRIPTION
<b>Return on capital employed (ROCE)</b>	Used to measure the profitability of a business. The recommended ratio to use is: $\frac{\text{Operating (net) profit}}{\text{Capital employed (shareholders' funds + long term liabilities)}} \times 100$
<b>Gearing ratios</b>	Used to measure the capital structure of a business in terms of debt and equity. The recommended ratio to use is: $\frac{\text{Long term (non-current) liabilities}}{\text{Capital employed (shareholders' funds + long term liabilities)}} \times 100$
<b>Aims</b>	The purpose of the organisation. It is where the organisation wants to be in the long term. Aims can be based on profit, revenue and growth, or be social, technological or customer-focused. These are usually qualitative.
<b>Vision statement</b>	This is an aspirational description of what an organisation would like to achieve or accomplish in the mid-term or long-term future. The statement presents a vision where the business could be in an ideal world. It is usually written succinctly in an inspirational manner.
<b>Objectives</b>	The measurable (quantitative) medium/short-term targets of how to achieve the aims. Objectives need to be practical and give a clearly defined target – using SMART helps to achieve this. Examples of objectives include profit maximisation – to increase net profit by 10% over the next 24 months, growth – to increase market share in North America by 5% over the next 12 months, or environmental – to reduce carbon emissions from UK factories by 12% over the next three years.
<b>Mission statement</b>	This is a statement that defines the present purpose and objectives of an organisation. It is also succinct but will have a shorter timeline than a vision statement. It will describe in general terms the main activities of the organisation.
<b>Strategy</b>	This is how a business sets out to achieve its objectives. It can be seen as long-term business planning. Typically a business strategy will cover a period of about 3–5 years. <ul style="list-style-type: none"> <li>• A corporate strategy deals with the overall purpose of the whole business.</li> <li>• A divisional strategy deals with the different divisions within a business, such as geographical areas or products.</li> <li>• A functional strategy is the strategy for each department or function within a business, such as marketing, finance, production etc.</li> </ul>
<b>Tactics</b>	These include the actions taken to support the strategy and are short-term strategies to achieve specific objectives. These may be in response to changes in market conditions or the demands of the moment. Whereas strategy is decided by the board of directors, tactics can be decided by department heads, for implementation by junior officers and employees.

## KEY TERMS AND THEIR DEFINITIONS

### GLOSSARY

TERM	DESCRIPTION
<b>Organic growth</b>	This is the expansion of a business through increasing trade or sales, often into new markets. Also referred to as internal growth.
<b>External growth</b>	This is the expansion of a business by acquisition, takeover or mergers.
<b>Rationalisation</b>	This involves a reorganisation of a business in order to increase its efficiency. This reorganisation may lead to an expansion or reduction in size, a change of tactics or an alteration of strategy. It can be seen as a cost-cutting measure and might involve the firing of employees.
<b>Outsourcing production</b>	This is often seen as part of rationalisation or downsizing. It involves the contracting or subcontracting of the production process, or part of the production process, so businesses can concentrate on their core activities and may reduce average unit costs.
<b>Intuitive decision making</b>	Decisions are made based on intuition (gut reaction) and not facts or scientific models. Managers or leaders may use this type of decision making when facts are unavailable or when decisions are difficult in nature.
<b>Internal cause of change</b>	This is change that occurs in the business's internal environment. It includes: structural change, such as management systems, chain of command, job structures and procedures; strategic change, such as vision, objectives, strategy and mission; people changes, such as new staff, new management, changing employees' attitudes.
<b>External causes of change</b>	This is change that occurs from the external environment which is not within the control of the business. It includes legislation, advances in technology or changes in the market or the economy.
<b>Planned change</b>	This occurs when leaders in the business recognise the need for a major change and proactively organise a plan to accomplish the change. Planned change occurs with successful implementation of a strategic plan or a plan for reorganisation.
<b>Unplanned change</b>	Change due to an unexpected event leading to reactive management.
<b>John Storey's four different approaches</b>	<p>The way a business manages change can be classified into four different approaches:</p> <ul style="list-style-type: none"> <li>• A total imposed package</li> <li>• Imposed piecemeal initiatives</li> <li>• Negotiated piecemeal initiative</li> <li>• Negotiated total packages.</li> </ul>

## KEY TERMS AND THEIR DEFINITIONS

### GLOSSARY

TERM	DESCRIPTION
<b>Lewin's three-step process</b>	In the early 1950s psychologist Kurt Lewin developed his three-stage model for planned change. Lewin suggested that all change will meet resistance; therefore, it is important to prepare people for the change in advance. His three-stage theory of change is commonly referred to as Unfreeze, Change, Freeze (or Refreeze).
<b>Internal risks</b>	Risks that arise from activities within a business such as machine failure and strikes.
<b>External risks</b>	Risks that occur from the external environment of a business such as competitor activity, new legislation or natural disasters such as floods.
<b>Contingency plans</b>	Plans that are made to combat anticipated risks.
<b>Insurable risk</b>	Expected and unwanted events which will result in payment from a second party. It is relatively easy to get insurance.
<b>Uninsurable risk</b>	This is a situation that fails to meet the requirements of an insurable risk, for example catastrophes such as earthquakes. Businesses cannot protect themselves through buying insurance because it is impossible to calculate how likely it is to happen or how much damage it will cause.
<b>Fiscal policies</b>	How the government uses taxation and spending to influence the economy and in turn business activity.
<b>Monetary policies</b>	How the control of the money supply, through inflation rates and interest rates, influences the economy and in turn business activity.
<b>Corporate social responsibilities (CSR)</b>	This is a form of self-regulation, where a business takes responsibility for its impact on the environment. Some businesses will go beyond what is legally required of them and incorporate CSR into their vision or mission statements.
<b>International trade</b>	International trade is the exchange of goods and services between countries.
<b>Free trade</b>	This is a policy in which countries' governments do not restrict imports from or exports to other countries. Free trade includes the trading of goods without taxes/tariffs and quotas.
<b>Protectionism</b>	This is a policy by governments to restrict international trade. The aim is to protect local businesses and jobs from foreign competition. Examples of protectionism are import tariffs, quotas, subsidies or tax cuts to local businesses.
<b>Trading bloc</b>	This is an agreement between countries where barriers to entry are reduced or eliminated between the participating countries. The European Union is an example of a trading bloc.

## KEY TERMS AND THEIR DEFINITIONS

### GLOSSARY

TERM	DESCRIPTION
<b>Single market</b>	This is a type of trade bloc which in addition to the removal of trade barriers will have some other common policies, such as product regulation and standards and the freedom of movement of goods and labour between countries. The European Union is an example of a single market.
<b>Globalisation</b>	This is the worldwide movement towards economic, financial, trade and communications integration. It is driven by international trade and investment and aided by new technology.
<b>Glocalisation</b>	This is the adaptation of international products around the particularities of a local culture in which they are sold. It involves the altering of a global brand or product so as to better appeal to customers within a specified country or region.
<b>Eurozone</b>	This is the collective group of countries in the European Union who use the euro as their sole currency. The eurozone does not include every country in the European Union (some countries are not yet using the euro), and does not include every country who is using the euro (in order to become part of the eurozone, the country must use the euro as its sole legal currency). The UK is not in the eurozone.