

GCSE BUSINESS STUDIES THEME 2 – BUILDING A BUSINESS: KNOWLEDGE ORGANISER

Tania	Visual	Subject Contout
Topic 2.1 Growing the business	VISUAL	Subject Content Business growth- internal through new products, new markets or new technology/ external through mergers, takeover Internal finance to help growth- money raised from within the business e.g. retained profit/selling assets External finance to help growth- money raised from outside the business e.g. loan/share capital Globalisation- imports: bringing goods into a country/exports: selling for oversea markets The two barriers to international trade are tariffs and trade blocs. Ethics- how morally correct a business is e.g. recycling/fair trade. Reduces pressure group activity on the 4p's.
2.2 Making marketing decisions	marketing strategy	 Product- what the business is sellingfunction, aesthesis, cost, features, U-S-P Product life cycle- introduction>growth>maturity>decline>extension strategy (new design, packaging, advertisement) Price- the price a company is charging for a product/service (can directly impact demand) Pricing strategies- premium, competition, penetration, psychological, skimming, cost plus Promotional mix- how the company gains customer awareness for their product/service- advertisement, sales promotion, direct marketing, public relations, packaging Place- where the product/service is solde-commerce vs high street
2.3 Making operational decisions		 Operations- the purpose is to produce goods and provide services There are three different production methods- job, flow and batch (each type will impact costs/productivity differently) JIT stock control- stock ordered just in time to meet demand. Low storage costs but must have reliable suppliers Procurement- the action of obtaining something Suppliers- must have positive relationship (quality, delivery, availability, trust, cost) Quality- the standard expected of a product/service. Quality is a form of added value and can impact brand image The sales process- if the customer service provided during this process meets customer needs then value is added Good sales includes: product knowledge/speed and efficiency of service/customer engagement/post-sales service
2.4 Making financial decisions		Business calculations- these are used to compare business performance from year-to-year Gross profit = sales revenue - cost of sales Net profit = gross profit - other operating expenses Gross profit margin (%) = gross profit Net profit margin (%) = net profit net profit Sales revenue × 100 Net profit margin (%) = net profit Sales revenue × 100 -be able to compare data -know the limitations -know the benefits/uses
2.5 Making human resource decisions		 Organisational structure- centralised where decisions made at centre/decentralised where decisions are delegated Communication vital for the success of a business (Barriers: too much, too little, motivation, language) Recruitment- employing new people for a vacant job role. Must create job advert which includes; person spec/job descr Training and development used to increase productivity, improve customer service and boost motivation Financial motivators- remuneration, bonus, commission, promotion, piece rate Non-financial motivators- job rotation, job enrichment, delegation, autonomy



2.1.1—Business Growth

Internal growth (organic growth) - when a business grows by expanding its own activities. It is low risk, but slow. They do this by:

- Targeting new markets
- Developing new products

External Growth (inorganic growth) - when a business merges or takeover another business. This is higher risk, but faster

Merger—when two businesses join together to form a new larger business

Takeover—when an existing form expands by buying more than half the shares in another business

There are four ways a business can merge or takeover another business:

- Join with a supplier
- Join with a competitor
- Join with a customer
- Join with an unrelated business

2.1.1—Sources of Finance for Large Businesses

Internal	External
Retained Profits - profits the owners have put back into the business	Loan Capital - money borrowed from the bank, paid back with interest
Selling Assets—business can sell fixed assets that are no longer in use	Share Capital - If a business becomes a limited company they can sell shares

Public Limited Company—Shares in the company are traded on the stock market so they can be bought and sold by anyone. They have limited liability

The extra capital can help the business expand

2.1.1 Economies & Diseconomies of Scale

Economies of Scale	Diseconomies of Scale
When a business expands, its costs may decrease per unit produced. This is called economies of scale. They can happen because:	 When a business expands, it could cause some costs to increase per unit. Such as: It is harder and more expensive to manage a large business Bigger businesses have more people so lines of
Larger businesses can buy raw materials in bulk, so get them at a cheaper price per unit	
 Larger firms can afford to operate and purchase advanced machinery that are faster and cheaper to run 	communication are longer, employees lower in the hierarchy may be demotivated and be less efficient
A factory that is 10x as big wont be 10x as expensive— the law of dimensions	The production process might become complicated and difficult to coordinate.

2.1.2 - Changing Aims and Objectives

As a business grows, its aims and objectives will change. They could:

- Change if they aim to survive (earlier stages) or grow (more established business)
- Change the size of their workforce
- Enter or exit new markets
- Change the size of their product range

Reasons for changing aims and objectives:

Internal Reasons	External Reasons
Business performance	New legislation
Management changes	Changes in market conditions
New technology	Changes in technology



2.1.3 - Business and Globalisation

Globalisation — when businesses and countries become more connected because of better technology, travel and communication

Globalisation can have many impacts on business:

- Imports: businesses have a larger, global, market to buy from. Can buy supplies cheaply
- Exports: Easy to export so a larger market to sell to
- Location: easier for businesses to locate and operate abroad
- Multinationals: when a company operates in a new country, businesses already in that country need to make sure they are able to compete.

There are barriers to international trade:

- Tariffs—taxes on goods being exported or imported
- Trade blocs—groups of countries that have little or no trade barriers between them (such as the European Union). If you are outside of these blocs it's difficult to compete with the businesses inside.

How businesses can compete internationally:

- Use e-commerce to sell goods online
- Adjust the marketing mix to suit a given country

2.1.4 - Ethics and Business

Ethics — the moral principles of right and wrong Businesses may act unethically by:

- Forcing staff to work excessively long hours
- Forcing staff to work for low pay
- Buying raw materials from businesses that exploit staff
- Lying in marketing about their products or competitors

Advantages and Disadvantages of acting ethically:

Advantages	Disadvantages
Can give competitive advantage as a unique selling point	Can be expensive for the business
May encourage investment	Can be difficult to find suppliers
Positive brand image	May not make much profit on products

2.1.4 - The Environment and Business

Businesses can have a negative impact on the environment. Their factories, trucks and machinery can cause air, water and noise pollution.

Businesses can use up non-renewable resources such as coal and oil

Sustainability—acting in a way that will not harm the earth for the future

Businesses can be sustainable by:

- Using less packaging and recycling
- Disposing of hazardous waste in the correct way
- Using efficient machinery
- Using renewable energy sources such as solar

Benefits of being environmentally friendly:

- Positive brand image
- Being "green" can be a USP and give competitive advantage

However, being environmentally friendly can be expensive, such as buying new energy efficient equipment

A stakeholder that persuades businesses to be more environmentally friendly are pressure groups. They can run campaigns on businesses that are not environmentally friendly and ruin their brand image