

BUSINESS STUDIES EDEXCEL - A LEVEL



THEME 3 KNOWLEDGE ORGANISER

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

KNOWLEDGE ORGANISER

Key Vocabulary

Corporate Objectives-Specific, strategic goals set by a business to guide its overall direction and decision-making, helping to achieve its mission and vision.

Mission Statement-A concise declaration of a company's core purpose and focus, outlining its primary objectives and guiding principles.

Ansoff's Matrix-A strategic planning tool used to identify and assess growth opportunities by categorising strategies into four options: Market Penetration, Market Development, Product Development, and Diversification.

Porter's Generic Strategies-A framework developed by Michael Porter that outlines three main strategies businesses can use to gain a competitive advantage: Cost Leadership, Differentiation, and Focus.

Political Influences-The impact of government policies, regulations, and political stability on a business's operations and profitability.

Economic Influences-The effect of economic factors such as inflation, interest rates, economic growth, and unemployment on a business's performance and strategy.

Environmental Influences-The impact of environmental factors and sustainability issues, including climate change, resource scarcity, and environmental regulations, on a business's operations and reputation.

Topic – Business objectives and strategy

DO I UNDERSTAND THIS TOPIC?



3.1.1 Corporate objectives- Revision

- a) Development of corporate objectives from mission statement/corporate aims
b) Critical appraisal of mission statements/corporate aims

3.1.2 Theories of corporate strategy- Revision

- a) Development of corporate strategy:
Ansoff's Matrix
Porter's Strategic Matrix
b) Aim of portfolio analysis
c) Achieving competitive advantage through distinctive capabilities
d) Effect of strategic and tactical decisions on human, physical, and financial resources

3.1.3 SWOT analysis- Revision

SWOT analysis:
internal considerations: strengths and weaknesses
external considerations: opportunities and threats

3.1.4 Impact of external influences- Revision

- PESTLE (political, economic, social, technological, legal and environmental)
b) The changing competitive environment
c) Porter's Five Forces

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Uniqlo Strategy

EXTRA KEY WORDS

Legal Influences-The impact of laws, regulations, and legal frameworks on a business's operations, including areas such as employment law, health and safety regulations, consumer protection, and environmental legislation.

Porter's 5 Forces-A model developed by Michael Porter that analyses the competitive forces within an industry to assess its attractiveness and profitability..

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Key Vocabulary

Economies of Scale-The cost advantages that a business obtains due to the scale of its operations, with cost per unit of output decreasing as the scale of production increases.

Market Power-The ability of a company to influence or control the price and production of goods or services in a market, often due to size, brand strength, or unique products.

Market Share-The percentage of total sales in a market held by a particular company over a specific period. It indicates the company's competitiveness in the market.

Diseconomies of Scale-The cost disadvantages that a business experiences when it becomes too large, leading to inefficiencies and higher per-unit costs.

Mergers-The combination of two or more companies into a single entity, usually to achieve synergies, expand market reach, or increase efficiency.

Takeovers-The acquisition of one company by another, where the acquiring company gains control over the target company. This can be friendly or hostile.



Three & Vodafone Merger

Topic – Business objectives and strategy

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3.2 Business Growth

3.2.1 Growth - Revision

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|---|--|--|--|
| a) I understand the objectives of growth: to achieve economies of scale (internal and external) / increased market power over customers and suppliers / increased market share and brand recognition / increased profitability. | | | |
| b) I am aware of the problems arising from growth: diseconomies of scale / internal communication and overtrading. | | | |

3.2.2 Mergers and takeovers - Revision

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|--|--|--|--|
| a) I can explain the reasons for mergers and takeovers | | | |
| b) I can explain the distinction between mergers and takeovers | | | |
| c) I can explain what Horizontal and vertical integration is | | | |
| d) I am aware of the financial risks and rewards of business growth. | | | |
| e) I can explain the problems of rapid growth. | | | |

3.2.3 Organic growth - Revision

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|---|--|--|--|
| a) I can explain the distinction between inorganic and organic growth | | | |
| b) I know the methods of growing organically | | | |
| c) I can explain the advantages and disadvantages of organic growth. | | | |

3.2.4 Reasons for staying small - Revision

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|--|--|--|--|
| a) I understand how small businesses survive in competitive markets: product differentiation and USPs / flexibility in responding to customer needs or customer service or e-commerce. | | | |
|--|--|--|--|

Horizontal Integration-A business strategy where a company acquires or merges with a competitor operating in the same industry and at the same stage of production. This can increase market share and reduce competition.

Vertical Integration-A business strategy where a company expands its operations by acquiring or merging with firms at different stages of production within the same industry, such as a manufacturer buying a supplier.

Rapid Growth-A swift increase in a company's size, revenue, or market presence, often achieved through aggressive expansion strategies, product innovation, or market penetration.

Organic Growth-Growth achieved through a company's existing operations, such as increasing output, improving sales, or expanding the customer base, without relying on mergers or acquisitions.

Inorganic Growth-Growth achieved through mergers, acquisitions, or takeovers, allowing a company to quickly increase its market share, diversify its product offerings, or enter new markets.

USP (Unique Selling Point)- A distinct feature or benefit that makes a product or service stand out from its competitors, providing a compelling reason for customers to choose it over others.

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Time Series Analysis-A method of analysing data points collected or recorded at specific time intervals to identify trends, patterns, and seasonal variations over time. It is often used for forecasting future values based on historical data.

Moving Averages-A statistical technique used to smooth out short-term fluctuations and highlight longer-term trends or cycles in time series data. It involves averaging a number of consecutive data points to create a series of averages.

Extrapolation-A method of estimating future values by extending a known sequence of values or trends beyond the range of the observed data. It assumes that past patterns will continue into the future.

Simple Payback-A capital budgeting technique that calculates the time required to recover the initial investment from the cash inflows generated by a project. It is a measure of how quickly an investment can be recouped.

Average Rate of Return (ARR)-A financial metric that measures the expected annual percentage return of an investment, calculated by dividing the average annual profit by the initial investment cost. It helps in comparing the profitability of different investments.

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3.3 Decision Making Techniques

3.3.1 Quantitative sales forecasting - Revision

- a) I know the formula to Calculate time-series analysis: / moving averages (three period/four quarter)
- b) I can interpret scatter graphs and line of best fit – extrapolation of past data to future
- c) I understand the limitations of quantitative sales forecasting techniques

3.3.2 Investment appraisal - Revision

- a) I can calculate Simple payback
- b) I can calculate Average (Accounting) Rate of Return
- c) I can calculate Discounted Cash Flow (Net Present Value only)
- d) I understand calculations and interpretations of figures generated by these techniques
- e) I can explain the limitations of these techniques.

3.3.3 Decision trees - Revision

- a) I can construct and interpret simple decision tree diagrams.
- b) I can perform calculations and interpretations of figures generated by these techniques.
- c) I am aware of the limitations of using decision trees

3.3.4 Critical Path Analysis - Revision

- a) I understand the nature and purpose of Critical Path Analysis
- b) I can complete and interpret simple networks to identify the critical path
- c) I can calculate: Earliest Start Time / Latest Finish Time / total float
- d) d) Limitations of using Critical Path Analysis

Critical Path Analysis (CPA)-Critical Path Analysis (CPA) is a project management technique used to identify the sequence of essential tasks and activities that determine the minimum project duration. By mapping out all tasks and their dependencies, CPA helps identify the longest path of dependent activities, known as the critical path, which directly impacts the project's completion time. Delays in any task on this path will delay the entire project, making it crucial for effective planning, scheduling, and resource allocation.

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Nike forecast for 2025

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Key Vocabulary

Short Termism-A focus on achieving quick financial gains or immediate objectives at the expense of long-term sustainability and growth

Long Termism-A focus on sustainable growth and strategic planning that prioritises long-term success and resilience over immediate results.

Corporate Culture -The shared values, beliefs, attitudes, and behaviours that characterise an organisation and influence its practices and interactions.

Handy's Culture-A framework developed by Charles Handy that categorises organisational culture into four types: Power Culture, Role Culture, Task Culture, and Person Culture, each defining different ways of managing and operating within a company.

Internal Stakeholders-Individuals or groups within an organisation who are directly affected by its activities, such as employees, managers, and shareholders.

External Stakeholders-Individuals or groups outside an organisation who are affected by its activities, such as customers, suppliers, investors, and the community.

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3.4. Influences on Business Decisions

3.4.1 Corporate influences - Revision

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| a) I understand the difference about Corporate timescales: short-termism versus long-termism | | | |
| b) I can explain the difference between Evidence-based versus subjective decision making. | | | |

3.4.2 Corporate culture - Revision

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| a) I can explain the difference between strong and weak cultures. | | | |
| b) I can explain the Classification of company cultures: Power / role / task and person | | | |
| c) I can explain how corporate culture is formed | | | |
| d) I can explain the difficulties in changing an established culture | | | |

3.4.3 Shareholders versus stakeholders - Revision

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| a) I can give examples of Internal and external stakeholders. | | | |
| b) I am aware of Stakeholder objectives | | | |
| c) I can explain the difference between Stakeholder and shareholder influences: - stakeholder: that the business considers all of its stakeholders in its business decisions/objectives / shareholder | | | |
| d) I can explain the potential for conflict between profit-based (shareholder) and wider objectives (stakeholder) | | | |

3.4.4 Business ethics - Revision

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| a) I can explain the term ethics and strategic decisions: trade-offs between profit and ethics | | | |
| b) I understand how Pay and rewards and Corporate Social Responsibility (CSR) relate to ethics. | | | |

Ethics-Principles and standards that guide behaviour in business, ensuring actions are fair, just, and respect the rights and well-being of others.

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Netflix Corporate Culture

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Key Vocabulary

Statement of Comprehensive Income -A financial statement that shows a company's total income, including revenue, expenses, and profits or losses over a specific period, as well as other comprehensive income items like unrealised gains or losses.

Statement of Financial Position-Also known as the balance sheet, this financial statement provides a snapshot of a company's financial condition at a particular point in time, showing assets, liabilities, and shareholders' equity.

Gearing Ratio- A financial metric that compares a company's debt to its equity, indicating the level of financial leverage and risk. High gearing means more debt relative to equity.

Return on Capital Employed (ROCE)-A profitability ratio that measures the efficiency and profitability of a company's capital investments, calculated as operating profit divided by capital employed. It shows how well a company is using its capital to generate profits.

Labour Productivity- A measure of the efficiency of a workforce, calculated by the amount of output produced per worker or per hour worked. Higher labour productivity indicates more efficient use of labour resources.

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3.5. Assessing competitiveness

3.5.1 Interpretation of financial statements - Revision

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|---|--|--|--|
| a) I understand what the Statement of comprehensive income (profit and loss account is. | | | |
| b) I understand what the statement of financial position (balance sheet) is | | | |

3.5.2 Ratio analysis - Revision

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|--|--|--|--|
| a) I can calculate the Gearing ratio and Return on capital employed (ROCE) ratio | | | |
| b) I can interpret ratios to make business decisions | | | |
| c) I can explain the the limitations of ratio analysis. | | | |

3.5.3 Human resources - Revision

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| a) I can calculate and interpret the following to help make business decisions: labour productivity / labour turnover and retention and absenteeism. | | | |
| b) I understand the strategies a business can use to increase productivity and retention and to reduce turnover and absenteeism:- financial rewards / employee share ownership / consultation strategies and empowerment strategies. | | | |

Labour Turnover- The rate at which employees leave and are replaced within a company over a specific period. It is an indicator of workforce stability and can impact organisational performance and costs.

Retention-The ability of a company to keep its employees over time, reducing the rate of staff turnover. High retention indicates effective employee satisfaction and engagement strategies.

Absenteeism-The habitual non-presence of an employee at their job, often measured by the number of days missed due to illness, personal issues, or other reasons. High absenteeism can affect productivity and morale.

Employee Share Ownership-A scheme where employees are given the opportunity to own shares in the company they work for. This can enhance motivation and loyalty by aligning employees' interests with those of the company.

Empowerment-The process of giving employees more responsibility, authority, and autonomy to make decisions and contribute to the company's success. Empowerment can increase job satisfaction and productivity.



Workplace absences 'at 10-year high'

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Key Vocabulary

Causes of Change-Factors that drive changes within an organisation or market, such as technological advancements, economic shifts, regulatory updates, competition, and internal strategic decisions.

Natural Disasters-Severe and sudden natural events such as earthquakes, floods, hurricanes, and wildfires that can cause significant damage to businesses, infrastructure, and economies.

Risk Mitigation-Strategies and actions taken to reduce or manage the impact of potential risks to a business, such as diversifying supply chains, purchasing insurance, or implementing safety protocols.

Succession Planning-A process of identifying and developing internal personnel to fill key leadership positions within an organisation, ensuring continuity and stability in the event of departures or retirements.

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3.6. Managing Change

3.6.1 Causes and effects of change - Revision

- a) I can explain the different causes of change: changes in organisational size / poor business performance / new ownership / transformational leadership / the market and other external factors (PESTLE)
- b) I can explain the possible effects on: competitiveness / productivity / financial performance and stakeholders.

3.6.2 Key factors in change- Revision

- a) I can explain the key factors in change –
Organisational culture
b) Size of organisation
c) Time/speed of change
d) Managing resistance to change

3.6.3 Scenario planning - Revision

- a) I can identify the key risks through risk assessment :-
Natural disasters / IT systems failure / loss of key staff
- b) I understand why it is important that a business undertakes risk mitigation - business continuity / succession planning.

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Asda's New Owners