

3.1 What is business?

3.1.1 Understanding the nature and purpose of business

Content	Additional information
Why businesses exist	Business objectives such as profit, growth, survival, cash flow, social and ethical objectives.
The relationship between mission and objectives	
Common business objectives	
Why businesses set objectives	
The measurement and importance of profit	The measurement of profit should include: <ul style="list-style-type: none"> • revenue (also turnover and sales) • fixed costs • variable costs • total costs.

3.1.2 Understanding different business forms

Content	Additional information
Reasons for choosing different forms of business and for changing business form	Different forms of business include: <ul style="list-style-type: none"> • sole traders • private limited companies and public limited companies • private sector and public sector organisations • non-profit organisations such as charities and mutuals. Issues with different forms of business include: <ul style="list-style-type: none"> • unlimited and limited liability • ordinary share capital • market capitalisation • dividends.
The role of shareholders and why they invest	
Influences on share price and the significance of share price changes	
The effects of ownership on mission, objectives, decisions and performance	

3.1.3 Understanding that businesses operate within an external environment

Content	Additional information
How the external environment can affect costs and demand	Factors influencing costs and demand to include the effect of: <ul style="list-style-type: none">• competition• market conditions• incomes• interest rates• demographic factors• environmental issues and fair trade.

3.2 Managers, leadership and decision making

3.2.1 Understanding management, leadership and decision making

Content	Additional information
What managers do	The role of managers should include: <ul style="list-style-type: none">• setting objectives• analysing• leading• making decisions• reviewing.
Types of management and leadership styles and influences on these	Theories of management and leadership styles should include: <ul style="list-style-type: none">• the Tannenbaum Schmidt continuum• the Blake Mouton grid.
The effectiveness of different styles of management and leadership	

3.2.2 Understanding management decision making

Content	Additional information
The value of decision making based on data (scientific decision making) and on intuition	<p>Scientific decision making should include understanding and interpreting decision trees and calculating expected value and net gains.</p> <p>Decision making to include an understanding of:</p> <ul style="list-style-type: none"> • risks • rewards • uncertainty • opportunity cost.
The use and value of decision trees in decision making	
Influences on decision making	<p>Influences on decision making to include:</p> <ul style="list-style-type: none"> • mission • objectives • ethics • the external environment including competition • resource constraints.

3.2.3 Understanding the role and importance of stakeholders

Content	Additional information
The need to consider stakeholder needs when making decisions	Stakeholder mapping: stakeholder power and interest.
Stakeholder needs and the possible overlap and conflict of these needs	
Influences on the relationship with stakeholders	
How to manage the relationship with different stakeholders	Managing the relationship with different stakeholders includes communication and consultation.

3.3 Decision making to improve marketing performance

Students should consider the following throughout this section of the specification:

- how developments in technology are affecting marketing decision making and activities (eg digital marketing and the use of social media, relationship marketing and dynamic pricing)
- ethical and environmental influences on marketing decisions
- market conditions and competition
- how marketing decisions help improve competitiveness
- the interrelationship between marketing decisions and other functions.

3.3.1 Setting marketing objectives

Content	Additional information
The value of setting marketing objectives	Marketing objectives include: <ul style="list-style-type: none">• sales volume and sales value• market size• market and sales growth• market share• brand loyalty.
External and internal influences on marketing objectives and decisions	

3.3.2 Understanding markets and customers

Content	Additional information
The value of primary and secondary marketing research	Marketing research should include: <ul style="list-style-type: none"> • qualitative and quantitative data • market mapping. You should be able to calculate market and sales growth, market share and size.
The value of sampling	
The interpretation of marketing data	Interpretation of marketing data should include: <ul style="list-style-type: none"> • positive and negative correlation and an understanding of the strength of the relationship • understanding the concept of confidence intervals • understanding extrapolation.
The value of technology in gathering and analysing data for marketing decision making	
The interpretation of price and income elasticity of demand data	Students should be able to interpret price and income elasticity of demand data and be able to analyse the impact of changes in price and income on revenue (they do not need to be able to calculate these).
The value of the concepts of price and income elasticity of demand to marketing decision makers	
The use of data in marketing decision making and planning	

3.3.3 Making marketing decisions: segmentation, targeting, positioning

Content	Additional information
The process and value of segmentation, targeting and positioning	Segmentation methods include: <ul style="list-style-type: none"> • demographic • geographic • income • behavioural segmentation.
Influences on choosing a target market and positioning	Targeting may include niche and mass marketing.

3.3.4 Making marketing decisions: using the marketing mix

Content	Additional information
The elements of the marketing mix (7Ps)	
The influences on and effects of changes in the elements of the marketing mix	<p>The marketing mix should be considered for goods and services, both industrial and consumer.</p> <p>Types of consumer goods considered should include convenience, shopping and specialty products.</p>
Product decisions	<p>Product decisions should include:</p> <ul style="list-style-type: none"> • the value of product portfolio analysis and the Boston Matrix • the value of the product life cycle model including extension strategies • influences on and the value of new product development.
Pricing decisions	Pricing decisions should include penetration and price skimming.
Decisions about the promotional mix	Promotional decisions should include the value of branding.
Distribution (place) decisions	Distribution decisions should include multi-channel distribution.
Decisions relating to other elements of the marketing mix: people, process and physical environment	
The importance of and influences on an integrated marketing mix	<p>Influences on an integrated marketing mix include:</p> <ul style="list-style-type: none"> • the position in the product life cycle • the Boston Matrix • the type of product • marketing objectives • the target market • competition • positioning.
Understanding the value of digital marketing and e-commerce	

3.4 Decision making to improve operational performance

Students should consider the following throughout this section of the specification:

- how developments in technology are affecting decision making and activities in operations (eg more online businesses, better links with customers, suppliers and inventory control)
- ethical and environmental influences on operations decisions
- market conditions and competition
- how decisions in operations improve the competitiveness of a business
- the interrelationship between operational decisions and other functions.

3.4.1 Setting operational objectives

Content	Additional information
The value of setting operational objectives	Operational objectives include: <ul style="list-style-type: none"> • costs • quality • speed of response and flexibility • dependability • environmental objectives • added value.
External and internal influences on operational objectives and decisions	

3.4.2 Analysing operational performance

Content	Additional information
Interpretation of operations data	
Calculation of operations data	Students should be able to calculate: <ul style="list-style-type: none"> • labour productivity • unit costs (average costs) • capacity • capacity utilisation.
The use of data in operational decision making and planning	

3.4.3 Making operational decisions to improve performance: increasing efficiency and productivity

Content	Additional information
The importance of capacity	
The importance of efficiency and labour productivity	
How to increase efficiency and labour productivity	
The benefits and difficulties of lean production	Lean production should include 'Just in Time' operations.
Difficulties increasing efficiency and labour productivity	
How to choose the optimal mix of resources	The mix of resources should include an understanding of labour and capital intensive processes.
How to utilise capacity efficiently	
How to use technology to improve operational efficiency	

3.4.4 Making operational decisions to improve performance: improving quality

Content	Additional information
The importance of quality	
Methods of improving quality	Methods of improving quality should include quality assurance.
The benefits and difficulties of improving quality	
The consequences of poor quality	

3.4.5 Making operational decisions to improve performance: managing inventory and supply chains

Content	Additional information
Ways and value of improving flexibility, speed of response and dependability	An understanding of flexibility should include mass customisation.
How to manage supply to match demand and the value of doing so	Ways of matching supply to demand include: <ul style="list-style-type: none"> • outsourcing • use of temporary and part time employees • producing to order.
Influences on the amount of inventory held	Inventory control should include: <ul style="list-style-type: none"> • interpreting inventory control charts • lead time • re-order levels • buffer level of inventory • re-order quantities.
Influences on the choice of suppliers	
How to manage the supply chain effectively and efficiently and the value of this	
The value of outsourcing	

3.5 Decision making to improve financial performance

Students should consider the following throughout this section of the specification:

- how developments in technology are affecting financial decision making and activities (eg crowd funding)
- market conditions and competition
- ethical and environmental influences on financial decisions
- how decisions in finance improve the competitiveness of the business
- the interrelationship between financial decisions and other functions.

3.5.1 Setting financial objectives

Content	Additional information
The value of setting financial objectives	Financial objectives to include: <ul style="list-style-type: none">• the concept of a return on investment• an understanding of the proportion of long-term funding that is debt.
The distinction between cash flow and profit	
The distinction between gross profit, operating profit and profit for the year	
Revenue, costs and profit objectives	
Cash flow objectives	
Objectives for investment (capital expenditure) levels	
Capital structure objectives	
External and internal influences on financial objectives and decisions	

3.5.2 Analysing financial performance

Content	Additional information
How to construct and analyse budgets and cash flow forecasts	Analysing budgets should include variance analysis and adverse and favourable variances.
The value of budgeting	
How to construct and interpret break-even charts	Break-even analysis should include: <ul style="list-style-type: none"> • break-even output • margin of safety • contribution per unit • total contribution.
How to calculate and illustrate on a break-even chart the effects of changes in price, output and cost	
The value of break-even analysis	
How to analyse profitability	Analysing profitability should include the following ratio analysis: <ul style="list-style-type: none"> • gross profit • profit from operations • profit for the year.
How to analyse timings of cash inflows and outflows	Analysing timings of cash flow should include an understanding of payables and receivables.
The use of data for financial decision making and planning	

3.5.3 Making financial decisions: sources of finance

Content	Additional information
Internal and external sources of finance	Sources of finance should include: <ul style="list-style-type: none"> • debt factoring • overdrafts • retained profits • share capital • loans • venture capital.
Advantages and disadvantages of different sources of finance for short- and long-term uses	

3.5.4 Making financial decisions: improving cash flow and profits

Content	Additional information
Methods of improving cash flow	Students should be able to assess ways of improving cash flow.
Methods of improving profits and profitability	Students should be able to assess ways of improving profitability.
Difficulties improving cash flow and profit	

3.6 Decision making to improve human resource performance

Students should consider the following throughout this section of the specification:

- how developments in technology are affecting decision making and activities in relation to human resources (eg changing the nature of work, the skills that are required and ways of working such as tele-working)
- ethical and environmental influences on human resources decisions
- market conditions (including the labour market) and competition
- how human resource decisions help improve the competitiveness of a business
- the interrelationship between human resource decisions and other functions.

3.6.1 Setting human resource objectives

Content	Additional information
The value of setting human resource objectives	Human resource objectives include: <ul style="list-style-type: none">• employee engagement and involvement• talent development• training• diversity• alignment of values• number, skills and location of employees.
Internal and external influences on human resource objectives and decisions	Influences on human resource objectives such as soft and hard Human Resource Management (HRM) approaches.

3.6.2 Analysing human resource performance

Content	Additional information
Calculating and interpreting human resource data	Students should be able to calculate and interpret: <ul style="list-style-type: none"> • labour turnover and retention rates • labour productivity • employee costs as percentage of turnover • labour cost per unit.
The use of data for human resource decision making and planning	

3.6.3 Making human resource decisions: improving organisational design and managing the human resource flow

Content	Additional information
Influences on job design	Job design to include Hackman and Oldham's model.
Influences on organisational design	Decisions relating to organisational design include: <ul style="list-style-type: none"> • authority • span • hierarchy • delegation • centralisation and decentralisation.
Influences on delegation, centralisation and decentralisation	
The value of changing job and organisational design	
How managing the human resource flow helps meet human resource objectives	Human resource flow to include: <ul style="list-style-type: none"> • human resource plan • recruitment • training • redeployment • redundancy.

3.6.4 Making human resource decisions: improving motivation and engagement

Content	Additional information
The benefits of motivated and engaged employees	Theories of motivation should include Taylor, Maslow and Herzberg.
How to improve employee engagement and motivation	Financial methods of motivation should include: <ul style="list-style-type: none">• piece rate• commission• salary schemes• performance-related pay.
The value of theories of motivation	
The use of financial methods of motivation	
The use of non-financial methods of motivating employees	
Influences on the choice and assessment of the effectiveness of financial and non-financial reward systems	

3.6.5 Making human resource decisions: improving employer-employee relations

Content	Additional information
Influences on the extent and methods of employee involvement in decision making	Employee representation methods to include trade unions and works councils.
How to manage and improve employer-employee communications and relations	
Value of good employer-employee relations	

3.7 Analysing the strategic position of a business (A-level only)

3.7.1 Mission, corporate objectives and strategy

Content	Additional information
Influences on the mission of a business	
Internal and external influences on corporate objectives and decisions	Influences on corporate objectives should include the pressures for short termism, business ownership, the external and internal environment.
The distinction between strategy and tactics	
The links between mission, corporate objectives and strategy	
The impact of strategic decision making on functional decision making	
The value of SWOT analysis	

3.7.2 Analysing the existing internal position of a business to assess strengths and weaknesses: financial ratio analysis

Content	Additional information
How to assess the financial performance of a business using balance sheets, income statements and financial ratios	Financial ratio analysis to include: <ul style="list-style-type: none"> • profitability (return on capital employed) • liquidity (current ratio) • gearing • efficiency ratios: payables days, receivables days, inventory turnover.
The value of financial ratios when assessing performance	Data may be analysed over time or in comparison with other businesses.

3.7.3 Analysing the existing internal position of a business to assess strengths and weaknesses: overall performance

Content	Additional information
How to analyse data other than financial statements to assess the strengths and weaknesses of a business	Data other than financial statements should include operations, human resource and marketing data. Data may be analysed over time or in comparison with other businesses.
The importance of core competences	
Assessing short- and long-term performance	
The value of different measures of assessing business performance	Methods of assessing overall business performance to include: <ul style="list-style-type: none">• Kaplan and Norton's Balanced Scorecard model• Elkington's Triple Bottom Line (Profit, People, Planet).

3.7.4 Analysing the external environment to assess opportunities and threats: political and legal change

Content	Additional information
The impact of changes in the political and legal environment on strategic and functional decision making	The political and legal environment should include a broad understanding of the scope and effects of UK and EU law related to competition, the labour market and environmental legislation. The impact of UK and EU Government policy related to enterprise, the role of regulators, infrastructure, the environment and international trade.

3.7.5 Analysing the external environment to assess opportunities and threats: economic change

Content	Additional information
The impact of changes in the UK and the global economic environment on strategic and functional decision making	<p>Economic factors to include:</p> <ul style="list-style-type: none"> • GDP • taxation • exchange rates • inflation • fiscal and monetary policy • more open trade v protectionism. <p>Students should be able to understand economic data, interpret changes in economic data for the UK, the European Union and globally, and consider the implications of such changes for business.</p>
Reasons for greater globalisation of business	
The importance of globalisation for business	
The importance of emerging economies for business	

3.7.6 Analysing the external environment to assess opportunities and threats: social and technological

Content	Additional information
The impact of the social and technological environment on strategic and functional decision making	<p>Social changes to include demographic changes and population movements such as:</p> <ul style="list-style-type: none"> • urbanisation and migration • changes in consumer lifestyle and buying behaviour • the growth of online businesses. <p>The social environment to include Corporate Social Responsibility (CSR) and:</p> <ul style="list-style-type: none"> • the reasons for and against (CSR) • the difference between the stakeholder v shareholder concept • Carroll's Corporate Social Responsibility pyramid. <p>Technological change should include the impact of technological change on functional areas and strategy.</p>
The pressures for socially responsible behaviour	

3.7.7 Analysing the external environment to assess opportunities and threats: the competitive environment

Content	Additional information
Porter's five forces, how and why these might change, and the implications of these forces for strategic and functional decision making and profits	<p>An understanding of the five forces to include:</p> <ul style="list-style-type: none">• entry threat (barriers to entry)• buyer power• supplier power• rivalry• substitute threat. <p>Students should consider how the five forces shape competitive strategy.</p>

3.7.8 Analysing strategic options: investment appraisal

Content	Additional information
Financial methods of assessing an investment	Investment appraisal should include the calculation and interpretation of payback, average rate of return and net present value.
Factors influencing investment decisions	Factors to include investment criteria, non-financial factors, risk and uncertainty.
The value of sensitivity analysis	

3.8 Choosing strategic direction (A-level only)

3.8.1 Strategic direction: choosing which markets to compete in and what products to offer

Content	Additional information
Factors influencing which markets to compete in and which products to offer	Strategic direction to include the Ansoff matrix and value of: <ul style="list-style-type: none"> • market penetration • market development • new product development • diversification.
The reasons for choosing and value of different options for strategic direction	

3.8.2 Strategic positioning: choosing how to compete

Content	Additional information
How to compete in terms of benefits and price	Strategic positioning to include: <ul style="list-style-type: none"> • Porter's low cost, differentiation and focus strategies • Bowman's strategic clock.
Influences on the choice of a positioning strategy	
The value of different strategic positioning strategies	
The benefits of having a competitive advantage	
The difficulties of maintaining a competitive advantage	

3.9 Strategic methods: how to pursue strategies (A-level only)

3.9.1 Assessing a change in scale

Content	Additional information
The reasons why businesses grow or retrench	Types of growth to include organic and external.
The difference between organic and external growth	
How to manage and overcome the problems of growth or retrenchment	<p>Issues with growth should include:</p> <ul style="list-style-type: none"> • economies of scale (including technical, purchasing and managerial) • economies of scope • diseconomies of scale • the experience curve • synergy • overtrading. <p>Issues with managing growth should include Greiner's model of growth.</p>
The impact of growth or retrenchment on the functional areas of the business	
Assessing methods and types of growth	<p>Methods of growth to include mergers, takeovers, ventures, franchising.</p> <p>Types of growth to include vertical (backward and forward), horizontal and conglomerate integration.</p>

3.9.2 Assessing innovation

Content	Additional information
The pressures for innovation	Types of innovation should include product and process innovation.
The value of innovation	
The ways of becoming an innovative organisation	<p>Ways of becoming innovative include:</p> <ul style="list-style-type: none"> • Kaizen • research and development • intrapreneurship • benchmarking.
How to protect innovation and intellectual property	Ways of protecting intellectual property include patents and copyrights.
The impact of an innovation strategy on the functional areas of the business	

3.9.3 Assessing internationalisation

Content	Additional information
Reasons for targeting, operating in and trading with international markets	Methods of entering international markets include: <ul style="list-style-type: none"> • export • licensing • alliances • direct investment.
Factors influencing the attractiveness of international markets	
Reasons for producing more and sourcing more resources abroad	Decisions regarding producing overseas include off-shoring and re-shoring.
Ways of entering international markets and value of different methods	Targeting overseas markets may include being a multinational.
Influences on buying, selling and producing abroad	
Managing international business including pressures for local responsiveness and pressures for cost reduction	Managing international business includes Bartlett and Ghoshal's international, multi-domestic, transnational and global strategies.
The impact on internationalisation for the functional areas of the business	

3.9.4 Assessing greater use of digital technology

Content	Additional information
The pressures to adopt digital technology	Digital technology should include e-commerce, big data, data mining and enterprise resource planning (ERP).
The value of digital technology	
The impact of digital technology on the functional areas of the business	

3.10 Managing strategic change (A-level only)

3.10.1 Managing change

Content	Additional information
Causes of and pressures for change	Types of change include: <ul style="list-style-type: none">• internal change• external change• incremental change• disruptive change. Managing change should include: <ul style="list-style-type: none">• Lewin's force field analysis.
The value of change	
The value of a flexible organisation	Flexible organisations include: <ul style="list-style-type: none">• restructuring• delayering• flexible employment contracts• organic structures v mechanistic• knowledge and information management.
The value of managing information and knowledge	
Barriers to change	Kotter and Schlesinger's four reasons for resistance to change.
How to overcome barriers to change	Kotter and Schlesinger's six ways of overcoming resistance to change.

3.10.2 Managing organisational culture

Content	Additional information
The importance of organisational culture	Cultural models should include: <ul style="list-style-type: none">• Handy's task culture, role culture, power culture and person culture• Hofstede's national cultures.
The influences on organisational culture	
The reasons for and problems of changing organisational culture	

3.10.3 Managing strategic implementation

Content	Additional information
How to implement strategy effectively	
The value of leadership in strategic implementation	
The value of communications in strategic implementation	
The importance of organisational structure in strategic implementation	Organisational structures to include: functional, product based, regional and matrix structure.
The value of network analysis in strategic implementation	Network analysis to include: <ul style="list-style-type: none"> • understanding and interpreting network diagrams • amendment of network diagrams • identifying the critical path and total float.

3.10.4 Problems with strategy and why strategies fail

Content	Additional information
Difficulties of strategic decision making and implementing strategy	
Planned v emergent strategy	
Reasons for strategic drift	
The possible effect of the divorce between ownership and control	The effect of the divorce between ownership and control to include corporate governance.
Evaluating strategic performance	
The value of strategic planning	
The value of contingency planning	