

BUSINESS 9609



Cambridge international A Level

CONTENT OVERVIEW

- Develop the understanding /depth and richness and detail of a subject/
- Independent study & research
 - Homework task / Assignments
 - Research / Additional reading
- Key concepts
 - Change / Context
 - Decision-making / Enterprise
 - Innovation / Strategy
- Preparation for University.

	A Level topics
Business and its environment	6.1 External influences on business activity 6.2 Business strategy
Human resource management	7.1 Organisational structure 7.2 Business communication 7.3 Leadership 7.4 Human resource management strategy
Marketing	8.1 Marketing analysis 8.2 Marketing strategy
	10.4 Finance and accounting strategy

Key Concept 1 (KC1) – Change

Key Concept 2 (KC2) – Context

Key Concept 3 (KC3) – Decision-making

Key Concept 4 (KC4) – Enterprise

Key Concept 5 (KC5) – Innovation

Key Concept 6 (KC6) – Strategy

counts

KEY CONCEPTS



- **CHANGE** is the only constant. New enterprises and opportunities are created in response to change in the external environment.
- **CONTEXT** is the basis for every business decision. What might be a suitable solution in one situation may be unsuitable in another. Businesses must understand and research their context to be able to make good decisions.
- **DECISION-MAKING** affects all levels in a business. Stakeholders in businesses use their knowledge, apply it to a scenario, analyse the data, evaluate the arguments and then come to a decision.
- **ENTERPRISE** is the ability to seek out and successfully develop business opportunities.
- **INNOVATION** enables a business to re-invent itself and stay ahead of the competition /product development, more efficient processes and finding better ways to do business/
- **STRATEGY** is about knowing where you are, where you want to get to and how you are going to get there. Being able to analyse a business situation, make choices given relevant data and then implement this effectively is key to running a successful business.

Peter Stimpson and Alastair Farquharson
Cambridge International AS and A Level

Business

Coursebook

Third edition



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Cambridge Assessment
International Education

Syllabus

Cambridge International AS & A Level Business 9609

Use this syllabus for exams in 2022.

Exams are available in the June and November series.

Exams are also available in the March series in India only.



UNIT 1. BUSINESS AND ITS ENVIRONMENT

CHAPTER 6. EXTERNAL INFLUENCES ON BUSINESS ACTIVITY



6.1 External influences on business activity

6.1.1 Political and legal

- the advantages and disadvantages of privatisation in a given situation
- the advantages and disadvantages of nationalisation in a given situation
- how a government might use the law to seek to control: employment practices, conditions of work (including health and safety), wage levels, marketing behaviour, competition, location decisions, particular goods and services
- the impact of changes in political and legal factors on business and business decisions

THE ADVANTAGES AND DISADVANTAGES OF PRIVATISATION



Reasons for privatisation:

- Raises finance for government
- Businesses can operate without political control/interference
- Private owners will expect profits from their investment so the business will have to be operated efficiently
- Without government financial support the business will be subject to market forces – to be successful it will have to produce what customers are prepared to pay for
- It could lead to increased competition as other businesses enter the industry, forcing existing businesses to increase efficiency and possibly reducing prices for consumers

THE ADVANTAGES AND DISADVANTAGES OF PRIVATISATION



Reasons for opposed to privatisation:

- Some important public services may now be cut back if they are not profitable
- Job losses are inevitable when the private owners attempt to improve efficiency to increase profits
- Some industries are too important to be operated by private investors
- If a state controlled monopoly is replaced by a private owned monopoly then customers may be exploited with higher prices.

HOW A GOVERNMENT MIGHT USE THE LAW TO SEEK TO CONTROL:



- employment practices,
- conditions of work (including health and safety),
- wage levels,
- marketing behaviour,
- competition,
- location decisions,
- particular goods and services

HOW A GOVERNMENT MIGHT USE THE LAW TO SEEK TO CONTROL:



Types of laws	Common requirements	Costs to business	Benefits to business
Employment law	<ul style="list-style-type: none">• Minimum wage level• Health and safety at work• Employment conditions, for example, holidays/pensions• Employment contracts• Anti-discrimination in employment/recruitment• Trade Union rights	<ul style="list-style-type: none">• Higher wage costs, may lead to relocation to low wage country• Costs of improved safety equipment• Costs of meeting legal requirements on conditions of employment• Costs of monitoring employment and recruitment practices to avoid discrimination	<ul style="list-style-type: none">• More motivated staff• Fewer accidents at work• Less risk of bad publicity, for example, resulting from discrimination of workers• More likely to sell products to ethical 'customers'

HOW A GOVERNMENT MIGHT USE THE LAW TO SEEK TO CONTROL:



Types of laws	Common requirements	Costs to business	Benefits to business
Consumer law	<ul style="list-style-type: none">• Product safety• Consumer rights for refund or replacement• Accurate weights and measures• Advertising accuracy	<ul style="list-style-type: none">• Higher product development costs• Higher quality/safer material costs• Costs of refunds/replacements	<ul style="list-style-type: none">• Consumers more confident about product safety• Consumer loyalty from improved products and services• Consumer confidence in promotional and advertising campaigns

HOW A GOVERNMENT MIGHT USE THE LAW TO SEEK TO CONTROL:



Types of laws	Common requirements	Costs to business	Benefits to business
Competition law	<ul style="list-style-type: none">• Not engaging in monopolistic and anti-competitive practices	<ul style="list-style-type: none">• Not able to 'fix' prices or engage in uncompetitive actions• Limits to mergers and takeovers as monopolies may be illegal or investigated	<ul style="list-style-type: none">• Customers will prefer to deal with businesses that are thought to be competing fairly• Less risk of smaller firms being forced out of business by dominant firms

HOW A GOVERNMENT MIGHT USE THE LAW TO SEEK TO CONTROL:



Types of laws	Common requirements	Costs to business	Benefits to business
Planning and environmental laws	<ul style="list-style-type: none">• Restrictions on location of industry, for example, in towns/cities or in areas of natural beauty• Control business developments that damage the environment	<ul style="list-style-type: none">• Cheapest sites may not be available for construction• Additional costs of meeting planning laws, for example, waste disposal methods• Applications for planning take time	<ul style="list-style-type: none">• Less risk of businesses being accused of damaging residents' health or damaging the environment• Can promote the business as being 'environmentally friendly'

PROGRESS CHECK

- Would you advise a restaurant owner to try to cut costs by reducing the frequency of cleaning the kitchens? Explain your answer.
- Explain one benefit to employees and one benefit to employers of having a formal contract of employment.
- How might small businesses risk being forced out of business by anti-competitive practices of larger firms in the industry?
- If some consumers are happy to pay very low prices for potentially dangerous products, why does the government prevent this with consumer laws?

UNIT 1. BUSINESS AND ITS ENVIRONMENT

CHAPTER 6. EXTERNAL INFLUENCES ON BUSINESS ACTIVITY



6.1.3 Social and demographic

- the impact of and issues associated with corporate social responsibility (CSR), e.g. accounting practices, paying incentives for the award of contracts, social auditing
- why businesses need to consider the needs of the community including pressure groups
- demographic changes at a local, national and global level
- the impact of social and demographic change on business and business decisions

6.1.4 Technological

- the impact of technological change on business and business decisions

6.1.5 Competitors and suppliers

- the impact of competitors and suppliers on business and business decisions

THE IMPACT OF SOCIAL AND DEMOGRAPHIC CHANGE ON BUSINESS ACTIVITY



In most countries there are significant changes occurring in the structure of society. The main ones:

Social change	Potential positive business impact	Potential negative business impact
Rapidly increasing population	<ul style="list-style-type: none">• Increased potential market• Increased potential workforce	<ul style="list-style-type: none">• Increased demand for available land for expansion
Ageing population	<ul style="list-style-type: none">• Increased demand for 'old-age related' products• Older workers often more loyal and experienced	<ul style="list-style-type: none">• Increased taxation as government has increased pension and other costs• More difficult to recruit younger workers• Older workers may be more resistant to change

THE IMPACT OF SOCIAL AND DEMOGRAPHIC CHANGE ON BUSINESS ACTIVITY



Social change	Potential positive business impact	Potential negative business impact
Increased numbers of women in workforce	<ul style="list-style-type: none">• Greater potential workforce• Higher family incomes created• Potential for increased demand for some products	<ul style="list-style-type: none">• Increased levels of maternity leave/pay

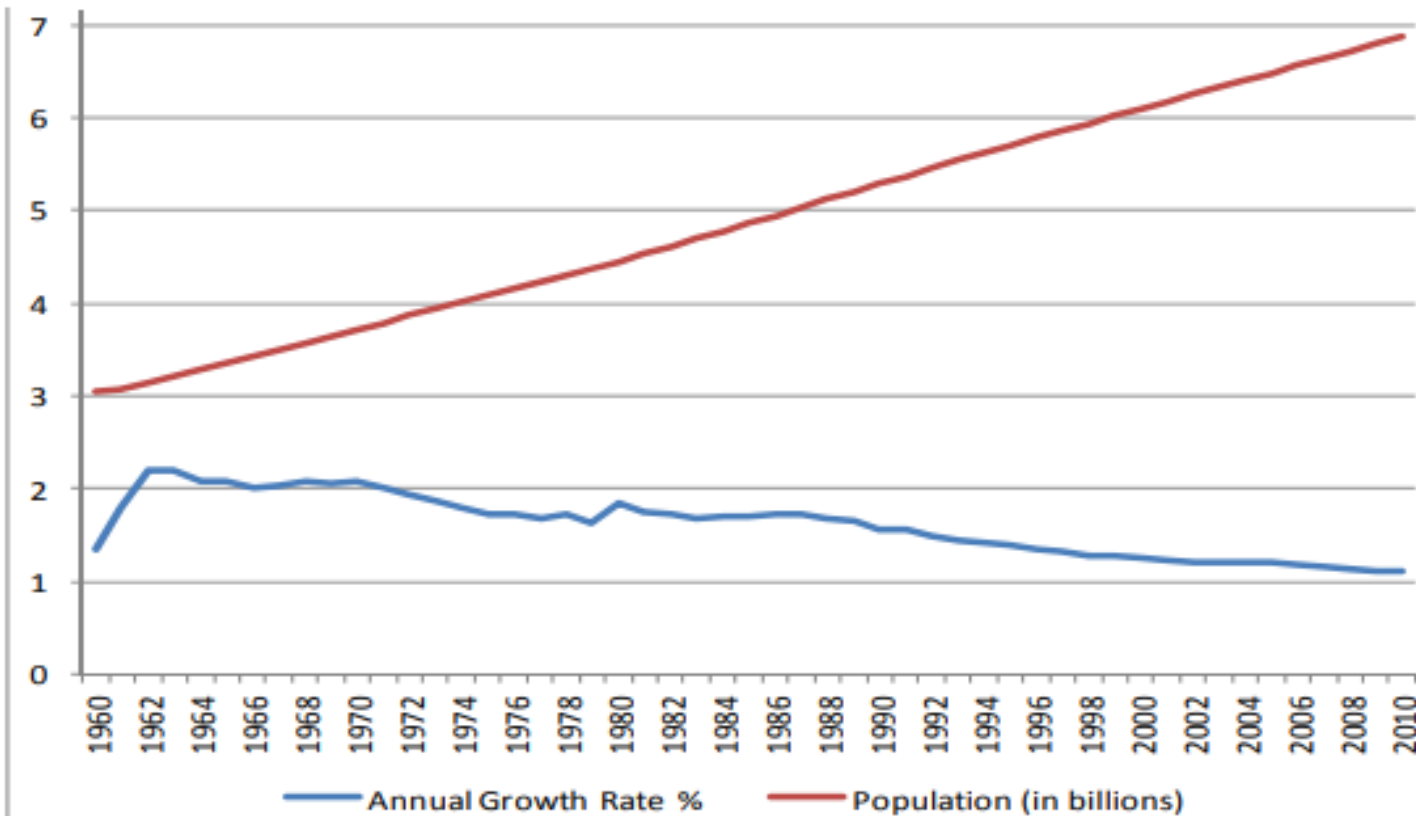
THE IMPACT OF SOCIAL AND DEMOGRAPHIC CHANGE ON BUSINESS ACTIVITY



Social change	Potential positive business impact	Potential negative business impact
Increased multi-culturalism, for example, through migration	<ul style="list-style-type: none">• Increased demand potential for culturally specific products• Potential workforce increases if there is net immigration• Foreign workers may be prepared to accept lower wages• New ideas, new products	<ul style="list-style-type: none">• Existing products may need to be adapted to suit cultural differences• Cultural differences may need to be reflected in HR policy, for example, different religious holidays may require careful staff planning• Possible friction with existing workers if foreign workers accept lower pay

DEMOGRAPHIC CHANGES AT A LOCAL, NATIONAL AND GLOBAL LEVEL

Figure I.1. World total population and growth rates, 1960-2010



Source: Developed with data from the US Census Bureau, International database.

For a more dramatic impact, display the oil counter alongside this population counter:

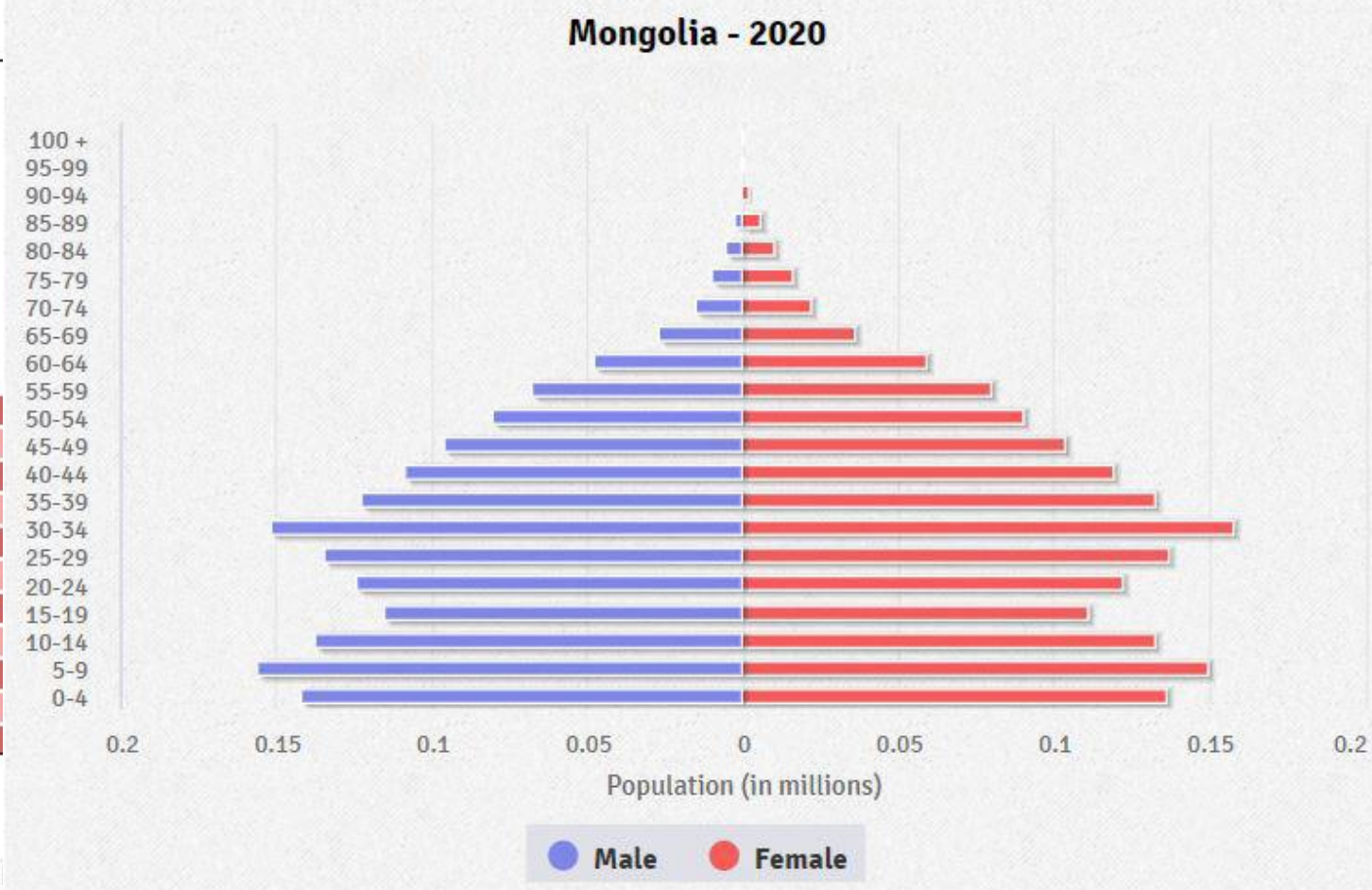
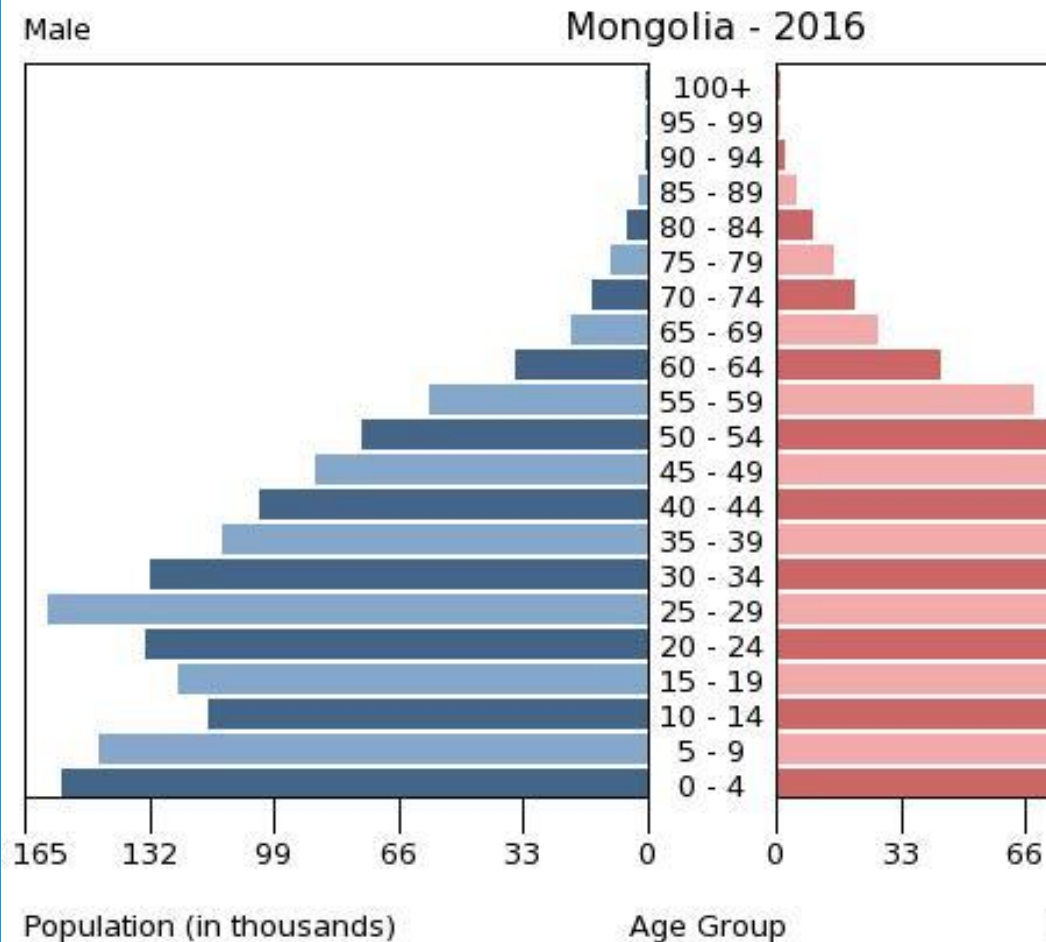
www.worldometers.info/world-population/

KC1

KC2

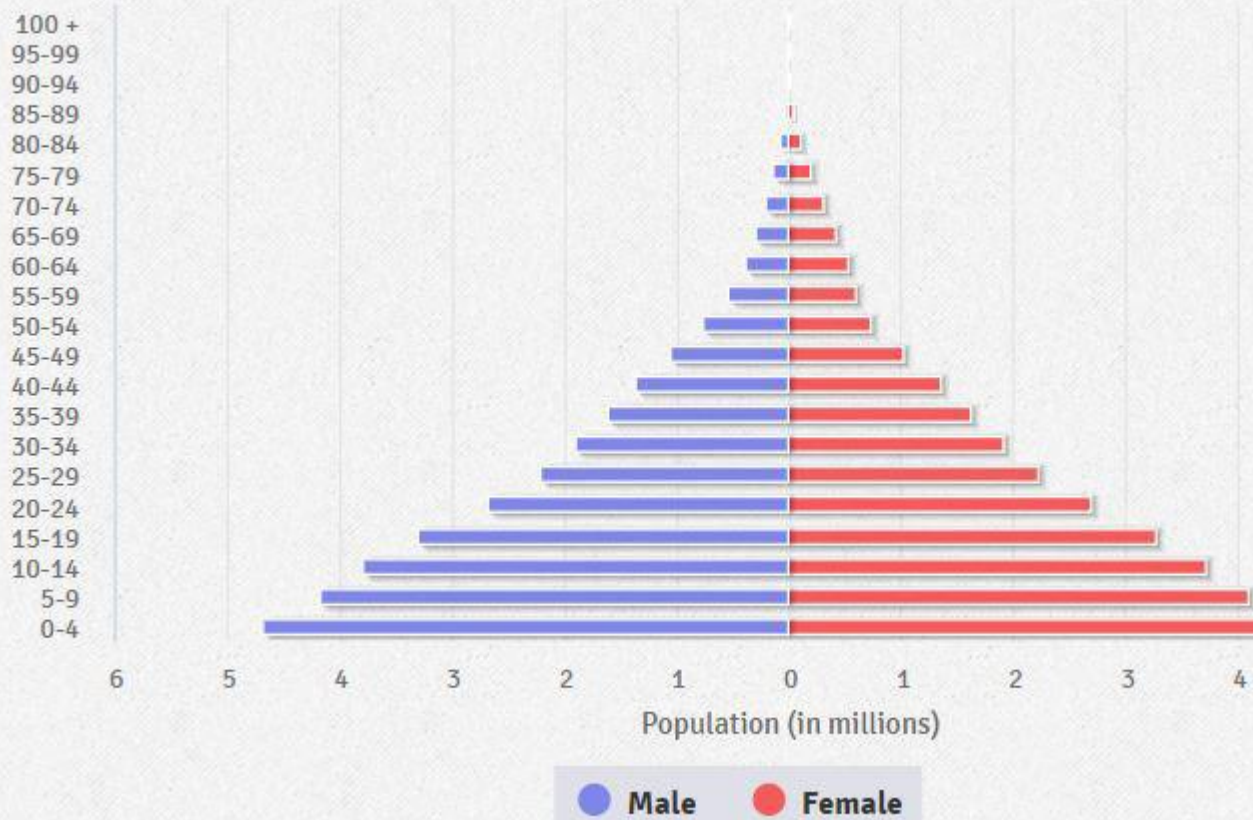
KC3

DEMOGRAPHIC CHANGES AT A LOCAL, NATIONAL AND GLOBAL LEVEL

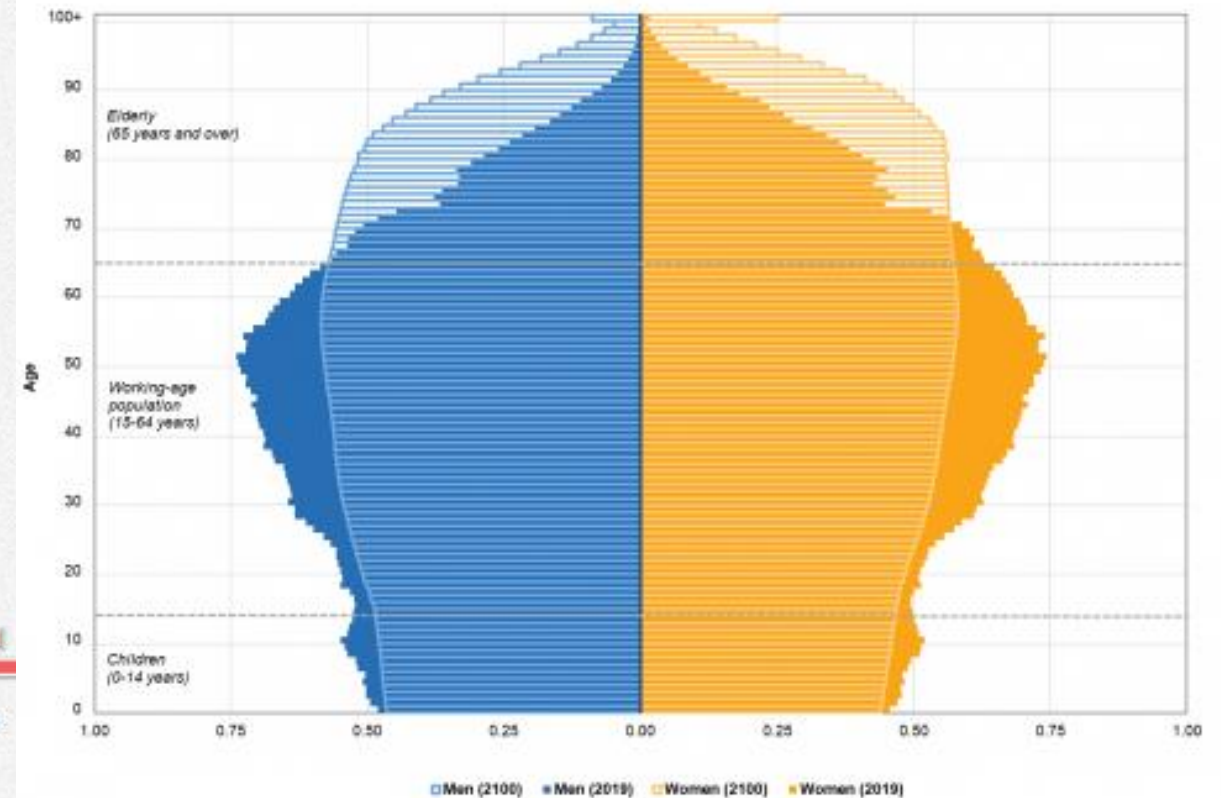


DEMOGRAPHIC CHANGES AT A LOCAL, NATIONAL AND GLOBAL LEVEL

Tanzania - 2020

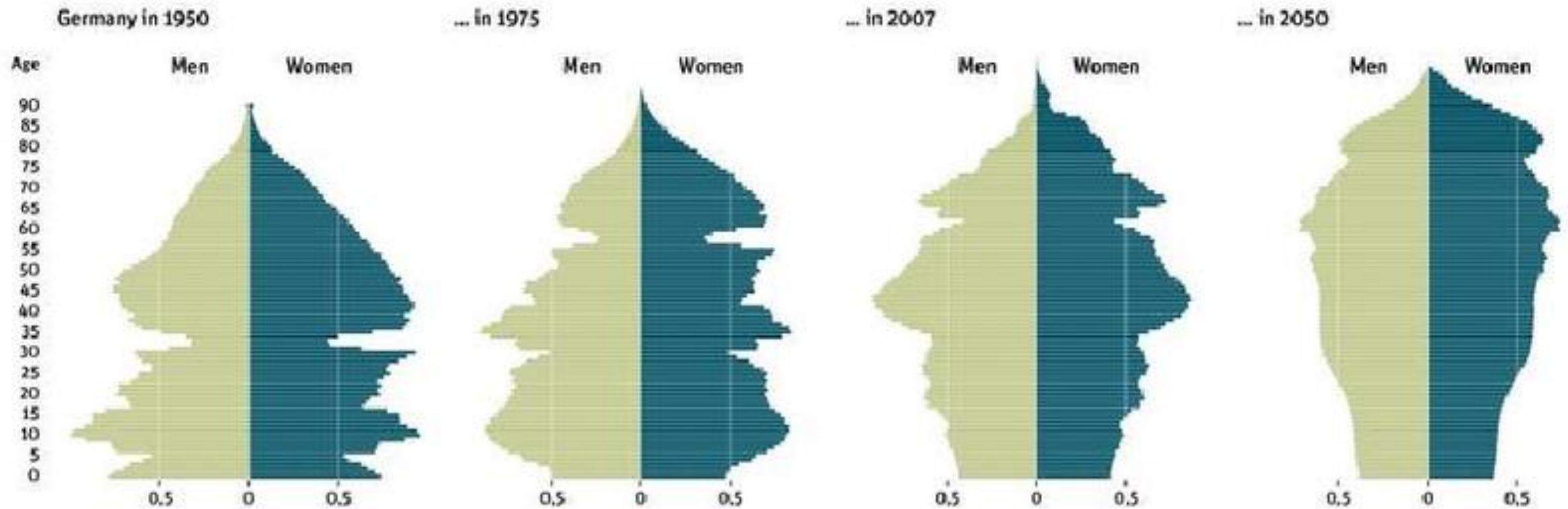


Population pyramids, EU-27, 2019 and 2100
(% of total population)



Source: Eurostat (online data code: proj_19np)

DEMOGRAPHIC CHANGES AT A LOCAL, NATIONAL AND GLOBAL LEVEL



PROGRESS CHECK



- What do you understand by an 'aging population'?
- Suggest **two** ways in which a business could respond to the of an aging population.
- Research the average age of the population in your country. How has this average changed over the last ten years?
- Explain the likely impact on increased immigration on a retail business's strategies.

KC1

KC2

KC3

DEMOGRAPHIC CHANGES AT A LOCAL, NATIONAL AND GLOBAL LEVEL



A typical demographic changes to:

- age, e.g. rise in school, retirement or working age
- ethnicity (change in ethnic composition or relations)
- wealth (presence and causes of deprivation, class)
- home ownership/rental accommodation and quality
- employment status (including part-time)
- location of population (rural/urban).

The customer base for all businesses is people. A successful business is one that responds to the changing demographics of the countries in which it operates.

THE IMPACT OF AND ISSUES ASSOCIATED WITH CORPORATE SOCIAL RESPONSIBILITY (CSR)



CSR issues include:

- **Business decisions that impact on the environment** – should businesses protect the environment for future generations even if this substantially adds to costs and reduces short-term profits?
- **Social and environmental auditing** – should businesses report on their social and environmental impacts even though these reports might contain some negative factors, such as levels of waste?
- **Not paying incentives to gain contracts** – this will help ensure fair prices are paid by customers but may lead to some contracts being lost to 'unethical businesses'.

SOCIAL INFLUENCE-SOCIAL AUDITS

KEY TERM

Social audit: a report on the impact a business has on society – this can cover pollution levels, health and safety record, sources of supplies, customer satisfaction and contribution to the community.

Does the company have CSR policy? How has the CSR policy been implemented? Analyse the effects that policy is likely to have on the following areas of business activity:

- production
- marketing
- employment
- finance
- objectives.



<https://www.coca-colacompany.com/sustainability>

WHY BUSINESSES NEED TO CONSIDER THE NEEDS OF THE COMMUNITY INCLUDING PRESSURE GROUPS



Discuss the needs of the local community, how different types of business may respond to those needs and why. These might include:

- litter and pollution
- jobs and employment
- congestion and parking.

For most businesses, local community is likely to form the basis for some or more of its customers. Therefore, taking community needs into account can also be about meeting customer needs.

WHY BUSINESSES NEED TO CONSIDER THE NEEDS OF THE COMMUNITY INCLUDING **PRESSURE GROUPS**



The power of **pressure groups** increases when:

- They have many members and can organise an effective consumer boycott
- They have influence over government through lobbying and having popular objectives
- They are well organised and well financed, for example, to pay for media campaigns
- The company the pressure group is targeting is short of resources, for example, cash, wants to avoid bad publicity and will lose profits quickly from consumer boycotts or other direct action.

KEY TERMS:



Corporate social responsibility (CSR):

- the concept that accepts that business should consider society's interests in its activities and decisions.

Pressure group:

- organisations created by people with a common interest or aim which put pressure on businesses and governments to change policies to reach a pressure group objectives.

Environmental & Social audit:

- report assessing the impact of a business's activities on the environment and society.

THE IMPACT OF TECHNOLOGICAL CHANGE ON BUSINESS AND BUSINESS DECISIONS



OPPORTUNITIES

Efficient data processing /
Smarter market knowledge

More effective communication

New marketing methods

New product development
/Improved efficiency

THREATS

Data protection issues

Need for adaptable workforce
/effective management of change
needed/ workers relation

Reliability/security

Costs: Capital, Maintenance/updating,
Training

TIP: Nearly all businesses use modern technology to some degree. But REMEMBER that new technology does not solve all business problems of inefficiency or poor communication. It can create problems too – especially if not well implemented.



KEY TERMS:



Information technology (IT):

- the use of electronic technology to gather, store, process and communicate information.

Computer aided design (CAD):

- using computers and IT to assist in the designing of products.

Computer aided manufacturing (CAM):

- using computers and computer controlled machinery to speed up production processes and make them more flexible.

Innovation:

- Creating more effective processes, products or way of doing things in a business.

PROGRESS CHECK



- A furniture making business adopts new computer controlled production methods. Explain which business costs might increase and which might reduce as a result of this decision.
- Explain **TWO** uses of IT in a typical business office.
- Explain **TWO** possible uses of IT by a marketing department of a business.
- Explain **THREE** important stages in the successful implementation of a new technology production system.

TECHNOLOGICAL INFLUENCES: THE PROBLEMS OF INTRODUCING TECHNOLOGICAL CHANGE



Activity:

- Each student lists 3 technological changes within school environment that affected them—last 3 years
- List the advantages for each change
- List the disadvantages for each change

Information technology system	Common business applications	Advantages
Word processing	<ul style="list-style-type: none"> used in all departments for administrative tasks – typing, printing, storing, amending all forms of written letters and messages for internal and external communication 	<ul style="list-style-type: none"> speed accuracy ease of amending documents fewer administrative staff needed – managers can operate the system with some training links with use of email for quick internal/ external communications
Pagemaker and publishing programs	<ul style="list-style-type: none"> specialist publishing programs can create magazine and newspaper pages for high-quality printing direct from computer marketing department can produce own promotional material internal business newspaper can be produced to aid internal communications 	<ul style="list-style-type: none"> may reduce the need for use of professional publishing firms – reducing costs documents can be amended quickly, e.g. promotional leaflets changed for different countries professional appearance given to company publications
Databases	<ul style="list-style-type: none"> used in all departments where the storing, filing and retrieving of large quantities of data are necessary human resources department for keeping of personnel records marketing department for storing details of all customers, addresses, numbers of products purchased, most frequently purchased products 	<ul style="list-style-type: none"> replaces vast quantities of paper records rapid retrieval of information saves time linking two sets of data, e.g. customers and preferred products, allows focused promotional campaigns

Information technology system	Common business applications	Advantages
	<ul style="list-style-type: none"> ■ operations department for stock handling, electronic ordering of new supplies, application of JIT stock-control process ■ finance department for recording all transactions, including trade receivable payments and for producing up-to-date accounting data to management 	<ul style="list-style-type: none"> ■ stock control in retail stores is much more effective with electronic tills that relay information directly to a central stock-holding computer and then to the supplier for automatic reordering ■ credit control more effective with up-to-date trade receivable records
Spreadsheet programs	<ul style="list-style-type: none"> ■ financial and management accounting records can be updated and amended ■ cash-flow forecasts and budgets can be updated in the light of new information ■ changes in expected performance can be input to the spreadsheet and changes in total figures are made automatically ■ income statements and statements of financial position can be drawn up frequently 	<ul style="list-style-type: none"> ■ flexibility and speed – changes to accounting records can be made quickly and the impact of these on total figures can be demonstrated instantly ■ ‘what if’ scenarios in budgeting and sales forecasting can be demonstrated – e.g. what would happen to forecast profits if sales rose by 10% following a 5% cut in price?
Computer-aided design (CAD)	<ul style="list-style-type: none"> ■ nearly all design and architectural firms now use these programs for making and displaying designs – cars, house plans, furniture, garden designs are just a few examples ■ designs can be shown in 3D and turned around to show effect from all angles 	<ul style="list-style-type: none"> ■ saves on expensive designer salaries as work is now much quicker ■ more flexibility of design as each customer’s special requirements can be easily added ■ can be linked to other programs to obtain product costings and to prepare for ordering of required supplies

Computer-aided manufacturing (CAM)	<ul style="list-style-type: none"> ■ these programs are used to operate robotic equipment that replaces many labour-intensive production systems ■ used in operations management in manufacturing businesses 	<ul style="list-style-type: none"> ■ labour costs are reduced as machines replace many workers ■ productivity is increased and variable cost per unit is lower than in non-computerised processes ■ accuracy is improved – less scope for human error ■ flexibility of production is increased – modern computer-controlled machinery can usually be adapted to make a number of different variations of a standard product, and this helps to meet consumers' needs for some individual features ■ all of these benefits can add to a firm's competitive advantage
Internet/Intranet	<ul style="list-style-type: none"> ■ the Internet is the World Wide Web of communication links between computers ■ marketing department – for promoting to a large market and taking orders online (see Chapter 19 for e-commerce discussion) ■ operations management – business to business (B2B) communication via the Internet is used to search the market for the cheapest suppliers ■ human resources uses these programs for communicating within the organisation ■ Intranets allow all staff to be internally connected via computers 	<ul style="list-style-type: none"> ■ cost savings from cheap internal and external communications ■ access to a much larger potential market than could be gained through non-IT methods ■ webpages project a worldwide image of the business ■ online ordering is cheaper than paper-based systems ■ B2B communications can obtain supplies at lower costs ■ use of social media and mobile marketing allows access to consumer groups not reached by traditional promotional methods ■ internal communication is quicker than traditional methods

Table 8.2 Common business applications of technology

UNIT 1. BUSINESS AND ITS ENVIRONMENT

CHAPTER 6. EXTERNAL INFLUENCES ON BUSINESS ACTIVITY



6.1.6 International

- the importance of international trading links and their impact on business and business decisions
- how international trade agreements might have an impact on businesses
- the role of technology in international trade
- the advantages and disadvantages that a multinational might bring to a country
- relationships between multinationals and governments

6.1.7 Environmental

- how physical environmental issues might influence business behaviour
- how a business and its stakeholders may use an environmental audit
- the impact of the growing importance of sustainability on business and business decisions

HW: International Agreements



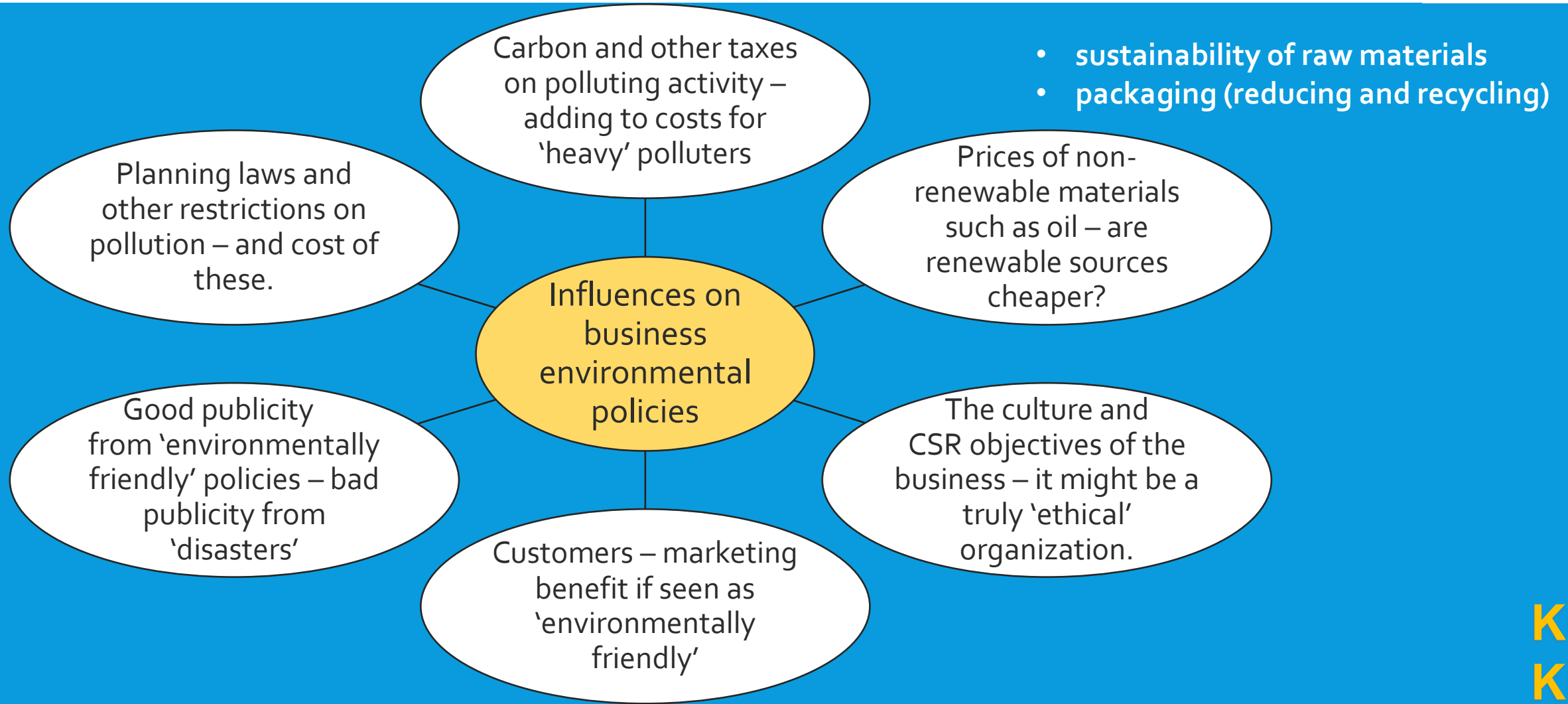
Step 1: Research 1 example from the following types of international agreement:

- international treaties (e.g. Maastricht treaty)
- free trade agreements (e.g. North American Free Trade Agreement)
- climate change agreements (e.g. Kyoto)
- common currency agreements (e.g. Euro)

Step 2: Prepare a poster/ mindmap

- Explain the purpose of the treaty, what are the member countries?
- Its impact on (take any 1 example of your choice)
 - Local business
 - National business
 - International business

HOW PHYSICAL ENVIRONMENTAL ISSUES MIGHT INFLUENCE BUSINESS BEHAVIOUR



THE IMPACT OF THE GROWING IMPORTANCE OF **SUSTAINABILITY** ON BUSINESS AND BUSINESS DECISIONS



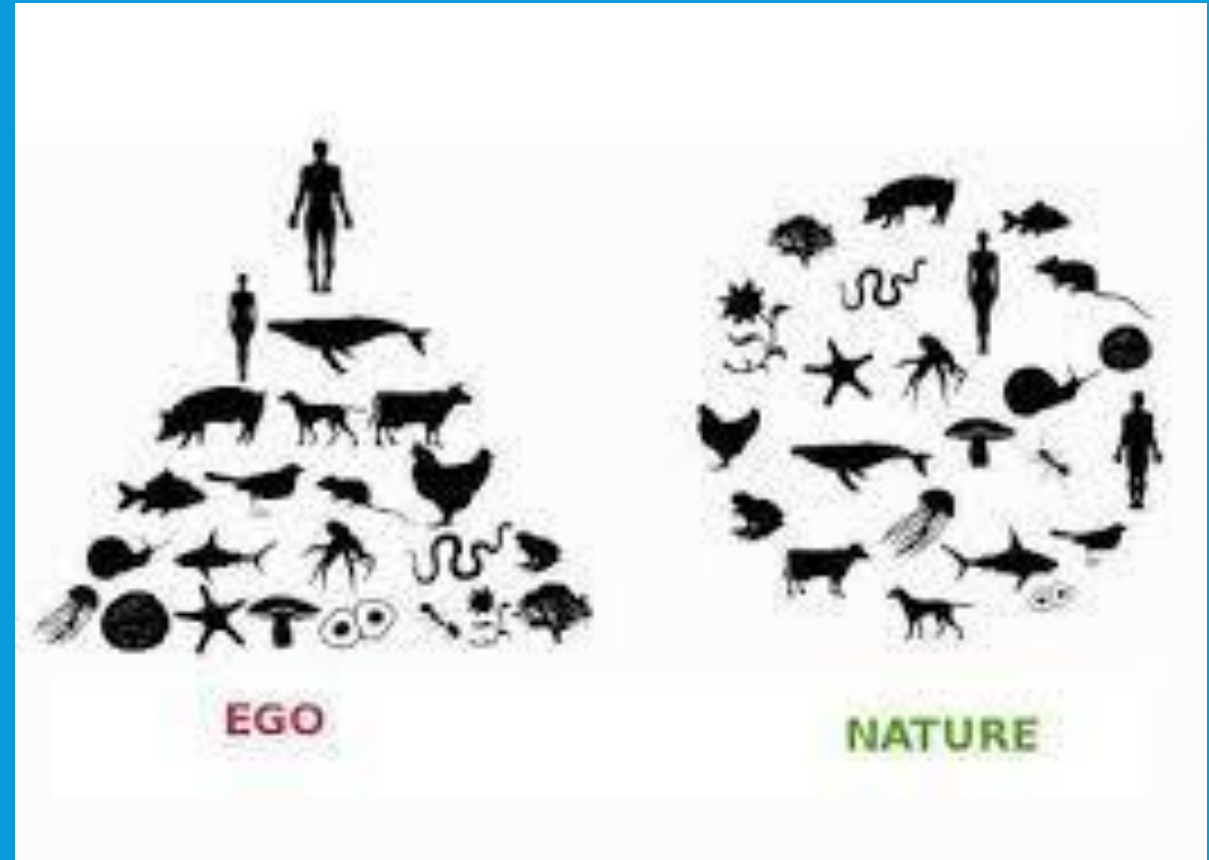
- Twenty years ago, environmental issues were rarely a priority on the agenda of business management.
- Now, there is an argument that operating an environmentally-friendly business is a top priority for business, particularly those whose operations and activities are nationwide and international.
- The environment has become a key external influence on businesses.

THE IMPACT OF THE GROWING IMPORTANCE OF **SUSTAINABILITY** ON BUSINESS AND BUSINESS DECISIONS



KEY ENVIRONMENTAL CONCERNS:

- Sustainability
- A 'green' supply chain
- Minimising packaging
- Promoting environmental policies
- Complying with environmental laws
- Carbon emissions
- Waste disposal



THE IMPACT OF THE GROWING IMPORTANCE OF **SUSTAINABILITY** ON BUSINESS AND BUSINESS DECISIONS



ENVIRONMENTAL LAWS AND REGULATIONS are wide and varied, but essentially businesses have to make sure that they:

- Store and treat waste safely and securely
- Protect employees and environment from air pollution
- Don't produce excessive noise, smoke, fumes and other forms of pollution
- Comply with rules for storage and use of hazardous substances and waste

THE IMPACT OF THE GROWING IMPORTANCE OF **SUSTAINABILITY** ON BUSINESS AND BUSINESS DECISIONS



To meet their obligations, businesses need to focus on:

- Use of raw materials, water and other resources (input)
- Energy use and its impact on climate change
- Waste and pollution produced by the business
- The impact the business has on employees and the local, wider and international community

THE IMPACT OF THE GROWING IMPORTANCE OF **SUSTAINABILITY** ON BUSINESS AND BUSINESS DECISIONS



- Many businesses create extra value in their products and services by engaging positively with environmental concerns, by encouraging recycling, using cleaner production methods, etc.
- Many businesses have found that customers are willing to pay more to balance the additional costs.
- This shows that any external influence can be an advantage as well as a disadvantage to a business.
- A sustainable business is a business that has **no negative overall impact on the environment.**

THE IMPACT OF THE GROWING IMPORTANCE OF **SUSTAINABILITY** ON BUSINESS AND BUSINESS DECISIONS



At least, a business that aims to sustainable gets involved in a range of activities designed to **'minimize' their net effect on the environment**):

- Using packaging that can be reused or recycled
- Minimising or eliminating the use of hazardous chemicals and processes that produce harmful by-products
- Working with suppliers to assess and improve their sustainability, or switching to more sustainable suppliers
- Using more energy-efficient equipment, or using renewable sources of energy
- Collaborating with other businesses that can use waste
- Eliminating unnecessary activities – replacing some business travel with conference calls instead

UNIT 1. BUSINESS AND ITS ENVIRONMENT

CHAPTER 6. EXTERNAL INFLUENCES ON BUSINESS ACTIVITY



6.1 External influences on business activity continued

6.1.2 Economic

- how government might intervene to help businesses and encourage enterprise
- how government might intervene to constrain business activity
- how government might deal with market failure
- the key macroeconomic objectives of governments: low unemployment, low inflation, economic growth
- how macroeconomic objectives and performance of an economy can have an impact on business activity
- government policies used to achieve macroeconomic objectives: monetary, fiscal, supply-side and exchange rate policies
- the impact of changes in these government policies on business and business decisions