

- Measures of Success**
- Employee Participation
 - Corporate Social Responsibility
 - Human Resources
 - Customer Service
 - Product Development

- Organic growth**
Internal growth using own resources i.e. opening more shops
- Merger**
Two or more businesses agreeing to join together
- Takeover**
One business takes control of another
- Horizontal growth**
Two businesses in the same production sector joining together
- Vertical growth**
Two businesses in different production sectors joining together



Business Ownership

Private Limited Company (LTD)

Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ Limited liability ▪ Continuity ▪ Can raise capital more easily ▪ Control over share sale 	<ul style="list-style-type: none"> ▪ Financial information available to the public ▪ Complex and expensive to set up ▪ Sale of shares is restricted ▪ Dividends to be paid

Public Limited Company (PLC)

Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ Can raise large amounts of capital ▪ Easier to borrow money ▪ Limited liability for shareholders 	<ul style="list-style-type: none"> ▪ Possibility of a takeover ▪ Complex and expensive to set up ▪ Hard to manage as so large ▪ Financial information available to the public

Organisation chart

A diagram to show how workers are organised in a business

Authority

The power that one person has to make decisions

Chain of command

The order of authority from top to bottom

Span of control

The number of people a manager is in charge of

Delegation

Giving someone else permission to make a decision

Stakeholder	Internal or external	Effects
Owners	Internal	See profit as their main aim so will want to run the business cost effectively
Employees	Internal	Employees want to be treated well and receive a fair wage. Without this they could go on strike
Customers	External	Customers want to receive a good service and pay a fair price. Without this they could go to competitors
Suppliers	External	Suppliers want to be paid on time. Delayed payments could mean the supplier refuses orders

Advantages of a tall structure	Advantages of a flat structure
<ul style="list-style-type: none"> ▪ The span of control is likely to be narrower meaning that he does not have as many people to look after ▪ There will be plenty of opportunities for workers to gain promotion which will motivate them to work harder 	<ul style="list-style-type: none"> ▪ Lines of communication are clear - communication will be quicker from top to bottom because there is not as many layers ▪ Fewer mistakes in communication will be made because there is fewer levels ▪ People at the bottom may be encouraged to share ideas ▪ wider span of control means tht managers can delegate work

Communication is:

The transmission of a message from a sender to a receiver

Written communication

Communication by written words i.e. Text, email, letters

Verbal communication

Communication by speaking i.e. telephone or meetings

Formal communication

Communication using the official channels within a business

Informal communication

Communication outside the official channels within business

	Pros	Cons
Verbal	<ul style="list-style-type: none"> • Can check for understanding • Can emphasise points through tone and body language • Can use diagrams and pictures to help explain 	<ul style="list-style-type: none"> • If lots of people not all may understand • Receiver may disrupt the message if they don't like it • No permanent record of the message • Some forms can be expensive
Written	<ul style="list-style-type: none"> • There is a record of the message • Receiver can re-read the message multiple times • Can be sent to multiple people at the same time • Can avoid confrontation 	<ul style="list-style-type: none"> • Cant check immediately if the message was understood • The success depends on the clarity of the message • Risk of computer viruses • Emails could go to spam
Social media	<ul style="list-style-type: none"> • Huge numbers of users • Info can be updated regularly • Visual images can help explain • Can be cheaper to advertise • Customers can be involved by allowing feedback 	<ul style="list-style-type: none"> • There is a cost in managing and updating the information • Can be difficult to measure the effectiveness of the business' use of social media

What are the risks and rewards of R&D and launching new innovation?

- ### Risks
- * Heavy time and resource commitment with no guarantee of success.
 - * Competitors reactions.
 - * Loss of business direction.
 - * Company image/ reputation damaged.

- ### Rewards
- * Develop USP leading to competitive advantage.
 - * Charge premium prices
 - * Improvements in efficiency and production process.
 - * Reputation of being innovative.

Innovation
The process of translating an idea or invention into a good or service that creates value or for which customers will pay

P	E	S	T	E	L
<ul style="list-style-type: none"> - Government policy - Political stability - Corruption - Tax policy - Labor law - Trade restrictions 	<ul style="list-style-type: none"> - Economic growth - Exchange rate - Interest rate - Inflation rates - Disposable income - Unemployment rate 	<ul style="list-style-type: none"> - Population growth rate - Age distribution - Career attitudes - Safety emphasis - Health consciousness - Lifestyle attitudes - Cultural barriers 	<ul style="list-style-type: none"> - Technology incentives - Level of innovation - Automation - R&D activity - Technological change - Technological awareness 	<ul style="list-style-type: none"> - Weather - Climate - Environmental policies - Climate change - Pressures from NGO's 	<ul style="list-style-type: none"> - Discrimination laws - Antitrust laws - Employment laws - Consumer protection laws - Copyright and patent laws - Health and safety laws

Characteristic	Monopoly	Oligopoly	Monopolistic Competition
No of firms	Pure: One Working: >25%	Few dominant sellers	Many competing sellers
Type of product	Branded	Branded	Differentiated – many similar products
Barriers to entry	High especially with natural monopoly	High – protecting market power of established firms	Low – ease of entry and exit in the long run
Pricing power	High – limited by market demand	Strong – but interdependent	Some pricing power but high price elasticity
Supernormal profits in long run	High monopoly profits possible	High	Profits competed away by entry of new products



Interest Rates
Set by bank of England-determine how much people spend and save

Exchange Rates
Strong Pound Imports Cheaper, Exports Dearer

	Response to economic change
Production	<ul style="list-style-type: none"> ▪ Sell the product at a lower cost to beat competition (<i>less profit though!</i>) ▪ Improve quality control to reduce wastage ▪ Increase productivity through technology
HR	<ul style="list-style-type: none"> ▪ Increase productivity by motivating workers
Finance	<ul style="list-style-type: none"> ▪ Reduce costs by improving cash flow, reducing interest payments on overdrafts or loans ▪ Change loans to get a lower interest rate
Marketing	<ul style="list-style-type: none"> ▪ Change the marketing mix - Change the product to appeal to different customers - Increase promotion - Different pricing strategies - Sell using e-commerce

Income
The amount of money people receive from work

Customers
Buyers of goods and services

Consumer income
The total amount of income that all customers in the country receive



Factors that Affect Price Elasticity

Necessity or luxury?	Availability of substitutes
Consumer income	Brand loyalty
Habits	Frequency of purchase

$$\text{Price Elasticity of Demand (PED)} = \frac{\% \Delta \text{in Qd}}{\% \Delta \text{in P}}$$

