

## UNIT 1: Business and the Environment

**Recommended prior knowledge:** None – but some students may have covered similar material at IGCSE. Also, students may have acquired some outline knowledge of business through observation and discussion.

**The unit in context:** This unit provides important background concepts for other Units and introduces the external constraints operating on business decisions.

**Outline:** This unit introduces the different classifications of business activity and allows for observation and analysis by students of local business operations. The unit gives teachers an excellent opportunity to introduce students to an assignment based approach to learning based on a detailed study of local businesses. The importance of the external environment in which businesses operate needs to be illustrated by reference to current issues and events. Student involvement needs to be encouraged by expecting regular reading of relevant sections in newspapers to keep abreast of events that influence business activity.

| Learning Outcomes   | Suggested Teaching and Student Activities  | Resources  | Online Resources |
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| <b>a) The need for and nature of business activity</b>  |  |  |                  |
| i.) students should understand the different levels of activity: primary, secondary, tertiary | <ul style="list-style-type: none"> <li>list examples of well known businesses</li> <li>discuss what they do and why they are important to the local/national economy</li> <li>classify them into 3 sectors</li> <li>undertake a detailed study of local businesses and the main sectors of business activity. Students could concentrate on one local business each and attempt to discover information that could be of use throughout Unit 1 e.g. number of employees, sector of industry, whether they import or export etc.</li> <li>this session could be based on group work. A group member could explain the reasons for the group's classifications to the rest of the class</li> </ul> | <ul style="list-style-type: none"> <li>Stimpson: Chapter 1 pp4-7</li> <li>OHT sheets for group presentations</li> <li>handouts or class notes</li> <li>past examination paper: 9707/1 June 2001 Q1</li> <li>9707/1 June 2003 Q1</li> </ul> |                  |

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| <p>ii.) students should be able to distinguish between private and public sectors</p>  | <ul style="list-style-type: none"> <li>• explain difference – ask for local/national examples</li> <li>• the reasons behind activities being in either the private or public sector should be discussed</li> </ul>  | <ul style="list-style-type: none"> <li>• Stimpson Chapter 1 p7</li> <li>• handouts or class notes</li> </ul>   |  |
| <p>iii.) students should be able to understand the main features of the legal structures of businesses. They should be able to judge the suitability of each type of structure</p> | <ul style="list-style-type: none"> <li>• teach differences</li> <li>• ask for local examples</li> <li>• discuss advantages and disadvantages in groups – presentations to class with findings</li> <li>• discuss what type of legal structure they would recommend for different businesses</li> <li>• answers to textbook exercises could be discussed in groups and then findings presented to class</li> </ul> | <ul style="list-style-type: none"> <li>• Stimpson Chapter 1 pp 7-15</li> <li>• Jewell Chapter 1</li> <li>• Barratt and Mottershead Chapter 3</li> <li>• activities from Stimpson: 'Clarks'; 'Shah's garage'; 'Harry'; Joint ventures.</li> <li>• Barratt and Mottershead: 'Pop-it and Sons'</li> <li>• OHT sheets needed for presentations</li> <li>• handouts or class notes</li> <li>• IGCSE CD Rom Multiple choice questions on Business Activity</li> <li>• 9707/1 June 2002 Q1</li> <li>• 9707/1 June 2001 Q2</li> <li>• 9707/3 June 2003 Qa</li> </ul> |  |

| <b>b) Business and economic structure</b>   |   |   |  |
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| <p>i.) students should be able to distinguish between the free market and other systems</p>                       | <ul style="list-style-type: none"> <li>• different types of economic systems – examples from around the world</li> <li>• possible advantages and disadvantages</li> </ul>   | <ul style="list-style-type: none"> <li>• Stimpson Chapter 2 pp21-24</li> <li>• revision and case study questions pp 18-20</li> </ul>  |  |
| <p>ii.) <i>privatisation – candidates should be able to discuss the arguments for and against this policy</i></p> | <ul style="list-style-type: none"> <li>• <i>class discussion on claimed advantages and disadvantages of privatisation</i></li> <li>• <i>this issue could be discussed in terms of a local public service – what would be the impact on prices, jobs, efficiency etc. if it was privatised? As with all A level material the emphasis should be on evaluating the impact of this policy</i></li> </ul>   | <ul style="list-style-type: none"> <li>• <i>Stimpson activities: 'Pakistan/SAA' p 17</i></li> <li>• <i>Stimpson Chapter 1 pp16-17</i></li> <li>• <i>Jewell pp157-158</i></li> <li>• <i>handouts or class notes</i></li> </ul>   |  |
| <p>iii.) students should be aware of the nature and scope of multinational businesses</p>                         | <ul style="list-style-type: none"> <li>• list multinationals in own locality/country. This could have been part of the original student assignment into local business activity. Discuss possible reasons for location in own country</li> <li>• ask students to cut out newspaper articles (use internet too) for details of recent multinational investment in own country – or closure of such factories/offices.</li> <li>• discuss claimed advantages and disadvantages for the “host” country – based as far as possible on local examples</li> <li>• check opportunities for visits to multinational company facilities in the area</li> </ul> | <ul style="list-style-type: none"> <li>• Stimpson Chapter 2 pp27-28</li> <li>• revision questions p31</li> <li>• Stimpson activities on South Africa and Malaysia (pp27 &amp; 31)</li> <li>• class debate on the pros and cons of such investment in own country – need to nominate main speakers</li> <li>• handouts or class notes</li> <li>• 9707/2 June 2003 Q (b)</li> </ul> |  |

| c) Size of business   |  |  |   |
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| <p>i.) students should know the main ways of measuring business size</p>  | <ul style="list-style-type: none"> <li>• use local business data on output, employment, sales data for businesses</li> <li>• students need to identify that size can be measured in different ways – with different results</li> <li>• use internet sites of businesses or published accounts to establish numbers of employees, value of sales and capital employed</li> </ul>  | <ul style="list-style-type: none"> <li>• Stimpson Chapter 3 pp34-36</li> <li>• Stimpson activity p35</li> <li>• class notes to reinforce main means of comparing business size – their advantages and disadvantages</li> <li>• 9707/1 Nov 2002 Q1</li> </ul> | <p>Ask students to refer to four business websites and obtain details about number of employees, sales, capital employed. If computer facilities are available this will make an excellent introduction to company websites</p> |
| <p>ii.) students should be able to explain the significance of small businesses</p>   | <ul style="list-style-type: none"> <li>• use local examples to examine the impact of them</li> <li>• talk from local small-business owner on the advantages and disadvantages of being a small business</li> </ul>   | <ul style="list-style-type: none"> <li>• Stimpson Chapter 3 pp36-37</li> <li>• The speaker will need to be carefully briefed about what issues are to be covered in the talk and students encouraged to ask relevant questions</li> </ul>                    |   |
| <p>iii.) <i>students should be able to distinguish the main types of and reasons for integration of businesses. They should be able to discuss the effects of these on the firm, customers and workers. They should be able to recognize that integration often fails to achieve aims</i></p> | <ul style="list-style-type: none"> <li>• <i>teach differences</i></li> <li>• <i>use own country and other examples</i></li> <li>• <i>discuss advantages and drawbacks of each method of growth/integration</i></li> <li>• <i>discuss the problems of integration – lack of synergy, poor control and coordination of integrated business</i></li> <li>• <i>discussion could be based around own school or college – the advantages and disadvantages of merging with another local school. Evaluating possible impact on costs, jobs, choice, culture of the schools – from the viewpoint of different stakeholders</i></li> </ul> | <ul style="list-style-type: none"> <li>• <i>Stimpson Chapter 3 pp38-43</i></li> <li>• <i>revision questions p 43</i></li> <li>• <i>Stimpson activities pp40-41 and 44</i></li> <li>• <i>Barratt and Mottershead case study 'Fords' p 56</i></li> </ul>       | <p><a href="http://www.northern-foods.co.uk">www.northern-foods.co.uk</a> outlines the way in which the business has expanded by acquisition</p>  |

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| <p>iv.) students should understand the reasons why the state intervenes to assist and constrain business activity</p>  | <ul style="list-style-type: none"> <li>• use newspaper articles to illustrate examples of state intervention e.g. subsidies, taxes on goods, planning controls</li> <li>• students need to see the potential for both positive and negative impact on business</li> </ul>   | <ul style="list-style-type: none"> <li>• Stimpson Chapter 2 pp22-30</li> <li>• Jewell pp157-163</li> <li>• class debate on 'State intervention – is it good or bad for business in our country'</li> <li>• class notes reinforcing main points</li> <li>• 9707/1 Nov 2002 Q3</li> <li>• 9707/1 Nov 2001 Q2</li> </ul> |   |
| <p><b>d) Business strategy</b></p>   |   |   |   |
| <p>i.) students should understand the importance of objectives for successful business activity. They should recognise that not all businesses will have the same objectives e.g. differences between private and public sectors</p>                             | <ul style="list-style-type: none"> <li>• contrast likely objectives of private and public sector enterprises</li> <li>• contrast likely objectives of firms of different sizes and types of ownership</li> <li>• ask students to find out the stated aims and objectives of their school/college. Why are such objectives thought to be necessary? What strategies are used by the school to achieve them? Are they being achieved?</li> </ul>                                      | <ul style="list-style-type: none"> <li>• Stimpson Chapter 4 pp46-53</li> <li>• revision questions p66</li> <li>• Jewell pp26-34</li> <li>• Stimpson activities "Morrisons" p50; "Iceland" p53 and "STS" p52</li> <li>• class notes</li> <li>• 9707/1 Nov 2002 Q5(b)</li> </ul>  | <p>Most major companies web sites will refer to Corporate objectives – try <a href="http://www.cadbury.co.uk">www.cadbury.co.uk</a></p> |
| <p>ii.) <i>students should understand the potential conflict between business objectives and between business and the state</i></p> <p>iii.) <i>candidate should know the concept of Management by Objectives – its potential advantages and limitations</i></p> | <ul style="list-style-type: none"> <li>• <i>simple examples of possible conflict e.g. between long term business growth and short term profits</i></li> <li>• <i>objectives of state and business may conflict too e.g. cutting jobs to save costs will conflict with state's aim of full employment</i></li> <li>• <i>use the hierarchy of objectives to explain how targets can be set at each level of an organization. Could be applied to the school or college</i></li> </ul> | <ul style="list-style-type: none"> <li>• <i>Stimpson Chapter 4</i></li> <li>• <i>class notes</i></li> <li>• <i>use hierarchy of objectives on page 55</i></li> </ul>  |   |

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| <p>iv.) students should be able to understand the significance of external economic, ethical, social, technological and pressures on business activities. They should show an awareness of how firms might respond to such pressures with changes in business strategy</p> | <ul style="list-style-type: none"> <li>• explain what is meant by business strategy and how it can be affected by external factors – no firm operates in isolation from its environment. This is a key concept of this Unit of the syllabus</li> <li>• use local and national examples e.g. taken from newspaper articles, to illustrate these constraints and how business strategy might be changed as a result</li> <li>• encourage evaluation of changes in strategy e.g. relocation abroad due to appreciating exchange rate of domestic currency has major problems associated with it</li> <li>• students should be encouraged to keep a file of articles relating to external constraints – posters could be prepared for class wall with these</li> <li>• students could use local business websites to survey how many sell directly by using e-commerce – discuss the consequences of this of this change in marketing resulting from technological change</li> <li>• discuss the possible impact on different businesses of tax changes; interest rate changes; exchange rate changes; ethical and social pressures, legal changes</li> <li>• with ethical and social issues it is important that students are able to discuss the short and long term effects of accepting an ethical policy e.g. may increase costs in the short run but may raise profits (due to positive publicity) in the long run</li> </ul> | <ul style="list-style-type: none"> <li>• Stimpson Chapter 5 (economic constraints) and Chapter 6 (other external constraints).</li> <li>• Barratt and Mottershead Chapters 59 and 62</li> <li>• Jewell Chapters 7, 8, 9, 13</li> <li>• Jewell Q2 p185 and Q6 p187</li> <li>• Stimpson activities such as: Tobago City (p80); Weak Yen (p86); Safari Parks (p95); Malaysian economy (p99) and Corporate social responsibility (p120)</li> <li>• students need materials to keep files of articles and to make posters</li> <li>• class notes and photocopies of articles for student reference.</li> <li>• 9707/1 Nov 2002 Q3</li> <li>• 9707/1 June 2002 Q5</li> <li>• 9707/2 Nov 2002 Q1(d)</li> <li>• 9707/3 June 2003 Q2</li> </ul> | <p>The Times 100 Case Studies – many of which are concerned with external constraints and business strategies: <a href="http://www.tt100.biz">www.tt100.biz</a></p> <p>Pressure groups such as Greenpeace cover social and environmental issues e.g. <a href="http://www.greenpeace.org">www.greenpeace.org</a> has a section on the impact of Coca Cola on the environment.</p> <p>Most major company web sites carry details of the environmental and social policies: Try <a href="http://www.Shell.com">www.Shell.com</a>. and <a href="http://www.mcdonalds.com">www.mcdonalds.com</a></p> <p>Economic data is obtainable from many sources. Try the government web site of your own country e.g. <a href="http://www.statistics.gov.uk">www.statistics.gov.uk</a> ; <a href="http://www.mop.gov.kw">www.mop.gov.kw</a> (Kuwait) <a href="http://www.boi.go.th/english/business">www.boi.go.th/english/business</a> (Thailand)</p> <p>Newspaper articles available from local sources – for world coverage try <a href="http://www.ft.com">www.ft.com</a></p> |
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| <b>e) Stakeholders</b>  |  |  |   |
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| <p>i.) students need to be aware of the main stakeholder groups, their objectives for business and the potential conflicts between these objectives</p> | <ul style="list-style-type: none"> <li>• use local business examples to lead discussion about impact of business activity – and those groups that have a direct interest in business activity. This could be based on the impact on different groups of a decision by a multi-national to invest in or close down a site in your area</li> <li>• students should be encouraged to identify objectives of these groups – and how they might conflict. Can this conflict be resolved? For example, will satisfying stakeholder objectives also lead to higher profits in the long run?</li> <li>• opportunity for role-playing exercise based on a decision made by a local firm – students to play roles representing different stakeholder groups</li> </ul> | <ul style="list-style-type: none"> <li>• Stimpson pp 57-60</li> <li>• Barratt and Mottershead pp57-61</li> <li>• Stimpson activities: Sabah Chemicals (p65) and Laportes (p67)</li> <li>• revision questions p66</li> <li>• class notes to reinforce the different reactions of different stakeholder groups to business decisions.</li> <li>• 9707/2 June 2001 Q1(d)</li> <li>• 9707/1 Nov 2002 Q5</li> </ul> | <p>Try Trade Union web sites e.g. <a href="http://www.tuc.org.uk">www.tuc.org.uk</a>. <a href="http://www.tgwu.org.uk">www.tgwu.org.uk</a>. Consumers groups and environmental groups web sites too e.g. <a href="http://www.which.net">www.which.net</a> The impact on competitors and consumers of business activity (especially if it is regarded as “unfair”) is discussed on <a href="http://www.offt.gov.uk">www.offt.gov.uk</a> - the web site for the UK Office of Fair Trading</p> |
| <b>f) Corporate culture and strategy</b>  |  |  |   |
| <p>i.) students should understand the impact of corporate culture on business strategy <i>and business behaviour</i></p>                                | <ul style="list-style-type: none"> <li>• this could be examined when discussing different business objectives – and why they differ</li> <li>• <i>this could be dealt with in the section above on social and ethical constraints on business.</i></li> </ul>  | <ul style="list-style-type: none"> <li>• Stimpson p54</li> <li>• Barratt and Mottershead p71</li> <li>• class notes</li> </ul>   | <p>Try local business web sites for details of company policy and culture. Try <a href="http://www.northern-foods.co.uk">www.northern-foods.co.uk</a> ; <a href="http://www.bodyshop.com">www.bodyshop.com</a> and the web site of the Body Shop founder, giving details of her philosophy of business behaviour: <a href="http://www.anitaroddick.com">www.anitaroddick.com</a></p>  |