

3.2 Unit 2 – Growing as a Business

This unit builds upon the content of Unit 1, allowing candidates to study businesses as they grow and the issues that expansion raises.

1. The Business Organisation	
This section builds upon the work of Unit 1, and considers how the methods of expansion and objectives of larger businesses might differ from smaller businesses.	
SPECIFICATION	AMPLIFICATION
1.1 Expanding a Business <ul style="list-style-type: none"> benefits and risks of expansion methods of expansion conflict between stakeholders. 	<p>Candidates should understand the benefits and risks to a business of expanding and be aware of methods of expansion used by large businesses, for example: mergers and takeovers, organic growth and franchising.</p> <p>Candidates should consider the ways in which the growth of a business can impact on its stakeholders. Candidates need to consider the ways in which stakeholders might react to protect their own interests.</p>
1.2 Choosing the Right Legal Structure for the Business <ul style="list-style-type: none"> private limited companies (ltd) public limited companies (plc). 	<p>Candidates should understand the advantages and disadvantages of a private limited company becoming a public limited company.</p> <p>Candidates will not be expected to know about the legal process of incorporation.</p>
1.3 Changing Business Aims and Objectives <ul style="list-style-type: none"> reasons for changing aims and objectives as businesses grow ethical and environmental considerations. 	<p>Candidates should consider how the aims and objectives of larger businesses might differ from smaller businesses, for instance becoming the dominant business in the market or expanding internationally.</p> <p>Candidates should be familiar with the wider social costs and benefits facing business operation, such as ethical and environmental considerations, and why it might be in the interests of a business to consider these issues within its objectives.</p>
1.4 Choosing the Best Location <ul style="list-style-type: none"> the importance of location to growing businesses issues relating to overseas location. 	<p>Candidates should understand the importance of location to growing businesses in terms of minimising costs and increasing revenues.</p> <p>Candidates need to be able to consider the issues relating to international or global expansion. These issues include physical presence in international markets and cost considerations.</p>

2. Marketing

This section builds upon marketing concepts introduced in Unit 1 and relates them to the context of a growing business. Candidates will investigate each component of the marketing mix and review how a large business may choose the most appropriate components of the marketing mix and alter its marketing mix in response to market forces

SPECIFICATION	AMPLIFICATION
<p>2.1 The Marketing Mix – Product</p> <ul style="list-style-type: none"> • product portfolio/mix • product life cycle. 	<p>Candidates should understand how and why businesses might broaden and balance their product portfolio as they grow.</p> <p>Candidates should understand that the demand for a product or service might change over time. They should be aware of the various stages of the product life cycle: development, introduction, growth, maturity and decline.</p> <p>Candidates should be aware of the methods that a company might adopt to extend the life of a product in its decline phase, and the impact these strategies might have on other aspects of the business.</p>
<p>2.2 Using the Marketing Mix – Price</p> <ul style="list-style-type: none"> • pricing decisions for growth • factors affecting pricing decisions. 	<p>Candidates should understand how pricing can be used to facilitate business growth. These include: price skimming, price penetration, competitive pricing, loss leader and cost-plus.</p> <p>Candidates should be able to recognise the factors which might influence the pricing decision, eg the nature of the market, and the degree of competition.</p>
<p>2.3 Using the Marketing Mix – Promotion</p> <ul style="list-style-type: none"> • promotional activities to enable growth • selecting the promotional mix. 	<p>Candidates should be familiar with the promotional methods which are likely to be employed by growing businesses. These include: advertising, sales promotion, sponsorship and direct marketing.</p> <p>Candidates should be able to recognise the factors influencing the selection of the promotional mix, eg the nature of the market, the nature of the product, and the activities of competitors.</p>
<p>2.4 Using the Marketing Mix – Place</p> <ul style="list-style-type: none"> • channels of distribution to enable growth • selecting channels of distribution. 	<p>Candidates should be familiar with the different channels of distribution used by businesses to gain access to potential customers. These include: retailers, wholesalers, telesales, mail order and internet selling.</p> <p>Candidates should be able to recognise the appropriateness of each distribution method for a given scenario.</p>

3. Finance

This section introduces candidates to aspects of finance faced by large businesses. Candidates will become familiar with the sources of finance available to large businesses, compared to the small/start-up businesses covered in Unit 1. Basic, simplified financial statements are introduced in this section and candidates will be expected to be able to analyse the content of these documents.

SPECIFICATION	AMPLIFICATION
3.1 Finance for Large Businesses <ul style="list-style-type: none"> • sources of finance available • appropriateness of the sources. 	<p>Candidates need to be familiar with the main methods that a large business might use to raise funds. These include: retained profits, a new share issue, obtaining a loan or mortgage and selling unwanted assets.</p> <p>Candidates should be able to recognise the advantages and disadvantages of each method for a given situation.</p>
3.2 Profit and Loss Accounts and Balance Sheets <ul style="list-style-type: none"> • purpose of financial statements • components of financial statements • interpretation of data given on financial statements. 	<p>Candidates should understand the importance of a profit and loss account and balance sheet to the stakeholders when assessing the performance of the business.</p> <p>Candidates should be able to identify the various components of a profit and loss account and balance sheet.</p> <p>Candidates should be able to make judgements on the performance of a business through interpretation of the information contained in simplified versions of the profit and loss accounts, balance sheet and by the application of gross and net profit margins and current and acid test ratios.</p> <p>Candidates will be given the relevant formulae for ratios, where appropriate, as part of the examination paper.</p>

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4. People in Businesses

This section introduces candidates to the human resources function in a large business. Candidates will also be introduced to the different organisational structures of a business and the processes by which businesses recruit, motivate and retain their employees.

SPECIFICATION	AMPLIFICATION
4.1 Reorganising Organisational Charts and Management Hierarchies <ul style="list-style-type: none"> • internal organisational structures • appropriateness of centralisation/ decentralisation for growing businesses. 	<p>Candidates should be familiar with internal organisation structures, organisation trees, and layers of management.</p> <p>Candidates should understand the term 'span of control'. They should be aware of the effect that the shape of the organisational structure has on how the organisation is managed.</p> <p>Candidates should be familiar with the concepts of centralisation and decentralisation and the benefits and challenges that both can bring to a business.</p>

<p>4.2 Recruitment and Retention of Staff</p> <ul style="list-style-type: none"> • the staff recruitment process • appraisal and training • methods of motivation • retention of staff. 	<p>Candidates should understand the process that businesses use to recruit and select new employees.</p> <p>Candidates should understand the benefits of an induction training programme and what might be included in it.</p> <p>Candidates should be aware of the advantages and disadvantages of on the job training, such as in house training, and off the job training such as external courses.</p> <p>Candidates should understand how and why businesses use an appraisal or performance review system.</p> <p>Candidates should understand the methods by which businesses motivate and retain suitable employees, including the roles of training, remuneration and styles of management.</p> <p>Specific motivational theories (such as Maslow) will not be examined.</p>
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<p>5. Operations Management</p> <p>This section introduces candidates to the organisation of production or service provision. Candidates will increase their understanding of production methods to include flow production. The concepts of efficiency and quality assurance are introduced in this section.</p>	
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<p>5.1 Production Methods for Growing Businesses</p> <ul style="list-style-type: none"> • use of flow production • efficient production methods • lean production techniques. 	<p>Candidates should be familiar with flow production and the how this can create efficient use of resources.</p> <p>Candidates should understand how specialisation and division of labour can impact on efficiency.</p> <p>Candidates should consider how production might be made more efficient by the use of lean production techniques, eg Just In Time and the impact these might have on employees (such as training and motivation).</p>
<p>5.2 Recognising Challenges of Growth</p> <ul style="list-style-type: none"> • advantages of growth • disadvantages of growth. 	<p>Candidates should understand the ways, both internal and external, in which large businesses obtain a cost advantage over smaller businesses.</p> <p>Candidates should also consider how the disadvantages of growth might occur within a growing business, eg longer chains of communication and complexities within the production process.</p>
<p>5.3 Maintaining Quality Assurance in Growing Businesses</p> <ul style="list-style-type: none"> • identifying quality problems • methods of maintaining consistent quality. 	<p>Candidates should be aware of the possible quality issues that growing businesses face eg consistency and the cost of maintaining quality (outsourcing, inspection costs).</p> <p>Candidates should be aware of the methods of maintaining consistent quality, including concepts such as Total Quality Management (TQM).</p>