

Understanding Business

Explain how external factors may affect an organisation

Political is an external factor that may affect an organisation. The government may introduce new legislation i.e national minimum wage that the company will have to comply with. This means that the organisation may have to adapt to ensure that it adheres to new legislation which could cause money.

Economic is an external factor that may affect an organisation. Economic pressures could impact an organisation i.e interest rates. If interest rates increase the organisation will have to pay higher repayments on loans from banks. This means that the organisation will have to pay back more money when repaying loans which will increase an organisation's costs.

Social is an external factor that may affect an organisation. The mindset of customers can change at any time due to changes in trends, influence from celebrities or increased awareness on issues such as the environment. This means that the organisation will have to identify these changes and adapt products/services to meet these new needs and wants.

Technological is an external factor that may affect an organisation. It is important that organisations stay up to date with changes in technology i.e increased use of social media as this will ensure they do not fall behind competitors. This means that the organisation will avoid the risk of losing customers to competitors which could decrease sales and profits.

Environmental is an external factor that may affect an organisation. The production and sales of some products may be affected by the weather. Also due to increased interest in protecting the environment, customers may want to support businesses who are seen to be operating in an environmentally friendly way. This means the business will need to undertake environmentally friendly activities such as recycling.

Competitive is an external factor that may affect an organisation. Organisations will have many competitors who could impact the organisation i.e set up nearby or introduce similar products. This means that the organisation will have to ensure it stays ahead of competition to avoid the risk of losing customers.

Describe methods an organisation could use to demonstrate Corporate Social Responsibility

A method an organisation could use to demonstrate corporate social responsibility is reducing the amount of packaging used. Businesses could reduce their packaging as this will reduce their own costs and help the environment by reducing wastage. Further, this may improve the business' corporate image. For example, Coca Cola has recently pledged to reduce its packaging and in 2019 Clarks Shoes introduced shoe boxes that are made of recycled materials.

A method an organisation could use to demonstrate corporate social responsibility is recycling. Recycling will reduce an organisation's waste which therefore reduces their costs and help the environment. If a company is seen to be acting in an eco-friendly manner this could increase the company's reputation.

A method an organisation could use to demonstrate corporate social responsibility is ensuring that old electronic equipment is disposed of responsibly. By ensuring that disused equipment is disposed of in a way that does not harm the environment, the business will be seen to be helping look after the environment which can help boost its image.

Discuss the effects of becoming part of a franchise

An advantage of becoming part of a franchise is the business will already be known and have an established customer base. Attracting customers will be easier as people will already be aware of the business thus will have instant sales and profits.

An advantage of becoming part of a franchise is marketing will be covered by the franchiser. As marketing will be central to the entire franchise, the franchiser will be responsible for advertising and promoting the company and will cover the costs of these activities. The franchisee will therefore have fewer overall costs which will increase profits.

An advantage of becoming part of a franchise is the franchisee will benefit from ideas generated from other franchisees. Any ideas or initiatives that are developed by one franchisee will be shared with everyone in the franchise thus allowing all franchisees to benefit from this.

A disadvantage of becoming part of a franchise is negative publicity for one franchisee or the franchisor may affect the entire franchise. If one

franchisee earns a bad reputation this could impact the image of all the other franchisees. The franchisee may lose customers due to the actions of another franchisee.

A disadvantage of becoming part of a franchise is there are high costs. The franchisee will have to pay an initial fee to the franchisor and pay monthly royalties which could be high. Also, the franchisee will have to ensure that their franchise is set up in accordance with the franchisor which may also be expensive.

Discuss the effects of becoming part of a franchise

An advantage of becoming part of a franchise is instant sales and profit. The franchise will already be known thus will already have an established customer base. It will be easier for the business to attract customers which will lead to instant sales and profits.

An advantage of becoming part of a franchise is the cost of marketing is covered. The franchisor is responsible for advertising and promotion thus they will meet this cost. The franchisee will not need to cover marketing costs thus the cash that would have been used for this can be invested elsewhere.

A disadvantage of becoming part of a franchise is it can be expensive to set up. The franchisee will have to pay an initial fee to the franchisor which can be high and will also have to pay royalties to the franchise owner. Also, the franchise will have to be set up in accordance with the franchise which can be costly.

A disadvantage of becoming part of a franchise is negative publicity for one franchisee can affect the remainder of the franchise. If one franchisee earns a bad reputation this can impact the image of the entire franchise. Customers who have had a negative experience with one franchisee may be put off from using other franchisees which will lose customers for the franchise.

Discuss the advantages and disadvantages of a customer grouping

An advantage of customer grouping is products are tailored to suit customer's needs. Each division will have a different customer group that they are responsible for manufacturing products for. This will increase customer satisfaction as products will be suited to each customer's needs.

An advantage of customer grouping is customer loyalty can be developed. As a more personal service is being provided to customers, customers will be more likely to become loyal to the organisation and continue purchasing its products.

This could also attract new customers to the company as loyal customers may then recommend the business to others.

A disadvantage of customer grouping is resources can be duplicated. Each division will need its own finance, marketing and human resources staff all carrying out the same activities across the organisation. This will result in higher staffing costs for the organisation.

Explain the reasons why some organisations produce a mission statement

One reason an organisation may produce a mission statement is it will show the business' aims and values. This means that employees will be aware of what the business' objectives and beliefs are thus employees will be able to associate themselves with the company in a positive way which could increase staff motivation. Also having a strong mission statement could contribute to a strong corporate culture which will improve the image of the company.

Another reason for producing a mission statement is it will outline the business's future plans which can be accessed by customers. This means that customers will know what to expect from the organisation in terms of how they will be treated and about future products. If customers are happy with the organisation's future plans, they may become loyal and recommend the business to other people. This will increase sales and maximise profits.

Another reason for producing a mission statement is it will outline the organisation's plans for social responsibility. The organisation may plan to support local charities or introduce strategies to look after the environment which will be outlined in their mission statement. This means that the business could gain a good reputation as customers will see that they are planning to help the local community thus they will be likely to become loyal which will increase sales and profits.

Explain 3 reasons why an organisation would become a private limited company

A reason why an organisation would become a private limited company is it will have limited liability. If the business gets into financial difficulty, the owners will not be personally liable for any debts. Therefore, the owner's personal possessions i.e house or car will not have to be sold to pay off any debts.

Another reason why an organisation would become a private limited company is they will have control over who can buy shares. As shareholders have to be invited to buy shares, it is usually only friends and family who can purchase shares. The owners will not lose control of the company to outsiders.

Another reason why an organisation would become a private limited company is shareholders will have their own expert knowledge that can be contributed. Shareholders will have their own skills and areas of specialism which they will be able to contribute to the company. The company may then be able to build on this knowledge and expand into new markets.

Compare the objectives of a private sector organisation with those of a public sector organisation

A private sector organisation aims to make a profit whereas a public sector organisation aims to provide emergency services.

A private sector organisation aims to achieve high customer satisfaction whereas a public sector organisation aims to make good use of taxes.

Distinguish between centralised and decentralised decision making

Centralised decision making is when decisions are made by senior management whereas with decentralised decision making is delegated to subordinates.

When centralised decision making is used, decisions are made based on the view of business as a whole whereas with decentralised decision making decisions are made based on the needs of each individual department.

With centralised decision making subordinates may become demotivated as they are not consulted about decisions whereas with decentralised decision making staff will be better motivated as they have been given the chance to participate in decision making.

With centralised decision making, decisions are consistent across the whole organisation whereas with decentralised decision making it is more difficult to ensure consistency as departments are making their own decisions.

Centralised decision making means that managers carry the burden of having to make all decisions whereas with decentralised decision making managers are relieved of some of the daily tasks.

Describe methods of growth available to plc

A method of growth available to a plc is backward vertical integration. This is when an organisation joins with another company that operates in an earlier stage of production i.e their supplier. This will allow a guaranteed supply of raw materials possibly at a cheaper price.

Another method of growth available to a plc is divestment. This is when a business sells off some of its assets or subsidiary companies usually those that are less profitable. This will raise finance that can be invested back into the business.

Another method of growth available to a plc is organic growth. This is when a business grows internally by introducing new products, opening new branches, hiring new staff or increasing marketing activities.

Another method of growth available to a plc is horizontal integration. This is when two businesses who provide similar products or services agree to join together. The businesses will then become bigger allowing them to increase their market share and their profits.

Another method of growth available to a plc is diversification. This is when two businesses who operate in different industries agree to join together. The business will then have products/services in more than one market which will reduce the risk of failure.

Justify why strategic decisions are made by senior managers

Senior managers making strategic decisions is beneficial as they will have a more thorough knowledge of the organisation. Senior managers are more likely to have better knowledge of the company, its aims and policies which is information that will be needed for effective decision making.

Senior managers making strategic decisions is beneficial as they are long term decisions which are usually only made by senior management. Long term decisions which will impact the organisation for a long period of time are the responsibility of senior management as they will have more serious consequences.

Senior managers making strategic decisions is beneficial as senior managers will have better experience of decision making. Senior management are more likely to have the experience and skills necessary to make an effective decision.

Explain the benefits of corporate culture to the organisation and its employees

A benefit of corporate culture is staff will feel a sense of belonging within the company. Staff will feel part of the organisation and feel involved within the company which could lead to a better sense of security. This means that staff will have better job satisfaction and morality.

A benefit of corporate culture is it will improve the business's reputation. Having a strong corporate culture will enhance the image of the company which will be visible to stakeholders. This means that shareholders, employees, customers etc will see that the business has a good corporate culture which will result in a good reputation.

A benefit of corporate culture is to improve employee loyalty. If the company has a good corporate culture, staff will be more likely to remain loyal to the organisation thus will be less likely to leave or be absent. This means that the company will not have to spend time and finance on recruiting and training new staff.

A benefit of corporate culture is it can improve employee relations. Having a strong corporate culture can develop positive relationships between management and employees which can lead to improved communication within the company. This means that staff may be more acceptive of

changes within the company making it easier for staff to implement any decisions.

Compare the use of functional grouping with product grouping

Functional grouping is when the organisation is grouped by department i.e finance, marketing and operations whereas with product grouping the organisation is grouped by each product it manufactures.

With functional grouping it is difficult to respond quickly to changes in the market whereas with product grouping each department can quickly respond to any changes in the market.

With functional grouping it is easy to identify lines of authority between employees and management whereas with product grouping, line relationships may be unclear.

With functional grouping all departments may work together and will be offering each other help and advice whereas with product grouping divisions may end up competing against each other.

With functional grouping it is difficult to identify underperformance as results will be for the organisation as a whole whereas with product grouping it is easier for management to identify areas that are not performing well.

Describe the main characteristics of high quality information

A characteristic of high quality information is it is accurate. Accurate information will be correct and not contain any errors. Also, the information should be fair and unbiased.

A characteristic of high quality information is it is complete. All the information that is required should be available and there should be no missing information. This will ensure that no delays are caused by searching for missing information.

High quality information is appropriate. The information provided will be suitable for the purpose for which it is intended. There will be no irrelevant information that is not related to the decision being made as this could cause confusion during decision making.

High quality information is cost effective. The collection, storage and processing of information should be cost effective for the business. The benefits of collecting the information should be greater than the costs.

Describe the main characteristics of multinational corporation

A main feature is it operates in more than one country. A multi-national company will have assets and employees operating in many different countries usually with one country being the 'home' base.

A main feature is there will be cultural variations that will have to be considered. The business will be operating in different countries where there may be different cultures, language barriers or different legislation which will have to be taken into account. This organisation will have to adapt to ensure that its operations adhere to the culture of each country.

A main feature is they can dominate markets across the world. The organisation will have many customers in lots of different countries thus will have higher sales and profits. This will allow the company to increase its global market share and possibly become market leader.

Explain advantages and disadvantages of becoming a public limited company

An advantage is it can raise large amounts of finance. Selling shares on the stock market will allow the company to raise large sums of money which can be invested into the business. This means that the company will have enough available finance to fund new business activities.

An advantage is limited liability. Shareholders will have limited liability thus are not personally liable if the business gets into financial difficulty. This means that shareholder's own personal assets i.e house or car will not need to be sold to pay off any debts.

A disadvantage is control is lost to outsiders. The owners will have no control over who can buy shares as anyone can buy and sell on the stock market. This means that the original owners of the company may lose control over the company to people who they may not know.

Another disadvantage is there is the company has to abide by the Companies Act. A plc has strict rules and regulations that must be followed under the Companies Act. This means that the business will have to ensure that these rules are adhered to in order to avoid any legal action.

Another disadvantage is the business will have to publish its accounts. A plc will have to annually publish its financial accounts which will become public. This means that anybody will be able to see the company's accounts including competitors.

Describe possible methods of growth for a public limited company

A method of growth is divestment. This is when a business sells off some of its assets, usually those that are underperforming. The finance raised is invested back into the organisation to fund new, more profitable business activities.

A method of growth is organic growth. This is when the business grows internally i.e by hiring new staff, opening new branches or launching new products. This will increase sales and profits.

A method of growth is a take-over. This is when a business takes control of another business by purchasing all or the majority of shares. Take overs are usually hostile however can be friendly.

A method of growth is horizontal integration. This is when two businesses operating at the same stage of production join together to become one business. This will increase market share and allow the business to enter new markets. An example of this is Facebook's purchase of Instagram in 2012.

A method of growth is diversification. This is when a business joins with another business that operates in a completely different industry combining all assets and operations. For example, Virgin Group have products in entirely different markets including finance and music.

Explain the benefits of outsourcing for an organisation

A benefit is reduced costs of equipment. The business will not have to pay for specialist machinery or equipment which could be expensive to install and maintain. This means that the money that would have been spent can be invested back into the business to fund other business activities.

Another benefit is work will be completed to a high standard. Staff from the outsourcing company will be highly trained and will have expert knowledge. This means that the work carried out by the company will be high quality.

Another benefit is the company can focus on core business activities. The business will not need to concern itself with the work that the outsourcing company is carrying out. This means that staff can focus on their own core tasks which could increase production.

Another benefit is reduced staffing costs. The business will only need to employ core staff and will not need to employ staff to carry out work that is being outsourced. This means that the business's overall costs will decrease.

Describe the main characteristics of an entrepreneurial structure

A characteristic is all decisions are made by the owner or a few senior managers. Employees have very little or no involvement in decision making. It is mainly used in small businesses.

Another characteristic is decisions are made quickly. The decision making process is faster as only a couple of people are involved in making decisions and the rest of the staff are rarely consulted.

Another characteristic is staff motivation may be low. As staff are not consulted when decisions are being made, employees may feel undervalued which can reduce employee's morality. This could increase staff turnover.

Explain the role of a manager in effective decision making

A role of a manager is controlling. A manager should ensure that tasks are carried out properly and according to plan. This means that managers should regularly monitor and evaluate the work being carried out by staff to ensure that is of the correct standard.

A role of a manager is planning. A manager needs to look ahead to the organisation's future and what could happen within and out with the organisation. This means that managers will need to ensure that the organisation has set aims and objectives to work towards.

A role of a manager is organising. Managers need to ensure that employees, finance and other resources are managed efficiently and utilised properly within the company. This means that managers are responsible for ensuring that decisions are carried out properly by ensuring that the correct resources are available.

A role of a manager is delegating. Managers should ensure that junior staff are given opportunities to take on more responsibility and participate in the decision making process. This means that staff will have greater experience which could make them eligible for promotion within the company. Also, staff may feel empowered and valued which could increase staff motivation.

Distinguish between product and market orientation

Product orientation is when products are produced based on what the organisation is good at manufacturing whereas market orientation is when products are produced based on what customers want.

Product orientation involves very little or no market research whereas market orientation involves a lot of market research.

Describe the impact of the Equality Act 2010 on organisations and employees

An impact on organisations is they must not appear to be discriminating during the recruitment process. Employers must not discriminate against someone personal characteristics i.e age, gender,

religion during recruitment and selection. Also, they must avoid asking for a particular type of person i.e requesting someone of a particular age.

Another impact on organisation is any allegations of discrimination must be investigated. The organisation must thoroughly investigate any allegations of discrimination made by staff members and take any necessary course of action.

An impact on employees is they must report any discrimination. If the employee feels they are being discriminated against by someone in the company they must report this to their line manager or senior management.

Explain the effects that 3 political factors could have on an organisation

Legislation can impact organisations. The government may introduce new laws or amend existing laws i.e national minimum wage which the organisation will have to abide by in order to avoid any legal action. This means that the organisation may have to adapt to ensure that it adheres to any new legislation which could be costly and time consuming.

Taxation can impact organisations. Taxation rates may change which will change the amount of money that a business pays in tax i.e it could increase. This means that the organisation will have to pay more money in tax to the government which will decrease profitability which will then decrease dividends paid to shareholders.

New government targets and initiatives can impact an organisation. National or local governments may introduce new targets that businesses will have to comply with i.e aiming to take action to protect the environment. The business may have to take steps to comply with this legislation i.e reduce wastage and increase recycling which will be expensive to implement.

Explain the purpose of a SWOT analysis

The purpose of a SWOT analysis is to identify internal areas of strength and weakness to the organisation. A SWOT analysis will indicate areas in which a business is performing well and areas in which further improvement may be needed. This means that the business can then take action to build on its strengths and improve any weaknesses.

The purpose of a SWOT analysis is to identify external areas of opportunity and threats. Carrying out a SWOT analysis will identify any opportunities and threats from outside the organisation that could impact the business. This means that the organisation will be able to take advantage of any opportunities and minimise the impact of any threats.

The purpose of a SWOT analysis is to improve decision making within the business. Carrying out a SWOT analysis will provide more valuable information about the organisation's current position and any factors that need to be considered during the decision making process. This means that better decisions will be made which will have a more positive impact on the future of the company and poor decisions will be avoided.

Distinguish between a strategic decision and a tactical decision

A strategic decision is made by senior management whereas a tactical decision is made by senior management and middle management.

A strategic decision will have a long term effect on the company's future whereas a tactical decision will have a medium term effect on the company's future.

A strategic decision is concerned with the overall aims and objectives of the organisation whereas a tactical decision is concerned with what action will be taken to meet these aims.

Distinguish between centralised and decentralised decision making

With centralised decision making all decisions are made by senior management whereas with decentralised decision making responsibility for making decisions is delegated to subordinates.

With centralised decisions making senior managers carry the burden of having to make all decisions whereas with decentralised decision making senior managers are relieved of this responsibility.

With centralised decision making it is easy to ensure consistency across the entire organisation whereas with decentralised decision making it is difficult to ensure consistency as individual departments may make decisions to suit their own needs.

With centralised decision making senior managers have more skills and experience at decision making thus decisions will be good quality whereas with decentralised decision making subordinates may not have enough managerial skills and experience to be able to make high quality decisions.

With centralised decision making subordinates may be demotivated as they are not being consulted about decisions or able to take part in decision making whereas with decentralised decision making staff will feel included in the organisation which can be motivating and can prepare staff for promotion.

Explain the effects of delayering on an organisation

An effect of delayering is reduced costs. As the organisation will have removed layers of management from the business there will be fewer management salaries to pay. This means that the organisation will be able to decrease overall costs which will increase profits.

An effect of delayering is there will be fewer promotion opportunities. As there will be fewer opportunities for promotion available for existing staff, employees may become demotivated as there will be less chances for progression within the company. This means that staff may leave the organisation to seek promotion elsewhere and the organisation may struggle with recruitment in the future.

An effect of delayering is quicker communication. Delayering allows for quicker communication within the workplace and it will be easier to pass on information as there will be less layers of management to go through. This means that the organisation will be more receptive to changes in the market.

Describe different types of organisational relationships that can exist within a business

A type of organisational relationship is an informal relationship. This is when two or more people communicate on an informal basis usually out with the organisation i.e meeting up for a coffee after work.

A type of organisational relationship is a line relationship. This is a relationship that exists between a line manager and their subordinates.

A type of organisational relationship is a functional relationship. This is a relationship between two functional areas of the organisation where each area can provide support to others i.e the human resources department assisting the finance department.

A type of organisational relationship is a staff relationship. This is the relationship between two or more employees in an organisation who can provide help and support to each other.

Discuss methods of grouping which could be used by a multinational organisation

An advantage of customer grouping is individual customer needs can be met. Products can be tailored to suit the needs of different customer groups which can increase customer satisfaction and loyalty.

A disadvantage of customer grouping is duplication of resources. Each division will need its own marketing, finance, HR staff etc thus each division will have its own staff all carrying out the same tasks. This will increase the number of staff salaries being paid.

An advantage of product grouping is it is easy to identify underperforming products. It will be easy for the company to see which products are not as successful thus the company can quickly take action to reduce this issue.

A disadvantage of product grouping is divisions may end up competing against each other. As each division will be responsible for selling its own product, divisions may end up in competition with each other.

An advantage of functional grouping is it is a more efficient use of resources. The organisation will have one marketing, finance, human resources etc department for the entire organisation which will avoid any staff or resources being duplicated.

A disadvantage of functional grouping is slow decision making. The organisation will be slow at making decisions as all departments will have to be consulted and asked for their views which will be time consuming.

Describe factors that influence the formal structure of an organisation

A factor that can influence the formal structure of an organisation is the size. The number of employees and assets a business has an impact on its structure as a larger organisation will need a larger framework due to a higher number of employees i.e more managers to supervise. However, a smaller organisation will not need as formal a structure as there will be less staff employed and the manager will be making most decisions.

A factor that can influence the formal structure of an organisation is the technology being used. Depending on the technology that the organisation is using, the business may have different needs in terms of structure i.e a business that uses lots of specialist technology will have a different structure to a business that does not need a lot of technology.

A factor that can influence the formal structure of an organisation is the organisation's strategy. Some businesses may wish to focus more on their business strategy rather than their organisational structure. An organisation that is aiming for high growth is more likely to have a smaller organisational structure which will allow it to quickly react to changes in the market.

Describe the effects of increasing a manager's span of control

An effect is managers may feel more stressed. Managers will have a large number of subordinates that they are responsible for thus they will have less time to spend dealing with issues involving staff. This can cause more stress for managers.

An effect is it can be motivating for managers. If managers have a large number of subordinates that they are responsible for, they may feel they are more powerful which can increase their motivation and job satisfaction.

An effect is improved communication. As a shorter chain of command will exist, communication amongst staff will be easier. The decision making process will then be more effective as all staff can be consulted quickly.

An effect is subordinates may have less opportunities to meet with their line manager. As line managers will be responsible for many staff members, there will be less time to spend with all staff. Employees may struggle to raise any issues with their line manager as they will rarely have a chance to meet with them one to one.

An effect is the organisation will have fewer managers. The organisation will not need to employ a large number of managers which will decrease the cost of managerial salaries needing to be paid.

Distinguish between a centralised structure and a decentralised structure

A centralised structure is when all decisions are made by senior management whereas a decentralised structure is when decision making is delegated to subordinates.

A centralised structure allows better consistency across the entire organisation as decisions are made for the organisation as a whole whereas with a decentralised structure it is difficult to ensure consistency as departments may make decisions based on their own individual needs.

With a centralised structure senior managers carry the burden for making all decisions whereas with a decentralised structure senior managers are relieved of the responsibility for making all decisions.

Explain internal constraints that make decision making difficult

An internal constraint is staff may be resistant. Employees may not agree with the outcome of any decisions or any proposed changes especially if they have not been consulted. This means that staff may not be acceptive of any new decisions or changes making it difficult for managers to implement them.

An internal constraint is lack of finance. The organisation may not have enough available finance to implement some decisions. This means that the organisation may be restricted when wishing to implement a particular decision or take a particular course of action due to restricted funding.

An internal constraint is inexperienced managers. Senior managers may not have the relevant skills or managerial experience to make good decisions for the company. This means that managers may end up making poor decisions with negative consequences for the company.

An internal constraint is the degree of risk that the company is willing to take. Senior managers may not like taking risks thus may be unwilling to make decisions that could be risky for the company. This means that the business could miss out on opportunities and may fall behind competition.

Describe the impact of the Equality Act 2010 on organisations and employees

An impact on the organisation is they cannot discriminate. Organisations cannot discriminate against people's personal characteristics i.e age, race or gender. They must also not discriminate during the recruitment process i.e asking for a particular age or asking a person's age during the interview process.

An impact on the organisation is they must investigate any incidents of discrimination. The organisation must investigate any allegations of discrimination and take any appropriate action to rectify this. The company should have a set policy regarding discrimination in the workplace to ensure that any incidents are dealt with properly. This policy should also be made available to all staff.

An impact on employees is they should report any incidents of discrimination. If employees feel they have been discriminated against by another employee or by management, they must report to this to their line manager or another appropriate person within the business. The organisation should have a set policy outlining how incidents may be reported.

Management of Marketing

Describe the factors an organisation would take into account before choosing a channel of distribution

A factor that an organisation will take into account before choosing a channel of distribution is legal restrictions. Countries will have their own different legislation surrounding what goods can be distributed in their country. Also, some goods may only be sold in certain places or by certain people i.e prescribed medicines may only be sold by a pharmacy.

A factor that an organisation will take into account before choosing a channel of distribution is availability of transport and storage. An organisation with little available finance may have limited options surrounding the transportation and storage of goods. The organisation may struggle to transport goods from one storage place to another. Further, the organisation will need to ensure availability of suitable storage for the products.

A factor that an organisation will take into account before choosing a channel of distribution is the product's lifespan. A product with a short lifespan will not last for very long thus will have to be distributed quickly before it is wasted. Products with longer lifespans will be able to be transported for longer.

Describe the reasons why some manufacturers sell their products to retailers rather than directly to customers

A reason is retailers may already have an established customer base. Retailers will have customers who are loyal to them and will buy products from them thus will be more likely to buy the product from the retailer.

A reason is retailers will take on the cost of sales staff and premises. The organisation will not need to employ or train staff to sell the product and will not need stores as this will be the responsibility of the retailer. This will reduce the organisation's overall costs thus increasing their profits.

A reason is retailers are located close to the customer. Retailers are more likely to be located nearby customers thus it will be easier for customers to access the product thus they will more likely to purchase it.

Another reason is retailers will be able to display products attractively. Retailers will be better skilled at presenting the product in a way that is

more appealing to customers which may help encourage customers to purchase the product.

Explain the advantages and disadvantages of using a wholesaler

An advantage of using a wholesaler is there is no risk of unsold stock. The wholesaler will take on the risk of the product not selling thus being left with unsold stock. This means that the organisation can avoid having money tied up in unsold stock.

An advantage is reduced need for storage. Wholesalers will buy products in bulk thus the organisation will not need to store stock for long periods of time. This means the company can reduce costs of premises, security and lighting.

An advantage is the wholesaler will be responsible for packaging and marketing. The wholesaler will take on the responsibility for packaging and any advertising or promotional activities. This means that the organisation will not need to pay for these costs.

A disadvantage is less profit for the manufacturer. The manufacturer will not have sold directly to the customer thus will not have charged the highest price. This means that the manufacturer will make less profit as they will not have charged full price.

A disadvantage is reduced control. The manufacturer will lose control over the product and the way it is displayed after it has been sold to the wholesaler. This means that the manufacturer may not like the way their product is being displayed to customers.

Describe into the pipeline promotions that an organisation could use

An into the pipeline promotion that could be used is point of sale material. This is when the manufacturer offers the retailer items that will help sell the product i.e posters free of charge. This

may encourage retailers or wholesalers to purchase the product as they will be receiving assistance in selling the product.

An into the pipeline promotion that could be used is sale or return. This is when the retailer or wholesaler is given the option of returning any unsold products to the manufacturer. This ensures that the wholesaler or

manufacturer can avoid the risk of being left with unsold stock that they cannot use.

An into the pipeline promotion that could be used is staff training. This is when the retailer or wholesaler's staff are provided with training on how to use and sell the product. This may encourage retailers or wholesalers to purchase the product as their staff will be able to use the product properly and be confident selling it which may boost their sales.

Describe the stages a product might go through prior to be launched on the market

A stage is designing a new product. The organisation will carry out research to design a potential new product based on the needs and wants of customers.

A stage is determining if the product meets legal requirements. The countries that the organisation is planning to distribute the product in may have different legislation and restrictions surrounding products. The business will have to ensure that all of these regulations are complied with to avoid any legal action in the future.

A stage is to design a prototype. A prototype is a model of what the product will look like which can be shown to stakeholders. They can then provide feedback to the company based on their views of the prototype.

A stage is make any changes to the product. The organisation will analyse the feedback gained from people viewing the prototype and use this to determine if any changes need to be made. The company will make any necessary alterations to improve the quality of the final product.

Explain how various methods of extending a product's life cycle can increase sales

Changing the appearance of the packaging can increase sales. Altering the product's packaging will give the product a new image which may improve the appearance of the product. This means that the product may look more appealing to customers which may encourage them to purchase it. This will increase sales and profits.

Changing the method of advertising can increase sales. Using a different method of advertising may help the business reach new customers and

attract them to the product. This means that the company will reach new customers in a different market segment which will increase sales.

Improving the quality of the product may increase sales. The company could improve the quality of the product by using higher quality raw materials or hiring highly trained staff. This means that customers may be more willing to purchase the product as they know it will be of good quality which will boost sales and profits.

Changing the price of the product may increase sales. The price of the product could be changed either lower or higher to encourage more sales. This means that customers may be persuaded to purchase the product at a lower price as it is cheaper or at a higher price as they will think it is of good quality. This will increase sales and profits.

Changing the place where the product is sold may increase sales. The company could make the product available to buy online as well as in a store. This means that a wider range of customers can access the product which will increase the company's market share. This will result in higher levels of sales.

Discuss market research techniques used by an organisation

An advantage of a personal interview is the customer can be asked to elaborate. The interviewer will be able to prompt the customer to give more thorough answers to questions in order to get a better understanding of their views. This could improve the quality of feedback received.

A disadvantage of a personal interview is the interviewer will need to be trained. The organisation will need to provide training to the staff member carrying out the interview or hire a specially trained interviewer which could be expensive.

An advantage of a postal survey is people can complete it in their own time. Customers will be able to fill out the survey in their own time in their own house. Customers may be more likely to complete it if they are not being rushed and can take their time.

A disadvantage of a postal survey is it relies on people actually opening the survey. As the survey is being posted to people at their house, they may assume it is junk mail and not look at it. The organisation may then receive fewer responses.

An advantage of a hall test is qualitative information can be gathered. Customers will be able to give their views in person to representatives from the organisation thus may be able to explain their point better. This will allow the organisation to receive more extensive feedback.

A disadvantage of a hall test is customers may feel obliged to give positive feedback. Customers will be speaking directly to representatives from the organisation thus may feel they have to give positive feedback. This could mean that the company will not receive the right feedback.

Distinguish between random sampling and quota sampling

Random sampling is when people are selected at random to participate in market research whereas quota sampling is when certain people are selected according to their own characteristics i.e gender.

With random sampling information will be fair and not biased as people have been selected entirely at random whereas with quota sampling information gathered may be biased.

Describe the 4 main stages of a product's life cycle

A stage is development. This is when the company carries out research in order to develop a new product. Extensive market research will be carried out and a prototype will be built.

A stage is introduction. This is when the product is first launched onto the market. Extensive marketing activities will be carried out to raise awareness of the product and attract customers. Sales will gradually begin to increase.

A stage is maturity. Sales are its peak and profits will be high as the product is well known in the marketplace. The company may introduce extension strategies at this point to keep sales high.

A stage is decline. Sales will decline as new products will be introduced and people will no longer be buying the product. The product will eventually be withdrawn.

Explain how various methods of extending a product's life cycle can increase sales

Using a different form of advertising can increase sales. The business could change its methods of advertising its products as this could allow them to reach a different audience. This means that the organisation will be able to access a wider range of customers which will increase sales and profits.

Improving the quality of the product can increase sales. The business could improve the quality of the product i.e by using higher quality raw materials or hiring specially trained staff. This means that customers may be more willing to buy the product as they will see it is of high quality which will increase the number of sales.

Altering the price of the product can increase sales. The business could decrease the price of the product so that it is cheaper than competitors. This means that customers may be persuaded to purchase the product as it has a lower price.

Using a different form of promotion can increase sales. The business could use a different method of promoting the product i.e free samples or celebrity endorsement as this could be more appealing to customers. This means that customers may be encouraged to purchase the product which will increase sales.

Changing the style of packing can increase sales. The business could alter the packing of the product to give it a different image. This will change the overall appearance of the product. This means that the product may look more appealing to customers thus they may be more likely to buy it. This will increase the business's sales and profits.

Explain the advantages and disadvantages of using a wholesaler

An advantage is it reduces costs for the manufacturer. There will be a reduced need for storage space and lighting, security etc as less stock will be held on premises. This means that the organisation will be able to reduce its costs.

An advantage is it avoids the risk of being left with stock. The wholesaler will take on the risk of being left with any unsold stock. This means that the organisation will be able to avoid the risk of having money tied up in stock.

A disadvantage is less profit for the manufacturer. As the manufacturer will not have sold directly to the customer, they will not receive maximum payment for products. This means that the manufacturer will have lower profits.

A disadvantage is the manufacturer will lose control. Once the product has been sold to wholesalers the manufacturer will lose control of the product's display and how it is portrayed. This means that the manufacturer may end up not liking the way their product is being used.

Describe the advantages and disadvantages of product endorsement

An advantage is higher sales. If celebrities are seen to be endorsing products i.e wearing a particular brand of clothing, people who like that celebrity may then buy the product. This will increase the sales for that product which will increase profits.

An advantage is a wider audience can be reached. Before product endorsement, the product may only have been known by the target market which may be limited. If a celebrity is seen to be using the product, this will be seen by a large number of people which may attract new customers.

An advantage is higher prices can be charged. Having a celebrity endorse the product, may make the product appear to be of good quality and new customers will be attracted to the product. This will allow the company to charge higher prices.

Another advantage is it will decrease the cost of marketing in the long run. The organisation will have to pay an initial fee to the celebrity for endorsing its product however will not have to pay any more costs.

A disadvantage is bad publicity for the celebrity may damage the reputation of the product. If the celebrity is involved in controversy this could result in a negative reputation for the product. This could decrease sales.

Another disadvantage is it can cost money to retain the celebrity. The company will have to pay fees to the celebrity to endorse their product which can be expensive especially if other companies are seeking to have the celebrity endorse their own products.

Describe and justify 3 market research techniques that an organisation could use to assess customer satisfaction

A technique that could be used is observations. This is when representatives from the organisation observe customers using products and record their reactions and responses. This is beneficial as customers are unaware that they are being observed thus will act naturally which will allow the company to gain true responses from them.

Another technique is a focus group. This is when a group of customers are invited to meet with staff from the organisation to discuss products and services provided. This is beneficial as customers can give direct feedback to the company thus can be asked to expand on answers which will improve the quality of information gathered.

Another technique is a postal survey. This is when the survey is posted out to customers at their house which they then fill out and return to the company. This is beneficial as customers can complete the survey in their own time in their house. Customers may be more willing to complete the survey as they are not being rushed.

Describe methods a public relations department could use to improve the image of the organisation

A PR department could use charitable donations. The organisation could make a donation to a charity in order to be seen to be helping good causes and being socially responsible. This will improve the company's reputation and could attract new customers as people who support that particular charity may then begin to support the business and buy products.

A PR department could use sponsorships. The organisation could sponsor events or local groups i.e football teams as this will attract lots of publication attention and show that the business is supporting the community. The event or team they sponsor will then display the company's name and logo on any material they distribute which will also attract attention.

Justify the use of loss leaders as a pricing tactic

Loss leaders is beneficial as it encourages customer to actually enter the store. Customers will see that some products have a low price which may attract them to that particular shop.

Loss leaders is beneficial as customers may be persuaded to buy other products. Once the customers have purchased the products that have low prices, they are more likely to then buy the products that are at normal price.

Loss leaders is beneficial as a profit is still made. The business will make profit from the sales of products that are priced normally thus will still earn high profits.

Loss leaders is beneficial as it can create customer loyalty. Customers will see that the business is selling some products at a low price thus may continue to purchase products from them which will market share.

Explain the impact on a marketing department of introducing modern technology

An impact is videoconferencing can be used for meetings. The department can use video conferencing software when holding meetings to allow staff in different locations to participate. This means that the company can avoid the cost of travel and accommodation.

An impact is email can be used for quick communication. Staff can use email to quickly send information to other staff who can open, read or modify any attachments. This means that it will be easy for staff to communicate with other employees working in different locations worldwide.

An impact is e-commerce can be used. This is when the company sells its products to customers online who can make a purchase at any time anywhere. This means that the business can reach a wide range of customers worldwide which will increase its market share.

An impact is increased internet access allows easy access to information. The business can use the internet to access lots of valuable information i.e government reports or details about suppliers. This means that the business can readily access lots of information allowing quick decision making.

An impact is staff may not like using technology. Some staff members may be uncomfortable working with lots of technology thus may not be happy about it being introduced to the company. This means that staff may not be as acceptive of the new changes thus may choose to leave the organisation.

Management of Operations

Discuss the use of just in time stock control system

An advantage of just in time stock control is it avoids the risk of having money tied up in stock. As stock only arrives when it is needed there will be little stock left in storage. This avoids the risk of the company ending up with large amounts of stock that cannot be used.

An advantage of just in time stock control is less storage space is required. As the stock does not arrive until it is needed for production, stock will not be left in storage for a long period of time. The business will not need large amounts of storage space which will decrease the cost of premises, security etc.

A disadvantage of just in time stock control is surprise orders cannot be met. As only the stock that is needed is ordered and does not arrive until it is needed for production, the company will be unable to meet last minute orders from customers. This may decrease customer satisfaction.

A disadvantage of just in time stock control is it relies on suppliers. The business is relying on its suppliers delivering the right stock at the correct time. If stock is late or incorrect this could delay production thus orders cannot be met. This may negatively impact customer satisfaction.

Discuss the effects of ICT on an organisation

An advantage of ICT on an organisation is staff will be able to telework. Staff will be able to work whilst travelling making use of technology such as a laptop or tablet to communicate with the organisation and receive work.

An advantage of ICT on an organisation is it can give the company a competitive edge. If the organisation keeps up to date with new technology this could ensure that they stay ahead of competitors. This could increase the company's market share.

A disadvantage of ICT on an organisation is it could be expensive to set up. The organisation will need to install the ICT equipment and purchase the necessary software which will be expensive. The company will need to have enough available finance to meet this initial high cost.

A disadvantage of ICT on an organisation is staff will need to be trained. The organisation will need to provide training for its staff on how to use new equipment and software to ensure they know how to use this properly. This could be expensive for the company as a specialist trainer may need to be hired.

A disadvantage of ICT on an organisation is staff may be reluctant to accept new technology. Some staff members may not like using ICT thus may be resistant towards the introduction of new ICT within the company. This could decrease staff morality within the organisation.

Describe the features of an effective stock control system

A feature is minimum stock level. This is the minimum amount of stock that needs to be held whilst ensuring that production can continue and will not fall behind. It will take into account the time it takes to reorder and deliver new stock.

A feature is maximum stock level. This is the maximum amount of stock that can be held to allow production to continue uninterrupted but incurs the minimum costs for the company. It will take into account the storage space available and the amount of available finance.

A feature is re-order level. This is the level that stock needs to reach before the organisation needs to order new stock. It is calculated based on the usage of stock each day, the minimum stocks held and the time it takes for new stock to arrive.

A feature is re-order quantity. This is the amount of new stock that needs to be ordered to allow stock levels to return to normal on the same day that new stock is received. It is usually re-ordered as soon as the re-order level is reached.

Describe the main features of batch production

A main feature of batch production is one group of identical products is made. One batch of identical products is made at one time to the exact same specification. This specification can be changed after each batch to make a different batch of products.

Another feature is each product moves on to the next stage at the same time. All products in the batch will move forward to the next stage of

production at the same time. The products will all be completed at the same time.

Another feature is there is a reduced need for highly skilled staff. As machines and equipment will be carrying out most of the work, there is no need for staff to have expert knowledge and skills as their involvement in manufacturing will be limited.

Describe quality management techniques that an organisation could use

An organisation could use total quality management. This is when products are checked at every stage of production with raw materials and the final product also checked. Also, staff are constantly trained to ensure they have the highest skills and are committed to manufacturing high quality products. This applies to all staff in the organisation. It aims to produce a perfect product every time.

An organisation could use quality circles. This is when a group of employees from different departments of the company meet to discuss any issues relating to quality. Their role is to identify and find solutions to any problems within the company and present these to management. It involves staff from all levels of the hierarchy with different areas of specialism.

An organisation could use quality assurance. This is when a company sets the requirements for the quality of products in advance and checks products at every stage of production to determine if these qualities are being met. Any errors with products may then be rectified in an attempt to reduce wastage.

An organisation could use benchmarking. This is when an organisation sets the standard for their own products based on the performance of competitors, usually the market leader. The organisation will monitor their own performance against that of the chosen company. This will allow them to identify possible areas of improvement within the business.

Discuss the use of quality standards for an organisation

An advantage is it is proof that the product is of high quality. Customers will be able to see that the product is of a high standard thus will be more likely to purchase it. This will increase sales.

Another advantage is higher prices could be charged. Customers may be willing to pay a higher price for the product as they will see that it is of good quality. This will increase the organisation's profits.

Another advantage is the organisation can gain a competitive edge. Having quality standard certification may make the business more appealing to customers than competition thus may attract new customers. This will increase the company's market share.

Another advantage is it could reduce customer complaints. Products will be made to a high standard thus are less likely to be faulty. This will reduce the likelihood of customers making complaints about products which will increase employee satisfaction as staff will not need to spend all of their time dealing with complaints.

A disadvantage is extensive records must be kept. The organisation will have to keep detailed records of purchases and about the production process which will be expensive and time consuming.

Discuss quality management techniques that an organisation could use

An advantage of total quality management is reduced wastage. The organisation will have zero tolerance on errors thus products will be checked at all stages of production and the final product will be thoroughly checked.

A disadvantage of total quality management is it is time consuming. Staff will need to spend a lot of time constantly checking products which will take up a lot of production time.

Another advantage of total quality management is high staff commitment. All staff will be committed to producing high quality products which may motivate staff to work hard to ensure all products are of good standard.

Another disadvantage of total quality management is staff will constantly need to be trained. The organisation will need to ensure staff receive regular training to ensure they have high levels of skills which will be expensive and time consuming.

An advantage of quality control is it is less time consuming. As products only need to be checked at the end of the production process, time is not wasted constantly checking products.

A disadvantage of quality control is it leads to higher wastage. As products are only checked at the end of the production process, any errors will not be discovered until production has finished. It may then be too late to rectify these errors thus products will have to be disposed of.

Explain the considerations an organisation would take into account before choosing a supplier

An organisation would consider price. The organisation will want to choose a supplier that offers the best prices for raw materials to ensure they are not too expensive. This means that the company will not have high costs when purchasing raw materials. Further the organisation may want the supplier to offer discounts i.e for bulk buying which means that the costs of purchasing goods will decrease.

An organisation would consider reliability. The organisation will want to choose a supplier that will be able to deliver the correct goods at the correct time to the right place. This means that there will be no risk of raw materials being delivered late or the wrong raw materials being sent which could negatively impact production.

An organisation would consider location. The organisation will want a supplier who is close by thus ensuring that delivery times are reduced. This means that perishable goods can be delivered quickly, and the organisation will be able to easily place rush orders.

An organisation would consider delivery time. The organisation will want their supplier to be able to deliver goods quickly and not be late. This means that production will not have to halt due to suppliers not delivering goods on time.

Discuss the use of just in time stock control

An advantage is there is no need for large premises to store stock. As stock will arrive just as it is needed for production, stock will not need to be held on premises for very long meaning the company will not need large storage areas. This will reduce the costs of premises, lighting and security.

An advantage is money is not tied up in stock. The organisation will not be unnecessarily buying large amounts of stock thus will not have money tied up in unused stock which will avoid cash flow problems.

A disadvantage is it relies heavily on suppliers. Just in time stock control relies on suppliers delivering the correct raw materials on time to the right place. If suppliers are late or deliver the wrong goods production cannot go ahead which will result in delays to deadlines.

A disadvantage is rush orders cannot be met. If customers place last minute orders, the organisation may not be able to meet these orders as they may not have enough available stock.

A disadvantage is high admin and delivery costs. The organisation will not be bulk buying and will instead need to place lots of small orders as only what is needed will be ordered. More administrative time will be spent on reordering goods and the organisation will have more delivery costs to pay.

Describe the use of ICT in a stock control system

Databases can be used to monitor stock levels. The organisation can make use of database software to keep a record of stock levels which can be automatically updated. Further stock can be constantly monitored to ensure that measurements of stock levels are accurate.

ICT can be used to order stock automatically. New raw materials can be ordered automatically when the reorder level is reached thus saving administrative time.

ICT can be used to allow managers to easily view stock records. Managers will be able identify slow moving stock and bestselling stock all from their computer. Managers can then quickly make decisions on appropriate courses of action to quickly resolve any issues i.e unsold stock.

Describe the benefits of achieving Fair-trade certification

A benefit of achieving Fair Trade certification is it could attract new customers. Fair trade certification could attract people who support fair trade to the organisation as they will see that the business is also supporting fair trade. Bringing new customers will increase sales and profits.

A benefit of achieving Fair Trade certification is it can help with recruitment. People who support fair trade will be more likely to want to work for a company that also supports fair trade. This will make the company's recruitment process easier.

Management of People

Describe ways an organisation could encourage positive employee relations

An organisation could encourage positive employee relations by regularly consulting staff. The organisation could ensure that staff are consulted and allowed to express their views when introducing new policies or making decisions that will impact the whole organisation. Staff will then feel included in decision making.

An organisation could encourage positive employee relations by having an open door policy. This is when staff are able to meet with their manager to discuss any issues they may have with their job at any time.

An organisation could encourage positive employee relations by having regular staff meetings. Management could meet with all staff on a regular basis i.e monthly or weekly to inform them of any changes to the organisation or about any decisions that are being made. Staff will then be aware of what is going on within the company and can also offer their own views on any issues.

An organisation could encourage positive employee relations by holding staff appraisals. This is a meeting between an employee and their line manager usually held once a year. Its purpose is to review the employee's own performance to highlight areas of strength and areas where improvement is needed. Appraisals can also identify if a staff member is eligible for promotion.

Compare off the job training with on the job training

Off the job training is when training takes place out with the workplace i.e at college whereas on the job training takes place within the workplace.

Off the job training is carried out by a specialist trainer whereas on the job training is carried out by a more experienced staff member from within the company.

Off the job training may cause delays to production as staff will not be working during training whereas with on the job training staff will still be working thus production will not need to stop.

Off the job training is more expensive as the organisation will have to meet the costs of the training and any travel expenses whereas on the job training is less expensive as it takes place within the organisation.

Discuss the use of external recruitment

An advantage of external recruitment is new talent can be brought to the company. The organisation will be able to hire new staff members who may have different skills and experience which they can bring to the organisation. This could help generate new ideas for the company and allow the sharing of skills and working practices amongst staff.

A disadvantage of external recruitment is it is more expensive. As the vacancy is being advertised externally, the company will have to pay a fee to place an advert online, in newspapers or magazines etc which can be expensive.

A disadvantage of external recruitment is existing staff may be demotivated if job vacancies are filled externally. Staff who currently work for the business may feel demotivated if jobs they have applied for are offered to individuals from outside of the business. Staff may then feel unvalued which can impact morality amongst employees.

A disadvantage of external recruitment is it can be time consuming. When a vacancy is advertised externally, the company will need a more thorough selection process which will be more time consuming.

Describe the stages of a formal disciplinary procedure taken against an employee

A stage of a formal disciplinary procedure taken against an employee is a verbal warning. This is when an employee is verbally warned regarding a particular issue during a meeting with their line manager. Details of the verbal warning will usually be recorded and kept on file for future reference.

A stage of a formal disciplinary procedure taken against an employee is a written warning. This is when the employee is given a written warning outlining the issue and what is being done to resolve this. It will be written and delivered by their line manager and will be recorded on file.

A stage of a formal disciplinary procedure taken against an employee is a disciplinary hearing. This is when the employee meets with their employer

to discuss an issue concerning the employee. Both the employee and the employer will be able to participate and ask questions. It is usually used for more serious misconduct.

A stage of a formal disciplinary procedure taken against an employee is dismissal. If an employee has committed serious misconduct they may be dismissed from their job. This is the most severe course of action that an organisation can take against an employee and is usually a last resort.

Discuss the use of internal sources of recruitment

An advantage of internal recruitment is it applicants are known to the organisation. The company will already be familiar with candidates and will already be aware of their skills, qualities and the quality of their work.

Another advantage is it is less expensive. There is no need for the post to be advertised on a website or in a newspaper which will cut costs of recruitment for the company. Also, as staff will already have received training and will know the company policies, there is no need for induction training which will also save time and money.

A disadvantage is new talent cannot be brought to the company. As the applicants will all come from within the organisation, there is no opportunity for new staff to be brought into the company who could have been able to bring new ideas to the company.

Discuss the use of external sources of recruitment

An advantage is new talent can be brought to the organisation. The organisation may be able to hire staff who have different skills and experience which they can contribute to the company. This will help generate new ideas for the business.

An advantage is a wide variety of candidates will be available. As applicants will not be restricted to existing staff, the organisation will be able to attract other applicants thus will have a variety of candidates to choose from.

A disadvantage is it is more expensive. The business will have to advertise the vacancy externally i.e placing adverts online or in newspapers which will be expensive.

A disadvantage is external candidates will not be known to the company. The business will be unfamiliar with external applicants thus will not have seen how they perform which increases the risk of the company employing the wrong person.

A disadvantage is internal applicants may feel undervalued. If an employee who already works for the business applies and is unsuccessful, they may feel demotivated which could decrease staff morality and job satisfaction.

Compare the use of internal sources with external sources of recruitment

Internal sources of recruitment are when only staff who currently work for the company can apply whereas with external sources of recruitment anyone can apply.

Internal sources of recruitment are less expensive as the job only needs to be advertised internally whereas with external sources of recruitment an advert will need to be placed online or in a newspaper which can be expensive.

Internal sources of recruitment are less time consuming whereas with external sources of recruitment a more thorough recruitment process is needed thus is more time consuming.

Internal sources of recruitment will restrict the choice of candidates due to only recruiting from within the company whereas with external recruitment the organisation has a wide range of candidates to choose from.

Explain the benefits of using information technology to deliver staff training

A benefit of using information technology to deliver staff training is video/audio conferencing can be used to communicate with staff working in different locations. Video or audio conferencing software could be used to allow staff working in another location to participate in training sessions. This means that staff can still receive training without having to spend time and money travelling.

A benefit of using information technology to deliver staff training is visual information i.e images, videos etc can be added to presentations. Images or videos could be added to the presentation to reinforce what the speaker is

saying or show demonstrations. This means that the presentation will be more interesting which will hold the audience's attention for longer.

Discuss the effects of the Equality Act 2010 on an organisation

An effect of the Equality Act 2010 is employers must not discriminate during the recruitment and selection process. The employer must not discriminate against a person's personal characteristics i.e age, gender, religion during the recruitment/selection process. Also, the employer must not appear to be asking for a specific type of person i.e asking for someone of a particular age on a job advert.

An effect of the Equality Act 2010 is employers must investigate any allegations of discrimination. Employers must thoroughly investigate any allegations of discrimination made by employees and take any appropriate course of action.

Explain the impact of industrial action on an organisation

An impact of industrial action such as work to rule is no other work will be carried out as staff will only be carrying out the duties they are contracted to do. This means that productivity may slow or even stop which will cause delays to deadlines thus targets cannot be met.

An impact of industrial action such as overtime ban is tasks will be carried out late. As staff will not work any extra hours, the work will take longer to be completed. This means that deadlines will not be met on time and customer orders will be dispatched late.

An impact of industrial action such as go slow is work will take longer to complete. As employees will be working at a slower pace, productivity will be slowed down or may even stop. This means that the organisation will miss deadlines and customer orders cannot be met.

An impact of industrial action such as a sit in protest is work will not be carried out. Tasks will not be carried out although the staff will still occupy the place of work. This means that the business cannot bring in replacement staff as there will be nowhere for them to work. This will cause production to stop.

Describe the advantages of collective bargaining carried out by a trade union

An advantage of collective bargaining carried out by a trade union is an improved negotiating position due to large numbers. As the trade union will be representing a large number of people who all have the same view, this could increase the likelihood of the organisation being willing to negotiate.

Another advantage of collective bargaining carried out by a trade union is it decreases the number of individual meetings. If the trade union represents the views of a large number of people, it will

decrease the number of people wishing individual meetings with the organisation to discuss the same issue. This will save the organisation time and finance.

Another advantage of collective bargaining carried out by a trade union is negotiators are experienced. Negotiators used by trade unions will be skilled and have lots of experience negotiating which could help speed up the negotiation process.

Describe the role of an appraisal in improving an employee's performance

An appraisal can be used to identify an employee's area of strengths. Undertaking an appraisal can allow the employee to identify areas in which they are highly skilled. This can be improved further and possibly shared with other staff members.

An appraisal can be used to identify an employee's areas of development. Participating in an appraisal will allow staff members to identify areas in which they need improvement. The employee will be able to plan how they are going to improve this in order to help with their own performance.

An appraisal can allow an employee to set targets for themselves. During an appraisal, a staff member can set targets for themselves i.e to develop a new skill or earn a new qualification and set a date when this is to be completed. This can contribute to an employee's personal development.

An appraisal can allow an employee to discuss any issues they are experiencing within the workplace. The employee will have the

opportunity to discuss any work related issues with their line manager which can then be dealt with appropriately.

An appraisal allows employees to receive positive feedback from their employer. During the appraisal, the employee's line manager can provide positive feedback to the employee about their performance. This can be motivating for the employee.

Describe appraisal and justify its use

An appraisal is a formal meeting between an employee and their line manager which usually takes place annually. Its purpose is to review the employee's performance and identify any strengths and areas that need more development. The employee will usually evaluate their own performance and receive feedback from their line manager.

An appraisal is beneficial as it can identify an employee's training needs. An employee will be able to identify areas in which they need development and can decide what action they can take to improve their skills i.e more training.

An appraisal is beneficial as it can identify staff who are eligible for promotion. Appraisals allow managers to identify employees who could be eligible for any upcoming promotions allowing them to fill vacancies internally.

Describe and justify methods 3 methods of testing that could be used when selecting staff

An interview is a method of selecting staff. This is when candidates meet face to face with representatives from the organisation and are asked a series of questions. The candidate also has the opportunity to ask questions. This is beneficial as an applicant can discuss any relevant experience they may have had in relation to the job which may be difficult to write on an application form.

An assessment centre is a method of selecting staff. This is when candidates are invited to attend with other applicants and are given a range of individual and group activities to complete. This is beneficial as the employer can assess first-hand a candidate's personal skills and qualities i.e team working and communication to determine if they are suitable for the job.

A test is a method of selecting staff. This is when candidates are asked to carry out one or more tests i.e intelligence test or aptitude test to determine their capabilities and whether or not they are suitable for the job. This is beneficial as it can be used to shortlist applicants if there are a large number of candidates applying for the job which will reduce the number of interviews the organisation will have to carry out.

Describe the main features of the Data Protection Act 1998

A main feature of the Data Protection Act 1998 is people have the right to see any data held about them. Data subjects have the right to request access to any data that is held against them by an organisation however a small admin fee can be charged.

A main feature of the Data Protection Act 1998 is data must be accurate and not excessive. Data that is held about someone must be correct and contain no errors. Also, only the data that is needed should be held and no unnecessary information should be kept about someone.

A main feature of the Data Protection Act 1998 is data must be obtained, processed and stored lawfully and fairly. The organisation should ensure that any data held about someone has been obtained lawfully and is held responsibly in accordance with individual rights.

A main feature of the Data Protection Act 1998 is data must not be transferred out of the EU. An organisation must not transfer data outside of the European Union without consent from the data subject.

A main feature of the Data Protection Act 1998 is data must be backed up. The organisation must ensure that all data is regularly backed up. This will ensure that if data is lost, copies will still be available.

Describe reasons for an organisation making use of an assessment centre as part of the selection process

A reason for using an assessment centre is to see first-hand a candidate's skills and qualities. The organisation will be able to observe how a candidate interacts with other people and their different skills i.e team working and communication. They will also be able to see how they perform in a variety of different tasks to determine whether or not they are the right person for the job.

Another reason for using an assessment centre is it is useful for when there is a large number of applicants. The organisation will be able to assess a large number of candidates at the same time which will save time and money.

Another reason for using an assessment centres is tests are carried out by specialists. The assessment centres will be run by specially trained staff thus the tests will be high quality and carried out efficiently. This could increase the chances of finding the right people for the job.

Describe methods an organisation could use to encourage positive employee relations

A method that could be used is consultation. The organisation could ensure that staff are involved in decision making and are regularly consulted about different issues affecting the company. Staff will then feel valued as they are being given a chance to offer their views and opinions.

A method that could be used is worker directors. This is when a junior staff member is invited to sit on the board of directors of a company. This will allow them to participate in management discussions and ensures that the views of the workforce are represented at director's meetings.

A method that could be used is an open door policy. This policy allows staff to visit their managers or other senior staff at any time to discuss any issues with them or raise concerns.

A method that could be used is appraisals. This is when employees meet with their line manager, usually on an annual basis, to discuss their own performance. The employee will be able to identify areas of strength and development and set targets for future improvement. This can contribute to a staff member's own career development.

A method that could be used is worker councils. This is when a group of staff from various different areas of the organisation meet regularly with management to discuss any issues. This allows staff to raise any concerns with management and offer their views on issues within the company.

Management of Finance

Describe financial information that potential stakeholders could use to decide whether or not to invest in a company

Potential investors may use Return on Capital Employed to decide whether or not to invest in a company. This profitability ratio is used to measure the percentage of the return on capital invested

in the business by shareholders. It is calculated by dividing net profit with capital employed and multiplying this by 100. Potential investors will be able to see if they will receive a better return on their investment from this company instead of another.

Potential investors may look at an organisation's Net Profit Percentage to decide whether or not to invest in a company. This ratio is used to measure the percentage of net profit an organisation had made. It is calculated by dividing net profit with sales and multiplying by 100. Potential shareholders will want to see how profitable an organisation is and how high expenses are before they choose whether or not to invest.

Potential investors may use Stock Turnover Ratio to decide whether or not to invest in a company. This efficiency ratio measures how long an organisation holds stock for. It is calculated by dividing the cost of sales by average stock. If this ratio is too high it could be that the organisation has too much money tied up in stock which may be off-putting to potential investors as this could cause cash flow problems.

Describe the limitations of ratio analysis when making financial decisions

A limitation of ratio analysis is information is it is historic. The information that the business will be using is from the past thus may not be as useful. Therefore, the organisation will be analysing information that has limited use which could impact the quality of the decisions being made.

A limitation of ratio analysis is only financial information is used. Ratio analysis does not take into account other factors such as the business's location and issues relating to the workforce i.e skills and knowledge of staff.

Another limitation of ratio analysis is comparisons can only be made with similar companies. Comparisons must be made with other companies that are of similar size and operating in the same industry. This places restrictions on the choice of company that the organisation can compare their performance with.

Another limitation of ratio analysis is it does not take into account external factors. Ratio analysis only covers financial information and does not take into account the external factors and the current state of the economy.

Explain why a profitable business can have cash flow problems

A profitable business can have cash flow problems due to an increase in expenses. An organisation's expenses may suddenly increase which will increase a company's overall costs. This means that the organisation will have to take action to reduce this issue i.e find a cheaper supplier.

A profitable business can have cash flow problems due to allowing customers too long to pay debts. If a business allows customers too long to pay debts the business could end up in a deficit. This means that the business will have less finance coming into the business.

A profitable business can have cash flow problems due to having too much money tied up in stock. Having a large amount of unsold stock will cause cash flow problems as the business will not be

generating income from the stock. The business will also be faced with the cost of storing stock. This means that the business's revenue will decrease.

Distinguish between the following terms: Fixed assets and current assets, gross profit and net profit, debtors and creditors, debentures and shares.

Fixed assets are assets that the company will own for more than a year i.e land whereas current assets are assets that the business will own for less than a year i.e stock.

Gross profit is the revenue earned from buying and selling goods whereas net profit is the overall profit after any expenses have been deducted.

Debtors are people who owe the business money i.e customers whereas creditors are people to whom the business owes money to i.e a bank.

Debentures are loans received by private individuals or other organisations whereas shares are small portions of the company that can be bought and sold.

Describe the actions an organisation could take to overcome cash flow problems

An organisation could sell any assets that are no longer needed to overcome cash flow problems. Selling assets that the business no longer needs i.e a piece of equipment will raise a large amount of finance and could also reduce costs of running that asset.

An organisation could obtain additional income to overcome cash flow problems. An organisation could take out a bank loan or issue additional shares which will quickly generate a large amount of income.

An organisation could offer discounts to customers who pay any debts on time to overcome cash flow problems. Offering discounts to customers who pay any debts on time will encourage other customers to pay debts early. The organisation could use the cash to fund other activities.

An organisation could use just in time stock control to overcome cash flow problems. As stock will only be ordered when it is needed, the business will be able to avoid having money tied up in stock. The company will then have more finance available to be used for other activities.

Describe payment systems that are available to an organisation

A payment system that is available to an organisation is piece rate. This is when employees are paid a set amount of money per item they produce. The more products they produce, the higher their payment will be.

A payment system that is available to an organisation is time rate. This is when employees are paid a set amount of money per hour that they work. If an employee works more hours, they will receive higher payment.

A payment system that is available to an organisation is overtime. This is when employees work more than their contracted hours of work and will receive additional payment for doing so. An example of this is double time which means employees will receive double payment.

A payment system that is available to an organisation is commission. This is when an employee receives a percentage of the money earned from any

sales they make. For example, an employee who earns 10% commission will receive £100 if they make a £1000 sale.

A payment system that is available to an organisation is a salary. This is when employees are paid a set amount of money each year. It is usually divided into 12 equal instalments which are paid monthly to the employee.

Discuss the long term sources of finance available to a plc

An advantage of venture capitalists is large amounts of finance can be raised. The business will be able to raise a large amount of finance that they may not have been able to gain elsewhere. This can be used to fund large business activities.

A disadvantage of venture capitalists is a share of the company may have to be given. The venture capitalist may want a share of the business in exchange for investing capital in the business. The owners will then lose some control over the business to an outsider.

An advantage of debentures is the money can be repaid over the debenture period. The business will have a long period of time to repay the money in instalments. This could improve the business' cash flow as they will not need to make a huge one off payment.

A disadvantage of debentures is interest will still need to be paid. The business will still need to pay interest on repayments even if they are making a loss. This could increase a business' costs which could have a huge impact if the company is making losses.

Describe the final accounts that would be produced by a public limited company

A final account that would be produced by a public limited company is a trading account. This account shows the profit made from buying and selling goods and services (gross profit). It shows the difference between the value of sales and the cost of sales which is calculated by subtracting the cost of sales from the number of sales.

A final account that would be produced by a public limited company is profit and loss account. This account shows the final profit or loss made by a company over a financial period. It shows the difference between the value of gross profit and the value of any expenses.

A final account that would be produced by a public limited company is a balance sheet. This account shows the value of the organisation at a particular time during a financial period. It takes into account various things including the value of any assets and any liabilities.

Describe the reasons for cash flow problems that can affect an organisation

A reason for cash flow problems is having too much money tied up in stock. Having a large amount of unsold stock will cause issues as little or no money will actually be coming into the business which will decrease revenue. Further if too much money is tied up in stock, the business will have no cash available to fund other business activities.

A reason for cash flow problems is an increase in expenses. If the business's expenses suddenly increase without proper preparation this could cause issues as more money will be going out of the business than previously.

A reason for cash flow problems is allowing customers too long to pay debts. If a business allows customers long periods of time to pay off any debts, the business could end up in a deficit as less money will be coming into the business.

A reason for cash flow problems is spending large sums of money on a piece of equipment or machinery. The business may purchase expensive machinery that has high running costs which they business may struggle to afford. This will reduce the amount of available finance the business has for other areas.

Describe the final accounts that would be produced by an organisation

A business would produce a trading account. This account shows the amount of money earned through buying and selling goods and services. It shows the difference between the value of sales and the cost of sales.

A business would produce a profit and loss account. This account shows the final profit or loss made by a business during a financial period. It shows the difference between the value of gross profit and the value of expenses.

A business would produce a balance sheet. This account shows the value of an organisation at any time during the financial period. It takes into account various things including the value of any assets and any liabilities.

Describe reasons why a competitor would make use of another organisation's final accounts

A competitor would use another organisation's accounts to compare them with their own. Competitors will compare their own financial performance with that of another company to identify if they are making similar profits or if their profits are higher/lower. This information could aid their own decision making.

Another reason is to identify if they are a potential target for take over. The organisation will be able to identify if they are in a strong enough position to take control of the other organisation and if it would be successful.

Describe the final accounts that would be produced by an organisation

A final account is a trading account. This shows the gross profit or loss made by an organisation from buying and selling goods. It shows the difference between the value of sales and the cost of sales.

A final account is a profit and loss account. This account shows the final profit or loss made by an organisation over a financial period of time. It shows the difference between the value of gross profit and the value of expenses.

A final account is a balance sheet. This shows the net worth of the organisation at a particular period. It takes into account the value of the business's assets, any liabilities and the equity of the company.

Describe 3 accounting ratios and justify their use

An accounting ratio is a gross profit percentage. This shows the percentage of profit made from buying and selling goods. It is calculated by dividing gross profit with net sales then multiplying by 100. It is beneficial as it can be used by managers to compare with other companies or the industry standard.

An accounting ratio is net profit percentage. This shows the percentage of net profit made through sales after all expenses have been deducted. It is calculated by dividing net profit with net sales and multiplying by 100. It

is beneficial as it can be used by managers to control and analyse expenses.

An accounting ratio is an acid test ratio. This shows if a business has enough liquid assets to cover a liability. It is calculated by subtracting the level of stock from current assets then dividing by current liabilities. It is beneficial as it shows if a business can quickly pay off any debts.

Describe the limitations of ratio analysis when making financial decisions

A limitation is only financial information is considered. Ratio analysis only covers financial information and does not take into account any other factors such as the workforce or external factors.

A limitation is information is historic. The financial information used during ratio analysis is from the past thus is outdated. The information may have limited use as it may not be as relevant thus may not be good quality.

A limitation is comparisons can only be made with similar companies. Businesses can only draw comparisons using ratio analysis with companies that are of similar size or operate in the same industry. Some organisations may then be limited when identifying companies that they can compare with thus may not be as useful.

Describe financial information that stakeholders could use to assess an organisation's financial information

Financial information is a profit and loss account. This account shows the final profit or loss made by a business over a particular period of time. It shows the difference between the value of gross profit and the value of any expenses.

Financial information is a trading account. This account shows the profit earned from buying and selling goods over a period of time. It shows the difference between the value of sales and the cost of sales.

Financial information is a balance sheet. This shows the net worth of a business at a particular period of time. It takes into account the business' assets, any liabilities and the equity of the company.

Financial information is a gross profit percentage. This ratio measures the percentage of gross profit made by an organisation from buying and selling

goods. It is calculated by dividing gross profit by net sales then multiplying by 100.

Financial information is net profit percentage. This ratio measures the percentage of net profit made by an organisation after all expenses have been deducted. It is calculated by dividing net profit by net sales then multiplying by 100.

Describe reasons why an organisation would use cash budgets

A reason is they can identify periods where expenses will be higher. The business will be able to highlight periods where costs will be higher than usual thus their expenses will increase. The company can plan ahead to take action to avoid any problems i.e find additional finance to cover that period.

A reason is they can identify if the business will have a surplus or a deficit. Cash budgets can show the business if they will have a surplus (more money coming in than going out) or a deficit (more money going out than coming in). The business can then decide how to use any additional finance or take action to resolve any cash flow problems in the event of a deficit.

A reason is they can help with future decision making. The business can make use of cash budgets when planning for the future as they will be able to determine if they will have enough cash available to take a particular course of action i.e invest in new equipment.

A reason is it can help set targets for the company. Each department can be allocated their own budget that they are responsible for managing. As these budgets must be adhered to it will give departments targets to focus on.

Describe reasons for cash flow problems that can affect an organisation

A reason is having too much money tied up in stock. If an organisation has cash tied up in unsold stock that is not generating money, the organisation will have less finance available to be invested elsewhere.

A reason is allowing customers too long to pay bills. If the organisation allows customers too much time to pay off their debts, there will be less money coming into the business than going out.

Another reason is high expenses. If an organisation's costs increase but no additional cash is coming into the business, this will reduce the amount of finance being generated by the company. The business may then need to take action to reduce this problem i.e decrease expenses or find additional finance.

Another reason is large amounts of finance being spent on machinery or equipment. If the organisation makes a major investment on new equipment or machinery which they may not actually be able to afford in the long run this could mean less cash is available to fund other areas of the business.

Another reason is too much drawing being taken out by owners. The owners may withdraw too much finance from the business thus there may not be enough cash left to efficiently run the business.

Explain the reasons managers use accounting ratios

A reason is to compare the business's financial performance with previous years. Senior managers can use ratios to draw comparisons between the current year's financial performance with the performance of previous years to determine if improvements have been made.

A reason is to compare the business's financial performance with other similar companies. Managers can use ratios to compare their company's performance with another business. The company can use this information to their own advantage i.e to identify if the other company is a potential target for take-over or merger.

A reason is to evaluate previous decisions. Managers can use ratios to analyse the company's financial performance to determine if previous decisions that have been made have had a positive or negative impact.

Describe and justify 3 sources of finance available to a partnership

A source of finance is a bank overdraft. This is when the business is allowed to withdraw more money from its bank account than it has available. It is beneficial as it is useful for short periods of time to cover cash flow shortages.

A source of finance is hire purchase. This is when the business pays for items with an upfront deposit then pays the remainder in equal instalments.

It is beneficial as the cost of the item can be spread over a period of time thus making it more affordable for the company.

A source of finance is a grant. This is a sum of money paid to the organisation by the government, European Union or an enterprise agency although sometimes with conditions attached. It is beneficial as the money does not need to be paid back.

Describe financial information that potential shareholders could use to decide whether or not to invest in a company

Financial information is a return on capital employed. This ratio will show the percentage return an investor will make on their investment in a business. It is calculated by dividing net profit over capital employed then multiplying this by 100.

Financial information is a net profit percentage. This shows the percentage of net profit made by an organisation after all expenses have been deducted. It is calculated by dividing net profit over net sales then multiplying this by 100.

Financial information is a gross profit percentage. This measures the percentage of gross profit made by an organisation through sales. It is calculated by dividing gross profit over net sales then multiplying this by 100.

Financial information is a trading account. This account shows the gross profit earned through buying and selling goods. It shows the difference between the value of sales and the cost of sales.

Financial information is a profit and loss account. This account shows the net profit earned by a business after all expenses have been deducted. It shows the difference between the value of gross profit and any expenses.

Financial information is a balance sheet. This shows the net worth of a company at a particular period of time. It takes into account the business' assets, any liabilities and the equity of the company.