

Topic 2.1 Knowledge Organiser

The benefits of good R&D

| Examples of science-led innovations | Examples of technical developments |
|--|--|
| Development of lithium batteries has been crucial in the development of electric cars. | Hybrid cars – in 2001 Toyota launched its hybrid Prius car. |
| Contactless payment cards were introduced in the UK in 2007 by Barclaycard. They were originally launched in America in 1997. They work using radio-frequency recognition. | Chocolate being foil wrapped by a machine is a technical development. I remember when chocolate bars had paper and foil packaging that had to be wrapped individually and by hand. |
| | More fuel efficiencies are happening due to new and lighter materials for things like aircrafts. |

Sources of finance

| | Definition | Advantage (s) | Disadvantage (s) |
|----------------------------|---|---|--|
| Retained profit - internal | When profit made by the business is reinvested in the business. | Free source of finance. | Could mean slow growth. |
| Selling assets - internal | Selling something the business owns - building, brand, one part of a large business | Avoids building up debts. Keeps the business owner in full control. | You can weaken the value of your business. If you sell of an asset to then lease an alternative, running costs increase. |
| Loan capital - external | When a person or financial institution lends the business money. E.g. A bank loan | You may get some business advice with your loan if from a high street bank. | There is interest. Sometimes loans are secured against assets. |
| Share capital - external | Selling shares in your business. | Private companies have to keep it between friends and family. | Could lead to disagreements. May not raise enough. |

Why are shares less risky than debt?

- Borrowing money means interest payments whereas share capital involves dividend payments that can be cancelled if necessary.
- Debt has interest that must be paid. If it isn't paid, the company can be closed down. Money raised by shares never has to be repaid.

Why aims and objectives change

- Changing market conditions – Cadbury's rebranding to luxury market after the Lindt launch.
- Changing technology – move to online sales.
- Changing performance – when companies cost rise, what happens?
- Changing legislation – Brexit
- Internal reasons – a change at the top.

There are three types of imports:

- Goods we don't grow or make.
- Goods that require a lot of labour time.
- Goods using high technology and high skills.

Competition from overseas.

Buying from overseas. We buy both finished goods and supplies from abroad. E.g. more than 50% of the components of a British-built car are imported.

Exports – to sell successfully abroad, our exporters need to:

- Keep costs down to keep prices down.
- Produce original, well-designed and well-made items.
- Deliver on time and provide excellent service and after-sales service

How aims and objectives change.

- Focus on survival or growth.
- Entering or exiting markets.
- Growing or reducing the workforce.
- Increasing or decreasing the product range.

Changing the marketing mix to compete internationally

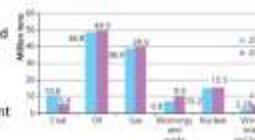
| Price | Place |
|---|--|
| The mini has a reputation for being 'cool and classy'. | Britain is advanced in e-commerce. |
| In countries where the mini has a strong reputation then it could be priced higher there than in other countries. | For a British company, a move into South America or Africa would require a different attitude to place and distribution. |
| Product | Promotion |
| BMW's British-produced Mini. To compete internationally there needs to be left and right hand drive versions. | The advertising image needs to be different in different countries because of cultural differences. |
| The cars also need the safety and exhaust/pollution system to fit local laws in different countries. | |

The trade-off



How does environment affect business?

- Environment is the condition of the natural world that surrounds us.
- Environmental considerations are the factors relating to 'green' issues, such as sustainability and pollution.
- Stakeholders can value the environment as an important issue. Staff do not want work in a coal mine which is dangerous to their health.
- In the long term, businesses will need to ensure they manage their impact on the world to help reduce global warming.
- Example:** The bar chart shows current UK energy production.



What is sustainability?

- Sustainability means whether or not a resource will run out in the future; a sustainable resource will not.
- Some products are based on sustainable materials. Can you think of an example?
- Wood can be used and trees planted to replace each one used to make products. Under the **Forest Sustainability Commission**, goods with FSC are from sustainable forests.
- Can you think of an example of a product that uses unsustainable resources, i.e. those that cannot be replaced?
- Oil, iron ore and coal have been made over millions of years and used to create many products, e.g. plastic, cars, energy to make cars.
- Recycling and making products that use sustainable or recycled materials will improve a business's environmental image.



Pressure groups

- A pressure group seeks to influence government policy, business behaviour and legislation.

- The power of the media.

How activism forced Nike to change its ethical game

There were all attempts to make Nike ethical. The company's ethical standards were high, but the workers were not.



Source: The Guardian, 'Nike's ethical standards were high, but the workers were not', 2013. <http://www.theguardian.com/business/2013/jun/14/nike-ethical-standards>

Tier 3 words

Innovation bringing a new idea to the market, such as Warbutons' clever idea of an extra-large crumpet.

Inorganic (external) growth growing by buying up other businesses or by merging with a business of roughly equal size.

Merger when two businesses of roughly equal size agree to come together to form one big business.

Organic (internal) growth growth from within the business, such as creating and launching successful new products.

Research and development (R&D) the scientific research and technical development needed to come up with successful new products.

Takeover obtaining control of another business by buying more than 50% of its share capital.

Flotation listing company shares on the stock market, allowing anyone to buy the shares. This means the price can float freely (up and down).

Public limited company (PLC) a company with at least £50,000 of share capital that can advertise its shares to outsiders and is, therefore, allowed to float its shares on the stock market.

Entering markets –when a company decides to open up in a market it hasn't been in before, for example, Walkers launching cereal bars.

Existing markets – choosing to leave a market, probably because it was loss-making and looked set to continue.

Competing internationally - finding a way to succeed against rivals from overseas.

Free trade – trade between countries with no barriers, for example, no tariffs.

Globalisation – the increasing tendency for countries to trade with each other and to buy global goods, such as Coca-Cola, or services, such as Costa Coffee.

Imports – goods or services bought from overseas.

Tariffs – taxes charged only on imports.

another; for example, higher ethical standards may mean less profit.

Ethical considerations – thinking about ethics, which may lead to morally valid decisions or may lead to the manipulation of customer attitudes, that is, pretending to be ethical.

Ethics – weighing up decisions or actions on the basis of morality, not personal gain.

Fair trade – a social movement whose goal is to help producers in developing countries achieve better trading conditions and to promote sustainability. It ensures the price paid is high enough to allow fair wages to be paid to the workers who produced the goods.

Trade-offs – how having more of one thing may force you to have less of another; for example, higher ethical standards may mean less profit.

Trade blocs – a group of countries that have agreed to have free trade within external tariff walls.

Environment - The condition of the natural world that surrounds us, which is damaged when there's pollution

Environmental considerations - Factors relating to 'green' issues, such as sustainability and pollution

Sustainability - Whether or not a resource will inevitably run out in the future; a sustainable resource will not

Vocabulary

FEAST – Write in full sentences

What is a full sentence?

- Sentences always begin with a **capital letter** and end in either a **full stop, exclamation or question mark**. A complete sentence always contains a **verb** (a doing word), **expresses a complete idea and makes sense standing alone**.

What do I need to remember?

- To check that you are writing in complete sentences, try reading your sentences aloud, pausing as indicated by the punctuation. Can each sentence stand alone as a complete thought? If further information is needed to complete the idea, then it is not a complete sentence.
- Vary the length and type of sentences you use to improve your writing.



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