

Knowledge Organisers

OCR GCSE (9-1) Business - Year 11 – Spring Term – Business 2

6 – Influences on business

6.1 – Ethical and environmental considerations

6.2 – The economic climate

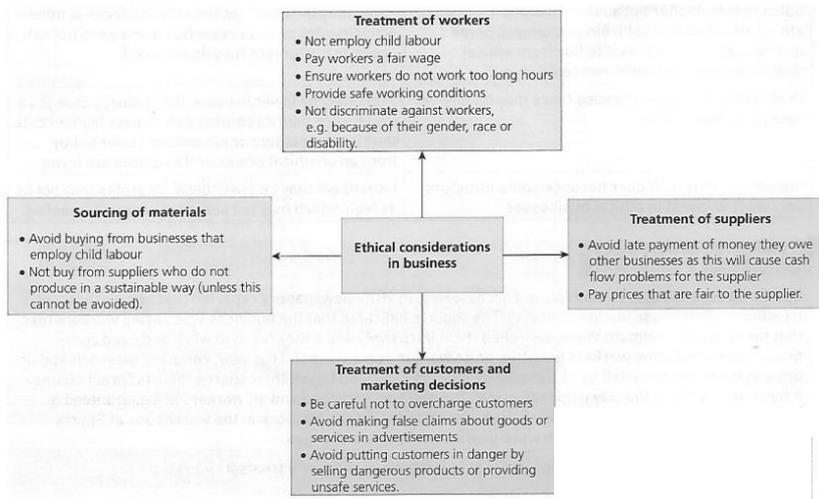
6.3 – Globalisation

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6 – Influences on business – 6.1 – Ethical and environmental considerations

Key words	
Ethical	Concerned with what is right and wrong or behaving in a morally correct way.
Climate change	When average temperatures rise or fall and patterns of weather change.
Environmentally friendly	Describes consumers and businesses that act to make production sustainable.
Pollution	Causing harm to the environment, including land, air and water.
Sustainability	Production that does not lead to the depletion of natural resources.
Waste disposal	The process of getting rid of unwanted materials.

Ethical considerations that a business might consider



Questions

State & explain ethical considerations in business.

Challenge Activity

Evaluate the impact of ethical considerations on a business.

Impact of ethical considerations on business

Possible advantages	Possible disadvantages
Costs may be lower because workers who are paid fairly and work in safe conditions are well-motivated so productivity is high. They are less likely to look for jobs elsewhere, increasing retention and reducing training and recruitment costs, and it will be easier and cheaper to recruit additional new workers.	Costs may be higher because the business may have to pay more for fair wages or because it does not employ cheaper child labour. There are also costs involved in health and safety provision and purchasing ethically-produced goods.
Sales may be higher because a reputation for being ethical will lead to trust from customers. Some business buyers only want to buy from ethical suppliers to protect their own reputation.	Sales may be lower because the business is honest with customers in its advertising and does not sell goods to customers they do not need.
Profits may be higher because there may be higher sales and lower costs.	Profit may be lower because the business charges a lower price than its competitors or pays higher costs than its competitors or customers prefer to buy from an unethical producer if its prices are lower.
Investment may be higher because some investors only want to invest in ethical businesses.	Investment may be lower because profits may not be as high, which may put some investors off investing.

Environmental considerations in business

- Sustainability
- Waste disposal
- Pollution
- Climate change

Impact of environmental considerations on business

This depends on how the business responds to it. Environmentally friendly production can affect costs, sales, taxes, subsidies, profits and capital costs.

Advantages of being environmentally friendly	Disadvantages of being environmentally friendly
Costs may be lower because a business may have taken steps to use less energy or create less waste, reducing energy bills and waste disposal costs.	Production costs may be higher if materials produced in an environmentally-friendly way are more expensive.
Sales may be higher because customers may prefer to buy from a business that care about the environment.	Sales may be lower if the business charges higher prices to cover any extra costs of environmentally-friendly production.
Lower taxes and avoidance of paying fines may occur because the business creates less pollution.	Capital costs may rise if the business invests in new machines and plant to produce in an environmentally-friendly way.
A business may gain subsidies from the government to help pay for environmentally-friendly production.	
Profits may be higher because sales revenue rise and costs fall.	

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6 – Influences on business – 6.2 – The economic climate

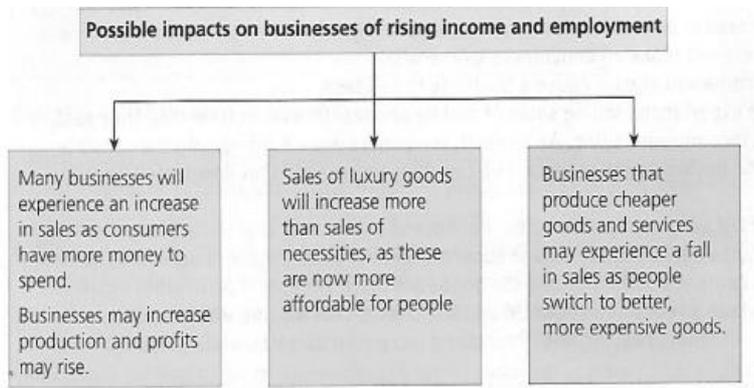
Key words	
Consumer income	The amount of money consumers receive from work and from assets they own eg shares, property.
Economic climate	Refers to how well the country is doing in terms of levels of income and employment.
Level of income	The average income of people in a country.
Level of unemployment	The number of people out of work in a country.

The economic climate and its impact on business

The economic climate is made up of 2 main elements:

- Consumer income levels
- Employment and unemployment levels

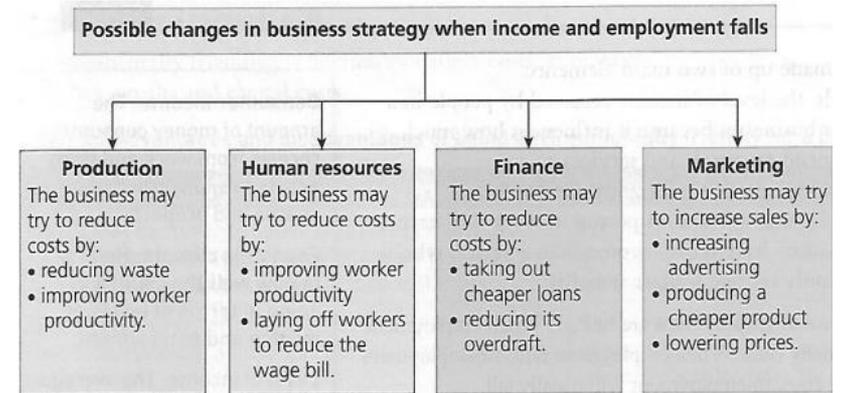
Changes in levels of income and employment will have an impact on businesses eg in relation to sales, production and profits as well as business strategy.



NB – falling income and employment will have the opposite effects of those described above!

Impact on business strategy

Strategy is what the business does in response to a change in income and employment. The diagram below show the possible ways in which businesses may change what they do when income and employment fall.



Questions

Explain the terms ‘level of income’ and ‘level of employment’.
Analyse the impact of changes in income and employment on businesses.

Challenge Activity

Evaluate the factors which influence the impact on a business when income and employment levels change.

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6 – Influences on business – 6.3 – Globalisation

Key words	
Globalisation	The process by which business activity around the world has become increasingly interconnected.
International brand	An image or values for a product that are communicated in countries around the world.
Multinational companies	Businesses that operate in different countries around the world eg Coca Cola, Google.
Productivity	A measure of the output of each worker on average.
Unit cost	The cost per unit produced. The greater the productivity of workers, the lower the unit cost of production.
Free trade	The absence of restrictions on trade between countries.
Trade	The import and export of goods and services.
Tariff	A tax on a good or service that is imported.
Quota	A limit in terms of weight or value on the amount of a good or service that can be imported.

The main ways in which globalisation may happen are by:

- Global buying and selling
- Global production
- Global movement of people
- Global movement of capital

Globalisation has been made easier by:

- Improvements in transport
- Better telecommunications and the internet
- Reduced trading barriers – eg reduction in tariffs and quotas

Impact of globalisation on businesses

Advantages of being a multinational company (MNC)

- Increased sales
- Risk is spread
- Lower costs
- Tax avoidance

Influence on business location

Advantages of locating abroad

- Lower production costs
- Expert/skilled labour
- Locating near to the market (its customers)

Disadvantages of locating abroad

- Quality control may be difficult
- Transport costs may be higher if goods not sold where they are produced
- Sales may be lost if customers don't like goods being made abroad
- Skilled labour is not always available
- Productivity may be low if workers are unskilled, leading to an increase in production costs

International branding

Businesses will need to think about how they market their goods and services in a way that will suit the local market. Businesses will need to consider the following:

- Product promotion
- Income level
- Language
- Bribery
- Legal issues

Questions

State & explain the different ways in which businesses around the world are interconnected.

Challenge Activity

Analyse and evaluate the different ways in which businesses compete internationally.

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6 – Influences on business – 6.3 – Globalisation - continued

How businesses compete internationally

Businesses that compete internationally sell goods and services abroad and in the UK where overseas firms also compete.

Factors which influence how businesses compete internationally

Factor	Influence
Growth	<ul style="list-style-type: none">● Expand overseas, for example, open shops in other countries.
Marketing	<ul style="list-style-type: none">● Make products to suit different countries.● Promote goods and services in different countries.● Set prices that are affordable in different countries.● Locate outlets in specific places in different countries where there will be customers.
Human resources	<ul style="list-style-type: none">● Recruit, train and motivate local workers.● Establish good communications with workers in different countries so that production is efficient.● Obey laws about employing workers in different countries.
Business operations	<ul style="list-style-type: none">● Choose the most efficient method of production for the location, such as changing from batch to flow production to reduce costs or introducing technology.● Ensure good quality assurance processes to guarantee products/services produced in different countries maintain the same standards.● Provide an appropriate sales process (online or face to face) for the country in which it is selling.● Locate locally to be near the market.
Finance	<ul style="list-style-type: none">● Arrange loans, overdrafts and sales of shares that may be needed abroad.● Make sure the costs of selling abroad can be covered.
Exchange rate	<ul style="list-style-type: none">● The exchange rate is the price of one currency in terms of another. It influences the price of exports and imports.● Business may benefit or be disadvantaged by changes in the exchange rate:<ul style="list-style-type: none">– A rise in the exchange rate makes exports dearer. An exporting business would need to reduce costs to keep its prices competitive.– A fall in the exchange rate makes imports cheaper. A UK producer selling in the UK would need to reduce costs to keep its prices competitive.
Ethical and environmental influences	<ul style="list-style-type: none">● Businesses that wish to be ethical need to consider the wages, who they employ (avoiding child labour) and health and safety wherever they produce, so that consumers have confidence in them.
Economic climate	<ul style="list-style-type: none">● Businesses need to respond to the economic climate in the countries where they sell.● If incomes in a country are rising, they may be able to sell more.● If incomes in a country are falling, they may need to reduce prices to maintain sales.