

Kibworth Mead Academy

GCSE Business Studies

***Unit 6: Influences on Business
Revision Guide***



Name:

Target grade:

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Unit 6: Influences on Business - An overview

Paper 2: Operations, Finance and Influences on Business		
Content overview	Assessment overview	
Operations Finance <u>Influences on business</u>	Business 2 80 marks 1 hour 30 minute paper	50% of total GCSE

Topic	Content
6.1 Ethical and environmental considerations	<ul style="list-style-type: none"> ▪ Ethical considerations and their impact on businesses ▪ Environmental considerations and their impact on business
6.2 The economic climate	<ul style="list-style-type: none"> ▪ The economic climate and its impact on businesses
6.3 Globalisation	<ul style="list-style-type: none"> ▪ The concept of globalisation ▪ The impact of globalisation on businesses

Personalised Learning Checklist

Complete the checklist below to rate your understanding of each of the topics in
Unit 6: Influences on Business

Tick the relevant column to identify your learning and understanding of each of the areas
studied.

Unit 6: Influences on Business



6.1 Ethical and Environmental Considerations			
Ethical considerations and their impact on businesses ○ Treatment of workers/suppliers/customers, sourcing of materials, marketing decisions			
Environmental considerations and their impact on businesses ○ Sustainability, waste disposal, pollution, climate change			

6.2 The Economic Climate			
The economic climate and its impact on businesses ○ Changing levels of consumer income and unemployment			

6.3 Globalisation			
The concept of globalisation			
The impact of globalisation on businesses ○ The growth of multinational companies, influences on business location, international branding, how businesses compete internationally			

Glossary/Key Terms

In your exam you will be required to explain the meaning of a range of key terms.

In most cases 2 marks are available for demonstrating full understanding of the key term and 1 mark for providing a relevant example.

Complete the glossary below so that you have a full set of key term definitions with examples.

Key Term	Explanation	Example
Capital		
Child labour		
Climate change		
Consumer income		
Customers		
Distribution of income		
Economic climate		
Economic growth		
Environmentally friendly		
Ethics		
Free trade		
Global warming		
Globalisation		
Gross domestic product (GDP)		

Income		
International branding		
Level of employment		
Level of income		
Level of unemployment		
Multinational companies		
Non-renewable resources		
Pollution		
Productivity		
Recession		
Recycling		
Regulations		
Renewable resources		
Sustainable production		
Trade		
Unit cost		
Waste disposal		

Exam 'Top Tips'

Multiple Choice Test Taking Tip

Come up with the answer in your head before looking at the possible answers, this way the choices given on the test won't throw you off or trick you.



Read the question carefully and decide on the answer.

Check the possible options and cross out the ones that are **definitely wrong!**

"Be specific about what the product or service actually is. Use actual competitor names too"

Read the question and the information very carefully. Some of your answers will come directly from the text!

Highlight/underline key information in the text

"Follow the correct structures, you have been given them for a reason"

"Where the question asks for TWO reasons/example/benefits, make sure you include TWO"

"If the question doesn't tell you how many to include, look at the number of marks available"

DO YOUR BEST TO BEAT THE TEST Test Taking Strategies

1. Three is key! **READ** the passage, **READ** the questions, **REREAD** the passage to find your answer.
2. Look back and highlight or underline **evidence** from the text that proves or supports your answer.



Test Taking Tip

Use all your time. If you happen to finish the test before time is up, go back over the questions, especially the ones that seemed hard, and check your work.

If you finish your paper before the 90 minutes are up

Check, check and check again!
Ask yourself: So? Why? How? If?

Exam Structures

Follow each of the structures below when answering your exam questions

Explain [2 marks]
Point
Explain <i>2 strands of information using a connective</i>

Recommend [3 marks]
Point
Explain <i>2 strands of information using a connective</i>
Impact
However

Explain [4 marks]
Point
Explain <i>2 strands of information using a connective</i>
Point
Explain <i>2 strands of information using a connective</i>

Evaluate/Discuss [7/9 marks]
Point 1
Explain positive <i>2 strands of information using a connective</i>
Impact
However
Explain negative <i>2 strands of information using a connective</i>
Impact
Point 2
Explain positive <i>2 strands of information using a connective</i>
Impact
However
Explain negative <i>2 strands of information using a connective</i>
Impact
In conclusion the business should..... The most important reason for this is.....because..... While they do need to consider..... I would still recommend.....for the business because.....

Analyse [3 marks]
Point
Explain <i>2 strands of information using a connective</i>
Impact

Analyse [6 marks]
Point
Explain <i>2 strands of information using a connective</i>
Impact
Point
Explain <i>2 strands of information using a connective</i>
Impact

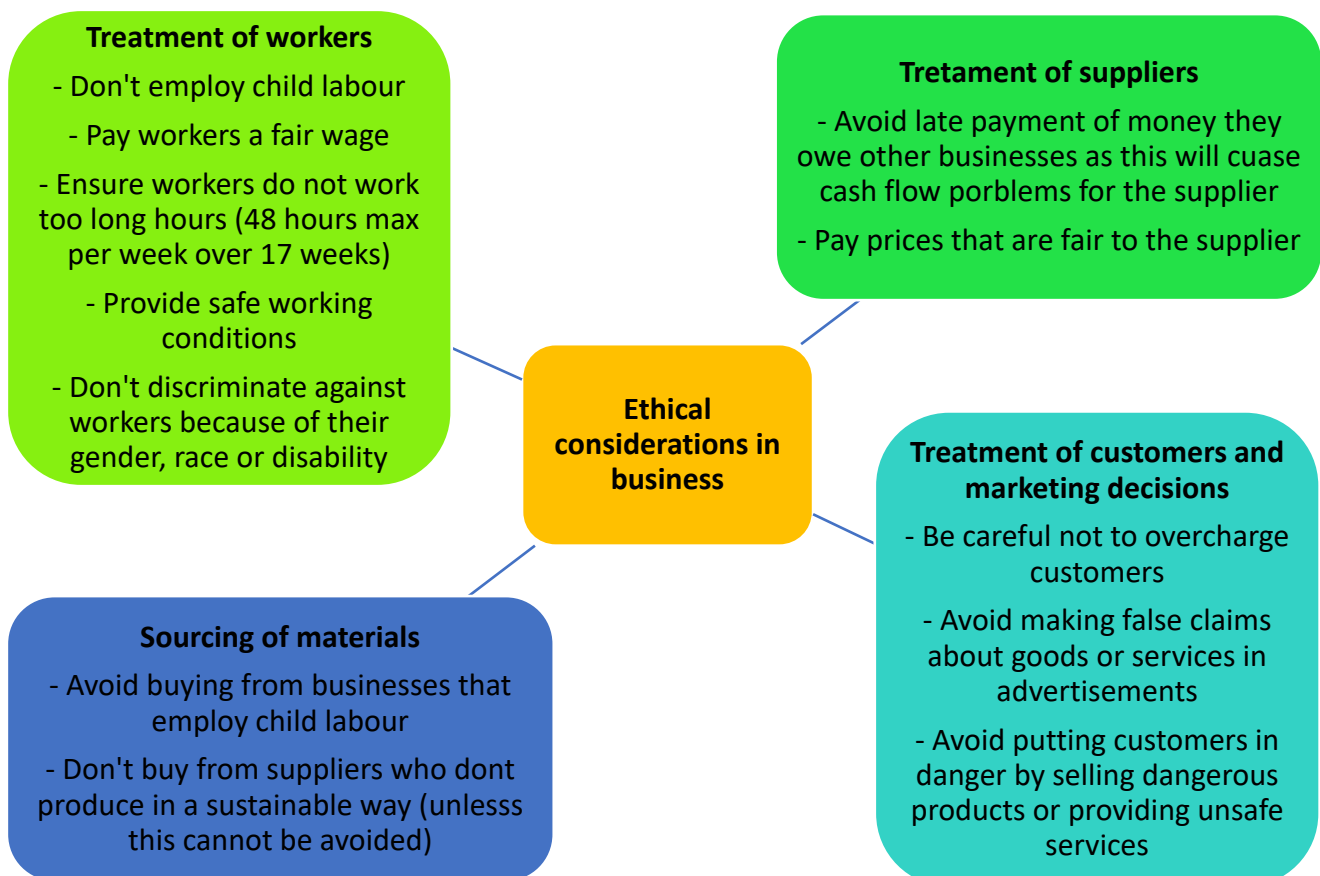
6.1 Ethical and Environmental Considerations

Specification content	What you should know
Ethical considerations and their impact on businesses	✓ Treatment of workers/suppliers/customers, sourcing of materials, marketing decisions
Environmental considerations and their impact on businesses	✓ Sustainability, waste disposal, pollution, climate change

Ethical considerations in business

What is ethical, or right or wrong, is not always clear. Some people think that it is unethical to use animals to test products such as cosmetics or medicines, while others think it is acceptable as it stops humans being damaged by unsafe products. Animal rights supporters say that there are other ways of testing without involving animals.

The diagram below describes some other ethical considerations that a business might consider.



For each of the statements given in the table below, identify whether they are ethical or not.

Statement	Ethical (✓ or ✗)	Statement	Ethical (✓ or ✗)
A football manager takes a bribe because other managers do the same.		Buy goods from poor countries, to help their businesses develop	
To employ very young children as long as they are paid a fair wage.		Make false claims for its products because it helps to create jobs for people.	
A businesses to delay paying their bills to suppliers		Save money by reducing health and safety measures	
Copy films because the producers make a lot of money from them.		Sell arms to political leaders who might use them to cause war	

Impact of ethical considerations on businesses

The table below shows the possible advantages and disadvantages for a business that behaves ethically. Ethical and unethical behaviour can affect the costs, sales, profits and investments of a business.

The ethical or unethical behaviour of one firm may also impact on another firm. For example, if customers find out that a business, that claims to be ethical, buys stock from an unethical supplier (whether knowingly or unknowingly), it can affect the suppliers' reputation as well as the businesses.

Advantages	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 when needed.	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.	Profit may be lower because: <ul style="list-style-type: none"> ▪ the business charges a lower price than its competitors or ▪ pays higher costs than its competitors or ▪ customers prefer to buy from unethical producers if its prices are lower.
Profits may be higher because there may be higher sales and lower costs.	Sales may be lower because the business is honest with customers in its advertising and does not sell goods to customers that they do not need.
Investments 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.

Using the words below, fill in the gaps to complete the paragraph

Ethics is about _____ and wrong. An example of an unethical business activity is when a firm buys products made using _____ labour. Another unethical practice would be a firm that does not provide its workers with a _____ working environment. A business that sells arms to the political leaders of a country who do not give proper _____ to their citizens may not be ethical.

Sometimes it saves a business _____ by not being ethical. This may be important if the business is in a very _____ market. Some of the competitors may not be ethical and so they can charge _____ for their products. The result might be that the ethical business cannot _____. However, many customers are now prepared to pay for products that are sold by ethical producers.

right

child

competitive

less

money

human rights

survive

safe

Environmental considerations in businesses

The table below explains the four environmental considerations that you need to know.

Environmental consideration	Explanation	Example
Sustainability	When the production and sale of a product involves the use of renewable resources, rather than scarce resources	Wind and solar power are examples of renewable resources which generate sustainable electricity. A business that uses this type of energy is environmentally friendly. Electricity generated from coal is not sustainable because it uses up coal stocks
Waste disposal	Waste disposal is environmentally friendly only if a business reduces, reuses or recycles its waste	A business which recycles the aluminium cans that it uses is environmentally friendly, while a business which sends the cans to land fill is not

Pollution	Pollution is the introduction of something harmful into the environment as a result of the activity of a business. Pollution can affect air, rivers and peoples hearing in the form of noise.	A business that switches from diesel to battery-powered cars is helping to reduce air pollution
Climate change	Climate change occurs when weather patterns change or average temperatures rise or fall	A business that burns fossil fuels helps to raise average temperatures, which is an example of global warming. This in turn is leading to changes in the seasons and unusual weather patterns

Using the words below, fill in the gaps to complete the paragraph

For the fashion industry, there are many difficulties in being _____ friendly. Chemical _____ are often used to help to grow cotton. _____ are used to dye clothing. Clothing often needs to be _____ long distances from where it is made to where it is sold. Transport uses up _____ fuels and causes CO2 emissions contributing to _____ warming. _____ production involves making goods and services using _____ resources.

recycled

fossil

sustainable

chemicals

fertilisers

transported

global

landfill

environmentally

Impact of environmental considerations on businesses

The impact of environmental considerations on a business depends on how the business responds to it. Environmentally friendly production can affect costs, sales, taxes, subsidies, profits and capital costs.

The table below explains the advantages and disadvantages of being environmentally friendly.

Advantages	Disadvantages
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 cares 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 warehouses 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 rises and costs fall.	

Businesses that fail to be environmentally friendly may lose out on the advantages this can bring and this may make it difficult for them to compete. However, they will also avoid the disadvantages associated with being environmentally friendly and this might give them a competitive advantage.

Whether it is better for a business to be environmentally friendly depends on a number of factors:

- Some business owners view being environmentally-friendly as the ‘right’ thing to do and want to protect the planet and its people, now and in the future
- If customers place importance on environmentally-friendly production, this will help sales but sometimes they just want low-price goods and this may, although not always, favour businesses that do not use environmentally-friendly production
- Sometimes businesses based in a country with strict environmental regulations struggle to export to countries where businesses that are less environmentally-friendly are allowed to sell

Match the statement in the left-hand column of the table with the correct explanation in the right-hand column of the table.

Statement
Costs of production may be higher
The business may not have to pay as much tax
The business may have to spend money on equipment
Production methods may cost more
The firm may receive a subsidy from the government
Costs of production may fall

Why?
The firm causes less pollution
Producing food organically is more expensive than using fertilisers and pesticides
The government has its own targets to meet to improve the environment in its country
It can be more economic to use green production methods sometimes
Items such as solar panels need to be bought
Raw materials bought from green suppliers are often more expensive

6.2 The Economic Climate

Specification content	What you should know
The economic climate and its impact on businesses	✓ Changing levels of consumer income and unemployment

The economic climate and its impact on business

The economic climate is made up of two main elements:

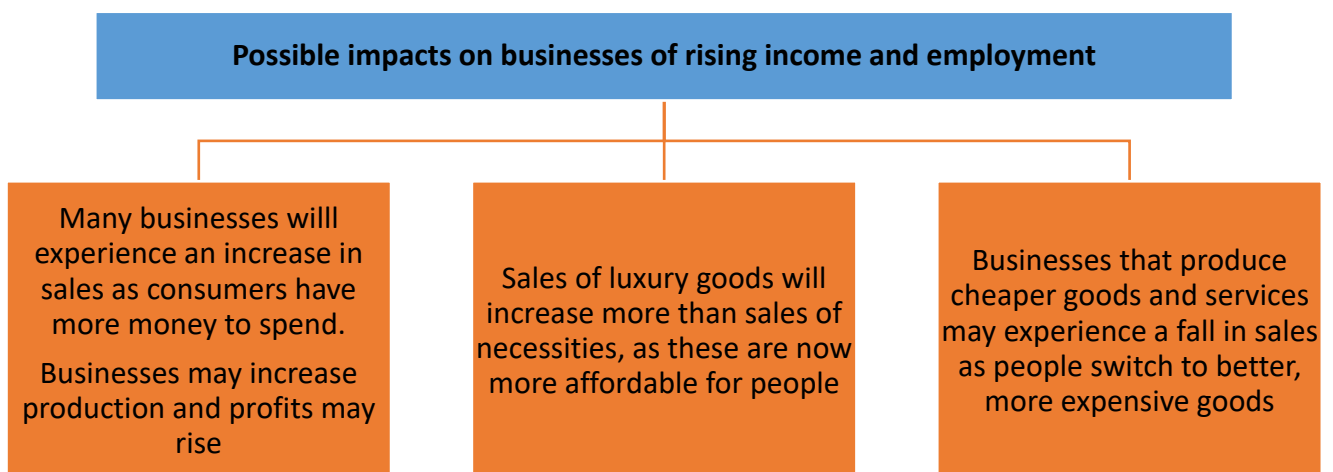
1. Consumer income levels - the level of income received by people in a country is important for businesses because it influences how much money people have to spend on goods and services
2. Employment and unemployment levels - employment and unemployment levels influence income. A person in work will earn a wage or salary and will often have more income than a person who is unemployed, who may only receive welfare benefits

The level of income and level of employment are linked. When employment rises, the level of income usually rises. When employment falls, unemployment rises and when employment rises, unemployment will usually fall.

These changes in income and employment have an impact on business sales, production and profits as well as on business strategy.

The impact on sales, production and profits

The diagram below summarises the possible impacts of rising levels of income and employment.

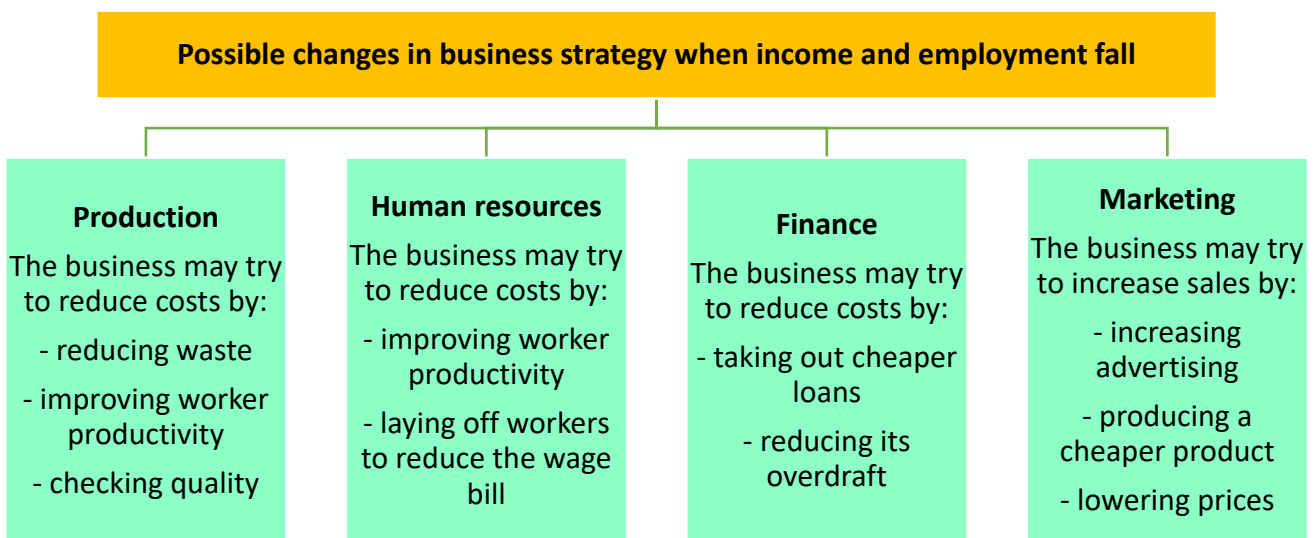


You also need to be aware of the following points:

- The impact of economic changes on business will depend on what kind of goods it sells
- The bigger the change in income, the greater the impact on businesses
- Falling income and employment will have the opposite effects of those described above

The impact on business strategy

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



Using the words below, fill in the gaps to complete the paragraph

When the _____ climate is not favourable to a business it may cause the business to lose _____ and _____, and even to close. However, some businesses will _____ to an unfavourable economic _____ and avoid problems. Some businesses will see the _____ economic climate as an opportunity as _____ did.

economic

sales

profits

respond

climate

Aldi

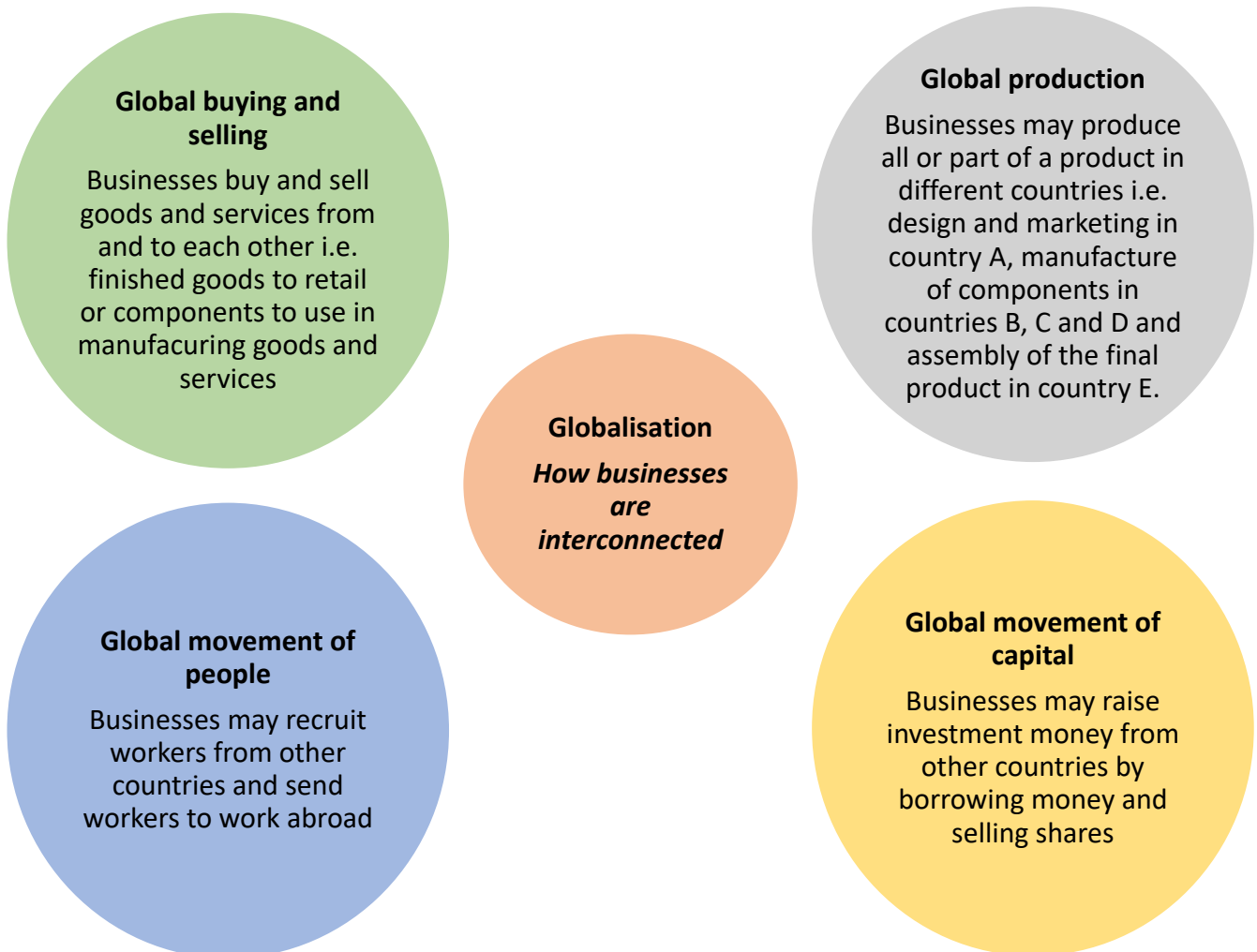
poor

6.3 Globalisation

Specification content	What you should know
The concept of globalisation	✓ Cost implications, labour, location and materials, the ability to use international branding to sell in different countries
The impact of globalisation on businesses	✓ The growth of multinational companies, influences on business location, international branding, how businesses compete internationally

The concept of globalisation

Globalisation is the process by which businesses around the world have become increasingly interconnected. The diagram below shows the main ways in which this may happen.



Globalisation has been made easier for the following reasons:

- Improvements to transport - larger ships and planes and better road and rail networks have led to a reduction in transport costs
- Better telecommunications and the internet - websites, email, social media, telephone and video-conferencing have reduced costs and made it easier to arrange international business or to share plans and knowledge
- Reduced trading barriers - a reduction in tariffs (taxes on imports) and quotas (limits on the amount that can be imported) as countries agree to trade deals or to free trade arrangements. Tariffs and quotas can make it uncompetitive for businesses to export

For each of the statements given in the table below, identify whether they are true or false.

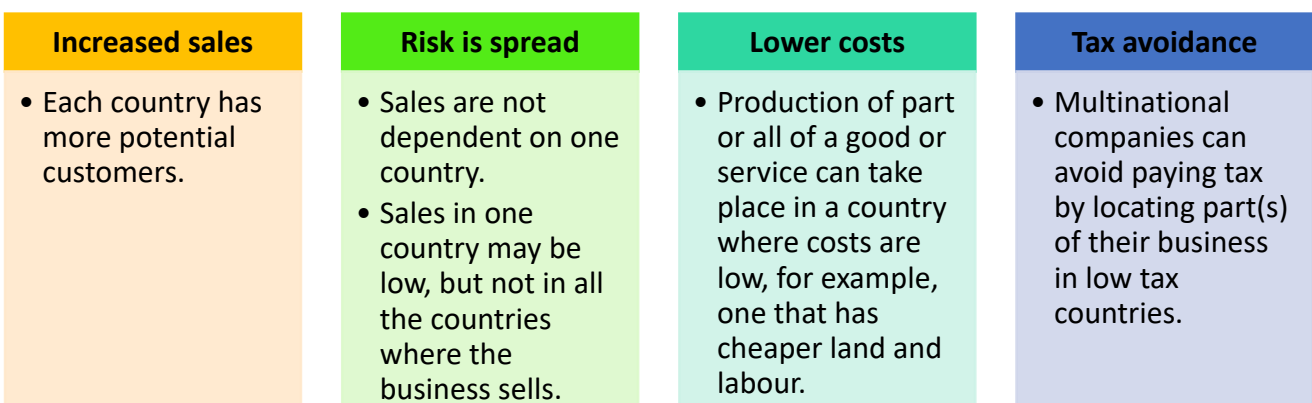
Statement	True	False	Statement	True	False
Globalisation has increased because countries have set up free trade arrangements with each other			The movement of goods has increased because of better transport		
The movement of people has increased because of better transport			Improved telecommunications have made it easier for businesses to deal with businesses in other countries		
The EU made it more difficult for people to move from one European country to another			Tariffs are taxes on imported goods designed to reduce the amount of imports into a country		

The impact of globalisation on businesses

The impact of globalisation is discussed under four headings. There is some overlap between the sections but this will help with your understanding.

Growth of multinational companies

Multinational companies (MNCs) such as Coca Cola and Google, are examples of globalisation. They operate in more than one country. The advantages to a business of being a MNC are shown in the diagram below.



Influence on location

Globalisation has influenced where businesses choose to locate. Some businesses have chosen to locate part of their production abroad, perhaps keeping their headquarters in the country where the business started. However, some businesses have moved production back to the UK from abroad because the advantages of producing abroad have been lost over time (for example, wages in other countries have risen) or the disadvantages have proved too great.

The table below identifies the advantages and disadvantages of locating abroad

Advantages of locating abroad	Disadvantages of locating abroad
Lower labour costs because labour may be cheaper in other countries	Quality control may be difficult as managers in the headquarters may not be able to check work easily
Expert/skilled workers may be in plentiful supply in some countries but not in the country where the business currently produces	Transport costs may be higher if the goods are not sold where they are produced
The business can be located near to the market (its customers)	Sales may be lost if customers do not like goods being made abroad i.e. they prefer 'made in Britain'
Lower costs because the cost of land and premises, such as factories and shops, may be lower in other countries	Skilled labour is not always available
Lower costs because technology is used in other countries which reduces production costs	Productivity may be low if workers are unskilled, leading to a rise in production costs

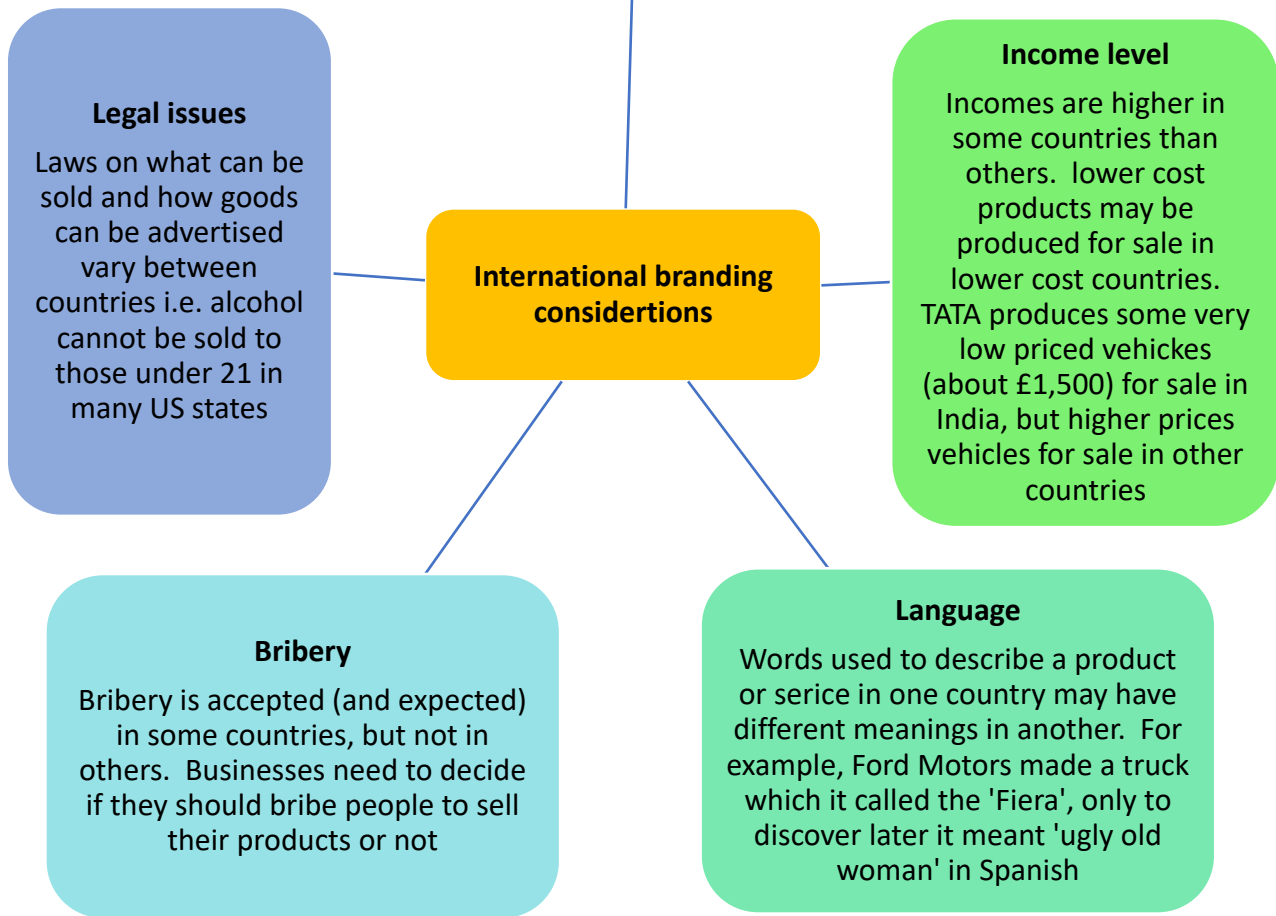
International branding

Businesses that sell in many different countries need to think about how they will market their goods and services in a way that will suit the local market - they need to create an international brand.

The diagram below shows some considerations they need to think about.

Product promotion

Decisions on advertising methods, use of PR and promotions will be influenced by the culture in the countries where the business wishes to sell - how the people live and what they value



The table below is about international branding considerations. Match each of the considerations in the left hand column with the example of that consideration in the right hand column.

Considerations	Example
Culture and religion	It is illegal to advertise alcohol in Sri Lanka
Language	An American fast-food company sold its 'cheesy chips' as 'yassuppoi' chips in Japan - until it found out that yassuppoi means 'low quality' in Japanese
Names	Some members of FIFA, the world governing body for football, have been accused of accepting money from TV companies in exchange for granting them the rights to show football games
Level and distribution of income	The USA company Pepsodant advertised in Indonesia that its toothpaste would make teeth whiter. Black teeth are thought to be attractive in Indonesia
Legal factors	The USA electronics company, Best Buy, failed to compete with cheaper retailers in China
Bribery	Schweppes 'tonic water' translates as 'toilet water' in Italian

How businesses compete internationally

Business that compete internationally sell goods and services abroad and in the UK where overseas firms also compete. The table below summarises the 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 or 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 ▪ Businesses 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

Revision Clocks

Globalisation

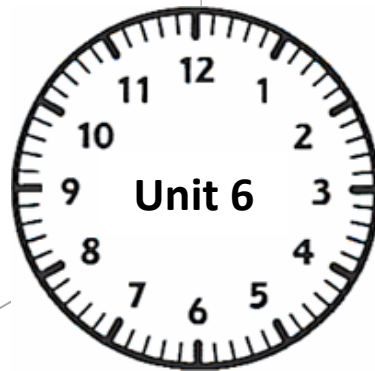
Ethical and environmental considerations



The economic climate

Globalisation

Ethical and environmental considerations



The economic climate



1. Three is key! **READ** the passage, **READ** the questions, **REREAD** the passage to find your answer.



2. Look back and highlight or underline **evidence** from the text that proves or supports your answer.

Possible Practice Exam Questions

Answer each of the following exam style questions. Use the structures on p8 to help you.



1. Three is key! **READ** the passage, **READ** the questions, **REREAD** the passage to find your answer.



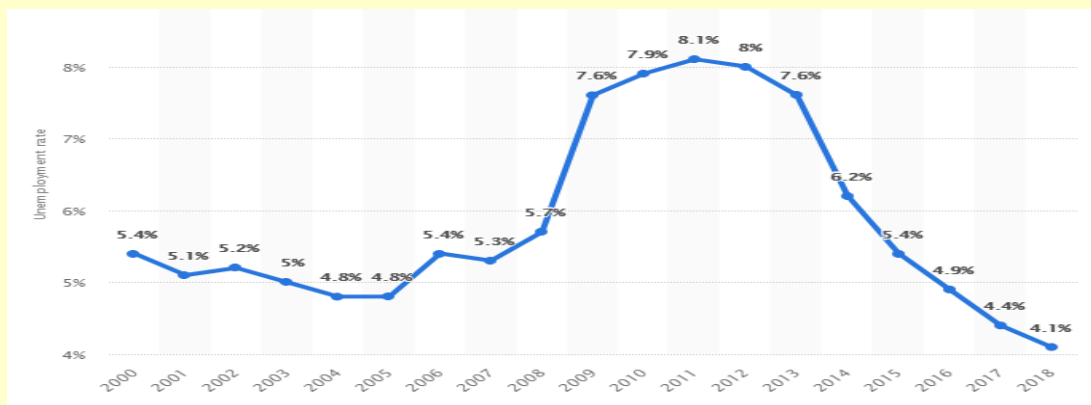
2. Look back and highlight or underline **evidence** from the text that proves or supports your answer.

Ryanair

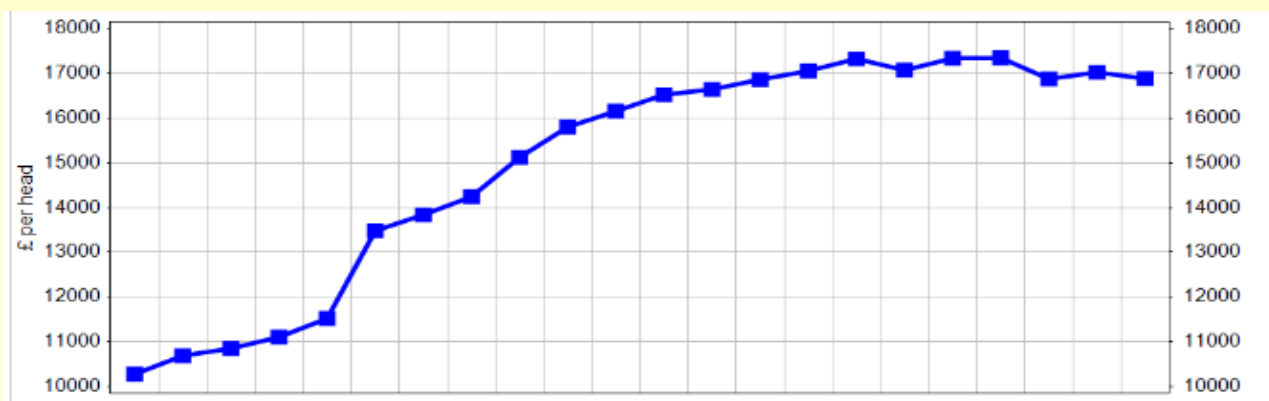
Ryanair (RA) is the Irish budget airline, founded in 1984, that is currently run by Michael O'Leary. It became one of the first airlines to sell all its tickets online, reducing the need to rely on travel agents and dealing with customers directly. By 2016 it had become the largest European budget airline. To achieve this O'Leary has taken cost cutting to new levels, upsetting several stakeholders along the way.

According to newspaper reports staff were upset over pay levels and working hours to the extent that some pilots took strike action. Customers have reported poor customer service and rude staff when there have been problems and the airline has been voted the worst airline for 6 years in a row. Even with all these problems RA is still able to make a healthy profit and has positive profit forecasts for next year. This may be due to the following data collected.

Graph 1 - Unemployment in UK



Graph 2 - Income levels 1992-2015



While there are a number of ethical concerns about the business practices of RA there are also wider environmental considerations the industry needs to think about.

Self-Review of Unit 6: Influences on Business

I have completed the following tasks (✓):

- Personalised Learning Checklist
- Glossary of key terms
- Read the exam 'top tips'
- Learnt the exam structures
- Read the topic information and completed all tasks
- Completed at least two revision clocks
- Answered **all** of the possible exam questions using the exam structures

The topics I understand well are.....

The topics I need to improve on are.....

My targets to help me improve in this unit are.....

1.

2.

Additional Support

If you need any further support please speak to your teacher!

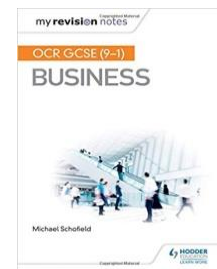
Course textbook: OCR GCSE (9-1) Business

https://www.amazon.co.uk/OCR-GCSE-9-1-Business-Third/dp/1471899365/ref=sr_1_2?crid=3CWFI3AR0SAZ9&keywords=ocr+gcse+business+studies+9-1&qid=1556985885&s=gateway&sprefix=ocr+gcse+business%2Caps%2C185&sr=8-2



Revision guide: My Revision Notes OCR GCSE (9-1)

https://www.amazon.co.uk/My-Revision-Notes-GCSE-Business/dp/1510423699/ref=sr_1_1?crid=3CWFI3AR0SAZ9&keywords=ocr+gcse+business+studies+9-1&qid=1556986123&s=gateway&sprefix=ocr+gcse+business%2Caps%2C185&sr=8-1



You could also try the following websites:

<http://www.bbc.co.uk/education/subjects/zpsvr82>

<http://www.businessed.co.uk/index.php/home/activities/gcse-activities/gcse-activities-topic>

<https://www.tutor2u.net/>

