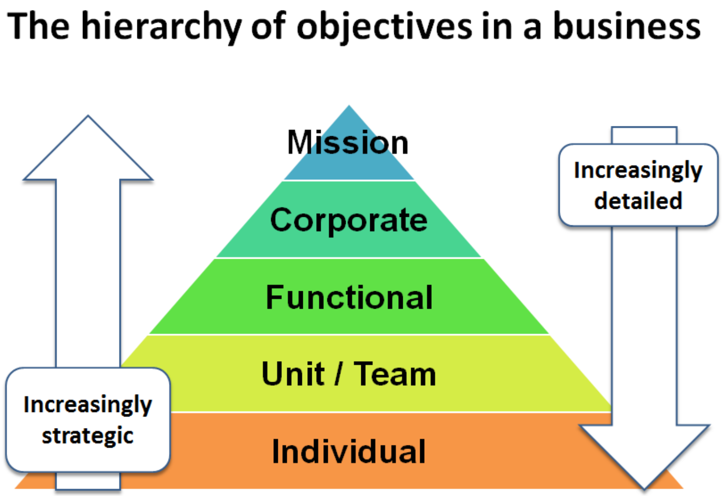
AQA A Level Business – Knowledge Organisers

Unit 1 – What is a business

Hierarchy of objectives

Shows how the mission statement links to objectives and how this will fed into functional, team and individual objectives.



Use this to explain why a functional area's objectives are what they are, why objectives become more specific for functional areas, teams and individuals.

PESTLE

Each factor is looked at in more detail in Unit 7, but an awareness of the external environment is first introduced in Unit 1.

Factor	Likely to include factors such as
Political	Worldwide, European and Government directives, national and local organisations' requirements, institutional policy
Economic	Funding mechanisms/streams, business/enterprise directives, internal funding models, budgetary restrictions, income generation targets
Social	General lifestyle changes, changes in populations, distributions and demographics and the impact of different mixes of cultures.
Technological	Major current and emerging technologies of relevance for your business
Legal	Worldwide and national proposed and passed legislation, requirements for working conditions, professional practice, contracting etc
Environmental	Local, national and international environmental impacts, outcomes of political and social factors.

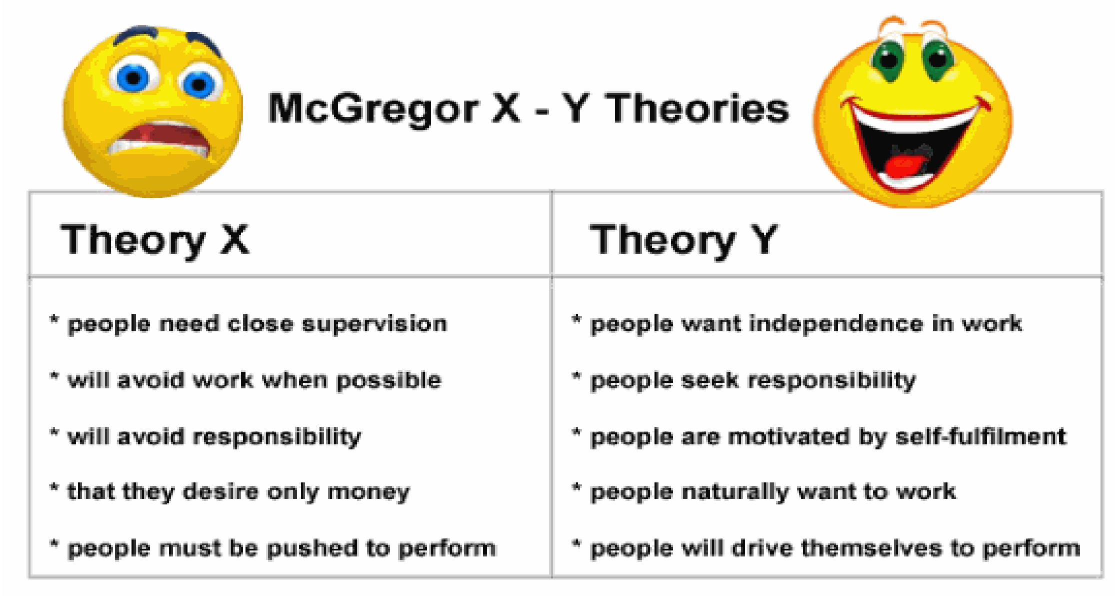
Use this to explain the influences on a business, its consumers, and its competition.

Unit 2 – Managers, Leadership and decision making

Theory X and Y

McGregor's theory suggests that there are two types of employees; essentially one group enjoys work, the other group doesn't. A manager may have a view as to which group employees belong to and this can affect their management style.

Use this to explain why employees are reacting in the way they are, or how a manager is viewing employees.



McGregor X - Y Theories

Theory X	Theory Y
* people need close supervision	* people want independence in work
* will avoid work when possible	* people seek responsibility
* will avoid responsibility	* people are motivated by self-fulfilment
* that they desire only money	* people naturally want to work
* people must be pushed to perform	* people will drive themselves to perform

Authoritarian, Paternalistic, democratic, Laissez-faire

A way to view the management style. Characteristics of each style are shown below:

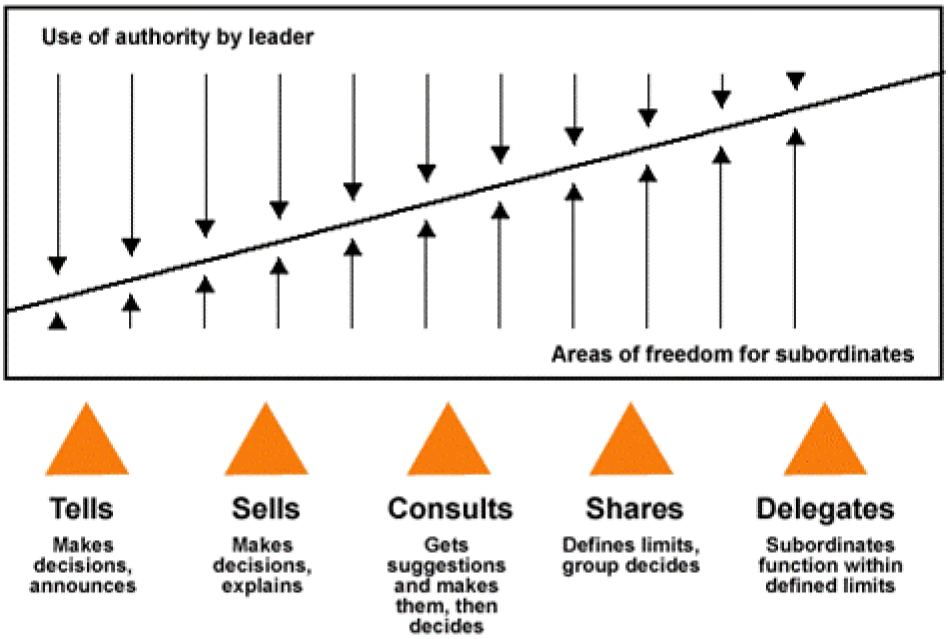
Autocratic	• Autocratic leaders hold onto as much power and decision-making as possible resulting in very little delegation • Focus of power is with the manager so there is minimal consultation • Communication is top-down & one-way • Formal systems of command & control • Use of rewards & penalties • McGregor Theory X approach • Most likely to be used when subordinates are unskilled, not trusted and their ideas are not value
Paternalistic	• Leader decides what is best for employees • Links with Mayo – addressing employee needs • Akin to a parent/child relationship – where the leader is seen as a "father-figure" • Still little delegation • Typical paternalistic leader explains the specific reason as to why he has taken certain actions • A softer form of authoritarian leadership, which often results in better employee motivation and lower staff turnover
Democratic	• Focus of power is more with the group as a whole • Leadership functions are shared within the group • Employees have greater involvement in decision-making – but potentially this slows-down decision-making

	• Emphasis on delegation and consultation – but the leader still has the final say • Perhaps the most popular leadership style because of the positive emotional connotations of acting democratically • A potential trade-off between speed of decision-making and better motivation and morale? • Likely to be most effective when used with skilled, free-thinking and experienced subordinates
Laissez-faire	• Laissez-faire means to "leave alone" • Leader has little input into day-to-day decision-making • Conscious decision to delegate power • Managers / employees have freedom to do what they think is best • Often criticised for resulting in poor role definition for managers • Effective when staff are ready and willing to take on responsibility, they are motivated, and can be trusted to do their jobs • Importantly, laissez-faire is not the same as abdication

Use this to explain why managers act in the way they do, or to explain the relationship with employees.

Tannenbaum & Schmidt

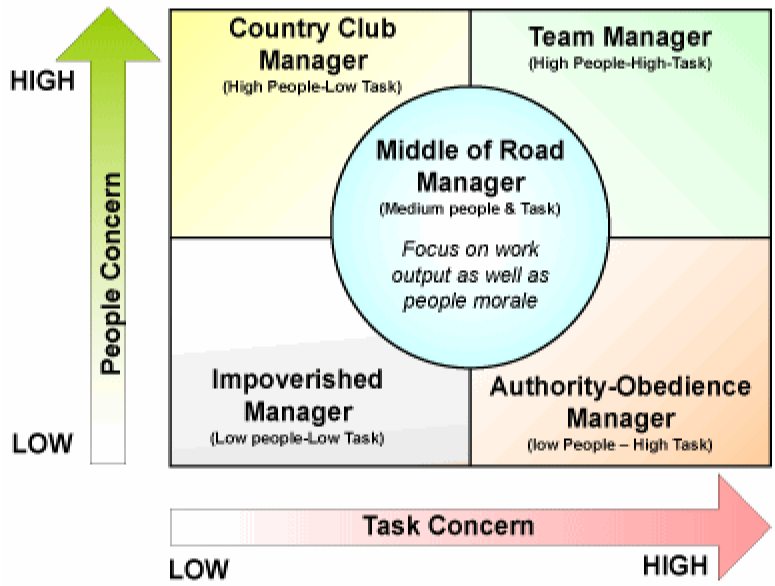
A model that highlights the range of different management styles that may be adopted ranging from a 'tell' approach to one that involves delegation. The model highlights that there are a range of styles rather than categorising management and leadership simply in terms of either authoritarian or democratic. It shows that there is a continuum.



Use this to discuss the influences on and impact of different management and leadership styles or to suggest when one is most appropriate and why.

Blake Mouton

A model that highlights different management styles, according to their focus on the task and the people within the business.



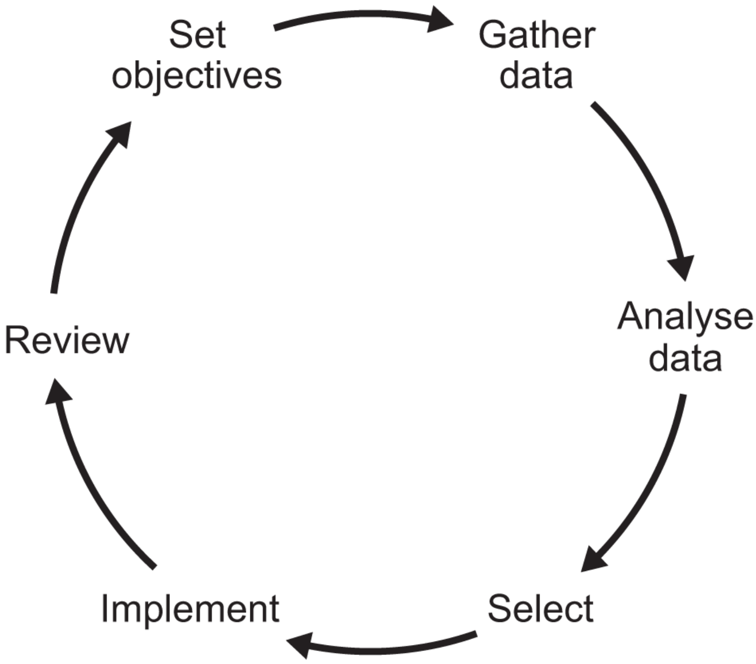
Blake & Mouton's Leadership Grid

STYLE	FEATURES	CONCERN FOR PEOPLE	CONCERN FOR TASK
Impoverished Management	Laissez-faire style; minimal effort on management; hoping to avoid blame for errors	1	1
Country Club Management	Focus on creating safe, comfortable working environment; minimal conflict	9	1
Task Management	Autocratic style, consistent with McGregor Theory X. Workers have to complete tasks – nothing else	1	9
Team Management	Staff closely involved in decision-making & feel valued; consistent with McGregor Theory Y	9	9
Middle of the Road Management	Compromises made to achieve acceptable performance; thought to be the less effective leadership style	5	5

Use this to discuss the influences on and impact on different management and leadership styles including the advantages and disadvantages of each method, when they are appropriate and the impact on employee relations.

Scientific decision making model

A model that highlights the different stages in a scientific, data based approach to decision making. It outlines a logical sequential process.



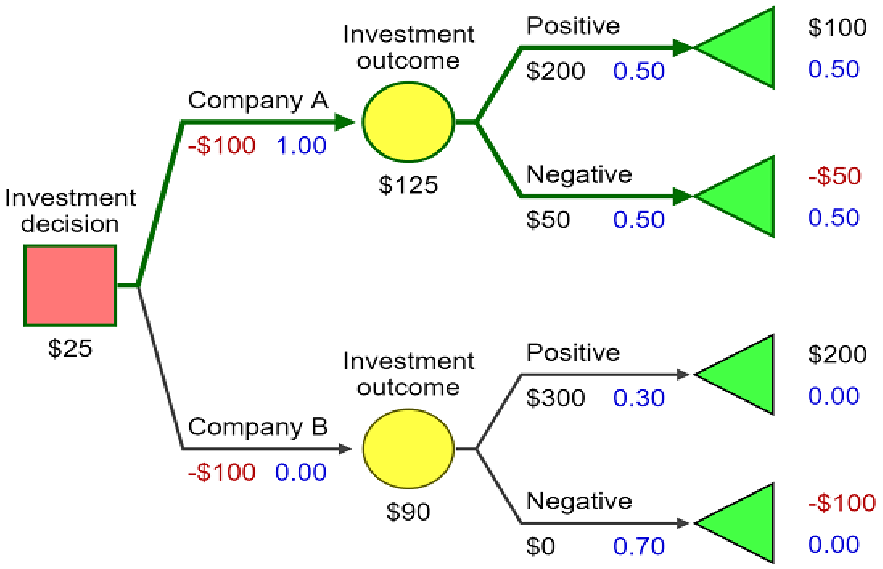
Use this to discuss management, leadership and decision making in relation to the following:

- the importance of objectives; all decisions have to be judged against the objectives
- the value of data (and this could lead to a discussion on what influences the reliability of data) in decision making; poor data may lead to poor decision making
- the need to make choices (and then discuss e.g. opportunity cost, risk, rewards)
- the importance of implementation – good management is not just making the right decision but also ensuring it is implemented effectively
- Whether, in reality, decision making is this logical and whether the process is iterative – e.g. having gathered data do we review the objectives and possibly change them? Having selected a course of action do we sometimes have to go back and gather more data to check it is the right decision?
- You might consider why decisions go wrong. You could consider each of the stages of the process and consider the possible problems at each stage.

Decision trees

A square represents that a decision has to be made.

- The lines coming from the square represent the possible choices.
- The circles show that there are outcomes as a result of a choice.
- The lines coming from a circle show the expected outcomes.
- The probability shows the estimated likelihood of a given outcome.
- The probability of all outcomes must add up to 1.
- The Expected Value (EV) shows the weighted average of a given choice; to calculate this multiply the probability of each given outcome by its expected value and add them together e.g. EV Launch new product = [0.4 x 30] + [0.6 x -8] = 12 - 4.8 = £7.2m.
- The Expected Value is the average outcome if this decision was made many times.
- The Net Gain is the Expected Value minus the initial cost of a given choice. Net Gain of launching new product = £7.2m - £5m= £2.2m.
- To compare this Net Gain with the Net Gain of other choices, e.g. Net Gain of Modify existing product = [0.8 x 3] + [0.2 x 1.5] = 2.7 -1 = £1.7m.
- Decision based on choice with highest net gain which is to launch new product [£2.2m as against £1.7m].

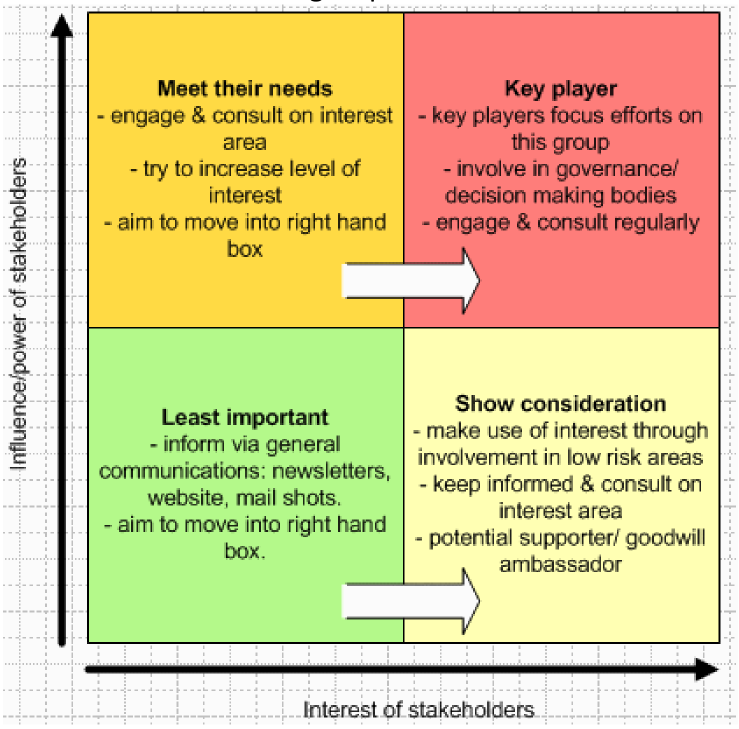


Use this to discuss important concepts in decision making such as choices, opportunity cost, probability and risk, costs and returns, net gains, expected outcomes and forecasting. You could consider:

- the value of decision trees in getting managers to think through their options, the probability of different outcomes and the financial consequences
- the extent to which the financial consequences of an outcome can be accurately estimated and whether outcomes are best measured in financial terms
- Issues could be considered in decision making such as raising the initial finance, the impact of ethics and the impact on stakeholders.

Stakeholder mapping (Mendelow's power-interest matrix)

Highlights that not all stakeholders are equal – they vary in terms of power and influence. This might affect the way a business communicates with different groups and how much attention is paid to their views.



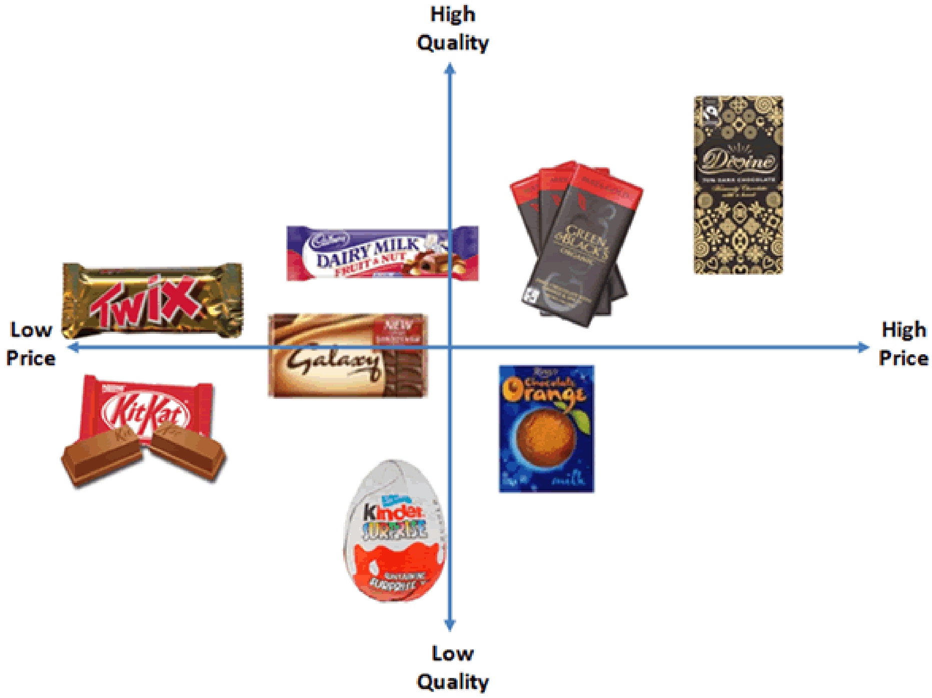
Use this when discussing the power and influence of stakeholders, how stakeholders may affect decision making and how managers may treat different groups, including

- the factors that affect the power and influence of different stakeholder groups
- how a business might treat different groups according to their power and interest (e.g. how much information they provide)
- How stakeholders might increase their power (e.g. employees coming together in a trade union).

Unit 3 – Marketing

Market Mapping

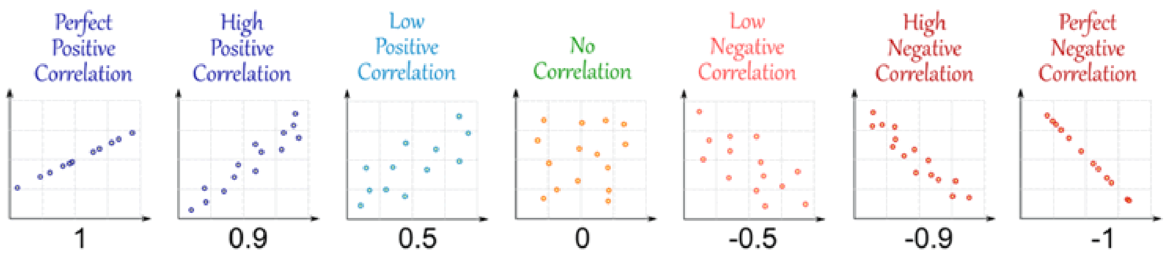
Identifies how products/brands are perceived by customers relative to other products/brands in the market. Highlights that there are various criteria used by customers to judge products, e.g. price v quality, narrow range of products v wide range, traditional v modern. The appropriate criteria will depend on the market and how customers assess these products, e.g. modern v traditional, premium v basic.



Use this to discuss the positioning of a product/brand.

Correlation

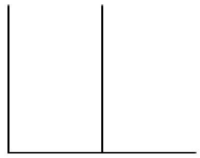
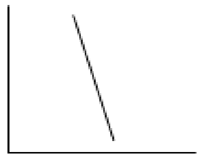
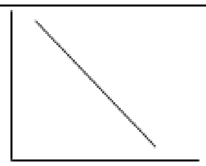
A statistical method used to establish a link between sales levels and another variable, e.g. advertising revenue, customers' incomes.



Use this to explain how a change in a factor can affect sales and why some factors affect sales more than others.

PED (Price Elasticity of Demand)

Calculates the relationship between demand for a good/service and the price that is changed.

TYPE	VALUE	GRAPH	DESCRIPTION
Perfectly inelastic	0		Demand doesn't changes when price changes. Consumers buy the same quantity despite the alteration in price. e.g. drugs
Inelatic	0-1		Demand is less responsive to change in price. E.g. bread
Unitary	1		Equal response of demand to price change.

Use this to explain why a change in price may not have the desired effect on revenue.

YED

This measures the sensitivity of demand to changes in income and allows a business to see whether a good/service is perceived as a luxury or necessity.

A Negative YED illustrates an inferior good – one that a consumer will buy less of as incomes increase.

Luxuries	Necessities
Income elasticity more than 1	Income elasticity less than 1, but more than 0
As income grows, proportionally more is spent on luxuries	As income grows, proportionally less is spent on necessities
Examples:	**Examples:**
Consumer goods Expensive holidays Branded goods	Staple groceries (e.g. milk) Own-label goods

Use this to explain links between sales and changes in the economy, e.g. in a recession.

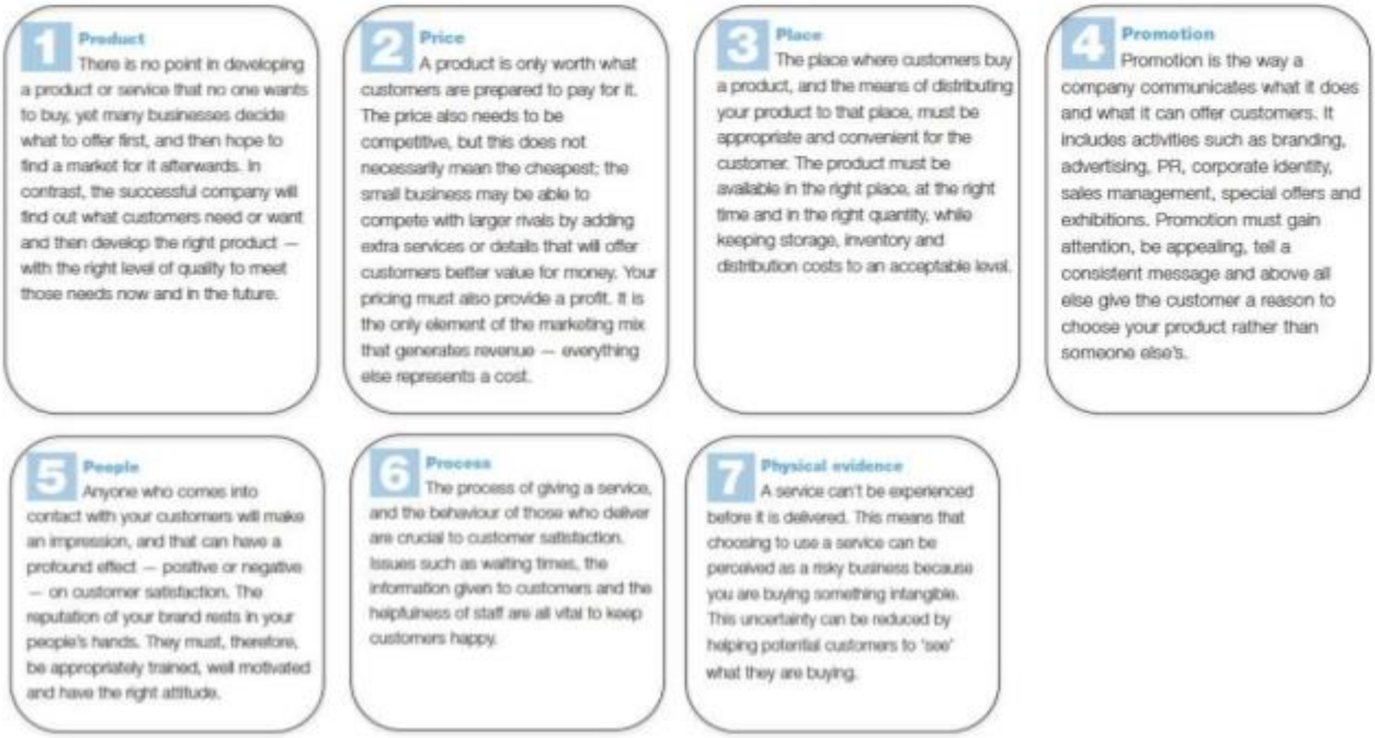
Segmenting, targeting and positioning

The process of effective marketing: identifying the various ways in which the customers are segmented; who to target and how to position your product/service compared to others in the market.

Use this to discuss market analysis and the making of marketing decisions.

Marketing Mix

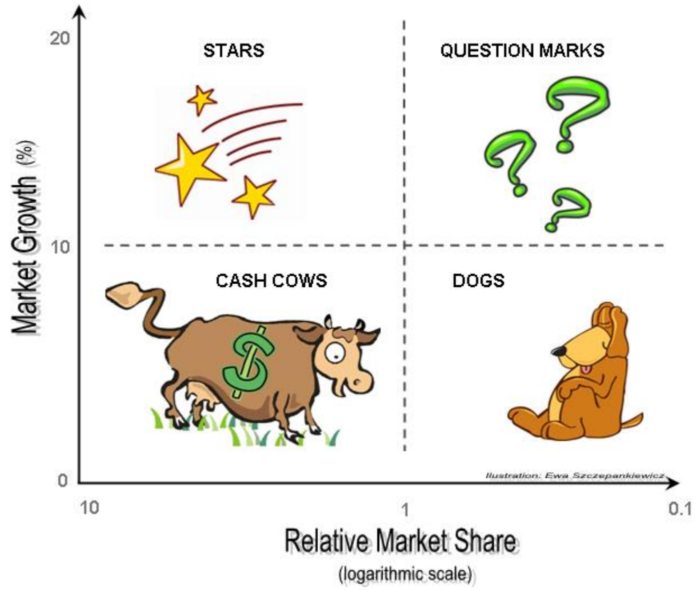
The 7 elements of marketing a product or service.



Use this to consider how a business might try to become more competitive by to analysing how improving the different elements of the mix could help.

Boston Matrix

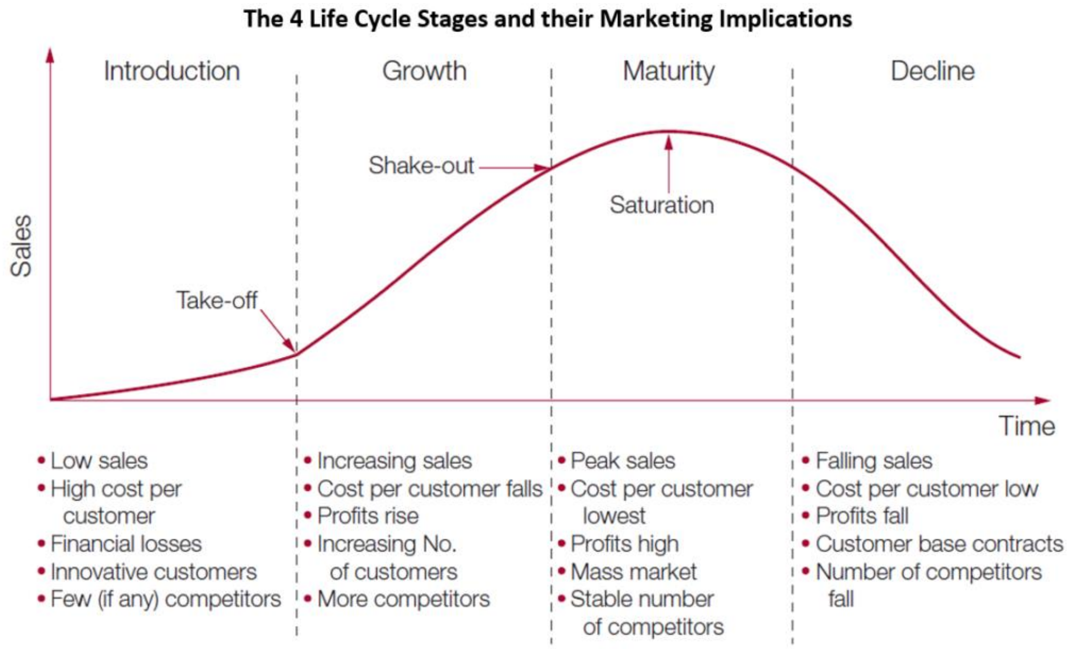
A model that categories the products of a business in terms of their market share and the growth of the market in which they are operating in. Can be linked to the product life cycle



Use this to analyse a portfolio or products and identify whether any should be discontinued. However, a product may appear a Dog, but you must consider the size of the market and whether it is still profitable as well.

Product Life Cycle

This model shows the life stages that all products will go through from development to finally being withdrawn from the market. The length is different for each product.

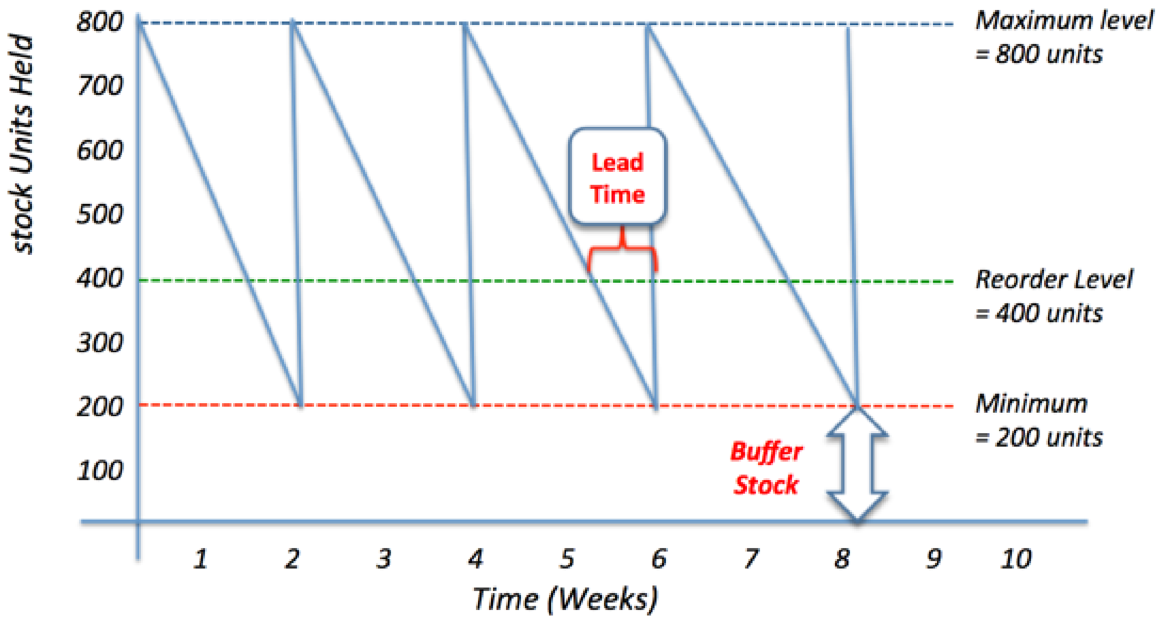


Use this to help explain the sales, profits and investment needed.

Unit 4 – Operations

Inventory charts

A chart that highlights issues relating to inventory management such as the re-order level, re-order quantity, usage rates and lead time.



Use this to calculate the stock used over a period of time and lead time. Can be analysed to make decisions about the amount of buffer stock held and the re-order level. If JIT is used, this model is less important.

Unit 5 – Finance

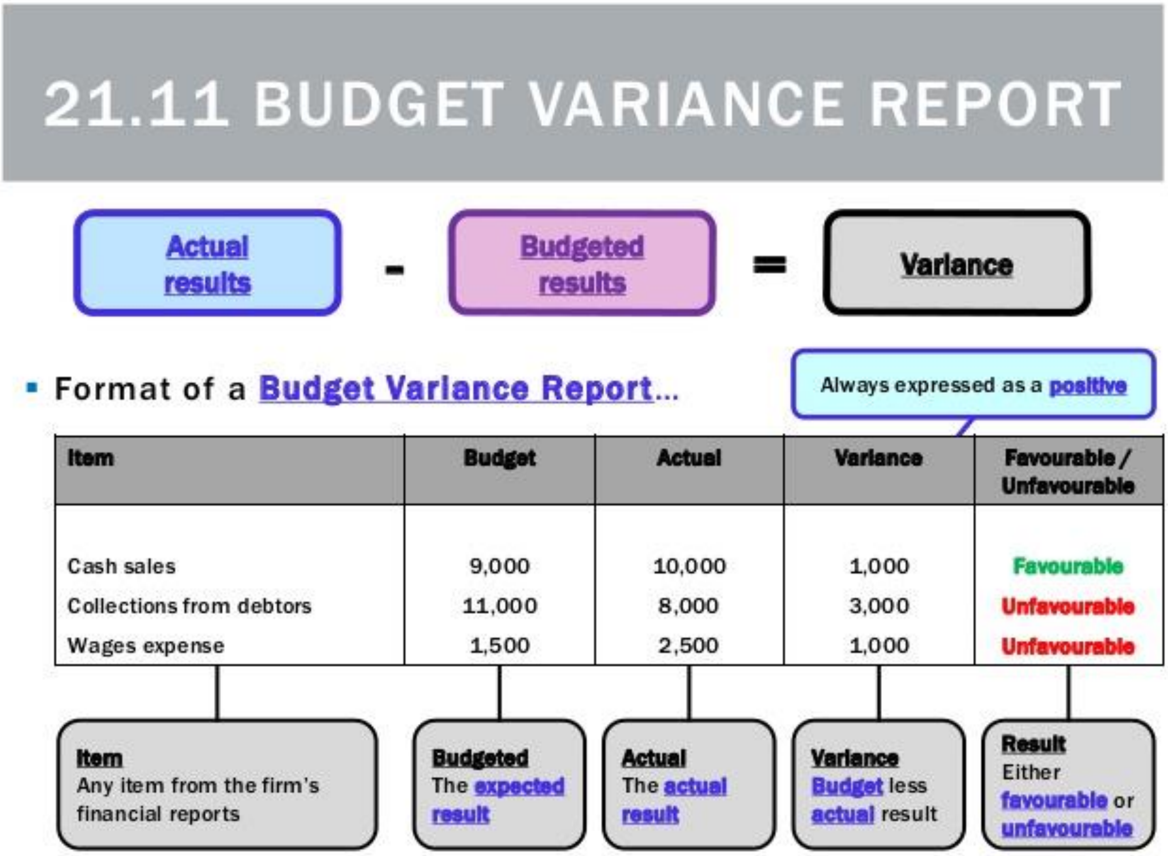
Cash flow forecasts

A technique used by managers to predict the amount of money coming into and leaving a business each month.

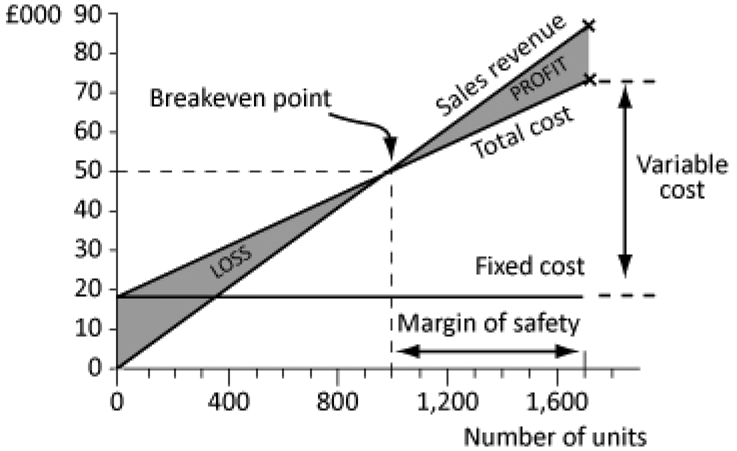
£'000	Jan	Feb	Mar	Apr	May	Jun
Cash at start of month	25	20	15	5	10	20
Cash inflows	20	25	20	15	20	25
Cash outflows	25	30	30	10	10	20
Net cash flow	-5	-5	-10	5	10	5
Cash at end of month	20	15	5	10	20	25

Use this to identify whether a business would need to borrow money, how long it would take them to repay any borrowings and to predict which, if any, months may cause them problems.

Budgets



Breakeven charts



Unit 6 – HR

Hackman & Oldham job characteristics

The Model identifies factors that influence the motivating potential of a job.

Model/theory

Key points

Highlights five aspects of the design of a job that can influence how motivating it is and highlights the impact of job design on individuals on their performance.

The motivating potential of a job depends on:

Task identity

Does the job holder have a clear task to identify with, e.g. is there an aspect of what the organisation does that they can say they are responsible for?

Task significance & Task variety

Does the job holder understand why their job matters?

Is there variety in what the job holder does or is it monotonous?

Autonomy

Does the job holder have some ability to act independently?

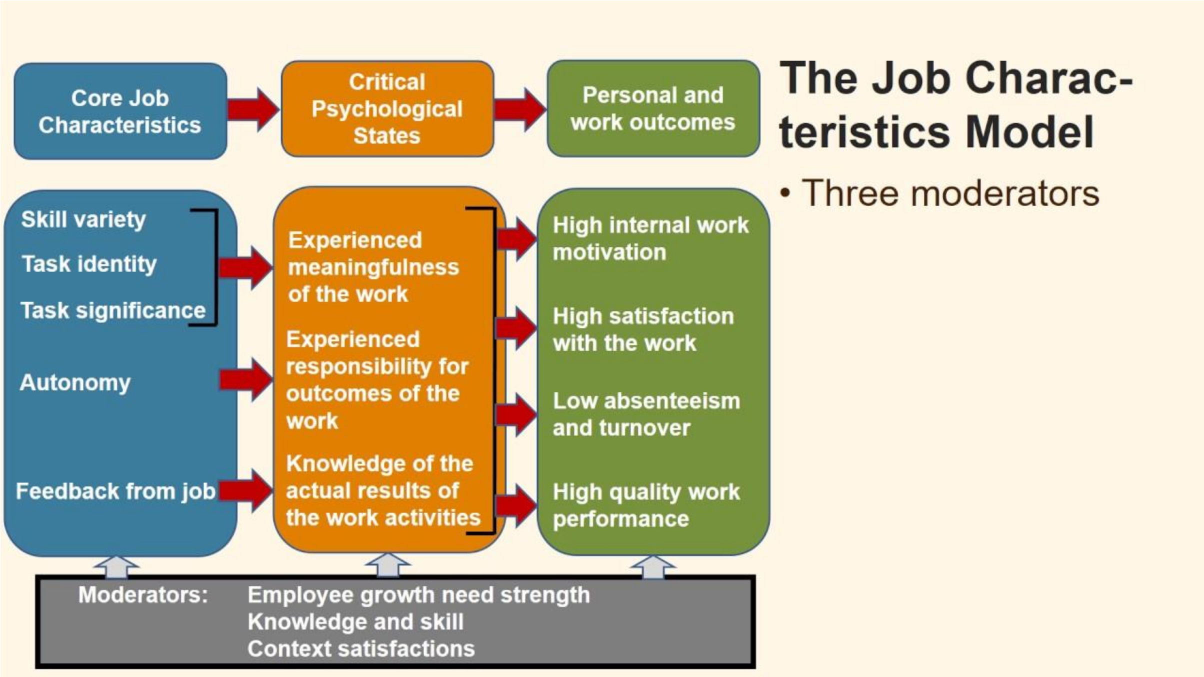
Feedback

Does the jobholder have feedback from someone (e.g. the superior, colleagues or customers) to know how they are doing?

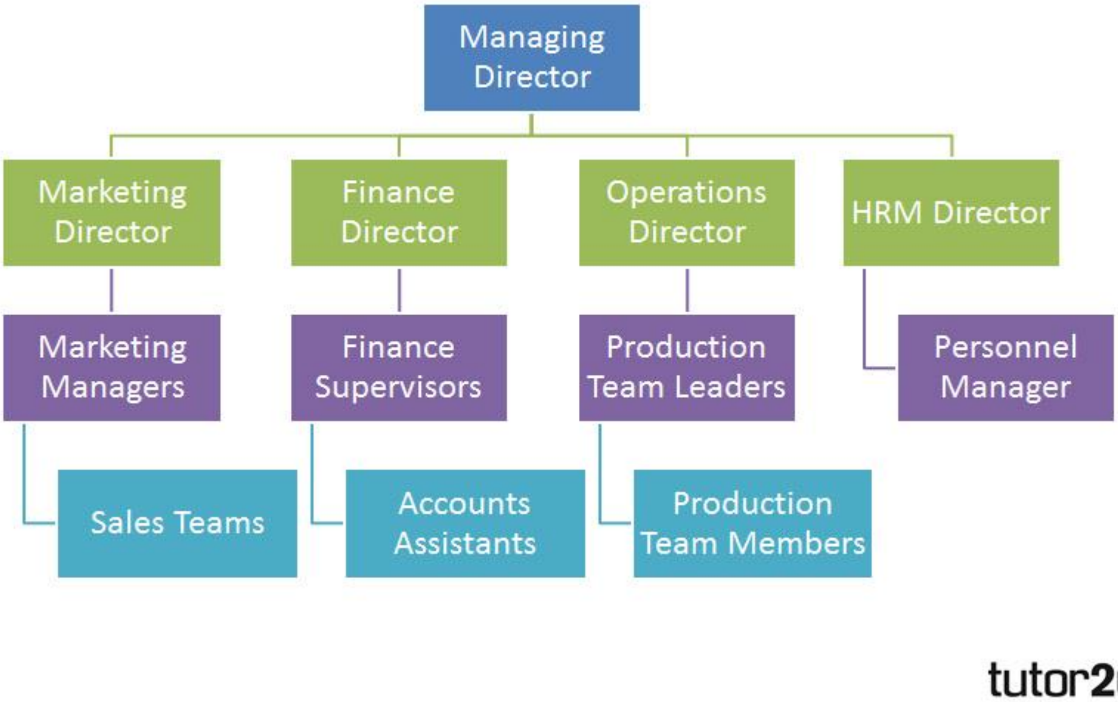
The higher a job scores on these elements the more motivating the job is likely to be. If, however, a job scores lowly in one or more of these elements it will reduce its motivating potential.

When you can use this

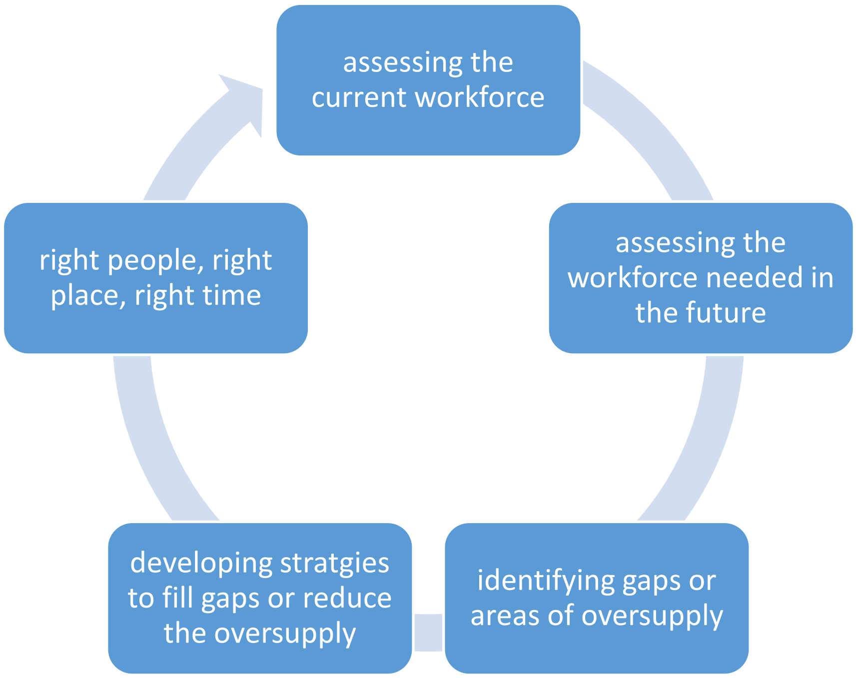
When discussing job design and the impact of motivation you could consider the different intrinsic aspects of a job and therefore link motivational theorists such as Herzberg.



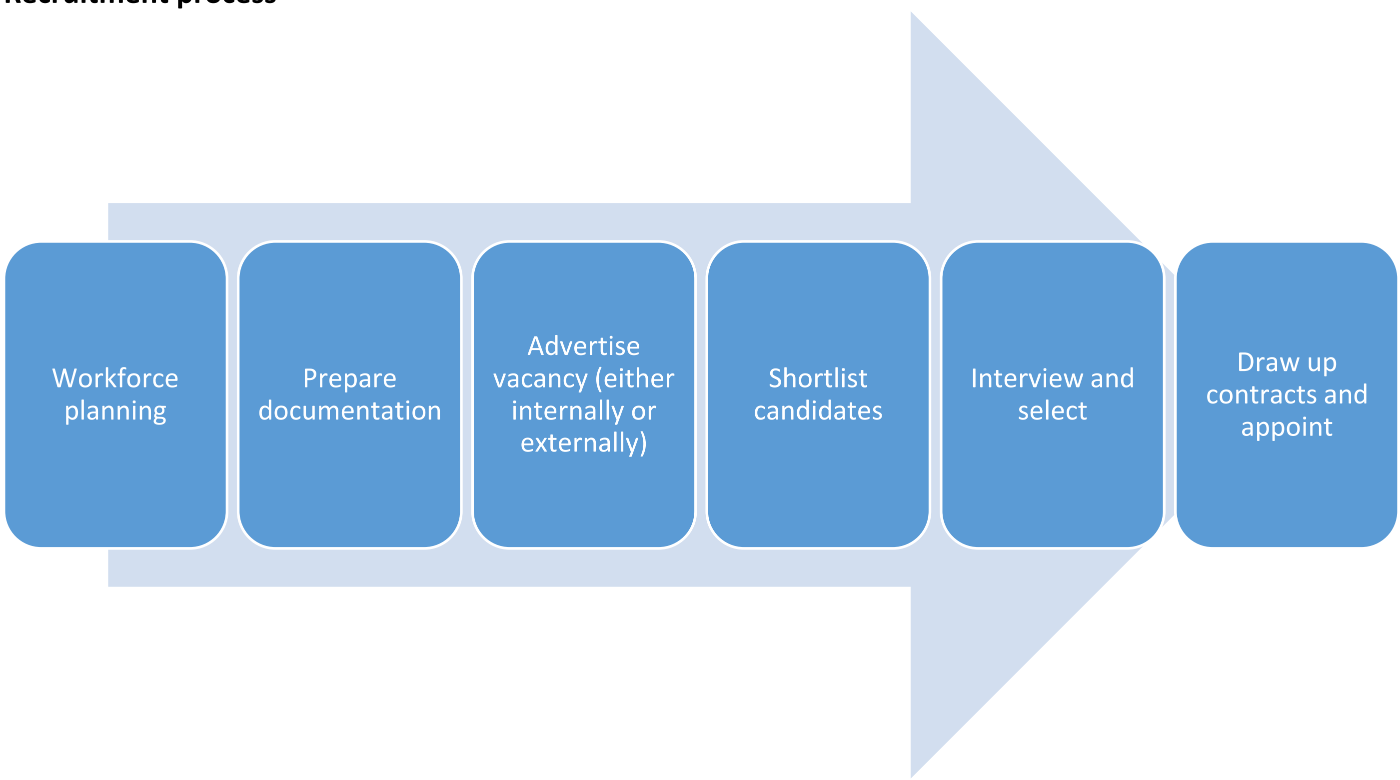
Organisation charts



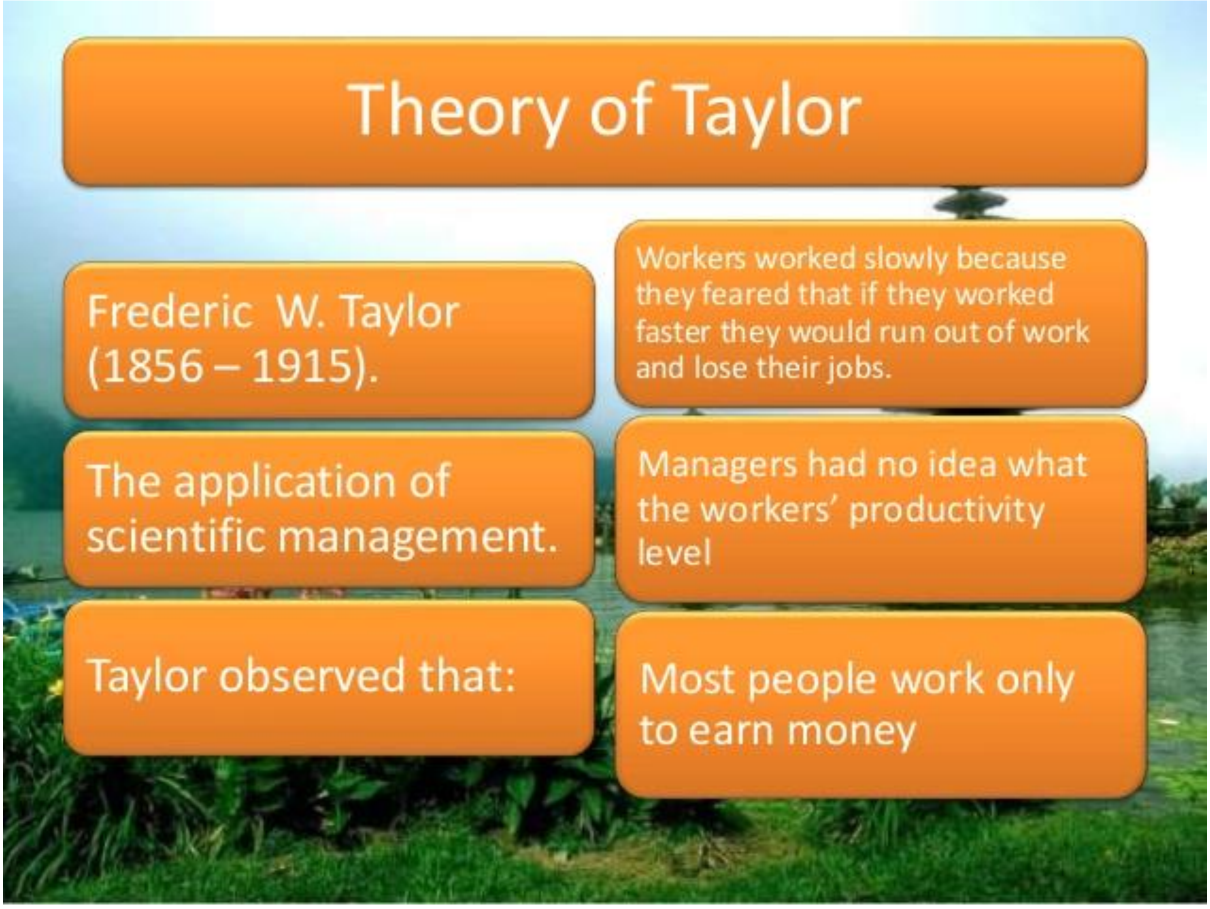
HR Planning cycle



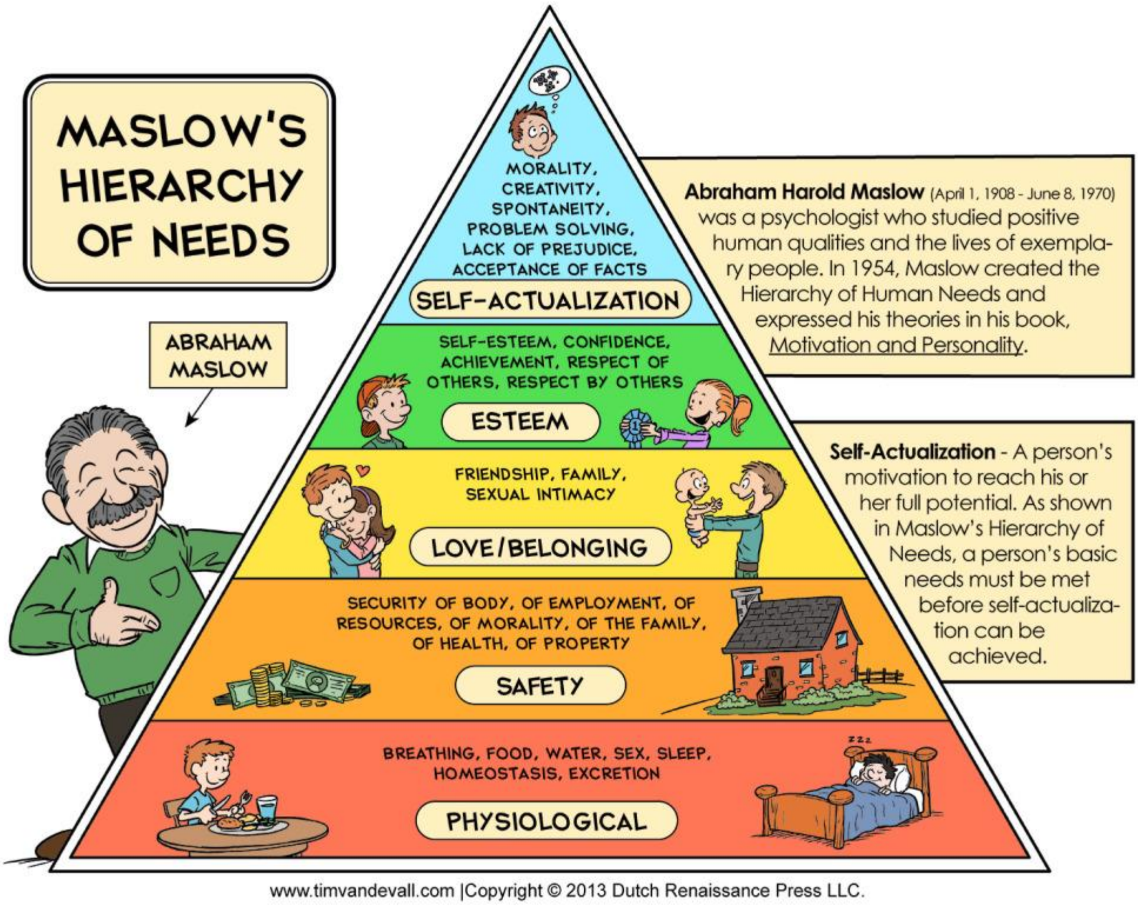
Recruitment process



Taylor

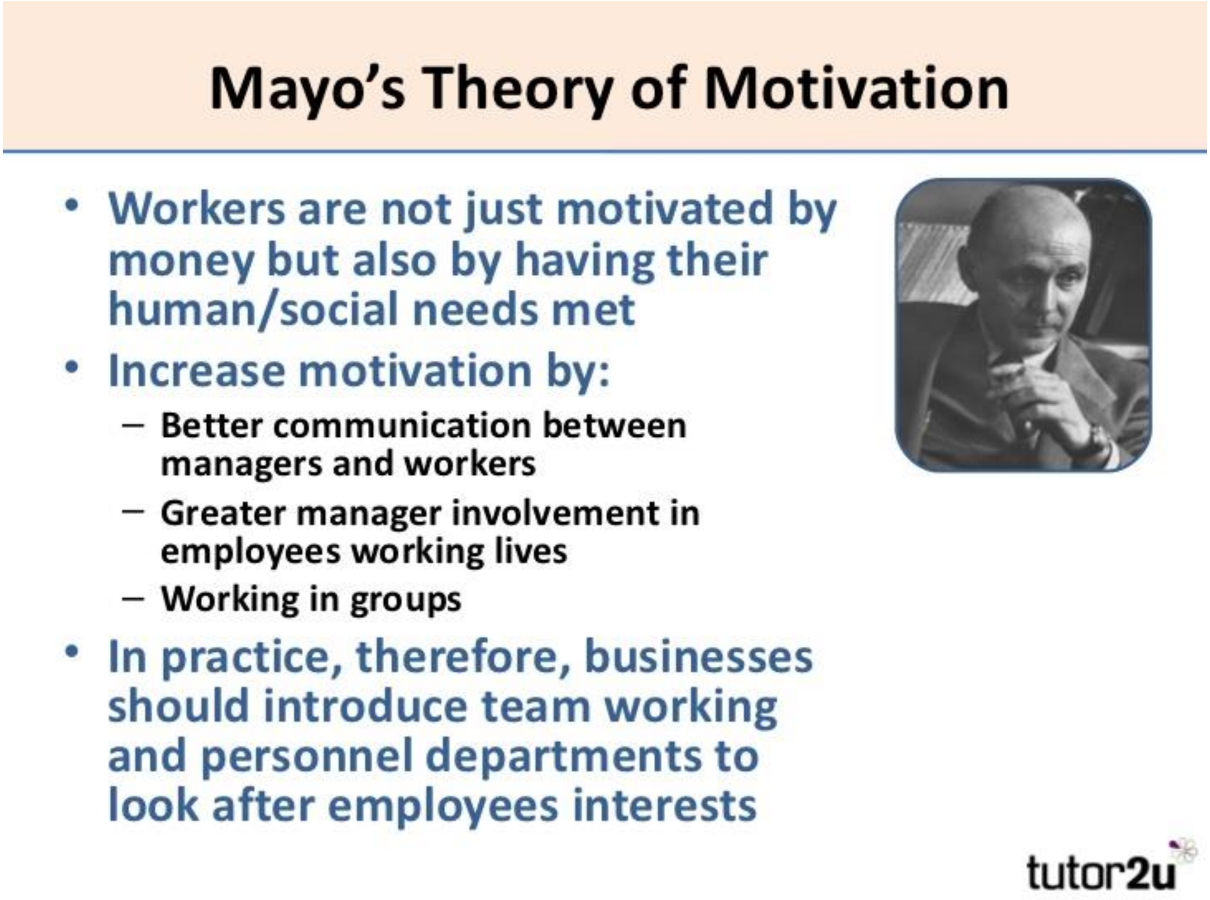


Maslow



Herzberg

Mayo



Unit 7 – Analysing the strategic position of a business

SWOT

SWOT analysis is one part of the process of strategic planning. It involves an internal and external audit which may take place before a business develops an appropriate strategy. SWOT analysis will be unique to each business (and for different parts of the business). It will change over time as conditions change and so the analysis needs to be undertaken regularly.

However SWOT analysis does not guarantee that a strategy is successful. For example, conditions may change faster than the business has realised, the wrong strategy may be selected or it may be poorly implemented.

Strengths and weaknesses

Strengths and Weaknesses are internal features of the present position of a business.

For example:

 strengths might include a good distribution network, a good cash flow position or well trained staff

 Weaknesses might include an over-emphasis on the UK market or a weakened brand due to several product recalls.

Opportunities and threats

Opportunities and Threats are the possible consequences of a change in the external environment of a business.

For example:

 opportunities might include new markets opening up or economic recovery

 Threats might include increased competition or greater regulation of the industry which impacts negatively.

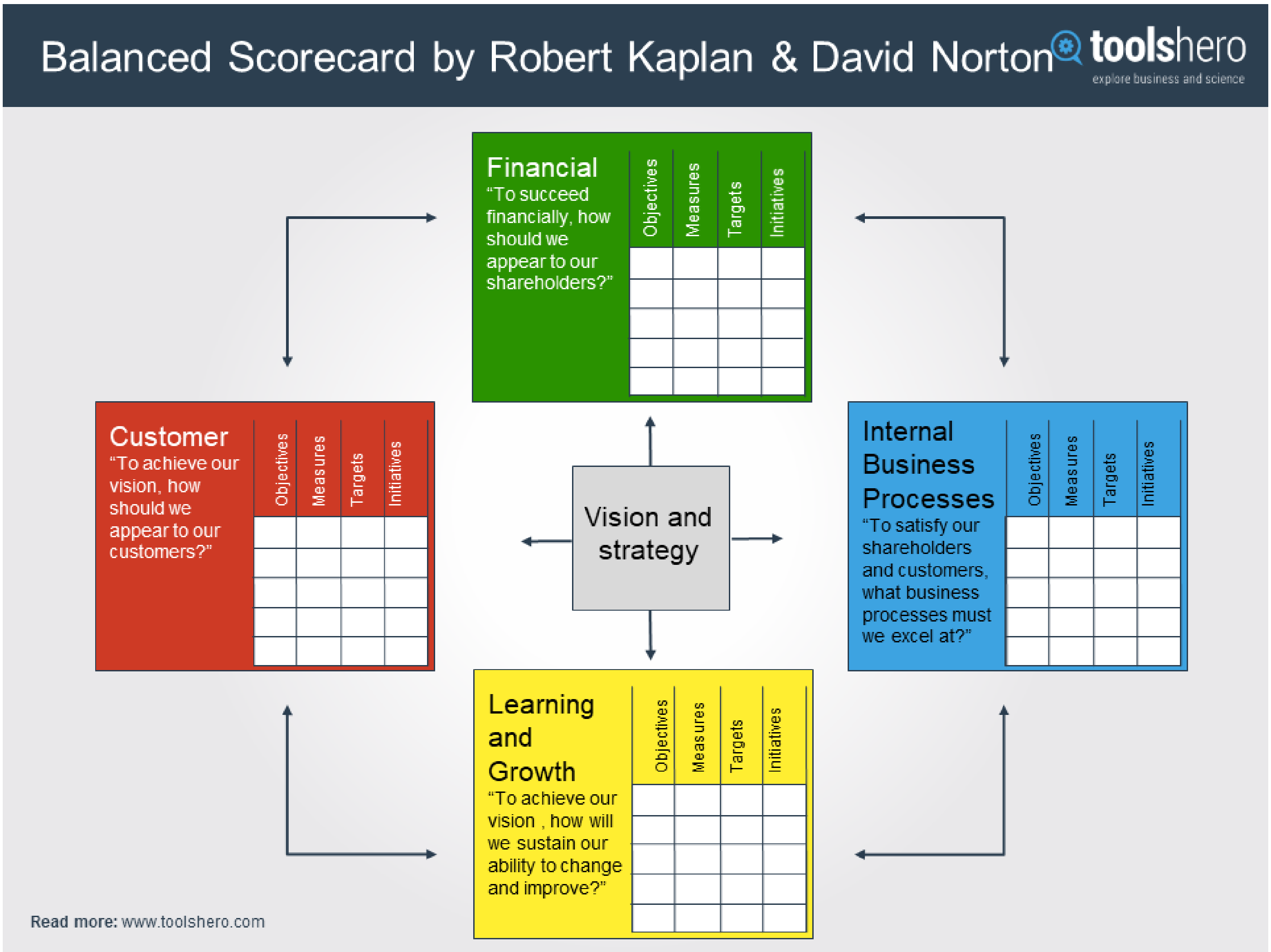
When you can use this

When considering the strategic planning process.

One view of strategy is that organisations develop it in a scientific manner: they gather information to analyse the existing position and opportunities and threats in order to decide what strategy to adopt. SWOT analysis is therefore a vital part of this process. A business may build on its strengths and focus on the opportunities or try to protect itself against threats.

In reality, a strategy may emerge over time; often the strategy that occurs is not exactly the one originally chosen.

Kaplan & Morton's balanced scorecard



Elkington's Triple bottom line

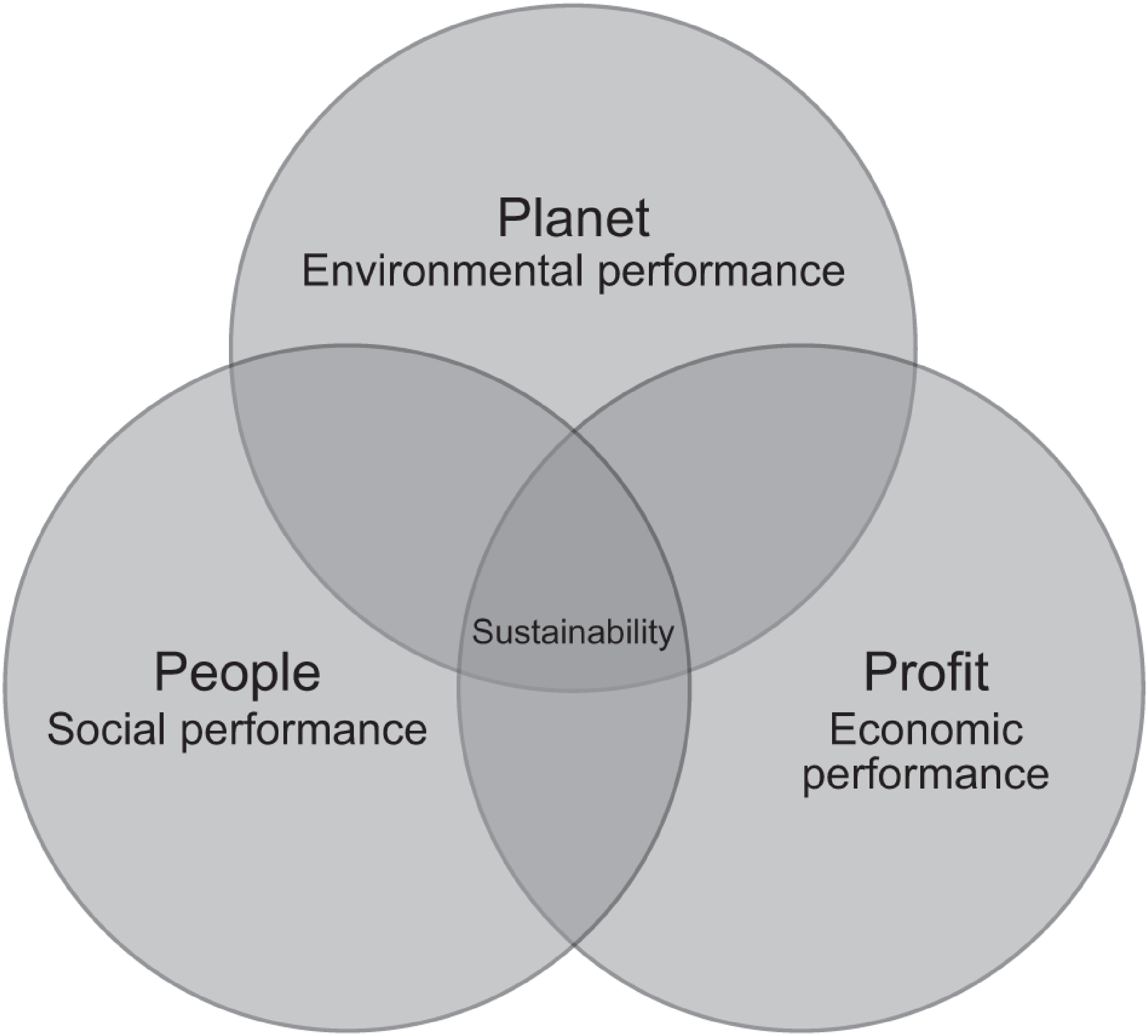
The Triple Bottom Line was a phrase introduced by John Elkington in 1994. The model highlights that business performance may be measured in a number of ways: in relation to its finances, its environmental impact and how socially responsible it is in relation to employees.

Elkington argued that only a company that was measuring performance in all three areas was measuring the full costs of its activities. The significance of this is that if you measure all these areas employees are likely to pay attention to their behaviour accordingly (rather than just focusing on profit).

However, in reality it can be difficult to find or agree ways of measuring the impact of business on the planet and people.

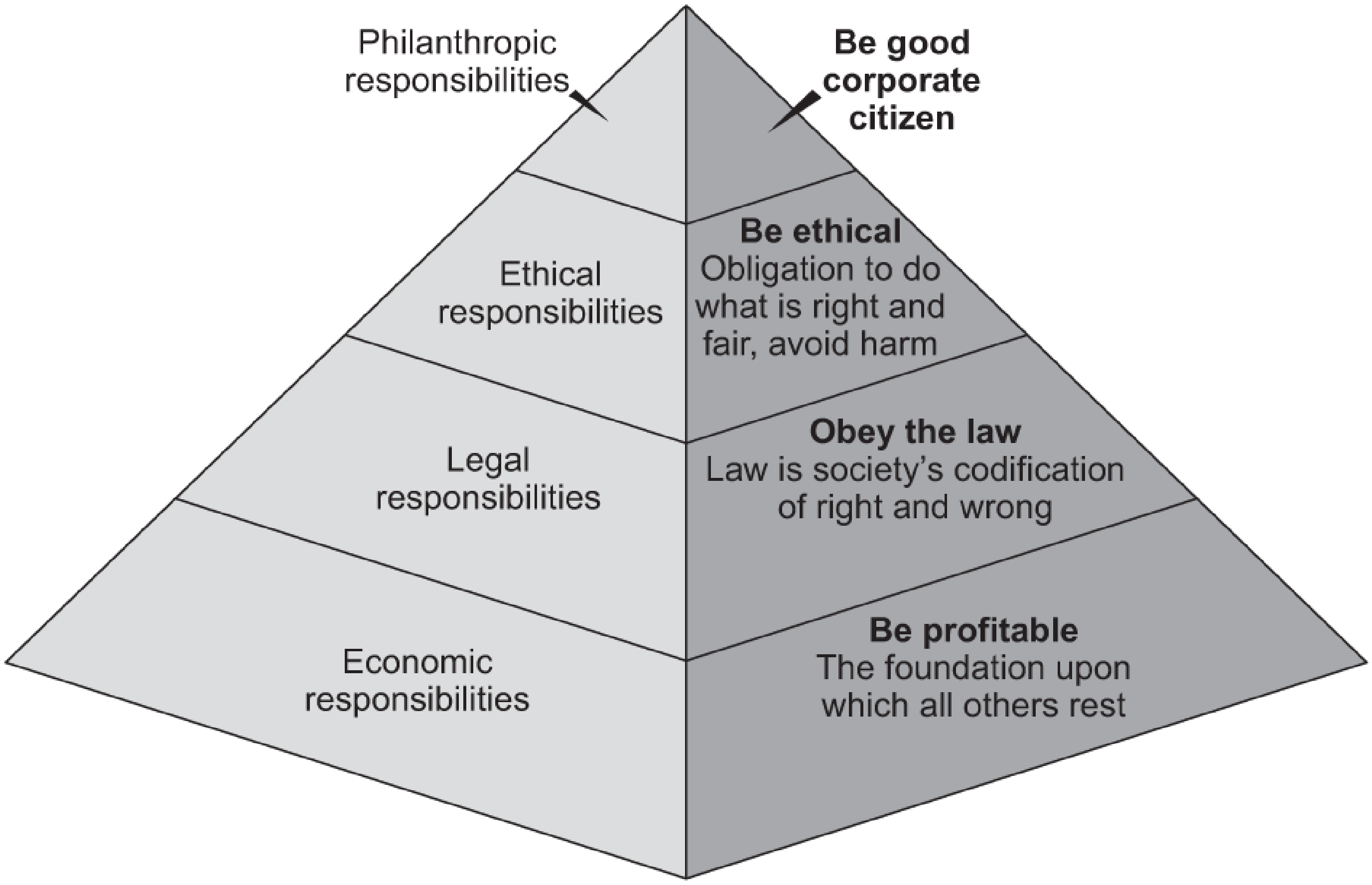
When you can use this

When discussing objectives, Corporate Social Responsibility and the social environment you could consider what factors might influence the objectives a business sets and why more businesses may be setting objectives linked to the planet and people as well as profit in recent years.

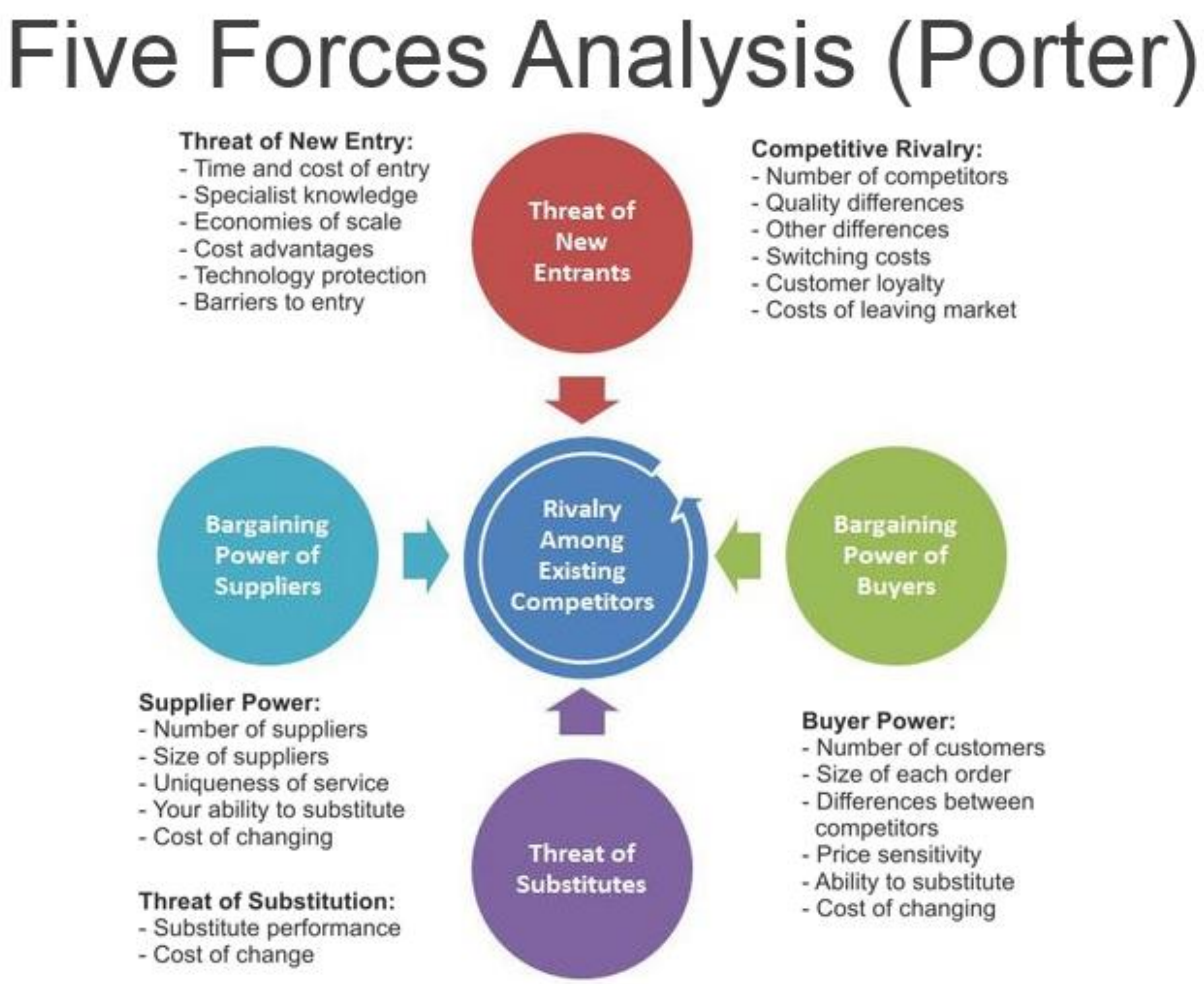


Carroll's CSR Pyramid
According to Carroll, 'corporate social responsibility involves the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive'. Carroll produced a pyramid that identifies the different types of obligations that society expects of businesses.
The layers of the pyramid are:
Economic responsibilities
These include providing rewards to the owners, paying employees fairly and selling products at a fair price to consumers. A business has an economic responsibility to survive.
Legal responsibilities
This means that businesses should follow the law and not act illegally.
Ethical responsibilities
A business will have responsibilities over and above their legal requirements. Managers may decide to do the 'right thing'.
Philanthropic responsibilities
This focuses on businesses actively trying to help society, for example, by improving the quality of each employee's working life.
When you can use this

When discussing the responsibilities a business might accept, you might discuss what determines whether a business only accepts economic responsibilities or whether it adopts a philanthropic approach and if so why?
In addition, what are the possible implications of these choices?



Porter's 5 Forces



Unit 8 – Strategic direction

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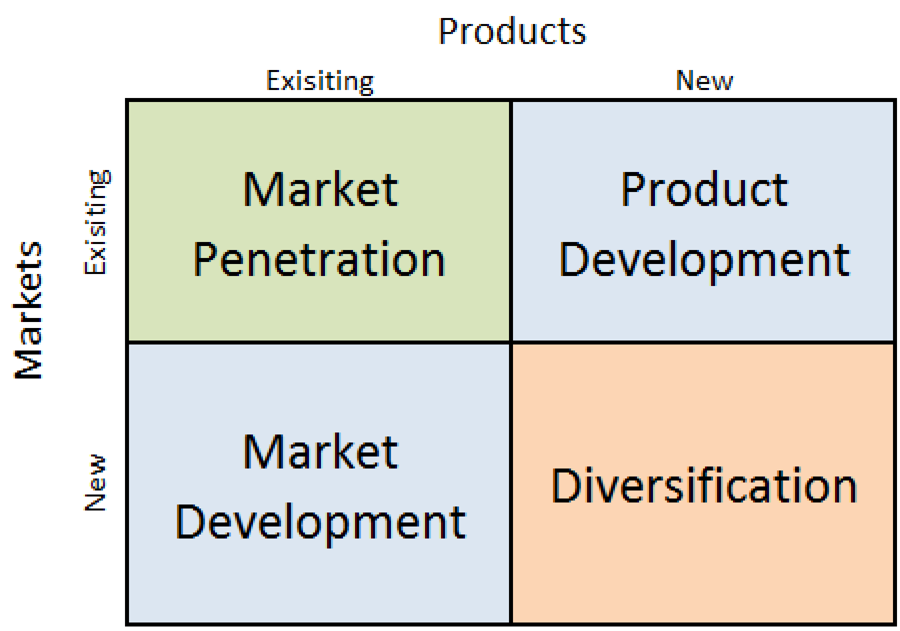


Porter's generic strategies

Key points

Michael Porter analysed the different strategies that businesses might adopt.

Porter argued that the position of a business relative to competitors within its industry determines whether its profitability is above or below the industry average. The ability of a business to earn above average profits depends on whether it has a sustainable competitive advantage.

There are two basic types of competitive advantage a firm can possess: low cost or differentiation. A business may adopt these strategies in many different segments or focus on a specific niche. A business that is not a cost leader or is not differentiated is likely to be 'caught in the middle' and not be profitable.

Cost leadership

When adopting a cost leadership strategy a business aims to become the low cost producer in its industry. It may try to achieve this position through economies of scale, patented technology that makes its processes more efficient or by gaining control over supplies. If a firm can achieve and sustain overall cost leadership, then it will achieve above average profits if it can charge similar prices to its rivals.

Differentiation

If a business adopts a differentiation strategy it seeks to be unique in its industry. It chooses one of more benefits that buyers value and seeks to meet these better than competitors. In return, it charges a premium price.

Focus

If a business adopts a focus strategy it concentrates on one segment within the market. The target segment may be different from the rest of the market because buyers have unusual needs.

When you can use this

When teaching strategic choices you could discuss why a business chooses one strategy rather than another and what enables a business to retain a competitive advantage over time. You could also discuss the link between the overall strategy of a business and the functional decisions.

		Competitive advantage	
		Lower cost	Differentiation
Competitive scope	Broad target	1. Cost leadership	2. Differentiation
	Narrow target	3a. Cost focus	3b. Differentiation focus

Bowman's strategic clock

Key points

This model shows that:

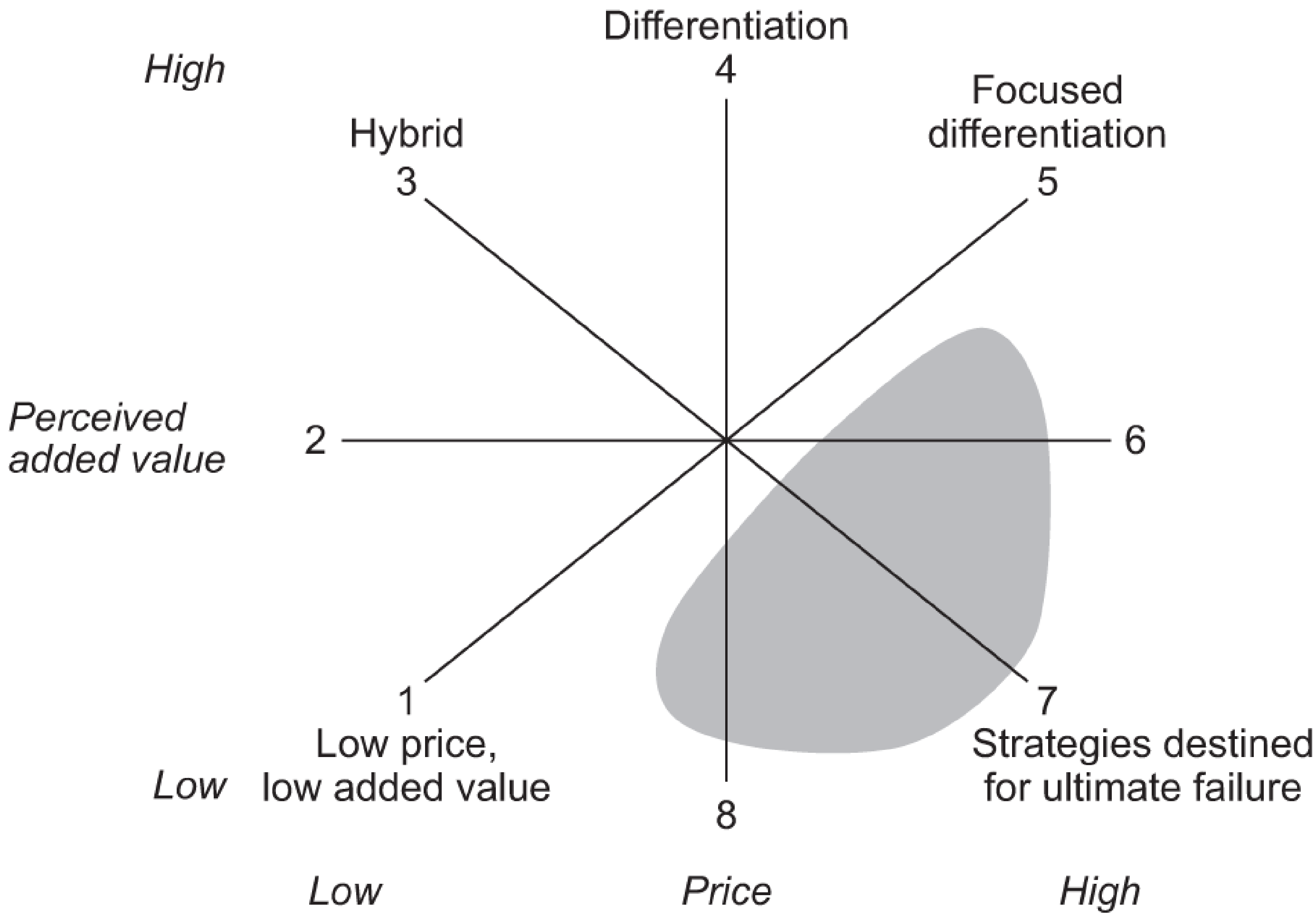
- Different strategies can be competitive: for example, a business can charge a high price if it offers a high level of benefits and be competitive. If it offers relatively low benefits it needs a low price to compete.
- Some combinations of benefits and price are not competitive, e.g. low benefits and high price is unlikely to be competitive. These are shown by the shaded area.

When you can use this

When teaching strategy:

- you can plot different strategies adopted by organisations and assess their competitiveness

￼ you can plot how businesses may be trying to change their strategy (e.g. some mainstream supermarkets trying to reduce prices to match the discounters)
￼ you can consider why some strategies are unsuccessful
￼ you can link with Porter's low cost and differentiation strategies
￼ You can consider how businesses will try to increase their competitiveness, e.g. by offering more benefits at the same price or the same benefits at a lower price.



Unit 9 – How to pursue strategies
Bartlett & Ghoshal
This model examines the different approaches to managing businesses that operate in several countries. It highlights two key factors in choosing how to manage an international business: the potential cost gains from being globally integrated (such as marketing, production or research economies of scale) and the pressures to respond to local market conditions.
Key points
The strategy adopted by a business will depend on the relative strength of market forces.
International strategy
An international strategy occurs when there are similarities between markets and little gains from globally integrating. The result is a business operating abroad but run very much from the home country. The head office and main decisions will be based at home.
Multi-domestic strategy
A multi-domestic strategy occurs when there are considerable variations between market demands and few benefits from globally integrating. The result will be a portfolio of relatively independent companies running themselves and producing for their own markets.
Global strategy

A global strategy occurs when there are significant economies of scale and where there are similarities in terms of market demand. The business develops standardised products which are sold globally. The subsidiaries abroad are likely to be rather weak and the full range of business activities will only exist in the home market. The products are designed and developed in the domestic country.

Transnational strategy

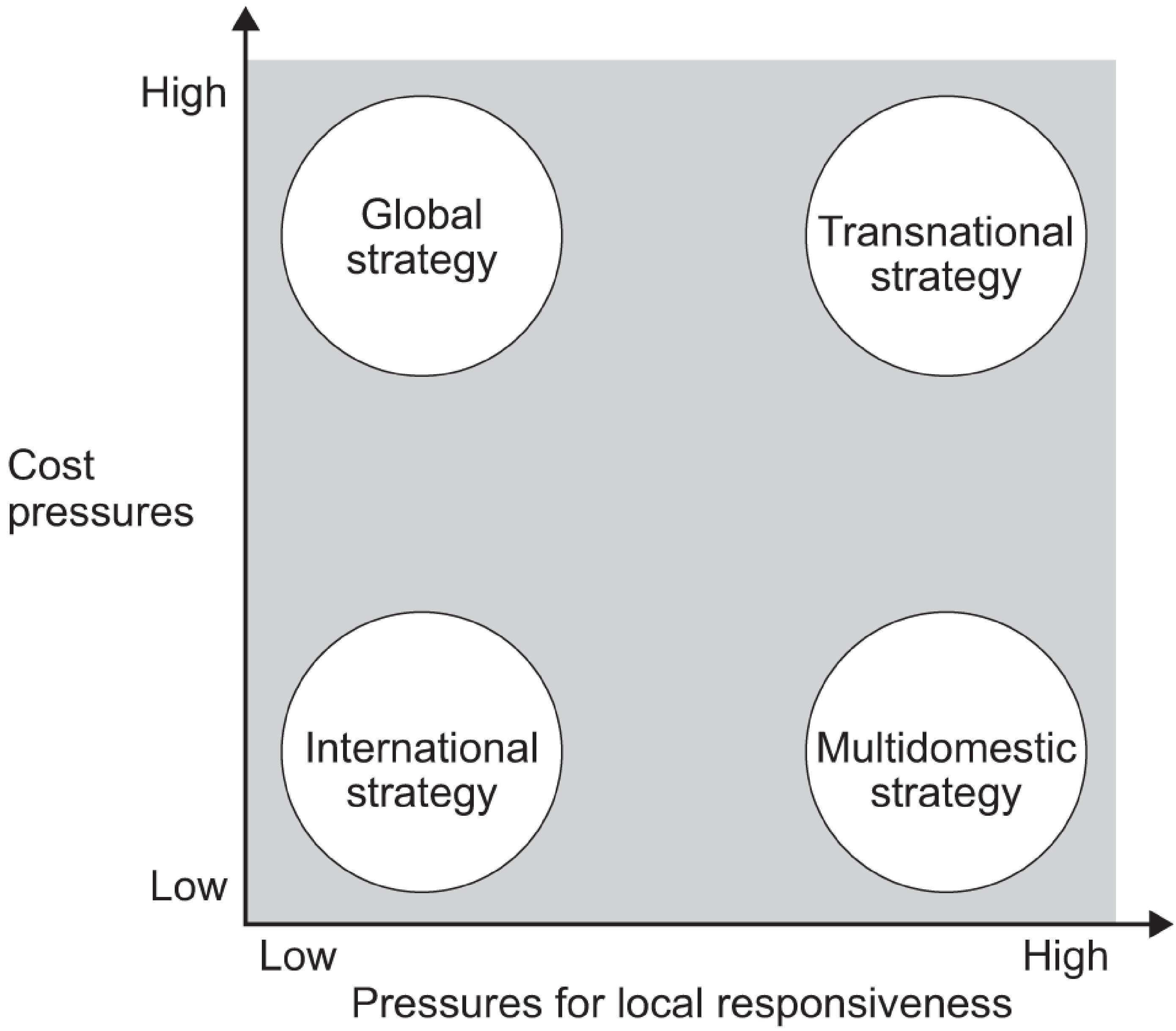
A transnational strategy occurs when there is pressure to meet local needs and also benefits from integrating globally. The organisation is regarded as a network with each subsidiary given responsibility appropriate to its capabilities. There is a balance of centralisation and decentralisation and a culture of sharing within the global organisation. Staffs move around the business globally which helps build shared values and shared knowledge.

When you can use this

When discussing international business and the best strategy to adopt when operating overseas.

 It highlights that conditions in terms of cost saving and market differences will vary and that this will influence the management strategy adopted.

 It highlights that multinational companies can be managed in very different ways: for example, power may be kept very much within the home country or may be diffused throughout the world; products may be standardised or varied according to different market needs.



Types of growth

Geiner’s growth model

Grenier’s model highlights the challenges that typically occur in managing businesses as an organisation gets older and bigger. It shows typical crisis points in the development of a business.

Key points

When organisations are young and small there is often no formal organisational structure. Sharing of ideas is easy and at this stage the organisation may be very creative. However, as a business continues to grow, this informal approach may no longer work – new employees may need more direction and need managing.

Crisis 1

At some point there is a need for direction and leadership which may not come naturally to those who founded the business and who are perhaps very entrepreneurial.

At this stage the business may need to appoint outside managers to run the business rather than rely on the founders. A more formal approach to management is required. For example, the managers may now formally define its missions, set out its objectives and formally define roles. They typically create a functional organisational structure and introduce more accounting systems and budgets.

This provides direction and control but there is little delegation. As the business grows more complex and those closer to the issues within their departments gain more experience they want to have more independence. This creates Crisis 2: a crisis of autonomy.

Crisis 2

At this stage the senior team may delegate more enabling each unit to focus more on its specific demands (although this is often resisted by senior managers who are reluctant to let go). The delegation provides more autonomy. It involves greater decentralisation and creating profit centres.

This can lead to faster decision making but, at some point, top management may feel they are losing too much control and want to regain this. This leads to Crisis 3: a crisis of control.

Crisis 3

At this stage the senior management team has to establish controls over the different parts of the business such as more formal planning procedures, greater control over investment decisions, centralising certain functions such as research and human resources and using profit sharing schemes more widely to help provide a common focus to decision making. The danger of this approach is that there may become too many procedures for decisions to be made by the different business units causing Crisis 4: a crisis of red tape.

Crisis 4

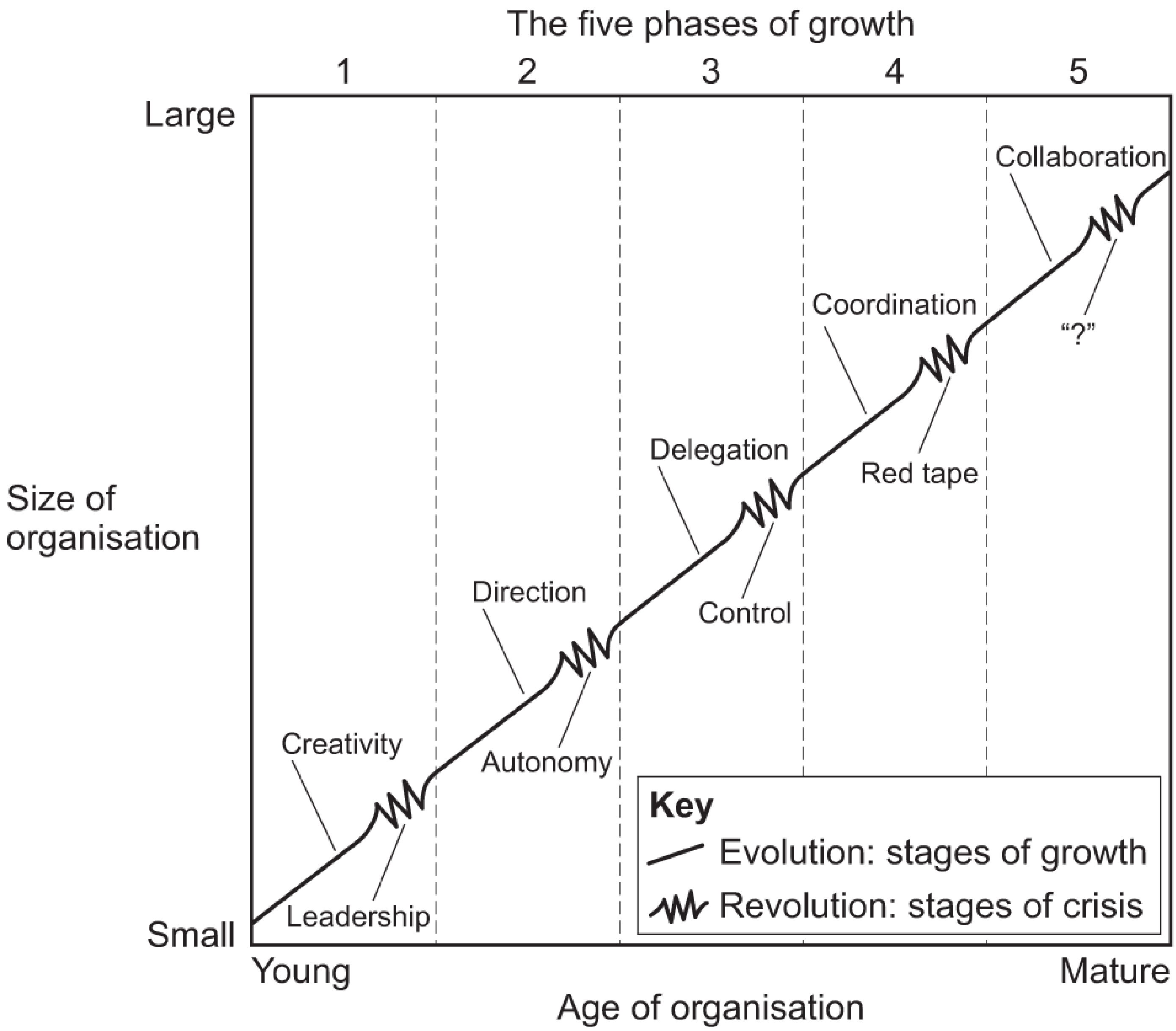
There may be too many systems and procedures getting in the way of competitiveness. This can lead to an attempt for greater personal collaboration between the managers of the different divisions and more focus on self control rather than imposed control from head office.

Greater discussion between the head office of other parts of the business and a shared approach replace some of the many rules. The focus is on team work across divisions, up to date information and more communication between senior managers.

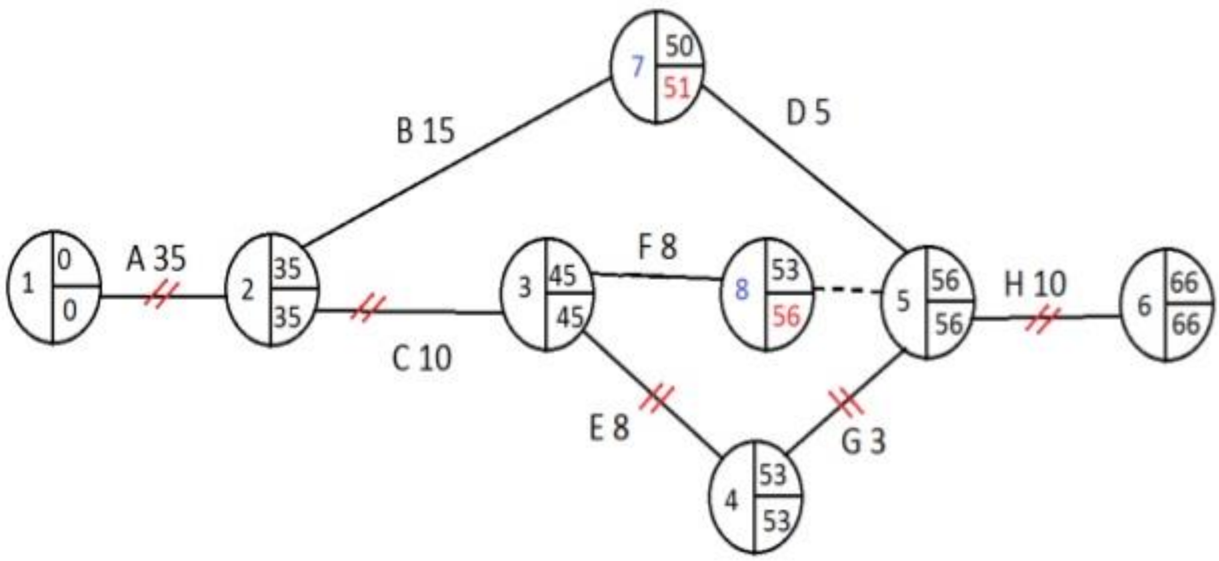
However, Greiner highlighted this might lead to a further crisis at some point in the future although what it will be may vary, perhaps the impact on employees of working in such a demanding environment means some time will have to be given to employees to reflect and revitalise themselves.

When you can use this

- when analysing growth
- when considering how structures and systems might change as a business develops
- when examining issues such as centralisation and decentralisation
- When considering change and how it might affect a business.



Unit 10 – Managing strategic change
Critical path analysis



Kotter 7 steps to change

Lewin's forces

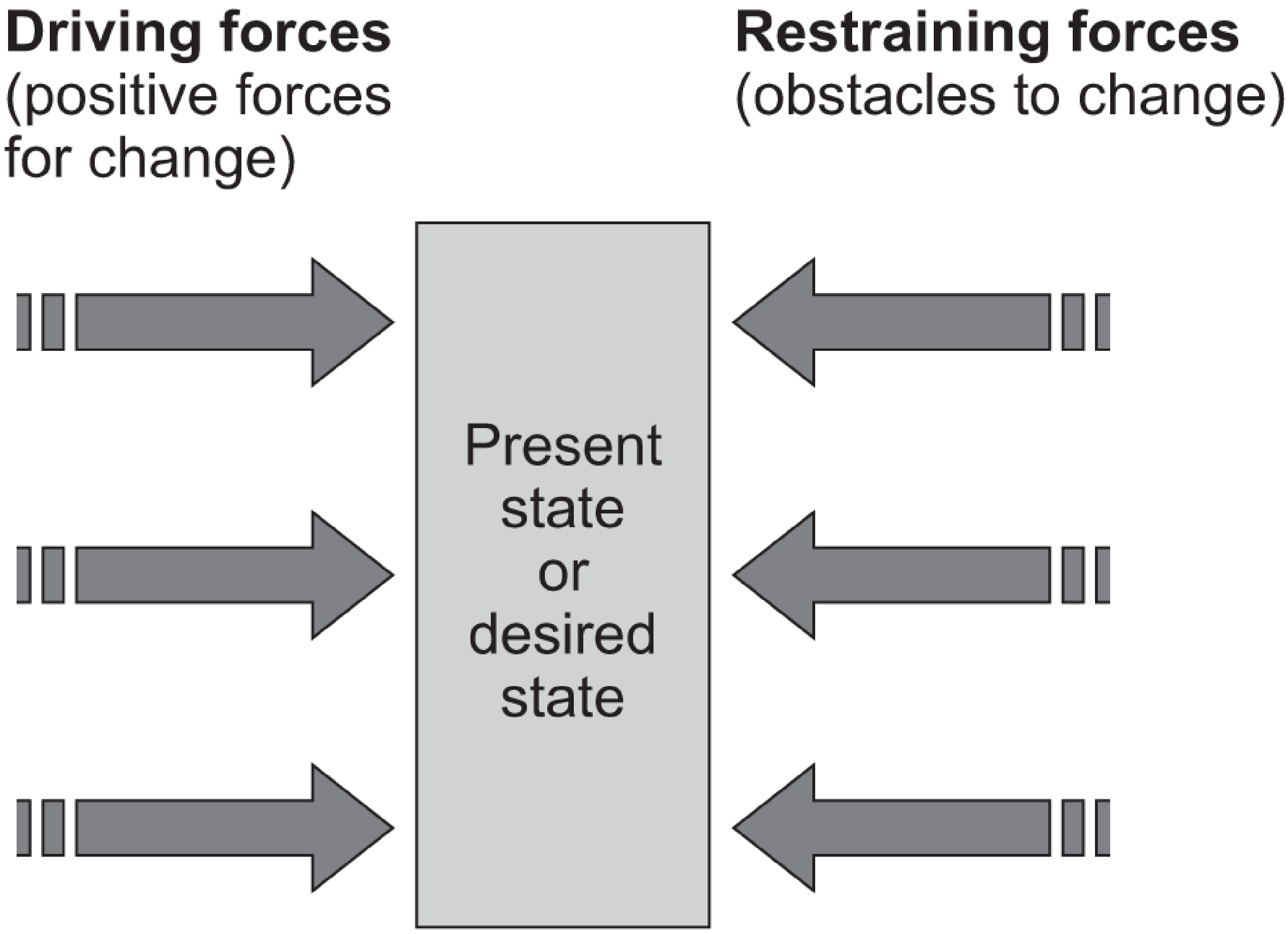
Key points

Highlights that at any moment there are forces for and against change. Change may be brought about if the forces for change increase (e.g. due to more competitors, worsening results, more customer complaints) or less restraining forces (e.g. funds become less of an issue, employees understand the need for change more).

When you can use this

When discussing the issues involved in bringing about change e.g. introducing a new strategy you might want to consider:

- how the pressure for change might increase (e.g. worsening financial results, more complaints or more competition)
- How to reduce the forces resisting change (e.g. through more incentives to change or providing more finance).



Kotter & Schlesinger’s barriers

The study highlights four reasons why people resist change:

1. Self-interest – they would be worse off if the change occurred, e.g. lose their job
2. Fear and misunderstanding – they do not trust the managers’ motives
3. Different assessments – they understand the reasons for the change but disagree with them; they may think they have a better plan
4. Prefer things as they are; they do not like change.

1. Self-interest

They would be worse off if the change occurred (e.g. lose their job).

2. Fear and misunderstanding

They do not trust the managers' motives.

3. Different assessments

They understand the reasons for change, but disagree with the changes; they may think they have a better plan.

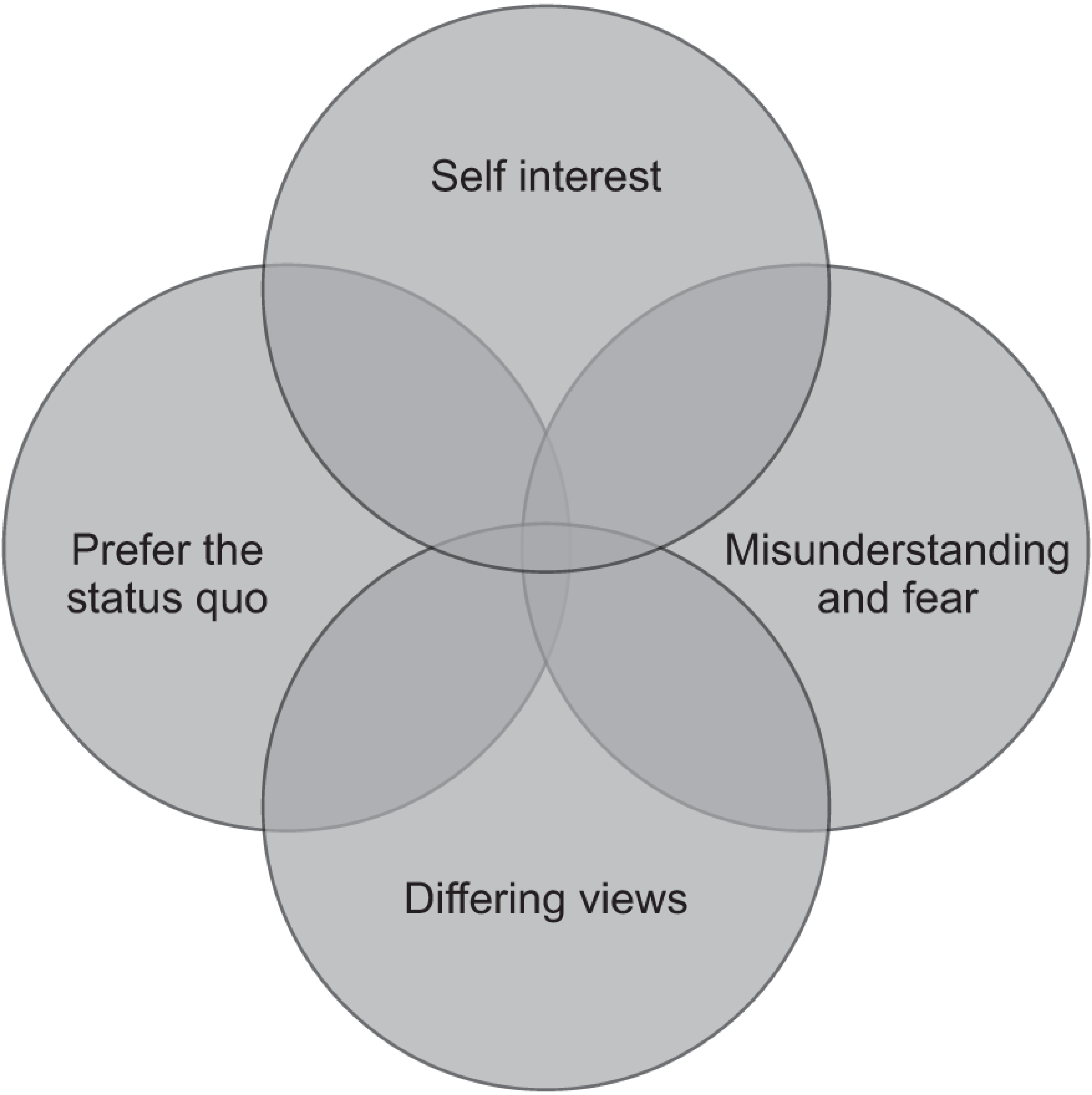
4. Prefer things as they are

They do not like change.

When you can use this

When discussing the issues that are involved in bringing about change, such as introducing a new strategy, you might want to consider:

- which of these motives is significant or most important in any given situation
- How each of these reasons for resistance might best be overcome (see Kotter and Schlesinger’s six ways of overcoming resistance to change).

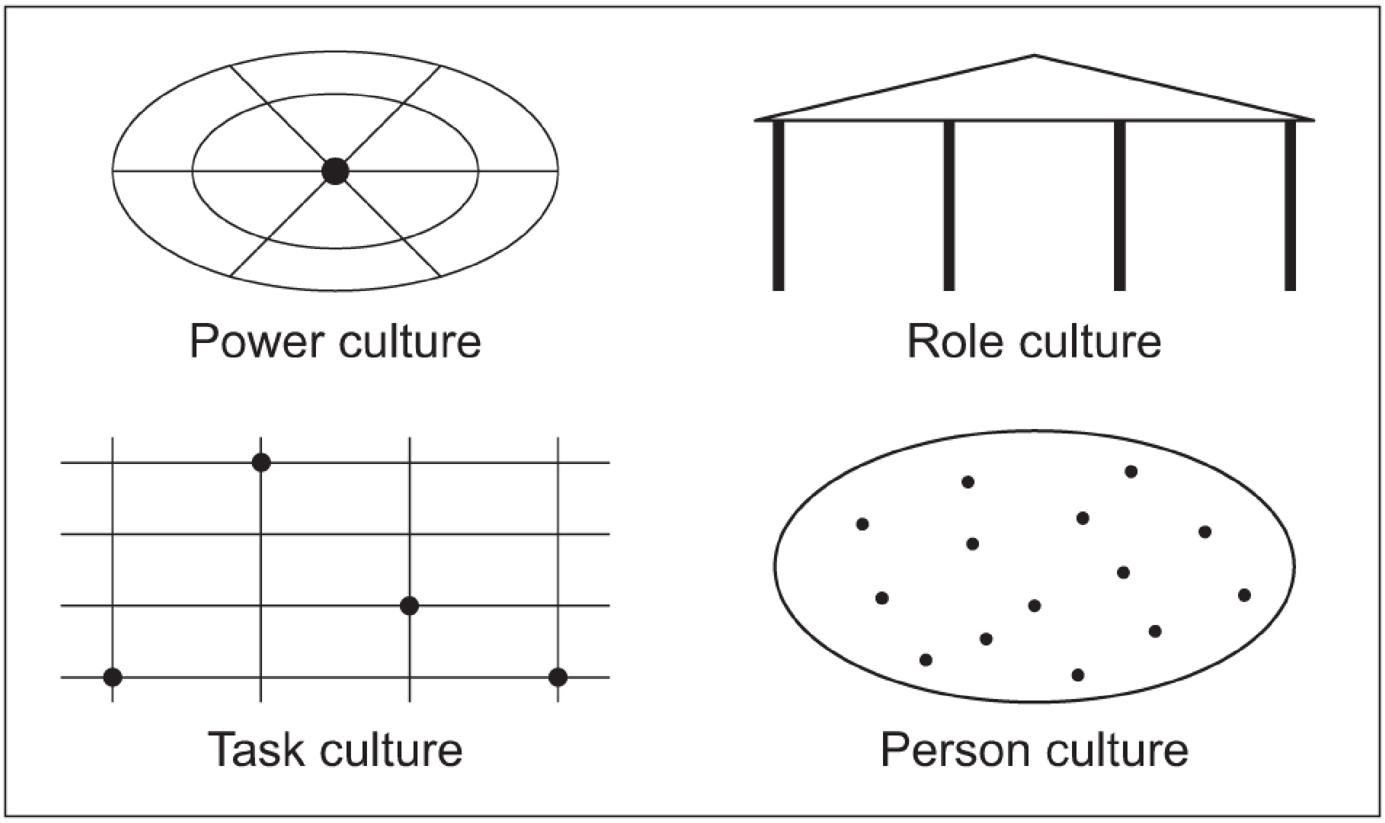


Kotter and Scheslinger's model of overcoming resistance to change
Section 3.10.1 Managing change
Overview
Outlines some of the methods that might be used to overcome resistance to change

Key points
Six methods of overcoming resistance to change are:
1. Education and communication
This approach may be appropriate if people lack information or have inaccurate information about the proposed change. Education can help people to understand why change is necessary. However, it may take time to convince people and win the argument.
2. Participation and involvement
This can help overcome change by getting people involved in the process. This means that people may have a sense of ownership and so may be more willing to get involved and make it work.
3. Facilitation and support

Some people resist change because they are afraid of it. If you can help the process of change and support people so they have the skills and resources they need to cope with it, this can help it to be accepted.
4. Negotiation and agreement
If people are resistant to change it may be possible to negotiate with them or bargain to win their agreement. This may mean compromise is needed and the form of change is slightly different (and possibly better) than originally intended.
5. Manipulation and co-option
This may involve offering rewards to win over key influential people who will then get others to agree to change.
6. Explicit and implicit coercion
If other methods are not successful or possible then you may want to force change through. People may not agree with the change but may do it because they have to. Over time, having changed their behaviour, they may come to agree with the change itself if it proves successful.
When you can use this
 When teaching any form of change and how to introduce it.
 When considering how to introduce new policies and approaches. Managers need to consider the reasons for resistance and then how best to overcome them given the time and resources available and factors such as the importance of the change being accepted by others.

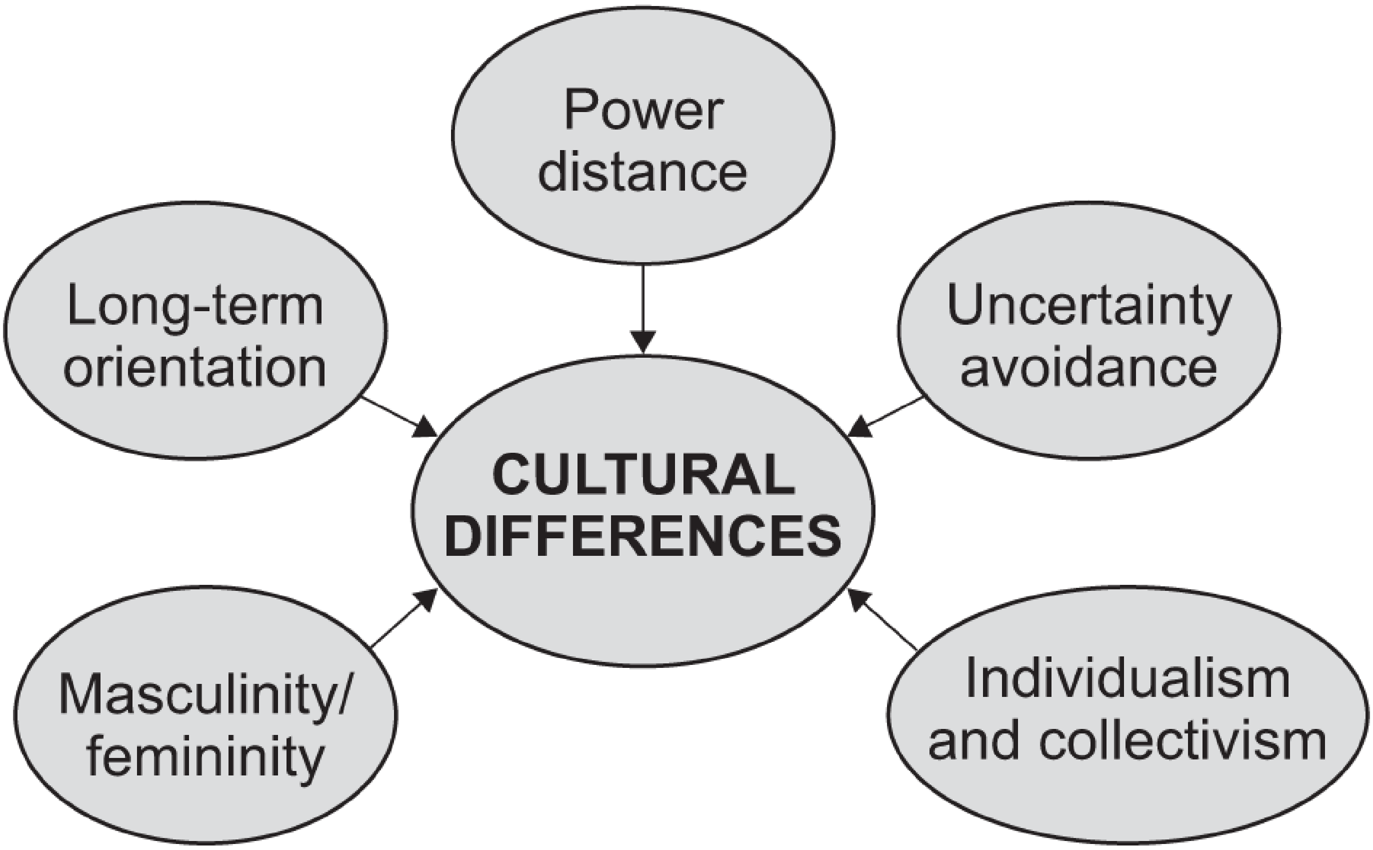
Handy’s



Key points
Features of these types of culture include:
Power culture
A centralised culture which focuses on key decision makers. May occur in small businesses where the founder dominates; may come under stress if a business grows and cannot all be run from the centre.
Role culture
More formalised culture with jobs having clear rules and procedures. Individuals know their position within the hierarchy. May be appropriate for a medium to large business in a stable environment; however, may lead to ‘silo’ mentality where individuals and departments do not communicate or share information.

Task culture
This is a culture where there is a focus on specific tasks and projects. Individuals are brought in to work on tasks as and when they are required, sharing ideas across functions. It may occur in organisations such as design and advertising agencies.
People or person culture
Individuals have considerable freedom to act independently. It may occur in organisations such as legal or medical practices where individuals have high levels of specialist technical expertise.
When you can use this
 When highlighting different types of culture and the advantages and disadvantages of these.
 When considering the suitability of different cultures for different types of business and in different environments

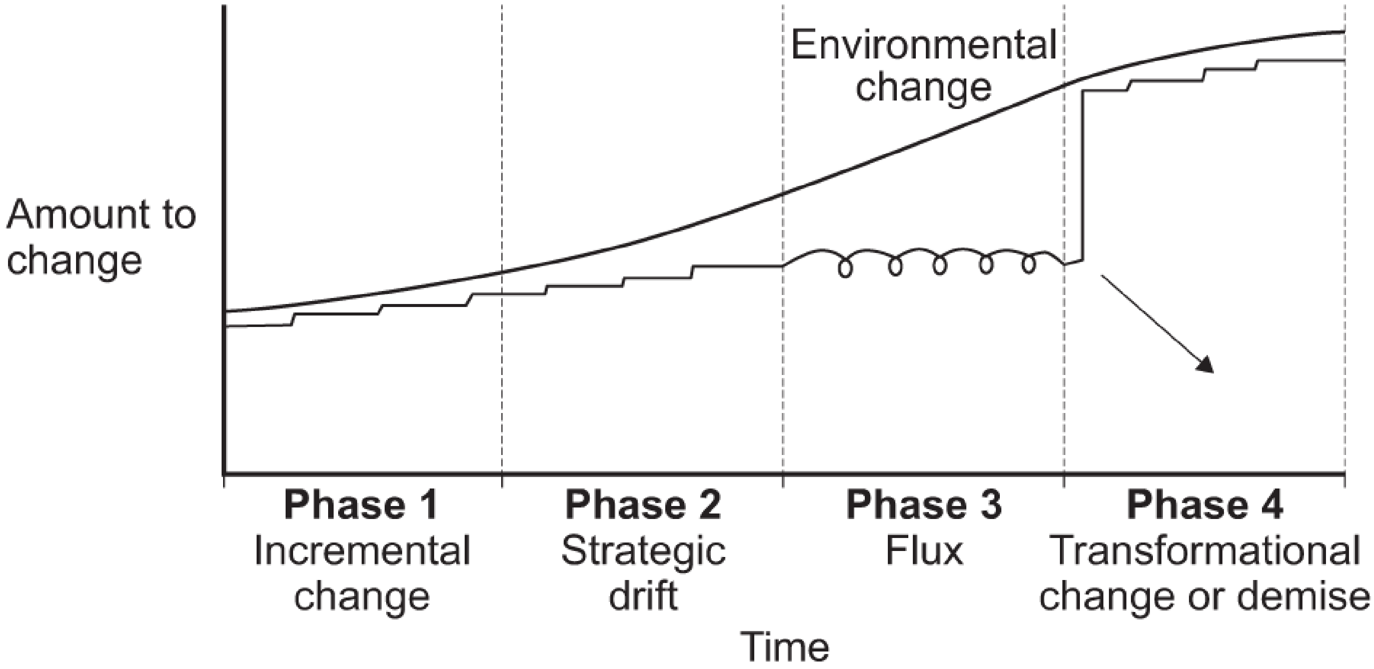
Hofstede's national cultures



Key points
Hofstede's study suggested differences in national culture. The dimensions he identified were:
Individual and collectivism (IDV)
This considers the extent to which individuals believe they should look after themselves rather than be team players.
Power distance index (PDI)
This refers to the extent to which a society accepts that power is distributed unequally. In countries where PDI is low they will usually have decentralised organisations, whereas countries with a high PDI usually accept more centralised, hierarchical structures.
Uncertainty avoidance index (UAI) & Masculinity (MAS)
This is the extent to which employees feel threatened by ambiguity and the extent to which they like rules and a well-defined career structure.
This refers to the dominant values in the organisation. Are these mainly 'masculine' (focusing on assertiveness and money) or are they more 'feminine' (focusing on concern for others and the quality of relationships)?

Long-term orientation (LTO)
This refers to how long-term employees are in their thinking, which will affect their planning and attitude to investment.
When you can use this
When discussing the types of culture and the possibility for culture clashes.
Although Hofstede's work was specifically in relation to national cultures, you can adapt this framework to discuss how and why the cultures of different organisations may differ, and why employees from different organisations may experience cultural clashes when working together.
This could be useful when considering:
 global businesses and employees within these communicating with each other and working together
 the problems of mergers and takeovers
 Difficulties entering overseas markets.

Strategic drift
Strategic drift occurs when the strategy pursued by a business no longer fits with the environment around it. What may have been appropriate at one point is no longer suitable as conditions have changed.



Key points
The diagram above by Johnson and Scholes highlights how, as change in the environment increases, the business's strategy may become increasingly inappropriate.
The business will end up in a state of flux, i.e. managers are uncertain what to do as they have fallen so far behind the trends in the market. At this point, they must either make major transformational change or the business will probably die.
Examples of strategic drift include Kodak, Nokia and Blockbuster videos.
When you can use this
 When teaching strategy, strategic drift highlights that managers must continually review their strategies to ensure they remain relevant and competitive.
 When considering the importance of anticipating, preparing and reacting to change.

Unit 1: What is a business?

Mission objectives

- What businesses are trying to achieve
- Aims: long term
- Objectives: medium/long term (must be SMART)
  Types:
  - Profit – become more profitable
  - Growth – get bigger (more sales/buy a business)
  - Survival – make it through
  - Cash flow – improve the flow of money
  - Social and ethical – help society or environment
  - Diversification – try a new product

Calculations used

- Costs
  - Variable = change with output
  - Fixed – constant cost
  - Total costs = variable costs + fixed costs
  - Unit cost = $\frac{\text{Total costs}}{\text{Number of units produced}}$
- Revenue = quantity sold × average selling price (Revenue also called turnover or sales)
- Profit = revenue – total costs

Types of business

Private sector

- Sole trader
- Ltd company
  - Limited liability
  - Set up costs
  - Only sell share by invitation
  - Pay dividend to shareholders
  - Access to finance
  - Mission = family, reputation
  - Objectives = financial stability
- Plc
  - Limited liability
  - Large costs to set up
  - Sell shares to public – share capital
  - Public need accounting info
  - Pay dividends
  - Access to more finance
  - Mission = company image, customers and shareholders
  - Objectives = market share, financial performance

Shareholders

- Invest in business
- Want to earn dividend (share of profit)
- Want share price to rise

Public sector

- Public corporation
  - Owned by state
  - Sell to private and state
  - E.g. airports
- Public services
  - Provide national services
  - E.g. NHS
- Municipal services
  - Locally funded services
  - E.g. library

Not for profit

- Charities, clubs, etc.
- Organisations set up not to make profit
- Mission = ethos, ethics
- Objectives = benefiting society or environment

What they sell and do

Inputs → **Outputs**

Goods (physical products)

Raw material → Transformation → Goods

Services (intangible items)

People → Knowledge → Service

Sectors

Primary (Raw material) → Secondary (Manufacture) → Tertiary (Sell products or services)

External environment

Market conditions

- Features of the market e.g. competitors' strength
- GDP: country's output
- Demand: consumers' want, what they can afford or buy, expected sales
- Real wages: income adjusted for inflation (customers' purchasing power)
- NB if GDP levels rise then wages rise, it is difficult to stay competitive
- IF income rises, demand rises but so do costs

Interest rates

- Price of borrowed money
- Rising interest: consumers will save/business costs increase
- Reducing: consumers buy more on credit/business costs reduced and may invest more

Environmental

- Government legislation
  - Environmental Act 1995
  - Environmental Protection Act 1991
  - Stakeholder pressure groups
  - Customers more aware of environmental issues
- Private costs – business production costs
  - Being environmentally friendly = more expensive but could improve reputation
- External costs of production: costs to society
  - Noise, congestion, pollution

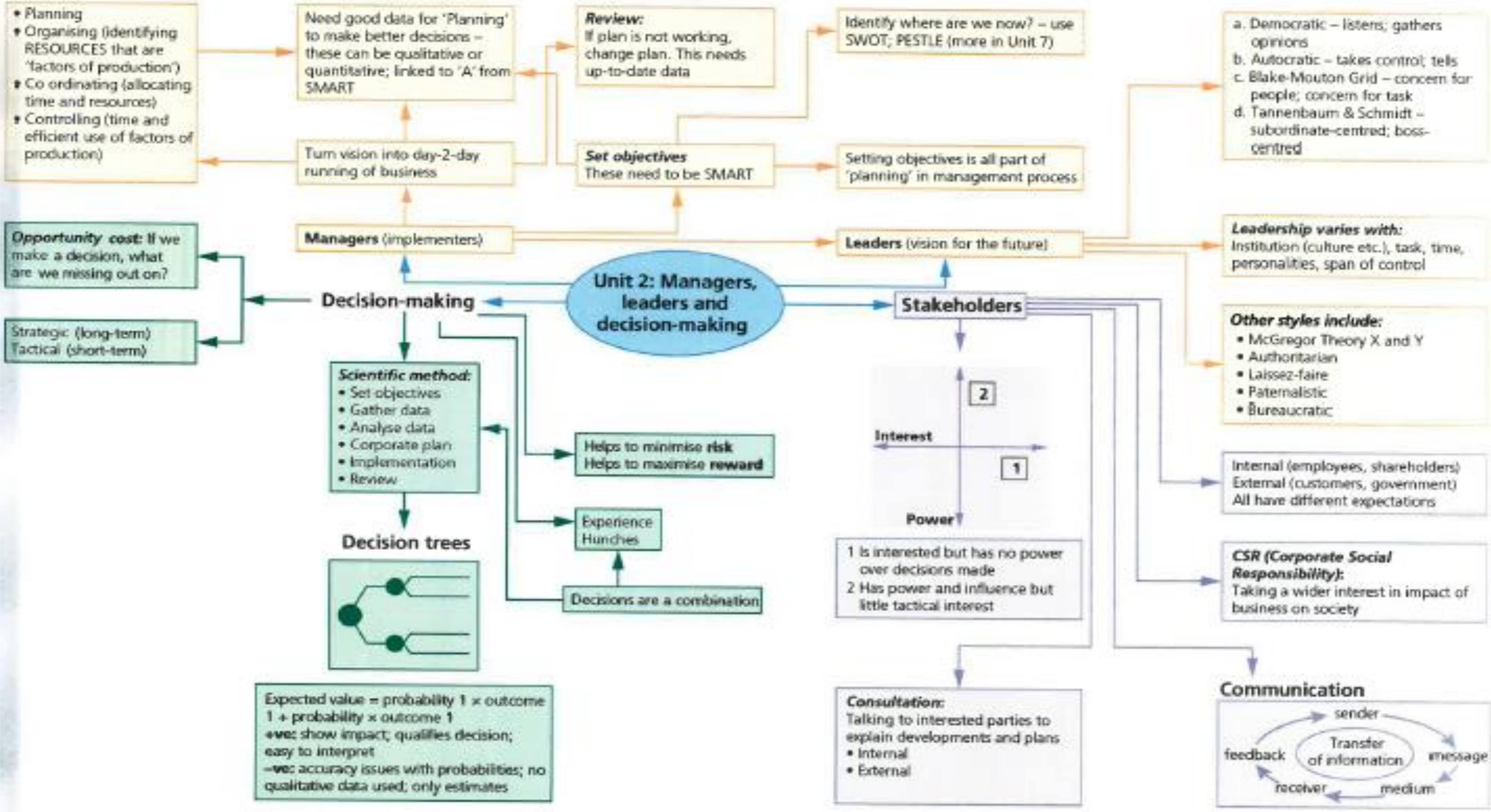
Demographic

- Change in population
- UK population is growing
- And getting older ('Grey Pound' is important)

Fairtrade

- Social movement to promote improved trading terms
- Also improves living conditions for the workers/producers of goods
- Could increase costs but let businesses charge higher prices

Use 'management process':



Unit 3: Decision-making to improve marketing performance

Market research

Collection and analysis of data
- Explanatory reasons: why?
- Predictive reasons: what will happen if?
- Exploratory reasons: testing new product or marketing

Price
- Pricing strategies
  - ø Penetration
  - ø Price skimming
  - ø Price leadership/price taker
  - ø Psychological
- Price elasticity of demand

$$PED = \frac{\%\text{ change in quantity demanded}}{\%\text{ change in price}}$$

- Income elasticity of demand

$$IED = \frac{\%\text{ change in quantity demanded}}{\%\text{ change in income}}$$

- Are products
  - ø Luxury? – elastic demand where <1 then very responsive to change
  - ø Necessity? – inelastic demand where >1 not responsive to change

Using technology
- ø Easy to collect
- ø +ve = fast, accurate, lots of data
- ø –ve = data overload and finding correlations

Primary
- Data collected first-hand, e.g. focus group, survey
- +ve = reliable, valid, up to date
- –ve = costs, difficulties in making analysis

How is data analysed?
- Quantitative: numbers
  - ø +ve = concise data, easy to analyse
  - ø –ve = shows what not why
- Qualitative: opinions
  - ø +ve = great insights, shows issues business not aware of
  - ø –ve = expensive to collect, difficult to analyse

Secondary
- Data already collected and used for something else e.g. Mintel, government stats etc.
- +ve = cheap to collect, easy to analyse
- –ve = unreliable, not up to date

Sampling
- ø A group that represents the whole population/wider society
- ø +ve = avoids costs of marketing mistakes, saves money collecting data
- ø –ve = bias possible, possibly unrepresentative of target audience
- ø Random
  - ◦ Everybody has equal chance
- ø Stratified
  - ◦ Sample split similar to population
- ø Confidence levels
  - ◦ Margin of error in figures
  - ◦ Shows accuracy of sample

Market mapping
- ø Identifies features of a market
- ø Can find gaps in market
- ø Good starting point for research

Correlation
- ø How one set of data relates to another e.g. sales and price
- ø Looks at strength of relationship between data sets

Extrapolation
- ø Using previous data to predict future data

7 Ps

Influenced by
- Costs
- Budget available
- Target audience
- External factors

Product
Consumer
Convenience
Shopping
Speciality
Features and designs must appeal to target audience (brand)

Boston Matrix

Sales ↑		
	Cash Cow	Star
	Dog	Question mark
	Market growth →	

Product life cycle

Development | Intro | Growth | Maturity | Decline

Integrated marketing mix
- Consider position in product life cycle
- Other products in portfolio – Boston Matrix
- Target market, competition, market positioning

People
- Sales staff
- Reps
- Important for service industries and online businesses

Process
- How goods get to customers
- E.g. how smoothly things are delivered
- Important for service industries and online businesses

Promotion
- Attention
- Interest
- Desire
- Action
- Advertising, e.g. TV, radio, press
- PR: being talked about
- Sales promotion
- Direct selling: sending directed marketing to target audience

Physical evidence
- What the business looks like, e.g. cleanliness, organisation etc.

Place
- Where you can buy a new product
- Convenience
- Accessibility
- Bricks and clicks
- Distribution channel – how goods get to customer
- Target audience must be able to buy product easily

Market segmentation

Classifying potential customers into subgroups makes marketing more targeted
- Demographic
  - ø Age, gender, family size
- Geographic
  - ø Urban, rural, regional
- Income
- Behavioural
  - ø Lifestyle
  - ø Frequency of use
- +ve
  - ø Easy to identify
  - ø Direct your marketing
- –ve
  - ø Consumer behaviour may change
  - ø Specific consumer groups not always easy to reach

Market targeting
Deciding which bit of the population to target

Niche marketing
Narrow range of customers, specialised products

Mass market
Wide range of customers, generalised products

Market positioning
Where a product stands in relation to competitors'

Marketing objectives

Goals of the marketing function
- Building brand loyalty
- Sales volume: number of items sold
- Sales value: volume × selling price
- Market growth (% change in size of market)

$$\frac{\text{Market size in year} - \text{Market size previous year}}{\text{Market size previous year}} \times 100$$

- Sales growth (% change in sales)

$$\frac{\text{Sales in that year} - \text{Sales in previous year}}{\text{Sales in previous year}} \times 100$$

- Market share

$$\frac{\text{Sales of one product}}{\text{Total sales in market}} \times 100$$

- Market leadership: the business with the largest market share

Brand
- ø A name, sign, symbol, slogan or design that is recognisable
- ø Builds customer loyalty to the brand

Internal influence
- ø HR: people available?
- ø Finance: is budget available?
- ø Operations: can they produce enough to sufficient quality?

External influences

Market factors
- Nature of product: trends/fashion
- Social change: people's attitudes
- Competitors: following market leaders or them following you
- Technology: changes everything
- Economic GDP: interest rates, recession
- Suppliers: Fairtrade, quality or cost-effective
- Ethical and environmental: can be used as PR tool

Unit 4: Operational Performance
The process of turning resources into goods/services

Flexibility

For mass customisation a business needs to be flexible.
- Respond to change quickly
- Dependable
- To achieve flexibility businesses can use:

Outsourcing: Transfer of activities to a third party
- Off-shoring – sending production aboard
- Sub contracting – party of task completed by third parties

Employees
- Temporary contracts – subject to time limit
- Part time – work a limited number of hours

Capacity

Businesses can meet demand if they have capacity, efficiency is linked to flexibility

To Increase
- Build
- Overtime
- Hire new staff
- Outsourcing

To Decrease
- Sell off assets
- Shorter working week
- Lay offs
- Transfer to another area

If businesses have spare capacity they are operating below maximum capacity – called under utilisation.

+ve
- Maintenance time
- Can meet demands for flexibility

–ve
- Higher fixed cost per unit
- Lower profits
- Negative image

90% capacity is ideal.

Reasons for under utilisation could be:
- Season demand
- Tastes change
- Unsuccessful marketing

Calculations

$$\text{Unit costs} = \frac{\text{total costs}}{\text{unit output}}$$

OR

$$\text{Unit costs} = \frac{\text{(fixed costs + variable cost)}}{\text{units of output}}$$

$$\text{Labour productivity} = \frac{\text{Output per period}}{\text{No. of employees per period}}$$

How efficient is the workforce?

If labour productivity increases then unit cost decreases

Capacity – The maximum level of production

$$\text{Capacity utilisation} = \frac{\text{Actual output per annum}}{\text{maximum possible output}} \times 100$$

If the capacity utilisation increases then the unit cost will decrease.

Operational objectives

Specific targets for the operational management function
- Costs – reducing unit costs, labour productivity, capacity utilisation
- Quality – achieving a certain level of quality to delight the customer (remember marketing?)
- Measure quality using
  - ø customer satisfaction
  - ø customer complaints
  - ø level of returns
  - ø scrap rate
  - ø punctuality
- Speed of response – time taken to fulfil customer requirement
- Flexibility – the ability to change
- Dependability – is business online – is quality okay?
- Environmental – reduce waste, noise, energy, resources
- Added value – modifying resources to make them worth more

Labour productivity

+ve
- Efficient use of inputs means fewer employees needed
- Increasing appeal to stakeholders, would give:
  - ø Shareholders a higher ROCE
  - ø Employees higher wages

–ve
- To increase may have to spend money on training
- Increased investment in machinery as well as people i.e. to work more efficiently may need better equipment

Factors of production
- LAND
- LABOUR
- CAPITAL
- ENTERPRISE

Operation management needs to be efficient use of each of these inputs. Businesses are described as:

Labour intensive
Method of production that uses high levels of people; labour is expensive in the UK

Capital intensive
Method of production that is highly automated, therefore needs large amount of investment.

Economies of scale
The benefits of being larger
- Improving scale of production brings about efficiencies
- Can affect unit costs
- Needs investment

Technology to improve efficiency

Manufacturing
- Robotics
- Automation
- Planning
- Operating

Design
- Create new products
- CAD, CAM

+ve
- Reduces costs
- Reduces waste
- Improves quality
- Financial monitoring

–ve
- Capital needed
- Train workforce
- Higher wages

Managing demand

- Marketing can increase demand but businesses need to be able to meet that demand.
- Businesses can:

Produce to order
- Can be small scale (wedding cakes)
- Can be large scale (Jaguar Land Rover)

+ve: customer satisfaction, customer loyalty, higher prices
–ve: fluctuations of demand, higher cost

Control inventory
- To meet demand, stock needs to be managed.
- Mass customisation requires:
  - ø Quick response time
  - ø Flexibility
  - ø Customer wanting a variety without premium price
  - ø Scope for economies of scale

+ve
- ø Competitive advantage
- ø High revenue
- ø Customer loyalty

–ve
- ø Needs expensive info systems needing IT
- ø Reject products

Types of stock
- Raw material – comes to factory
- Work in progress – work happening in factory
- Finished goods – awaiting delivery to customer

Inventory control charts
- Buffer level: minimum level of stock
- Re-order level: the level at which business needs to order again
- Lead time: how long it takes to deliver
- Re-order quantity: amount re-ordered

Lean production

- Production based on time- and waste-saving measures
- Working with suppliers is important

JIT – just in time
- Stock is 'pulled' by customer needs.

+ve: increases motivation, reduces costs
–ve: bulk-buying discounts, halt to production line expensive

Choosing suppliers
- Considerations:
  - ø Good prices
  - ø Payment terms
  - ø Quality
  - ø Capacity of supplier
  - ø Reliability
  - ø Flexibility

Supply chain
- The network of sellers from raw material through to customers
- Supply chain management
- Creating value through the chain – Either "volume is king" or JIT

Quality

Customer satisfaction achieved through

Intangible	**Tangible**
Brand	Appearance
Reputation	Reliability
	Functions

+ve: can impact sales; create USP; charge higher prices; cost reductions
–ve: costs increase; training needed; disrupting production

Quality Assurance
Improves quality throughout business
+ve: encourages team work, reduces costs
–ve: change in culture (difficult to achieve), may take time to bed in

Quality Control
Inspectors check every stage
+ve: stops faulty goods reaching consumer
–ve: no team responsibility

TQM
Total quality management
"Getting it right first time"
Teams responsible for their quality

Kaizen
Policy of implementing small incremental changes
Creates a quality culture

Poor quality
Can cause problems:
- Productivity problems
- Reduces profitability
- Reduces customer satisfaction
- Increases costs

Unit 5 Decision-making for Finance

Cash flow

- The movement of money in and out of the business.
- Helps to have a cash flow when applying for loan or to avoid cash crisis
- Net cash flow = cash in – cash out
- Opening balance = previous month's net cash flow
- Closing balance = opening balance + cash in – cash out

Difficulties with cash flow

- Overtrading – expanding without funds
- Too much trade credit given to customer
- Poor credit control – money not collected from customers
- Inaccurate cash flow forecasting or not monitoring it

How to improve

- Working capital – improve day-to-day finance
- Negotiate improved trade credits with suppliers
- Offer less trade credit to customers
- Debt factoring – sell off debts for immediate cash injection
- Short-term borrowing – overdrafts useful to dip into
- Sale and leaseback – sell major assets (buildings) on leaseback
- **+ve:** reduced cost of borrowing, good supplier relations, PR

Trade credit

- The period of time given to suppliers before customers pay for goods. Businesses can give or get it
- It is important to balance giving customers too much and receiving enough

Budgets

These predict the future using historical data as starting point

Positive

Improves decision-making
Plan for extra finance if needed
Motivate staff

Negative

Difficult to predict
External factors may affect things
Only concerned with current year, not long term

Variances

- Analysing budgets by identifying differences
- These occur from poor prediction; unexpected developments

Adverse (ADR)

When a variance has a negative effect on a business profit, i.e. costs higher than predicted or income lower

Favourable (FAV)

When a variance has a positive effect on a business profit, i.e. costs lower than predicted or income higher

Finance Objectives

- Return on investment – investors want to get their money back plus a bit more

$$\text{ROI} = \frac{\text{operating profit}}{\text{capital employed}} \times 100$$

- Cashflow targets – improve cashflow; smoother flow of money through year
- Shareholder concerns – high dividend per share; high dividend yield; increase share price

Influencing factors

Internal	**External**
HR Operations Resources The product itself	PESTLE – any of these may influence objectives at some point

Profitability

- To improve profitability, a business should:
  - ø Reduce costs of production
  - ø Increase prices
  - ø Improve efficiency
  - ø Ensure capacity is utilised
  - ø Improve quality
- To measure financial performance:

$$\text{Gross profit margin} = \frac{\text{gross profit}}{\text{revenue}} \times 100$$

GP = revenue – direct cost of sales

$$\text{Operating profit margin} = \frac{\text{operating profit}}{\text{revenue}} \times 100$$

OP = revenue – all associated costs

$$\text{Profit for year margin} = \frac{\text{profit for year}}{\text{revenue}} \times 100$$

PFY = all income – all costs

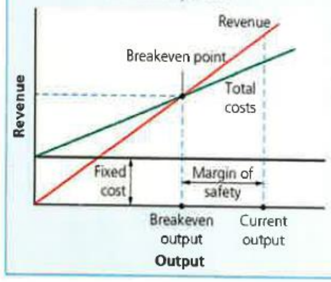
Breakeven

- The level of output at which total costs = sales
- Used to help decide profitability; whether a business should accept an order; helps decide for one-off orders

Positive	**Negative**
Analyse impact of price change	Assumes all products sold
Simple to use	Too simplistic
Supports finance for loan decisions	Costs do not rise smoothly

$$\text{Contribution per unit} = \frac{\text{revenue} - \text{variable cost}}{\text{output}}$$

$$\text{Breakeven} = \frac{\text{fixed costs}}{\text{contribution per unit}}$$



Margin of safety
This is when current output exceeds break even point

Sources of finance

- These depend on the ownership type:
  - ø Sole trader: owner's savings, loans
  - ø Partnership: owners' savings, loans
  - ø Private ltd (depends on size): banks, venture capital, private share issue, grants
  - ø PLC: share issue, venture capital, government

Internal

- This source already exists within the business:

Source	Features	Term
Retained profit	Free Shareholders may want profit as dividend	Short term
Owners' savings	Free May not have funds	Short term
Sale of assets	Large amount raised May need asset in future	Long term

External

- An injection of funds from outside the business:

Source	Features	Term
Bank loan	Can negotiate specific needs Inflexible repayment terms	Short term
Overdraft	Highly flexible High interest rates/charges	Short term
Debt factoring	Immediate funds Reduces profit margin	Short term
Crowdfunding	Cheap Not suitable for all	Short term
Venture capital	Can get expertise as well May want control	Long term
Share capital/equity	Large amounts raised Expensive	Long term
Mortgages	Get to keep control of business Is secured against property	Long term
Debentures	Large amounts raised Expensive	Long term

Unit 6: Improving HR performance

HR – Function that focuses on employees
HRM – The management of people at work

Motivation
- Desire and energy to be continually interested in a job or role
- Engagement – feeling positive about doing a good job

+ve
- Improved productivity
- Reduce costs
- Improved reputation
- Meeting business objectives
- Improved work ethic
- Competitive advantage

Theories

Taylor
- Scientific management
- Mass production and techniques
- Labour dividend is small tasks that employees get very competent at

Maslow's hierarchy of needs
If lower levels are unsatisfied then cannot reach higher levels

Self-actualisation
Esteem
Social
Safety
Physiological
Influence

Herzberg's two-factor theory
- Motivators
  - Sense of achievement
  - Recognition
  - Promotion opportunity
- Hygiene
  - Company policy
  - Supervision
  - Pay
  - Working conditions

The idea of job enrichment – giving employees the opportunity to use their abilities

Mayo – human relations
- Measured work against productivity
- "Hawthorne Experiments"
- Recognition, belonging important
- Team-based approach; employees are recognised for their social needs

Financial methods

Piece rate (piece work) payment
- based on number of items each worker produces

Commission
- money paid upon completion of task
- normally paid to sales people

Salary schemes
- basic rate of payment on annual salary

PRP – performance-related pay
- reward employees based on assessment of individual performance measured against pre-agreed objectives

Profit sharing
- a proportion of firm's profit is divided among employees

Share ownership
- employees given shares or opportunity to purchase shares

Fringe benefits
- company car, private medical, pension

Non-financial methods

Job enlargement
- Job rotation – expanding horizontally
  - +ve – relieves boredom, uses whole range of skills
  - –ve – retraining costs, more boring tasks
- Job enrichment – expanding vertically
  - +ve – develops and challenges employees; enhanced promotional prospects
  - –ve – intimidating; costly; long-term not always appropriate

Empowering employees
- Formal autonomous work groups
- Recognise workers' achievements
- Creates environment where employee involved

Work in teams
- Production organised into large units of work
- Can manage absences more easily

Job design
Aims to motivate, job satisfaction, reducing repetitive and mechanistic aspects to increase variety, challenge and responsibilities in work.

Influences

External
- Tech developments
- General levels of education
- Social changes
- Employee-related trends
- Health and safety, fair rewards, job satisfaction

Internal
- Nature of job
- Way work is organised
- Quality standards
- Speed required

Theories
Hackman and Oldman – understand psychological states and job characteristics when jobs can be designed to maximise opportunities for employees
1. Meaningfulness of work – skill level; task identity; task significant
2. Responsibility of work outcomes – autonomy is how much freedom employees given
3. Knowledge of work outcome – feedback to improve in future

Organisational design
Shaping the organisation's structures to meet business' purposes

Functional organisational
- Based on functional aspects of business

Matrix
- Based on team approach
- +ve: motivates, reduces management time, staff development
- –ve: customer expectations, attitude to management, quality of staff

Authority
- The power to assign a particular role

Delegation
- Passing authority down the hierarchy

Responsible
- Duty to assign a particular position

Accountability
- Held responsible for successes and failures

Span of control
- No. of subordinates required to supervise
- Narrow or wide span of control
- Narrow span of control = lots of levels of hierarchy
- Wide span of control = fewer levels of hierarchy

Hierarchy
- Vertical division of authority and accountability
- Levels of hierarchy – the no. of different levels between shop floor and CEO

Decentralisation
- Power and authority given to local branches
- +ve: encourages innovation and flexibility
- –ve: reduces uniformity of branches
- Focuses on local issues

Centralisation
- Decision-making power firmly at the top
- +ve: consistent policies, tight financial control
- –ve: need strong leadership, lower motivation, inflexible decisions

Workforce planning

HR Plan – links HR needs to strategic plan
- Forecasting labour demand
- Analysing labour demand
- Balance of labour demand and supply

Recruitment and selection
- Create
  - Job descriptions
  - Person specifications
- Decide
  - Internally or externally recruit
- Info gathering
  - Application forms/CV
- Decide
  - Shortlisting
  - Interviews and assessing
  - Appointment

Influenced by
- Market conditions
- Labour market and demographic needs
- Economic state
- Legislation
- Local factors

Training
Used to improve skills

Internal
- On the job
- Induction training
  - Settles in new employees to culture/ethos
  - Reduces labour turnover
  - Increases motivation
- +ve – improves employees' performance
- Develop committed workforce
- Increase job prospects of employees

External
- Off the job
- College course

Redeployment
Moving existing employees to different jobs or location

Redundancies
- Dismiss employee because job no longer exists
- –ve: costs associated with loss of skills from business

Employee relations

Influences
- Size – smaller = easier to involve employees
- External environment – government policy/legislation
- Leadership style – democratic styles lead to more involvement
- Quality of communication – good communication involves employees
- Culture

Methods

Trade unions – join together to maintain or improve conditions
- +ve – negotiation, representation
- However, can take action if there is an industrial dispute – strike; work to rule etc

Works councils a committee of management and workforce representatives to discuss company-wide issues

ACAS – Advisory, Conciliation and Arbitration Service
Acts as an intermediary between business and employee representatives when industrial relations broken down

Value of good relations
- Enhances performance of employees, thereby business
- Helps to implement change
- Motivates employees
- Achieve business objectives
- Improves competitiveness
- Improves decision making and implementation

Calculations

Employee costs as percentage of turnover
Measures turnover needed to cover costs

$$\frac{\text{Employee costs}}{\text{Sales turnover}} \times 100$$

Labour-intensive business will have high employee costs, capital-intensive will have lower costs. If too high could be a sign of low profit margin.

Labour productivity
Measures output per employee

$$\frac{\text{Output per period}}{\text{No. of employees per period}}$$

Labour costs per unit
Measures the average labour cost to produce one unit

$$\frac{\text{Total labour cost}}{\text{Total units of output}}$$

Labour turnover
Measures how many employees leave

$$\frac{\text{No. of employees leaving in a given period}}{\text{Average no. employed in a given period}} \times 100$$

Retention rate
Measures the stability of the workforce

$$\frac{\text{No. of employees with one or more years' service}}{\text{Overall workforce number}} \times 100$$

If labour turnover increases, retention rate decreases, then
- higher recruitment costs
- higher induction costs
- reduced productivity
- low morale

(However, figures depend on industry)

High labour turnover
- Caused by: poor communications, ineffective leadership, poor selection procedure, poor working conditions.
- To improve
  - Monitor; exit interviews; improved recruitment and selection; induction training; reduce turnover of long-term workers
  - Recruit skilled workers
  - Training
  - Financial and non-financial benefits
  - Improved working conditions/working practices
  - More technology

HR objectives

HR performance
- Employee engagement and involvement – a more productive workforce
- Training – building skills within the organisation
- Talent development – more than training; developing individuals
- Diversity – legal requirements of equality
- Maximising labour productivity and minimising labour costs
- Maintaining good employer–employee relations – to get a committed, satisfied workforce

Influences

Internal
- Overall business aims
- Performance of business
- Finance available
- Organisational culture
- Rotations in Trade Unions

External
- Political – reduced power of Trade Unions
- Economic – state of economy
- Social – attitudes to work
- Technology – training or recruiting skilled staff
- Legislation – Disability Act, Equality Acts
- Competitors

Approaches

Hard
- People seen as resource to be used
- Authoritarian in nature
- Used more for low-skilled industries

Soft
- Employees valuable assets
- Democratic in nature
- Trends in industrial relations means soft approach used more often

Unit 7: Analysing the strategic position of a business

1. Mission, corporate objectives + strategies

Mission strategy
- Sets out a business' overall purpose

Vision statement
- Aspirations for future

Influences

Values of founders
Values of employees
Industry sector
Society views
Ownership type

Functional decisions
Made to support a department to help achieve a strategy

After these come strategy + tactics

According to Drucker 8 areas to set objectives for: market position; innovation; financial resources; TIR; social responsibility; profits

Influences on objectives are

Short-termism
The pressure to deliver quick results to the detriment of the company (e.g. cost cutting or losing jobs).

Internal environment
1. Poor past performance
2. New leader
3. Business culture (see Unit 10)

Business ownership
- Shareholders want a return (Ltd or PLC) – paying dividends
- Public bodies do not pay dividends

Strategy
- Long term
- Tight commitment of resources
- Difficult to reverse
- Made by senior manager

Tactics
- Short term
- Fewer resources involved
- Easier to reverse
- Junior or middle manager

External environment
1. State of economy
2. Prices on global market
3. Tech changes
4. Patterns of migration (See rest of Unit 7)

SWOT

	Develop/exploit	Reduce/eliminate
Internal	Strength	Weakness
External	Opportunity	Threat

Use the overall performance data and financial data to show internal elements

2. Financial ratio analysis

Ratio analysis is comparing one piece of accounting info with another. This allows managers and stakeholders to improve their decision-making. They can spot trends in data; however this is only *financial* info (see next section).

Ratios

Profitability	Liquidity	Gearing	Efficiency
ROCE = $\frac{\text{Operating profit}}{\text{Total equity + non-current liab.}} \times 100$ Measures success of business Used by shareholders, creditors, managers, competitors or employees	Current ratio = $\frac{\text{Current assets}}{\text{Current liabilities}}$ expressed as 1:2 Assesses liability to pay debts Used by creditors, suppliers and managers	Gearing = $\frac{\text{Non-current liability}}{\text{Total equity + non-current liabilities}} \times 100$ Assesses how much business is borrowing Used by shareholders, managers and creditors	Stock ratio = $\frac{\text{Cost of goods sold}}{\text{Average stock sold}}$ Receivable days = $\frac{\text{Receivables}}{\text{Revenue}} \times 365$ Payable days = $\frac{\text{Payables}}{\text{Cost of goods sold}} \times 365$ Payable days = Measure how well business is controlled Used by shareholders, managers, employees, competitors

3. Overall performance

Data that is not financial, based on functional areas:
- Ops man
  - How productive is the workforce or machinery used; the quality of goods; capacity utilisation (see Unit 4)
- TIR
  - Unit labour costs; absenteeism rates; health + safety data; average wage costs; labour turnover (Unit 2)
- Marketing
  - Product life cycle; competitor info, sales figures; market share; consumer behaviour; expenditure on marketing (Unit 3)

Other measures:

Kaplan & Norton's Balanced Score Card
Encourages managers to consider what needs to be measured to achieve objectives. These are unique to the business but should include: financial methods, customer perspective – how to maintain loyalty, company internal perspective (SWOT), innovation, learning and improvement and how to continue to improve.

Elkington's Triple Bottom Line (TBL)
TBL has three components:
1. Profit – financial data from above
2. People – the impact of the business activities on people involved (see CSR above)
3. Planet – minimising the impact on the planet

This highlights the business's CSR and also emphasises strengths + weaknesses

Core competency
- These are the unique abilities that that a business possesses that give it competitive advantage (superiority over competitors)
- Concentrating on these allows a business to take advantage of opportunities/strengths to enhance performance

Long-term performance is measured with:
- R + D (investing in future)
- Profit quantity (sustainable profit)
- Customer satisfaction
- Employee engagement
- Brand image + reputation

Any advantage over competition must be sustainable in long-term to achieve competitive advantage

Short-termism
Only concentrates on costs and profits

4. Political + legal change

Local Enterprise Partnerships and local councils ← Local, national • International governments (EU)

Both offer

1. ***Regulators***
   - Free + fair competition; high-profile industries get help; in privatised monopolies like utilities, they protect consumers; they encourage self-regulation.
2. ***Infrastructure***
   - Effective transport; communications (land lines, mobile, etc.) and energy costs. These can all lower costs for a business
3. ***Environmental***
   - Protecting the country's and world environment
4. ***International trade***
   - Support UK exports to aid international trade through WTO (World Trade Organisation) and EU, which is growing in size; free movement of goods, services and people
5. ***Legislation***
   - Competition (i.e. mergers, takeovers); employment (i.e. protecting against discriminations); environmental (i.e. through national + international laws)

Taxation
- The payment made to local or national government: income tax; VAT; NI; corporation tax; customs + excise duty

Fiscal policy
- Uses taxation through public expenditure. Increased spending can stimulate economy. Reduced spending can constrict economy

Monetary policy
- Controlling money levels and interest rates. High interest rates encourage saving, low interest rates encourage spending (consumers) or investment

5. Economic change

The key measures are:

SDP
Measures the value of the country's total output of goods or services. If it drops, there is a chance of recession. We want SDP to grow because the markets are growing

Exchange rates
The price of one currency expressed in terms of another. This affects exports and imports making them more expensive or cheaper. Fluctuations lead to uncertainty in markets.

Inflation
The persistent rise in general price level measured using CPI, which looks at a typical 'basket of goods'. If inflation is too high, the goods become too expensive and employees demand higher wages

6. Social + technological change

Social demographics
- Changes to population, e.g. growing, more transient and aging

Migration + urbanisation

- Changes to leisure pursuits, e.g. more elderly with different interest and this changes spending patterns
- Families becoming smaller or single parents

Changes to consumer lifestyle + behaviour
- Technology has huge impact on buying behaviour
- Health + wellbeing are more important
- Consumer confidence

Corporate social responsibility
Carroll's CSR pyramid

Philanthropic
Ethical
Legal
Economic

Shareholder concept
- Management only need to meet responsibilities towards shareholders
- I.e. dividends + growth

Stakeholder concept
- Management need to take into account obligations to society in general
- Demonstrated through CSR reports, measures against targets

Pressures
Businesses are under pressure to behave responsibly, especially with rise in social media + technology. If they do act responsibly, they can access new markets or increase revenues

Technology
Online businesses growing, especially with mobile technology. This means fewer stores needed, which is affecting the high street
Also used in Ops Man. CAD/CAM/cloud computing can improve communication, improve production. However it is more capital intensive.

TIR
could lead to a reduced workforce however remaining workers more highly skilled and therefore more expensive or training required

Globalisation
The trend for markets to be world-wide in scale. Has increased world trade because international travel and communication are easier. Trade barriers reducing and more multi-national companies growing. There is also growing demand for international goods.

Trade protection
Protectionism
- This aims to protect from the impact of imports into countries by using tariffs or quotas. Other countries try to protect their markets as much as UK tries to protect ours.

Emerging economies
A country with low income per head but where the economy is growing. Important because: large labour resources, potentially large markets, rapid growth available, natural resources to be employed.

Important because:
- Increased sales
- Cheaper resources
- Economies of scale
- Developing different markets

7. Competitive environment

Porter's five forces
A framework for assessing and analysing the competitive strengths and position of a business. Used alongside SWOT and PESTLE as analysis tools

The cost of entry
Specialist knowledge
Economies of scale
Barriers of entry

Threat of new entry

The number of competitors
Customer loyalty
Switch costs

Supplier power

Competitive rivalry

Buyer's power

Number of suppliers
Size of suppliers
Uniqueness of service
Cost of changing

Threat of substitution

Number of customers
Size of each order
Price sensitivity
Costs of changing

Substitute's performance
Cost of change

8. Investment appraisal

These tools help managers make better decisions about investments – e.g. introducing new products, expansion or investing in new technology or infrastructure

Payback method
When money spent gets replaced by more inflows

Yr	Cash outflow	Cash inflow	
1	500,000	100,000	
2		200,000	Paid back
3		3000,000	→ investment in Yr3

Useful to compare two different possible investments – more likely to be used by small firms

Average rate of return

Average profit = $\frac{\text{Total net profit before tax}}{\text{Useful life of assets}}$

ARR = $\frac{\text{Average profit}}{\text{Asset initial cost}} \times 100$

Can be used to compare interest rate received from bank

NPV
Uses discounting, i.e. reduces value of future income to reflect the opportunity costs

Discounting cash flows
Adjusting the value of money received at some future event to its present value – normally with a discount factor (rate of interest charged has a significant effect on present value of future earnings). You can discount the inflows and outflows of cash to reflect today's values. This highlights overall profitability of investment. As more complex to calculate, it is more likely to be used by large firms.

Factors influencing
Investment criteria; rate of interest available; levels of profit; alternative investments available; how sensitive outcomes are (i.e. payback time, ARR or NPV figures); are there changes in other variables like selling price or volumes, the high sensitivity to greater risk.

Non-financial factors
1. Corporate image – attempting to reflect positive corporate image
2. Corporate aims + objectives – what the business wants to achieve
3. Environmental and ethical issues
4. Industrial relations

Risk
This is the chance of something bad happening. Forecast of future sales is difficult because they are unsure of consumer's or competitor's reactions

Sensitivity analysis
This uses variations in forecasts to allow for a range of outcomes. Sometimes called 'What ifs'. This helps managers identify the degree of risk by measuring outcomes.

Unit 8: Strategic direction

Strategic decisions are long-term and hard to reverse.
They take a considerable amount of resources so must be taken with account for risks.

First, businesses decide which direction they should go. Then they decide their strategic position within the market. They then use strategic methods (Unit 9) and strategic implementation (Unit 10) to make the change stick.

1. Choosing which markets to compete in and what products to offer

The main theory is Ansoff's matrix:

	Existing product	New product
Existing market	**Market penetration**	**New product development**
New markets	**Market development**	**Diversification**

Market penetration
- Strategies that boost sales
- Increasing market share
- Low risk as already known products and customers

Market development
- Existing product but targeting new market segment
- Could be geographical or demographic
- This is a risk as entering a new market and unsure of reaction

New product development
- New products to an existing customer – this could be changes in attitude or requirements
- High risks as may not be successful

Diversification
- New products to new customers
- This is the riskiest option as unfamiliar with products or customers

This is a framework for assessing risk factors and should include: costs; returns; opportunity costs; risk; the fit with business strengths; the impact on stakeholders; the ethical issues (see Unit 7).

2. Strategic positioning

How a business is perceived relative to other businesses in the market

Theories

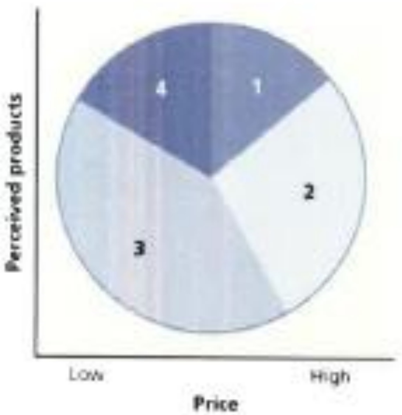
Porter's strategies

Cost leadership strategy
- Reducing costs: greater profit margin or offering lower prices to customers
- Can achieve economies of scale
- Managerial experience
- Product/process design to reduce costs

Differentiation strategy
- Offering more benefits than rivals: can charge higher price

Both can be done to whole markets or be 'focused' on a smaller one, i.e. Mass or Niche

Bowan's strategic clock
Highlights options that are open to business



Differentiation strategy
Used to increase market share (without or with price premium)

Non-competitive strategies
i.e. price too high for perceived quality

Low-price strategy
Quality can be poor to maintain lower price

Hybrid strategy
Achieving economies of scale, or going aggressively after market share

Unit 9: How to pursue strategies

Impact

TIR
- Reduces time for recruitment
- Process; more training needed; data
- Storage – Data Protection Act

Marketing
- Personalised marketing
- Conversations with customers on social media
- More market research info available (see below)
- Access to more customers

Finance
- Access to greater controls
- Credit control

Ops Man
- Ability to match supply + demand
- 'Pull' system of purchasing – JIT
- More efficient
- Stronger links with suppliers
- Reducing costs

Digital technology
- Aid communication, analyse multiple sets of data
- Digital transformation – to incorporate digital technology
  - Driven by customer perception of technologies

E-commerce
- Transactions that are conducted electronically
  - Can be B2C, B2B

Subscription
To provide info in exchange for details

Advertising
Get as many visitors to websites as possible

Many different ways for customers to interact with businesses

ERP
- Enterprise Resource Planning
  - Management of one database of info to aid decision-making. Improves info flow

Big data
Large amount of data to be analysed
- Marketing
  - Purchase history
  - Customer Relations Management
  - Social media IRR Recommendations
- Operations
  - Machines order their own spare parts!

Data mining
Using large pre-existing databases to generate new info; a type of market research. Big impact on marketing

Internationalism
A growth strategy
- Saturation of domestic market
- Profitability
- Risk spreading
- Competitiveness – access to large markets

Impact
Marketing
- Understanding cultural differences, test marketing; reputation of off-shoring

TIR
- Training, hiring staff abroad, laying off staff in UK; targets for management

Financial
- Poor controls
- Franchising – Minimal amount of investment
- Acquisition – Reduce risks
- Setting up in a region – Substantial amount of investment
- Off-shoring – Reduce unit costs, hidden costs

Ops man
- Environmental concerns
- Operational – Ensuring quality
- Mismanagement – Having sufficient management controls

Innovation
Research and Development for new products.
- New manufacturing processes
  - New or improved processes; communication methods
- New procedures to make new products
  - Development and marketing of new or redesigned goods or services
- +ve: Improved quality reduced costs per unit competitive advantage flexibility

Methods
Entrepreneurship: Allowing employees to be creative while working for a large organisation. Done through job design (Unit 6), Ops man (Unit 4)

Benchmarking
Identifying best practice used in production process and replicating

R + D
Customer-orientated
- Identifies customer needs and then finds solutions

Product-orientated
- Develop products and then find a market

Kaizen
Eliminating waste; improving quality; motivates staff

Protecting ideas
The Copyright, Design and Patents Act 1988

Patents	*Copyright*
Protect new inventions.	Gives legal protection for authors, composers and artists for 70 years after their death

Impact
Finance: Expensive, large budgets needed; tighter controls needed

TIR: Training employees. Positive attitude and culture; better applications for vacancies

Ops man: New machinery or processes will need training (see learning curve)

Marketing: Creating USP. Product development.

Growth
This is a normal business objective
- Organic
  - Slower, less risky. Develops USP. Grows from core business over time
- Retrenchment
  - Cutting back
  - Reduction in staff; closing factories; delayering
- Economies of scale
  Cost advantages to being bigger
  - Lower unit costs
  - Can be: technical; purchasing; managerial
- Diseconomies of scale
  Communication worsens; hierarchy becomes too inflexible
- Synergy
  - When acquisitions enhance each other
- Overtrading
  - Rapid growth and taking too many orders means greater debt or costs not controlled
- Learning curve
  - It takes time to learn something new and to be competent at it. The production can also decrease before finally increasing
- Impact
- TIR – Job security; hiring right people; compensating people
- Ops man – Processes have to grow as business grows. Growth. Purchase of new machinery. Workforce will be demotivated in retrenchment

Geiner's growth model
- Fast growth causes problems and this theory explains the stages of growth and the problems
  - Phase 1 – Growth through entrepreneurial creativity
  - Phase 2 – Growth through direction. Clear focus; incentive schemes
  - Phase 3 – Growth through delegation. Managers struggle to delegate. Enter 'Control Crisis'
  - Phase 4 – Growth through co-ordination and monitoring. Reorganises business; bureaucracy gets worse
  - Phase 5 – Growth through collaboration. The financial rewards are team-based
  - Phase 6 – Growth through extra-organisational solutions. The growth continues inorganically
- Marketing – Becomes more complex as product portfolio grows
- Finances – More capital is needed; cash flow issues, therefore, more controls are needed. If retrenching happens, then redundancy payments will need to be budgeted

Theory
Barlett & Ghoshal
Difference between multinational, global international + transnational businesses. It looks at the assets and culture; role of the overseas operation, the development and use of knowledge.

Inorganic/external growth
Acquisitions are made with less effort; more risks. Short-term strategy as it immediately changes the size of a business.

Mergers
This is when two businesses come together

Takeovers
One firm buys a majority share in another

Types of growth
Vertical integration – From same industry
Backward vertical – Buying supplies
Forward integration – Buy customer-facing businesses
Horizontal integration – Coming together from the same stage in production
Conglomerate integration – Businesses from unrelated markets coming together

Risks
Cultural, social + language
- Different cultures and social norms in countries can cause problems with marketing product needs
  - Legislation – H+S, marketing + environmental issues
  - Economic factors – Exchange rate fluctuations
  - Political factors – Export licenses, political differences

Methods
Exporting – Manufacturing at domestic country then selling in another
Direct investment – Growing organically by building factories; takeovers or mergers
Licensing – Giving permission for products to be made under license in another country
Joint ventures – Two businesses act as one to launch a new product
Franchising – Control over processes but limited financial commitments

Producing abroad (off-shoring)
The business moves its production overseas, which will give:
Cheaper wages; less regulation; less concern for environment; fewer taxes.
–ve: quality issues, reputation, volatile raw material prices, exchange rate fluctuations.

Re-shoring
Returning manufacture to the UK – Possibly for ethical reasons

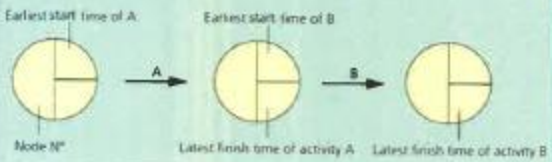
Ops man
Off-shoring can give quality issues. Multi-national work needs more collaboration + communication

Critical path analysis (CPA)

CPA is a project management tool to aid strategic implementation. Managers have to: collect data; draft diagram; earliest start time; latest finish time; identify the critical path.
Critical path is the path that has critical timings for the whole project. It identifies 'float' times so that extra resources can be put in place if needed.

+ve
Visual, considers resources needed
Identifies simultaneous activities

–ve
Expensive and time-consuming
Too complex for some projects
Only considers quantitative data



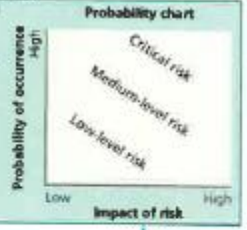
Strategic planning

Measure performance:
- Learning to improve
- Complying with regulation
- Controlling + monitoring people

Need to plot the right course

Contingency planning

Plan for the unexpected outcome. Risk management
A probability map helps managers to decide what to write a contingency plan for



Problems of strategic decisions

Strategic decisions should be communicated to all stakeholders
- The problems could be:
  - Insufficient data
  - Incomplete data
  - Inaccurate data

  } or assumptions made from data (Unit 10)

Planned strategy
- Follow a plan
  - Identify objectives
  - Carry out SWOT, PESTLE
  - Use data to choose appropriate strategy

For large-scale manufacturing

Emergency strategy (Mintzberg)
- Begin implementing before objectives are defined
- Strategy implementation precedes the strategy formulation
- Allocate resources before strategy chosen

For fast-moving industries

Strategic drift

A strategy is not changed quickly enough
Where business should be ⟶ Strategic drift ⟶ Where business is

Businesses can be:
- Ahead of change curve (therefore ahead of competition)
- In pace with change
- Behind change (behind competition)

Unit 10: Managing strategic change

Control and ownership

Smaller business's owners also have complete control.
As business grows and shareholders are brought in, ownership separates from control

Corporate governance

Mechanisms: Rights + responsibilities
Processes: How objectives are pursued
Relations: Stakeholders' interests
- These are used to control or direct the corporation
- Corporate governance ensures that people who control and have power are held accountable to owners (shareholders) or stakeholders.

Changing cultures

Not easy! Businesses may need to change because of:
- Market changes
- Change of ownership (Unit 9)
- Change of leadership
- Economic conditions

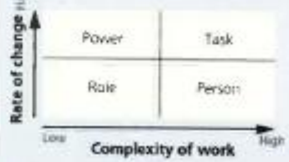
Poor performance through:
- Financial
- Quality
- Customer service

Problems

Overuse of power tools + coercion used
Underuse of management tools – poor planning
Using power tools – procedures but no substance

Organisational culture

- The behaviour of people within an organisation. "the way things are done around here".
  - Who we are
  - What we do
  - What we stand for
- Comes from:
  - Company routines
  - Organisational structure
  - Power structures – relationships
  - Symbols – pay scales
  - Rituals + myths – patterns of behaviour
- Theory
  Charles Handy



- Hofstede's national culture
  (Different societies have very different cultures at work)
  - Power distance
  - Individualism vs. collectivism
  - Masculinity vs. femininity
  - Uncertainty avoidance

Strategic implementation

The process of allocating resources to support the chosen strategy elements

1. Leadership – Pick the right team; communicate change; monitor progress (Unit 2)

Authoritarian
Close control, direct supervision
- +ve: Quick implementation, minimum disruption
- –ve: Do not take team on journey with them

Democratic
Takes ideas before making decisions
- +ve: More ideas generated
- –ve: More time to implement

2. Turning strategy into action
   a. Clear intent – Explain, educate, guide
   b. Develop action plans – How will they achieve change? Time scales
   c. Cascade work plan to team – Define responsibilities
3. Performance
   a. Communicate strategy – Objectives, roles
   b. Measure performance – What will success look like?
   c. Emotional contract – KPI "psychological change"

Kotter 8 steps to change
- Create right environment. Engage and enable the organisation. Implement and sustain the change

Organisational structure
- Centralised decision-making can affect how easy it is to implement strategies

Lewin's force field

Driving forces ⟶ Desired state ⟶ Restraining forces

+ve
- Simple to use
- Main reasons identified
- Visual

–ve
- Manager creates own values
- May mischarge
- Difficult to quantify

Managing change

Businesses need to change because: maintain competitive edge; customer needs change; digital technology (Unit 9); economic influences

Causes of change:

External
PESTLE
Competition

Internal
Staff; culture; leadership; poor performance; growth (Unit 9)

Types of change:

Incremental
Small changes
Inclusive of employees
"Kaizen"

Disruptive
Shock, future visions have to change. Underlying shifts

Barriers to change

Kotter & Schlesinger
- Four reasons:
  1. Parochial self-interest
  2. Misunderstandings: communications are inadequate
  3. Low tolerance to change – too much change already
  4. Different assessments of the situation
- Employees – Can resist change because:
  - Habit – Difficult to break
  - Economic – Affecting pay or rewards
  - Fear of unknown – Anxiety of future
- Organisation
  - Existing power structures
  - Resistance from work groups
  - Failure of previous change
- Reasons for change failing
  - Employees do not understand
  - Lack of planning
  - Lack of resources
  - Poor communication
  - Inadequate reward system

Organisational flexibility

Changing organisational structure so that change can occur.
Could also offer:

Flexible contracts – employees have more choice about when to work
+ve: Motivation through freedom; improved morale; reduced costs
–ve: Admin costs; premises need to be open longer; trust needed

Knowledge management – Flexibility can occur through how knowledge is managed. Knowledge must be available to the right people at the right time
Information management – How information is managed through business gives flexibility. Consider Big Data (Unit 9) and digital technology
Restructuring – Changing the shape of the organisation by: dismissing; delivering; outsourcing
+ve: Reduces costs
Improves comms
Competitive edge
–ve: Lose highly-skilled people; retraining needs; low morale

Delayering – removing a layer of management
+ve: Empowerment through job design (Unit 6); improve comms, reduce costs
–ve: Not all businesses suited to this. Reduced motivation and security. Wider span of control (Unit 6)

Organic structure – Open structures – normally with flat hierarchy, low specialisation needs; decentralised
Mechanistic structure – Layers of hierarchy, centralised procedures and processes important

Overcoming barriers

Kotter & Schlesinger's 6 reasons:
1. Education and communication
2. Participation and involvement
3. Facilitation support
4. Negotiation + agreement
5. Manipulation and cooperation
6. Explicit or implicit coercion