



BUSINESS MANAGEMENT





BUSINESS MANAGEMENT

Unit 1.1 What is a business?

Topic 1: Introduction to Business Management



BUSINESS MANAGEMENT

Unit content

Content	Assessment objective
<u>The nature of business</u>	AO1
<u>Primary, secondary, tertiary and quaternary sectors</u>	AO2
<u>Entrepreneurship</u>	AO2
<u>Challenges and opportunities for starting a business</u>	AO2
Business Management Toolkit <ul style="list-style-type: none"><u>Business plans</u>	
<u>Concepts in Business Management</u>	



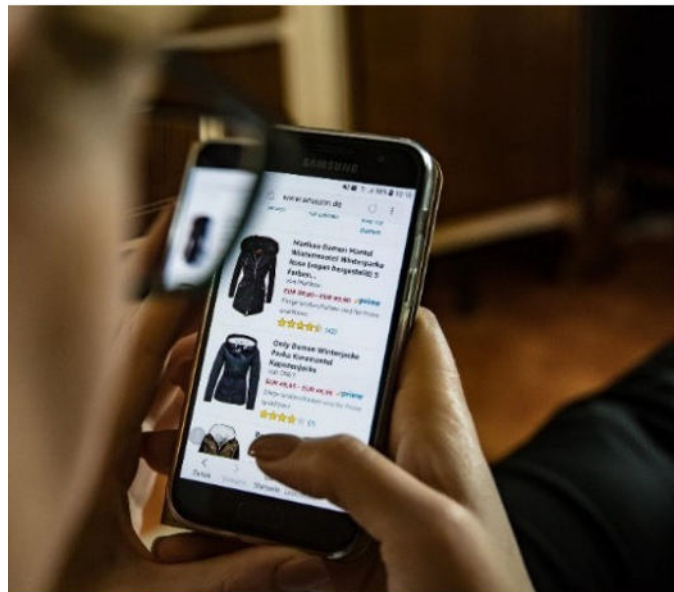
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The nature of business



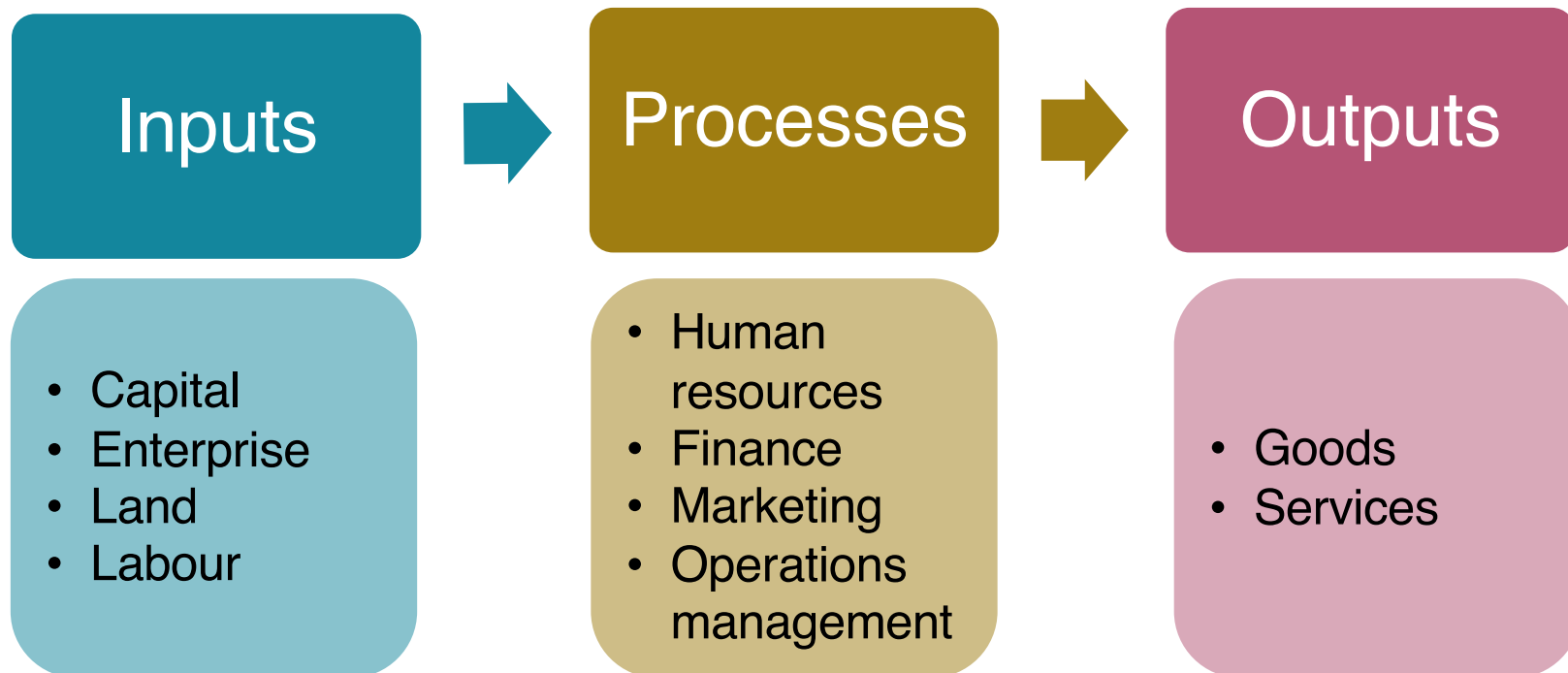
What is a business?

1. Discuss this question with each other.
2. Write your answer onto a sticky note and stick it on the wall of your classroom.
3. Take a few minutes to look at each other's answers.
 - i. What do your answers have in common?
 - ii. What are some of the differences in your answers?



Businesses as decision-making organizations

- A business is a decision-making organization involved in the process of using inputs to produce goods and/or services.

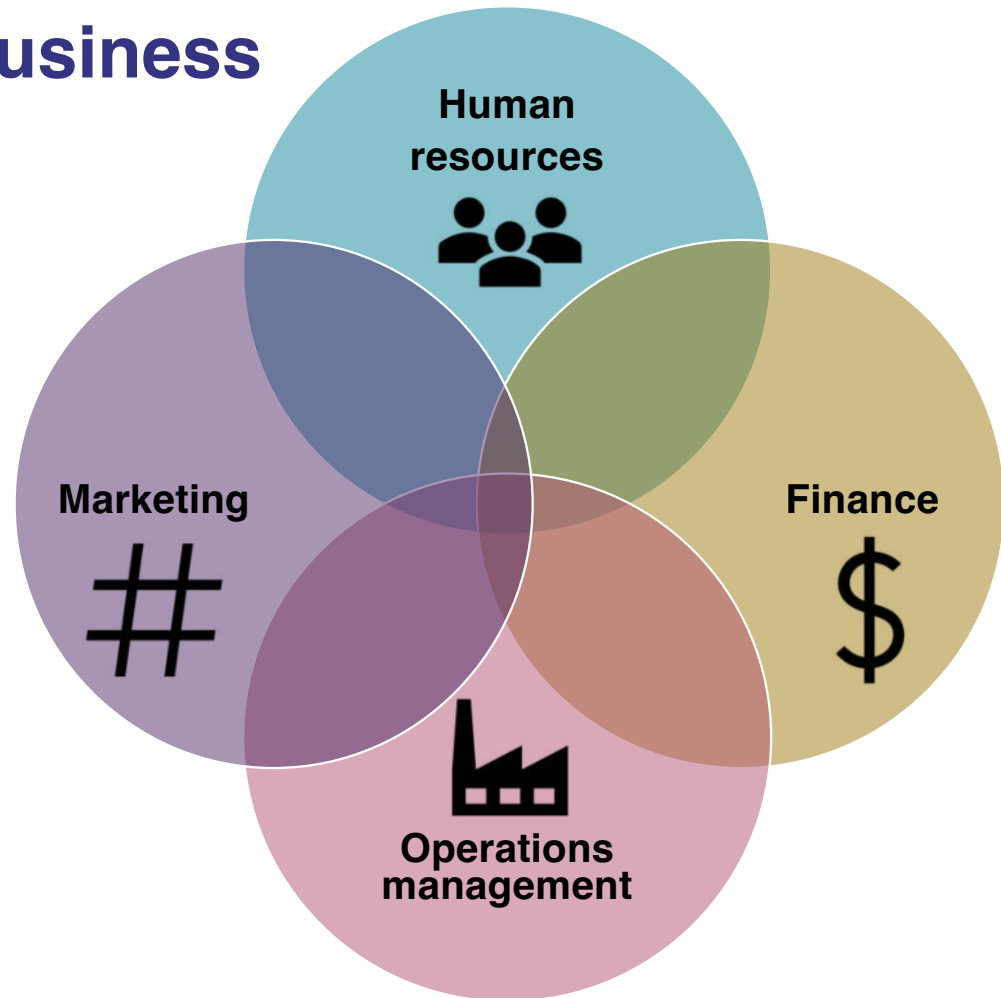


Over to you
What are some of the inputs, processes and outputs of a bakery business?

Inputs	Processes	Outputs
Labour	Mixing	Bread
Raw materials	Kneading	Cakes
Equipment	Baking	Pastries
Machinery	Packaging	Delivery

Functional areas of a business

- For a business organization to operate effectively, tasks must be carried out by functional areas (i.e. departments).
- These departments are interdependent (i.e. they must work together to reach the organization's goals).





Human resources

- Manages the personnel of the organization.
- Personnel issues include:
 - Workforce planning
 - Recruitment
 - Training
 - Appraisals
 - Dismissals
 - Redundancies
 - Outsourcing HR strategies





Finance and accounts

- Manages the organization's money.
- Accurate recording and reporting of financial documents must take place to:
 - Comply with legal requirements (e.g., taxation laws)
 - Inform stakeholders such as shareholders and potential investors.





Marketing

- Responsible for identifying and meeting the needs and wants of customers.
- Key functions focus on the seven Ps of marketing:
 1. Product
 2. Price
 3. Place
 4. Promotion
 5. People
 6. Processes
 7. Physical evidence





Operations management

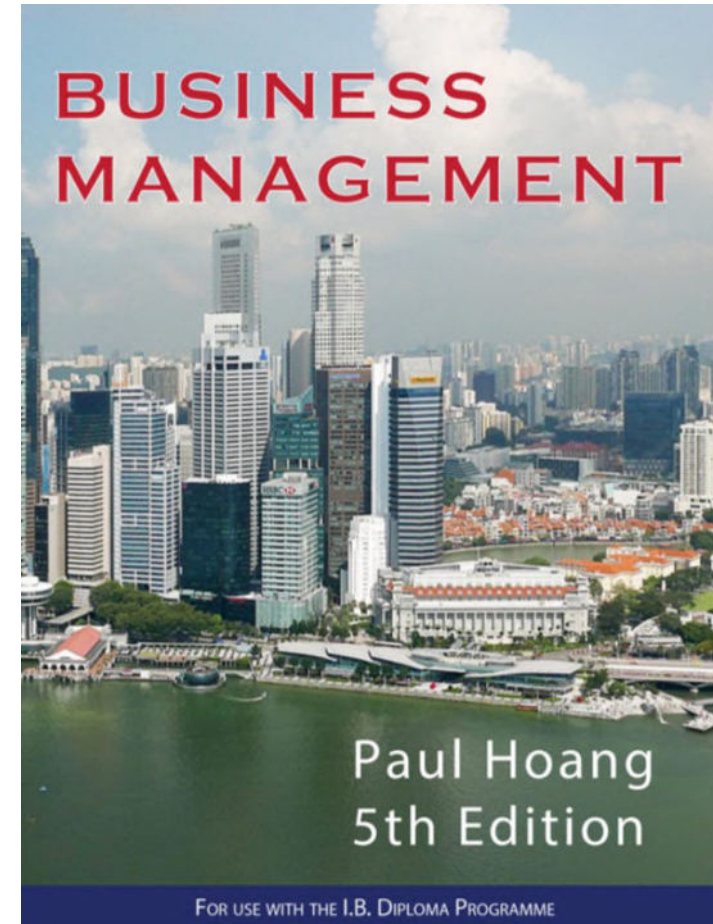
- Responsible for the process of converting raw materials and components into finished goods.
- Operations management also applies to the process of providing services to customers.





Over to you

- Hoang textbook
- Question 1.1 *The business of education*
 - Page 13
- Answer all parts





Primary, secondary, tertiary and quaternary sectors

Business sectors

- Businesses can be classified according to the stage of production they are engaged in.
- These are known as **sectors of an economy**.



Primary sector

Businesses in this sector are involved in the extraction, harvesting and conversion of natural resources.

State **three** examples of businesses from the primary sector.





Secondary sector

Businesses in this sector are involved in the manufacturing or construction of products.

State **three** examples of businesses from the secondary sector.





Tertiary sector

Businesses in this sector specialize in providing services to the general population.

State **three** examples of businesses from the tertiary sector.





Quaternary sector

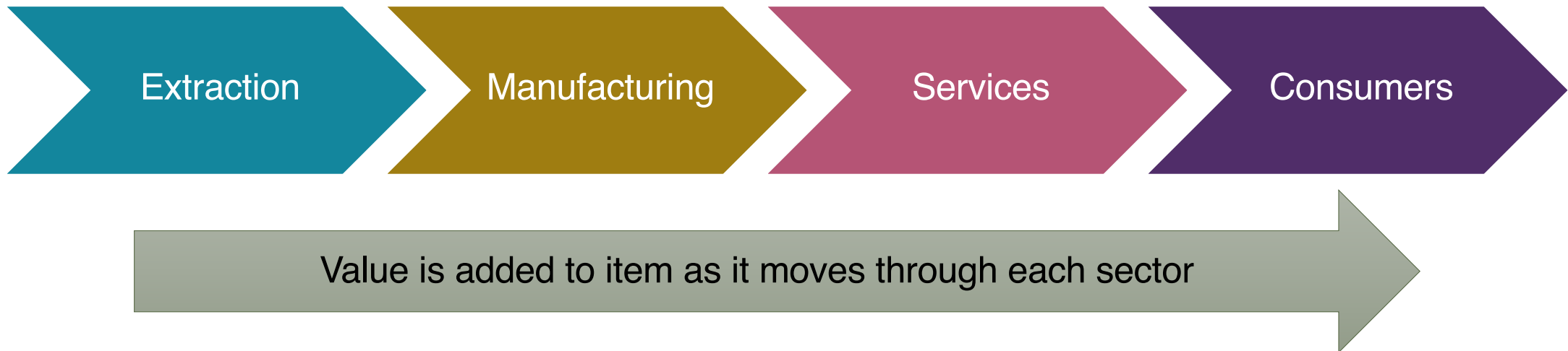
Businesses in this sector are involved in intellectual, knowledge-based activities that generate and share information.

State **three** examples of businesses from the quaternary sector.



The chain of production

- The chain of production links all the production sectors by tracking the stages of an item's production from the extraction of raw materials all the way through to it being delivered the consumer.
- As the item makes its way through the chain of production, value is added to the item.



The chain of production from cocoa beans to chocolate



Extraction
from the
primary sector



Manufacturing
in the
secondary
sector



Services
from the tertiary
(or quaternary
sector)



Consumer
purchases the
good/service

Cocoa beans have value added to it as it is increasingly processed in the chain of production

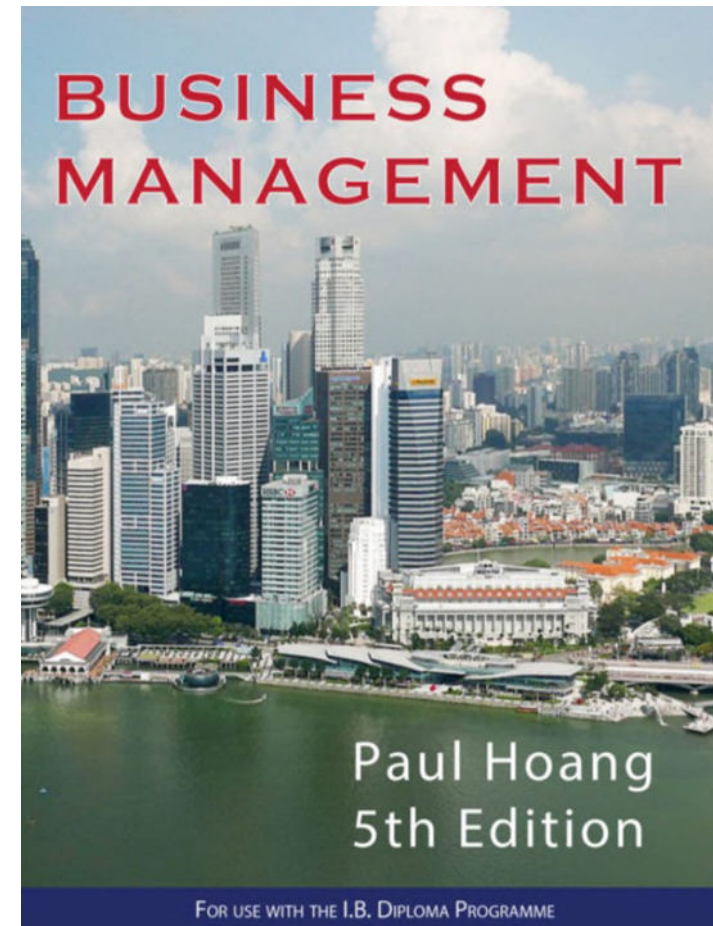
Milk chocolate made from scratch





Over to you

- Hoang textbook
- Question 1.2 *Production sectors*
 - Page 16
- Answer all parts





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Entrepreneurship



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Guess the entrepreneur

	Clues	HINT!
1	Quit her job in finance to become makeup artist and beauty blogger.	Click to reveal
	Started her business with her sisters when she could not find false eyelashes she wanted to buy.	
	Makes about USD\$250 million annually from sales of cosmetics.	
2	Founded his B2B marketplace website in 1999 with 17 of his friends in his apartment in Hangzhou, China.	Click to reveal
	Today his firm is a multinational company specializing in e-commerce, retail, internet, and technology.	
	The firm's IPO became the largest IPO in history when it raised USD\$21.8 billion in 2014.	
3	Discovered by Jay-Z as a teenager.	Click to reveal
	Started her career as a musician before starting a clothing and beauty line.	
	Be 2021.	



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Guess the entrepreneur (continued)

	Clues	HINT!
4	Born in Aden (present day Yemen).	Click to reveal
	Dropped out of MBA at <i>Stanford University</i> to return home to help his father build the family business.	
	His multinational conglomerate includes businesses in energy, petrochemicals, natural gas, retail, telecommunications, mass media, and textiles.	
5	Played professional tennis for nearly 20 years.	Click to reveal
	Won five Grand Slam singles titles.	
	Launched a premium candy business in 2012 with sales reaching a peak of USD\$20 million in 2019.	
6	Born in South Africa.	Click to reveal
	Co-founded <i>PayPal</i> .	
	Has a multibillion dollar business in transportation on Earth and in space.	



Entrepreneurs

- An entrepreneur is an individual who plans, organizes and manages a business, taking on financial risks in doing so.
- Characteristics of entrepreneurs include:
 - Taking substantial risks
 - Having a vision for the business.
 - Rewarded with profit.
 - Responsibility for employees.
 - Failure may result in personal costs.





Challenges and opportunities for starting a business

Commonly encountered challenges for new businesses



Production problems



Poor location



People management problems



External influences



Legalities



Marketing problems



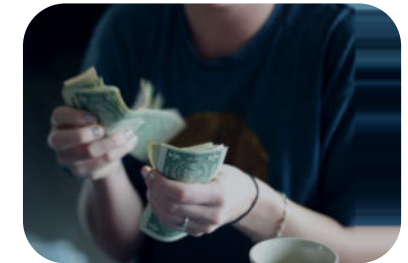
Unstable customer base



Lack of finance capital



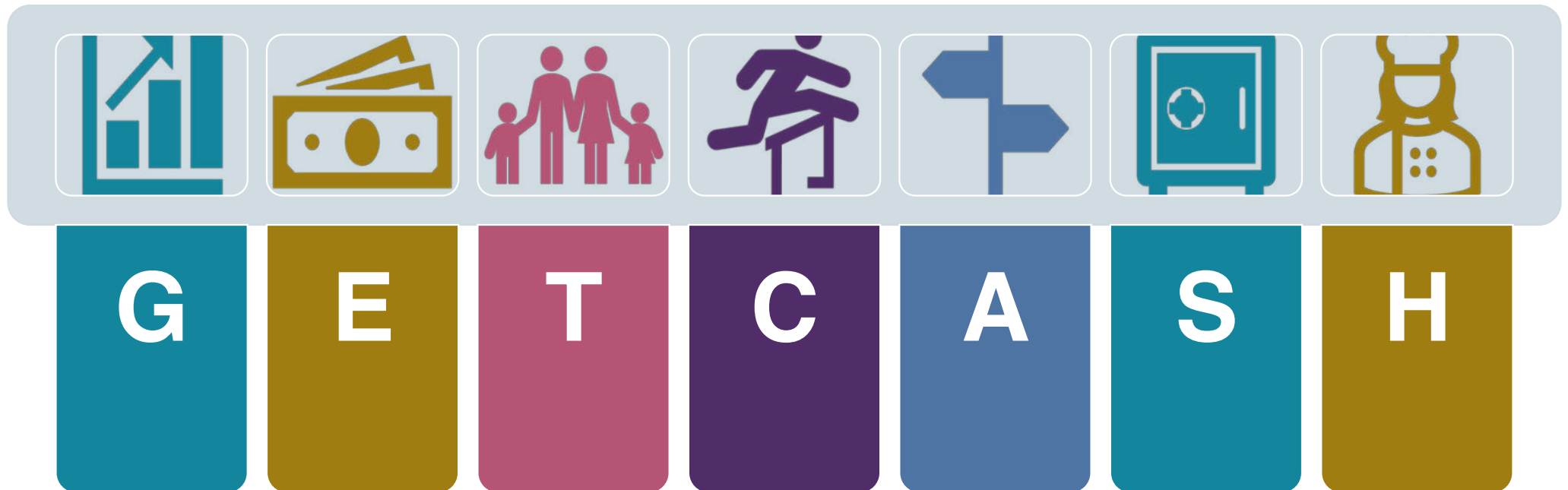
High production costs



Cash flow problems

Opportunities for starting up a business

- There are many potential opportunities for starting a business. They can be easily remembered by the mnemonic GET CASH©.



Growth

- Capital growth is one of the rewards to entrepreneurs who own their own businesses.
 - This is when there is an appreciation in the value of the assets of the business (e.g. land and buildings).
- Capital growth has the potential to become worth more than the value of the owners' salaries.



Earnings

- Entrepreneurs can earn far in excess of salaries from any other occupation that they might pursue working for someone else.





Transference and inheritance

- In many societies, it is the cultural norm for entrepreneurs to pass on their businesses (transference) to the next generation of children (inheritance) to secure the future of the younger generation.





Challenge

- Some people view the setting up and running of a business to be an enjoyable challenge.





Autonomy

- There is autonomy (independence, freedom of choice and flexibility) in how a business is run by the self-employed.
- This is highly attractive to individuals who prefer to decide how they work instead of following the instructions and rules set by their employers.





Security

- Being self-employed can offer more job security than working for an employer.
- It is potentially easier to increase personal wealth for financial security in retirement.





Hobbies

- Some people want to pursue their passion or turn their hobby into a business.

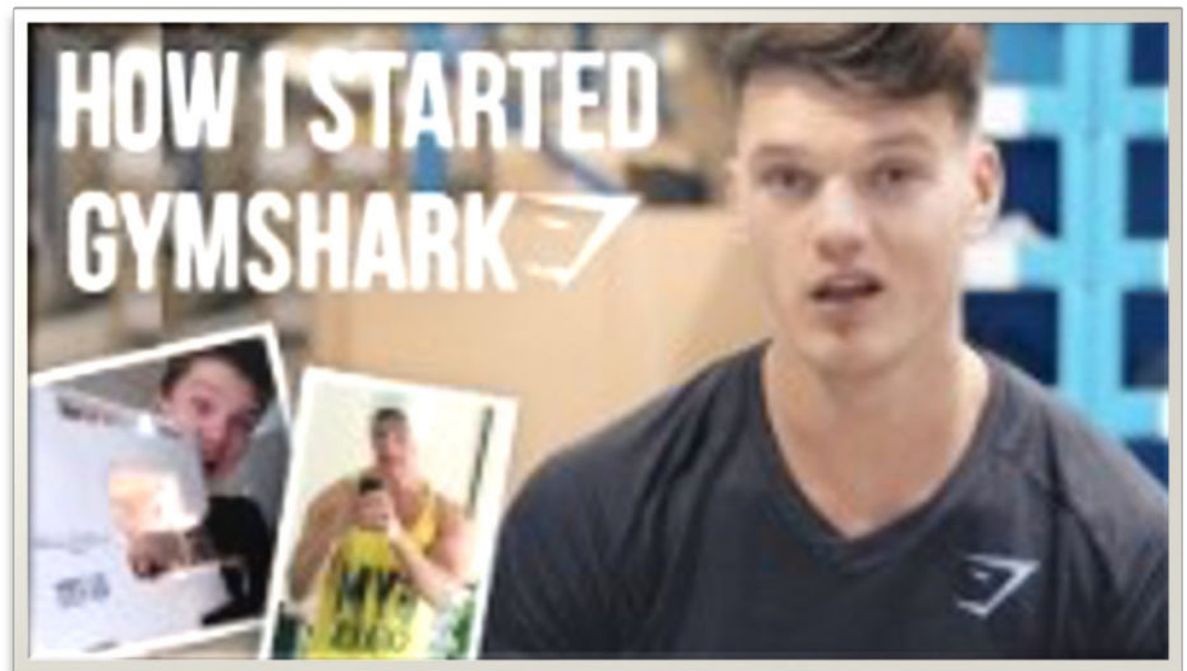


Entrepreneurship in action at Gymshark

Ben Francis, founder of *Gymshark*, talks about how he started his sports apparel business.

Watch this video and identify as many:

1. Challenges encountered by *Gymshark* as a new business.
2. Opportunities enjoyed during the growth of *Gymshark*.





Theory of knowledge

Look at the reasons for starting up a business. How do *reason* and *emotion* interact to affect the decision-making process?



Concepts in Business Management

- Concept-based learning is a three-dimensional model that structures:
 - Facts (content)
 - Skills
 - Concepts
- In Business Management, these concepts are:
 - Change
 - Creativity
 - Ethics
 - Sustainability
- These concepts will be explored in greater depth in all topics.





BMT: Business planning for a cleaning business

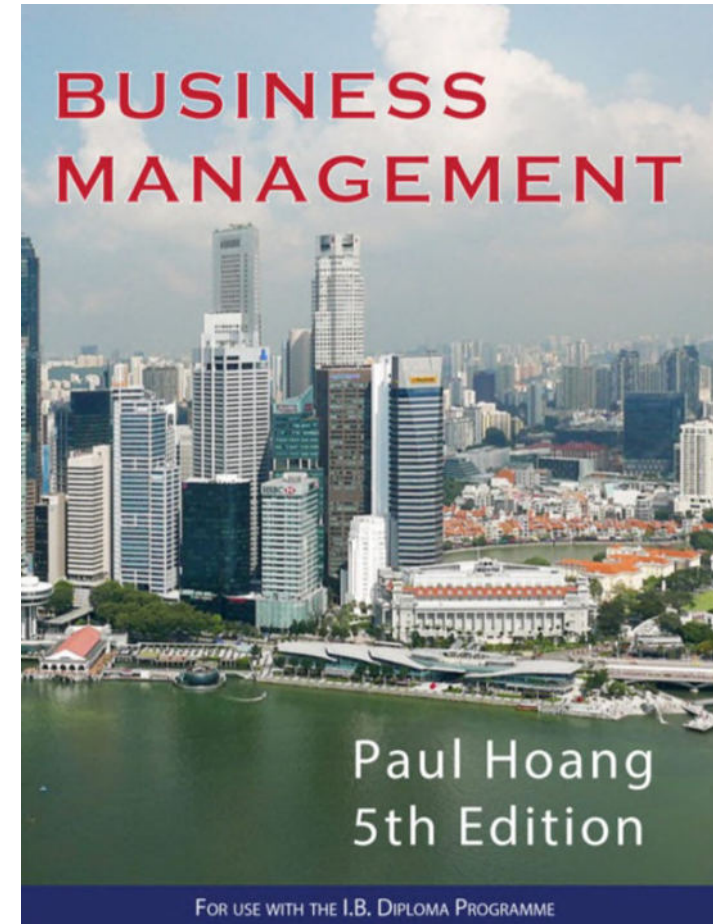
Scan the QR code to read an example of a business plan for a cleaning business.

- Identify a section of the business that will help a new cleaning business overcome the challenges of being a new business start-up.



Over to you

- Hoang textbook
- *Review Questions*
 - Page 20





BUSINESS MANAGEMENT

Unit 1.2 Types of business entities

Topic 1: Introduction to Business Management



BUSINESS MANAGEMENT

Unit content

Content	Assessment objective
<u>Distinction between private and the public sectors</u>	AO2
<u>The main features of the following types of organizations:</u> <ul style="list-style-type: none">• <u>Sole traders</u>• <u>Partnerships</u>• <u>Privately held companies</u>• <u>Publicly held companies</u>	AO3
<u>The main features of the following types of for-profit social enterprises:</u> <ul style="list-style-type: none">• <u>Private sector for-profit social enterprises</u>• <u>Public sector for-profit social enterprises</u>• <u>Cooperatives</u>	AO3

Unit content (continued)

Content	Assessment objective
<u>The main features of the following types of non-profit social enterprises:</u> <ul style="list-style-type: none"> <u>Non-governmental organizations (NGOs)</u> 	AO3
Business Management Toolkit <ul style="list-style-type: none"> <u>Porter's generic strategies</u> <u>STEEPLE analysis</u> 	
<u>Types of business entities and the Business Management concepts</u>	

Distinction between the private and the public sectors

Over to you

1. What do these businesses sell?
2. Who owns these businesses?
3. What is the main objective of these businesses?



Private vs. public sectors

- Businesses can be categorised into private or public sector organizations depending on:
 - who owns them.
 - their main business objective.
- Most businesses are in the private sector.

Private sector



- Organizations owned and controlled by private individuals and businesses.
- Main aim - to make profit.

Public sector



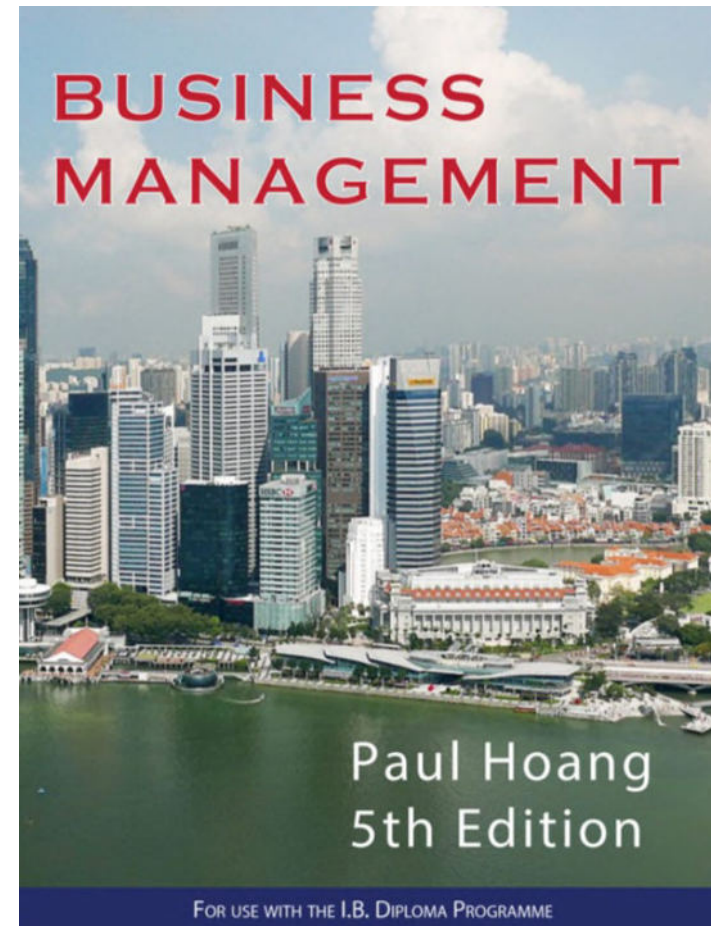
- Organizations owned and controlled by the government.
- Main aim - to provide essential goods and services.



Over to you

- Hoang textbook
- Question 2.1 *The private and public sectors*
 - Page 22
- Answer all parts

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The main features of the following types of organizations:

- Sole traders
- Partnerships
- Privately held companies
- Publicly held companies



Profit-based organizations

- These are revenue generating businesses with profit objectives at the core of their operations.
- Their goals are to:
 - Make a profit.
 - Reward the owners with profits from the business.
 - Return some of the profits back into the business for capital growth.





Sole traders

- These businesses are owned by individuals who own and run a personal business.
- This is the most common type of business ownership as it is relatively easy to set up.
- Start-up capital is usually obtained from personal savings and borrowing.
- Sole traders have unlimited liability.





Unlimited vs. limited liability

- When deciding on which type of organization to set up, an entrepreneur needs to consider whether or not to incorporate the business to benefit from limited liability.
- This video explains what it means to have limited liability (0:00 to 0:42).

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Sole traders



Advantages

- Few legal formalities
- Profit taking
- Being your own boss
- Personalised service
- Privacy
- Quicker decision-making



Disadvantages

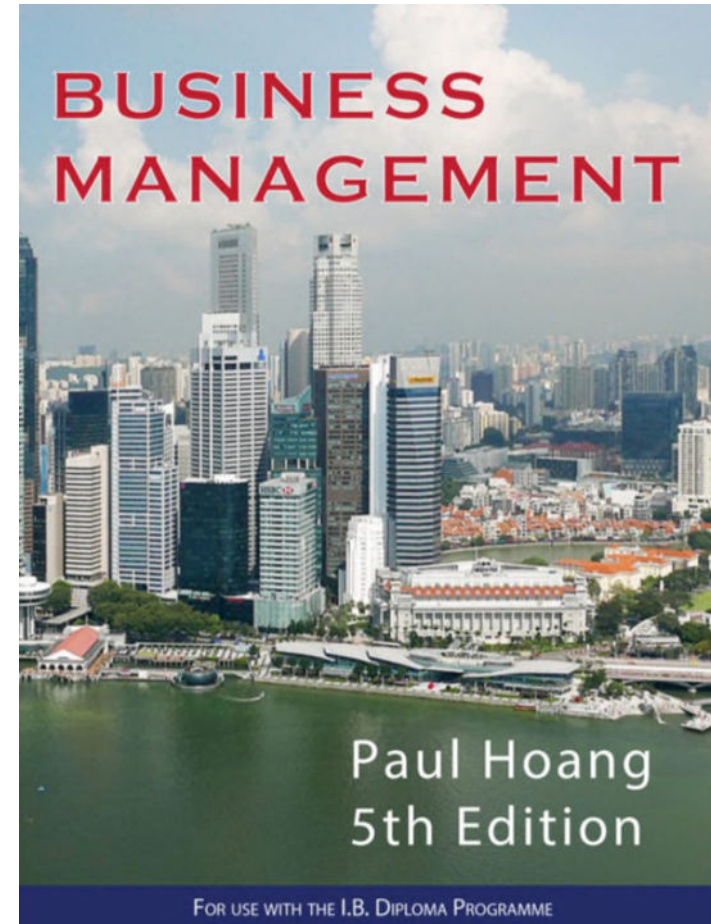
- Unlimited liability
- Limited sources of finance
- High risks
- Workload and stress
- Limited economies of scale
- Lack of continuity



Over to you

- Hoang textbook
- Question 2.2 *Flowers by Cam*
 - Page 24
- Answer all parts

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Partnerships

- Partnerships are owned by two or more persons (known as partners).
- At least one partner must have unlimited liability.
- Start-up finance is raised mostly by personal funds which are pooled together by the partners.
- A legal document known as a deed of partnership is drawn up to formalise agreements such as how profits and losses are to be shared between partners.





Partnerships



Advantages

- Financial strength
- Specialisation and division of labour
- Financial privacy
- Cost-effective



Disadvantages

- Unlimited liability
- A lack of continuity
- Prolonged decision-making
- Lack of harmony due to disputes/disagreements

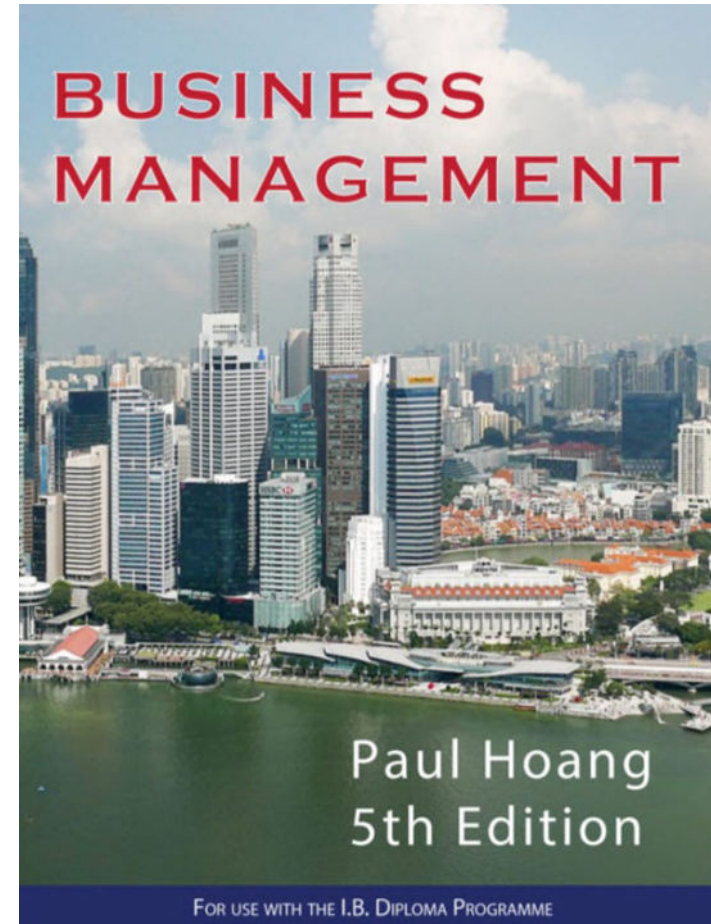
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Over to you

- Hoang textbook
- Question 2.3 *EXP: The Chinese Experience*
 - Page 26
- Answer all parts

BUSINESS MANAGEMENT





Limited liability companies

- These are businesses owned by their shareholders.
- Shareholders have invested money to provide capital for a company.
- Companies are incorporated businesses.
 - In the eyes of the law, the companies are treated as a legal entities separate from its owners.
 - This means they have limited liability.
- There are two types of companies – private held and publicly held companies.





Privately held companies

- A privately held company's shares are owned by friends and/or family.
- These shares cannot be traded publicly on the stock exchange.
- Shareholders can only sell their shares if they have prior permission from other shareholders.
- Typically, privately held companies are also family businesses.



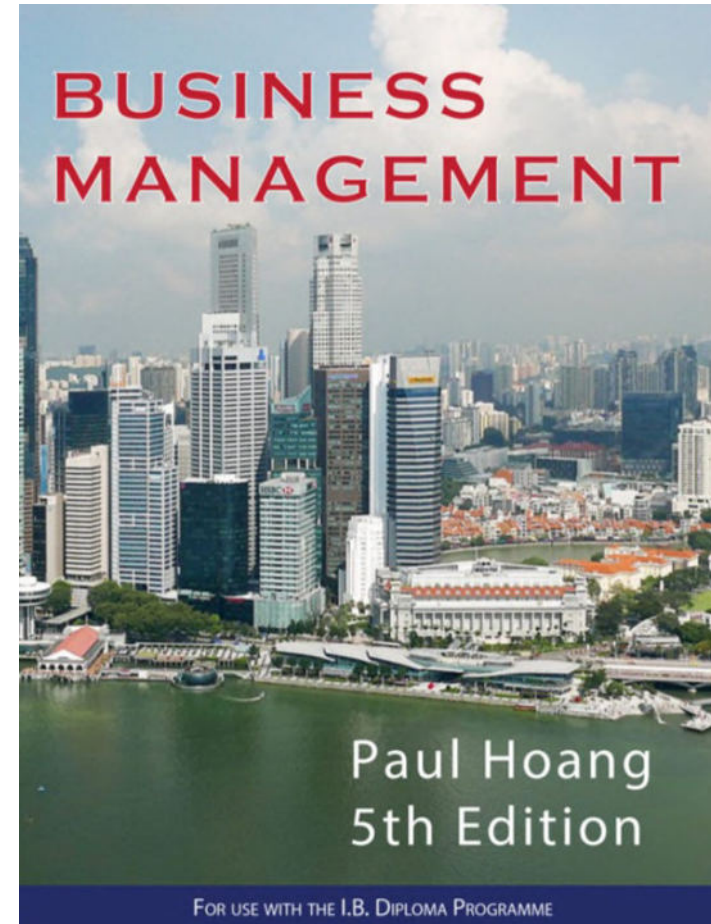
Mars, Aldi, and Ikea are all family businesses incorporated into privately held companies



Over to you

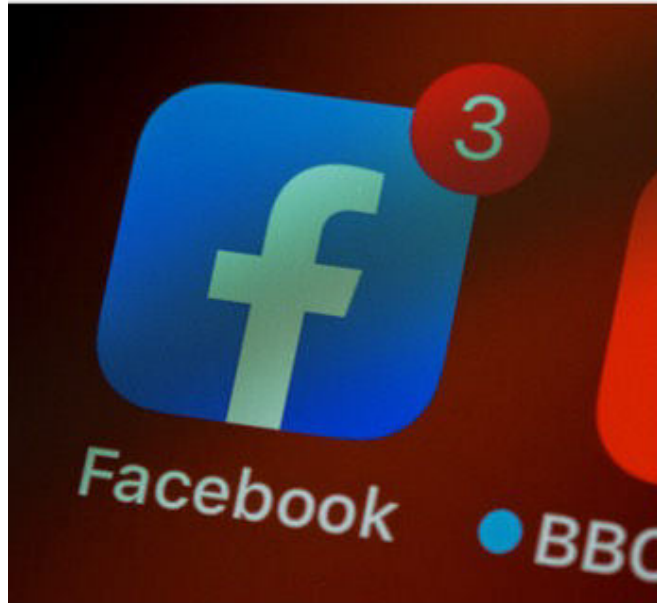
- Hoang textbook
- Question *2.4 Mars Inc.*
 - Page 29
- Answer all parts

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Publicly held companies

- A publicly held company can sell shares on the stock exchange.
- Shares are held by the general public.
- No prior permission by other shareholders is required for a shareholder to sell their shares.



Honda Motor Company, Ltd., The Walt Disney Company, and Facebook Inc. (Meta) are all publicly held companies.

Limited liability companies



Advantages

- Raising finance
- Limited liability
- Continuity
- Economies of scale
- Productivity
- Tax benefits



Disadvantages

- Communication problems
- Added complexities
- Compliance costs
- Disclosure of information
- Bureaucracy
- Loss of control



No-frills airlines



Full-service airlines



Private jet charter firms



Helicopter charter firms

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BMT: Porter's generic strategies and the aviation industry

Discuss how the use of Porter's generic strategies (see Chapter 53) can support firms in the aviation industry to decide on which form of business entity they should establish.

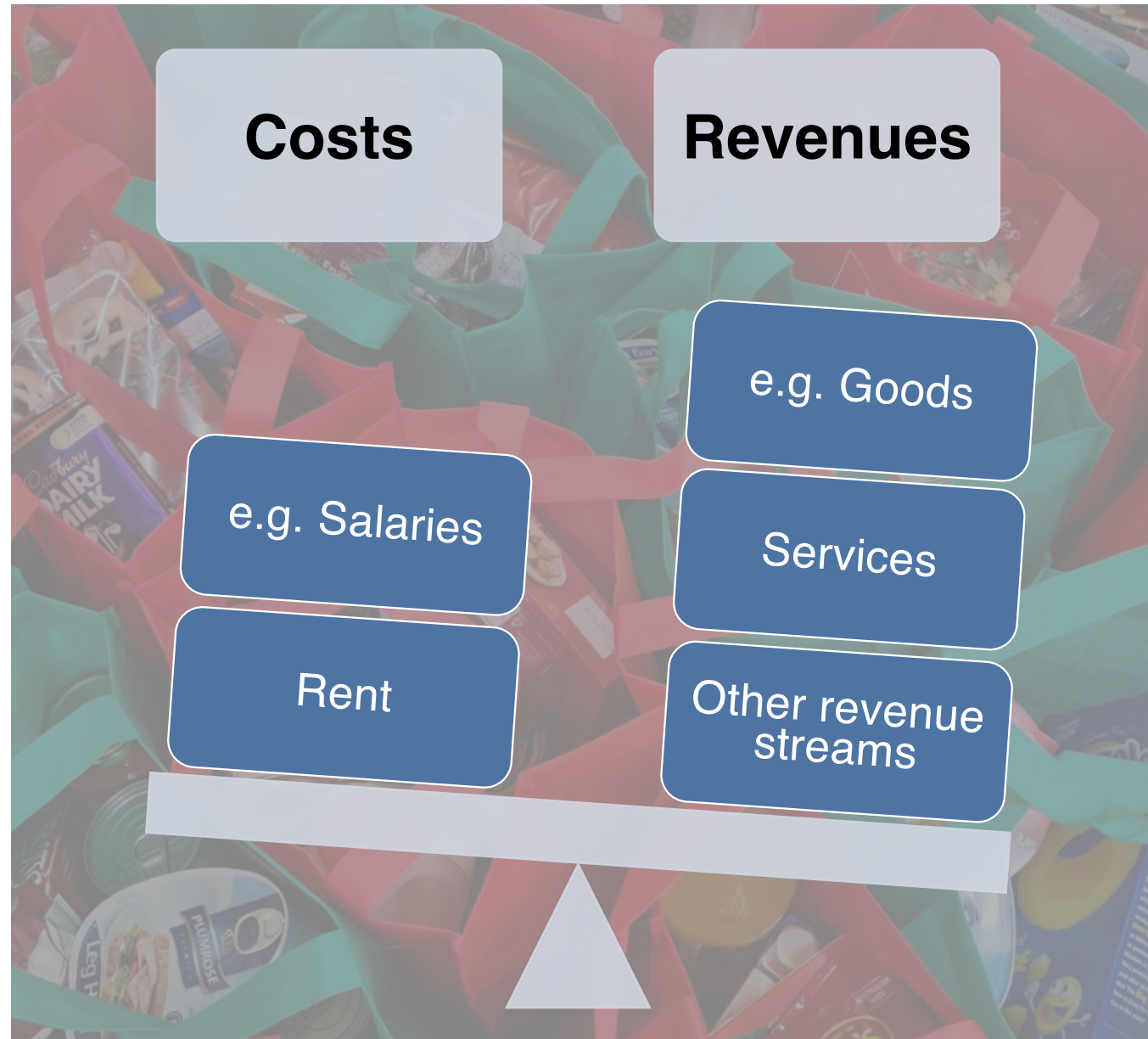


The main features of the following types of for-profit social enterprises:

- Private sector companies
- Public sector companies
- Cooperatives

For-profit social enterprises

- These are revenue generating enterprises with social objectives at the core of their operations.
- Their aims are to:
 - Make a surplus (i.e. earn revenue greater than costs incurred).
 - Use the surplus for the benefit of society.





Private sector for-profit social enterprises

- These enterprises operate in a similar way to traditional for-profit businesses.
- They aim to make a surplus instead of relying on donations to achieve social aims.
- These firms produce goods and/or services and compete with similar businesses.
- They often use the triple bottom line as an accounting framework for ethical business practises.

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This Saves Lives is a private sector for-profit social enterprise that aims to earn a surplus to end severe acute malnutrition in children.



Public sector for-profit social enterprises

- These enterprises are state-owned to operate in a commercial way.
- They help to raise government revenues to provide essential services to society that may be inefficient and undesirable if left solely to the private sector.

Niagara Falls attracts about 13 million tourists each year. *Ontario Niagara Parks Commission* was established by the Canadian government to manage the Canadian side of Niagara Falls, with a focus on reformed land use and sustainable tourism.

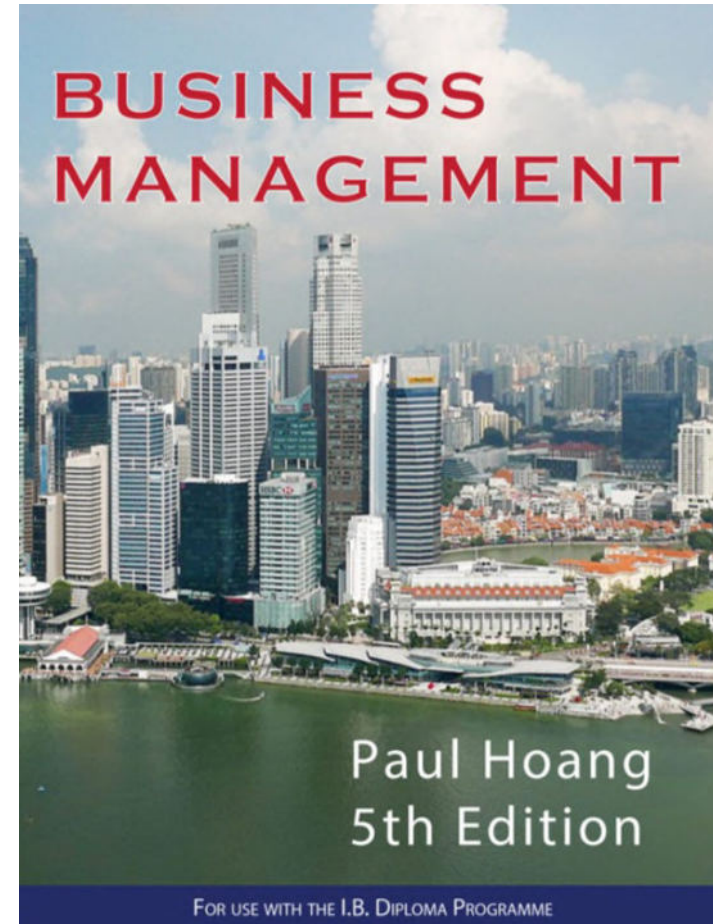




Over to you

- Hoang textbook
- Question *2.5 Hong Kong Disneyland (HKDL)*
 - Page 32
- Answer all parts

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Cooperatives

- Owners of cooperatives are called members.
- Members own and run cooperatives (i.e. they are also employees of the organization).
- Their aim is to create value for members by operating in a socially responsible way.
- All employees have a vote to contribute to decision-making.
- Any profits earned are shared between their members.



GlenWyvis Distillery

- GlenWyvis Distillery (GWD) is a Scottish cooperative established in Dingwall in 2015
- The purpose of GWD is to reinvigorate the community and economy of Dingwall through the creation of a distillery owned by local people.
- Watch this video about GWD.
 1. How does GWD benefit its members and the community of Dingwall?
 2. How does GWD operate in a socially sustainable way?





Cooperatives



Advantages

- Incentives to work
- Decision-making power
- Social benefits
- Public support



Disadvantages

- Disincentive effects
- Limited sources of finance
- Slower decision-making
- Limited promotional opportunities

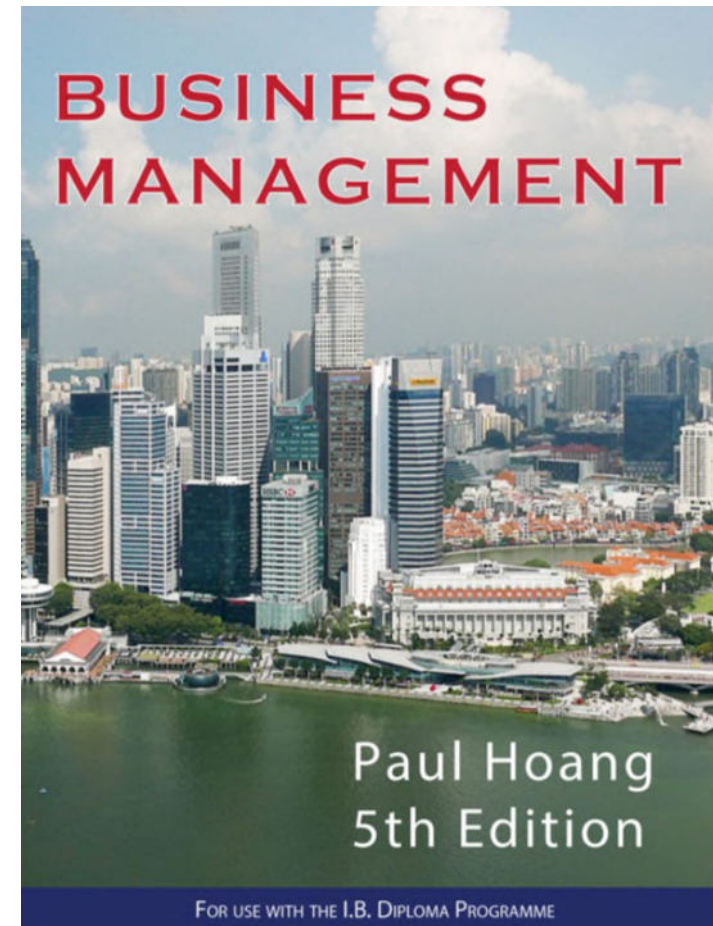
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Approaches to learning

- Hoang textbook
- Activity 2.1 *Research and Thinking skills*
 - Page 33
- Activity 2.2 *Research and Thinking skills*
 - Page 34

BUSINESS MANAGEMENT



BM Toolkit: STEEPLE analysis



- Examine the impact of changes in the external environment on the for-profit social enterprise you selected for Activity 2.2 in the previous slide.
- You may find it useful to refer to Chapter 46 (STEEPLE analysis) before attempting to answer this question.
- Be prepared to share your findings with the rest of the class.

The main features of the following types of non-profit social enterprises:

- Non-governmental organizations (NGOs)



Non-governmental organizations (NGOs)

- An NGO operates in the private sector.
- They provide goods and/or services normally expected from the public sector.
- However, these goods/services may be underprovided by governments.





UNICEF #foreverychild

Watch this video of
UNICEF and:

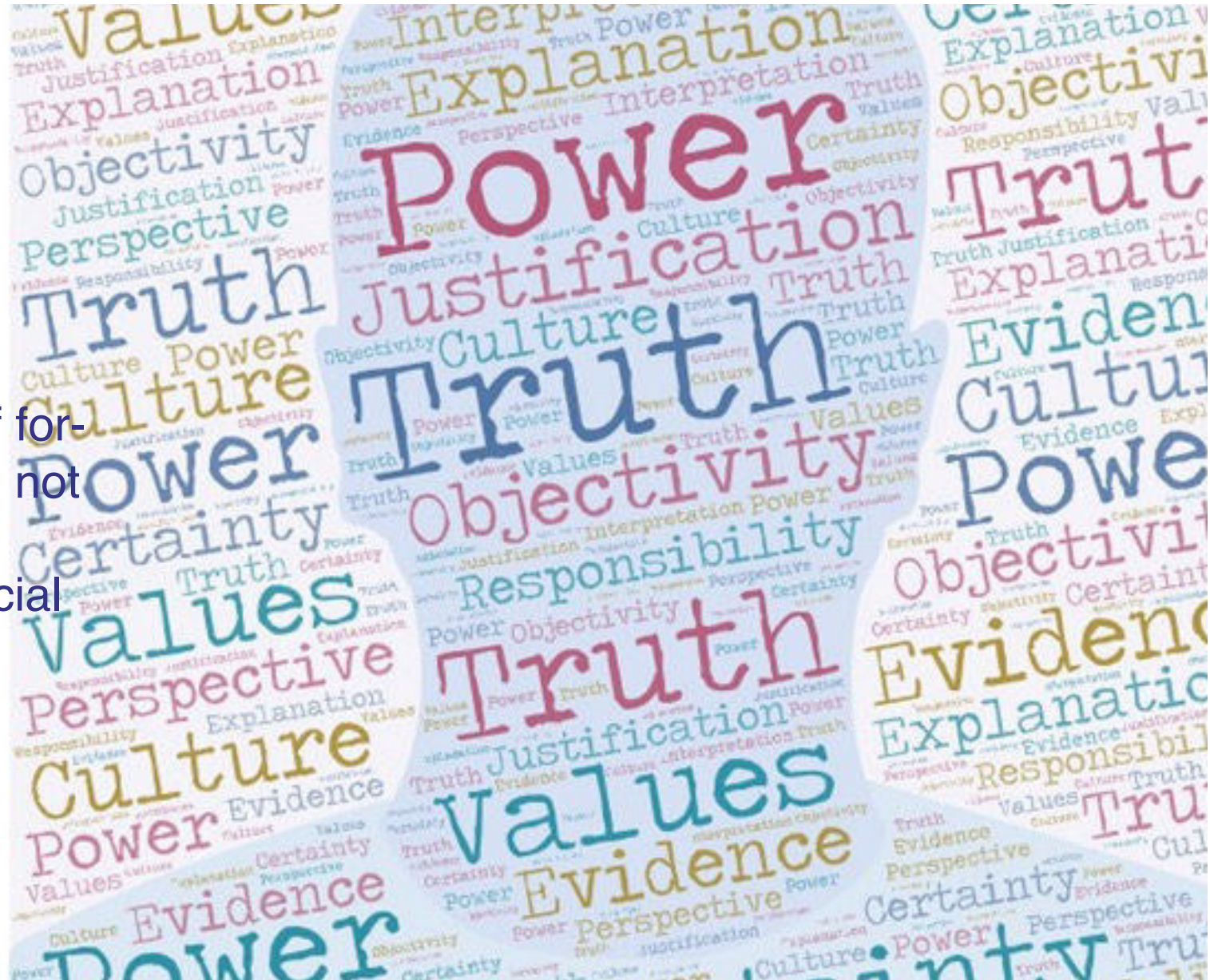
1. Identify as many possible goods/services provided by UNICEF.
2. Go to www.unicef.org and identify other goods and services that are provided by UNICEF.
3. Why are some of these goods and services underprovided by the public sector in some countries?

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Theory of knowledge

Can we really 'know' if for-profit organizations do not care about society as much as non-profit social enterprises?





Factors affecting choice of business **ENT**

Amount of finance

Size

Limited liability

Degree of ownership and control

The nature of business activity

Change

Concepts in BM: **creativity**

Selecting the type of organization when forming a business is based on creativity

Sustainability in establishing a business

Imagine you would like to start your own business.

1. What kind of business would you like to start-up?
2. How much finance can you raise as start-up capital?
 - i. Think about how much you have in savings and can potentially borrow from family and friends.
3. Are you willing to co-own the business with others?
4. How big will your new business be?
 - i. For instance, if you want to open a café, how many seats would you like to have available for customers?
5. Where do you see your business in 5 years time?

Based on your answers to these questions, what type of organization would you adopt for your business?

Explain *why* you have chosen this sustainable business start-up.

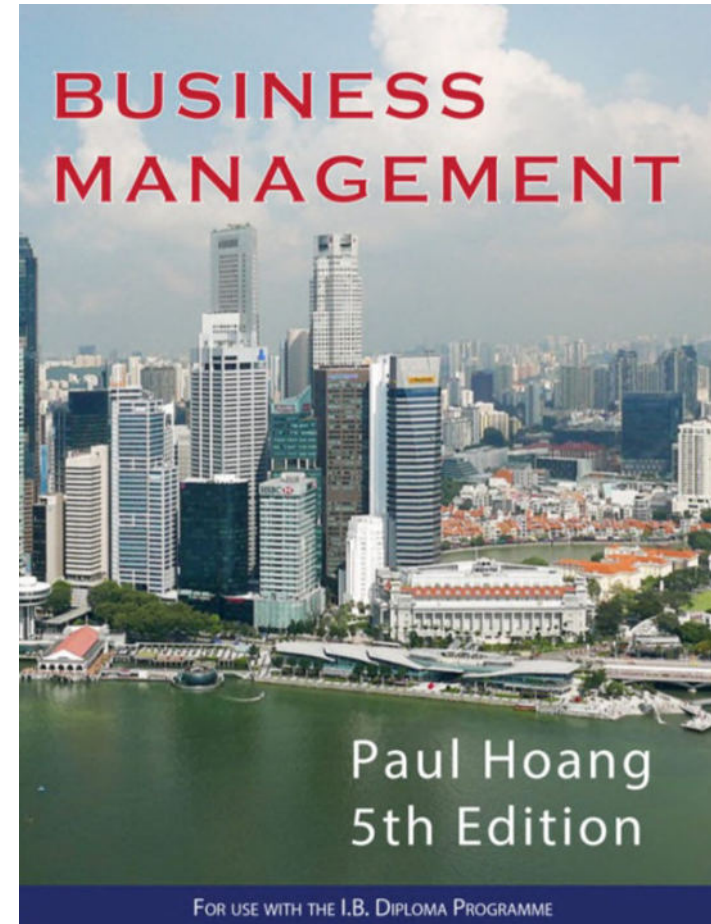




Over to you

- Hoang textbook
- *Review Questions*
 - Page 37

BUSINESS MANAGEMENT





BUSINESS MANAGEMENT

Unit 1.3 Business objectives

Topic 1: Introduction to Business Management

Unit content

Content	Assessment objective
<u>Vision statement and mission statement</u>	AO2
<u>Common business objectives including:</u> <ul style="list-style-type: none"> • <u>Growth</u> • <u>Profit</u> • <u>Protecting shareholder value</u> • <u>Ethical objectives</u> 	AO2
<u>Strategic and tactical objectives</u>	AO3
<u>Corporate social responsibility (CSR)</u>	AO3
Business Management Toolkit <ul style="list-style-type: none"> • <u>Circular business models</u> • <u>Force field analysis (HL)</u> 	
<u>Business objectives and the Business Management concepts</u>	



Vision statement and mission statement

Hierarchy of objectives

- Objectives provide businesses with a targeted direction for the future.
- The nature of these objectives are:





Vision

- This is an outline of an organization's aspirations in the distant future.
- Vision statements focus on the very long-term.
- They are expressed as a broad view of where the company wants to be.





Mission statements

- This is a simple declaration of:
 - the underlying purpose of an organization's existence.
 - its core values.
- Mission statements focus on the medium to long-term.
- A well-written mission statement is clearly defined and realistically achievable.



Vision or mission statement?

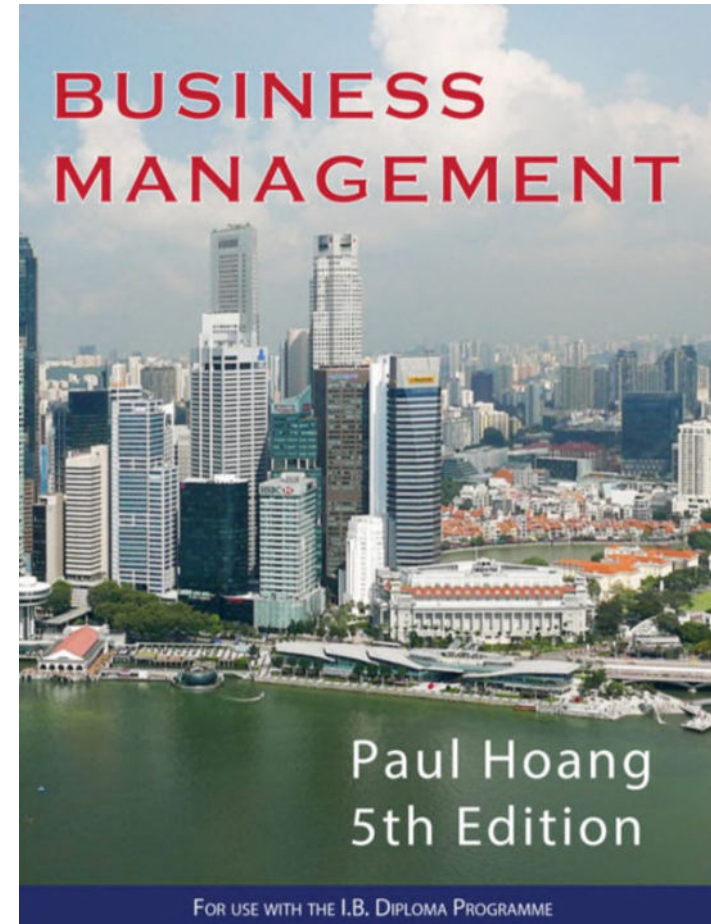
Vision statements	V E R S U S	Mission statements
Aspirational (i.e. “What do we want to become?”).		Declaration of purpose (i.e. “What is our business?”).
Very long-term focus		Outlines the values of the business (i.e. its beliefs and guiding principles in business operations)
Infrequently updated		Immediate time period
Does not specify actual targets to achieve.		Updated more frequently
About “some day” in the future.		More concrete and specific in targets it wants to achieve. About “each and every day” in the present



Over to you

- Hoang textbook
- Question 3.1 *Vision and mission statements*
 - Page 41
- Answer all parts

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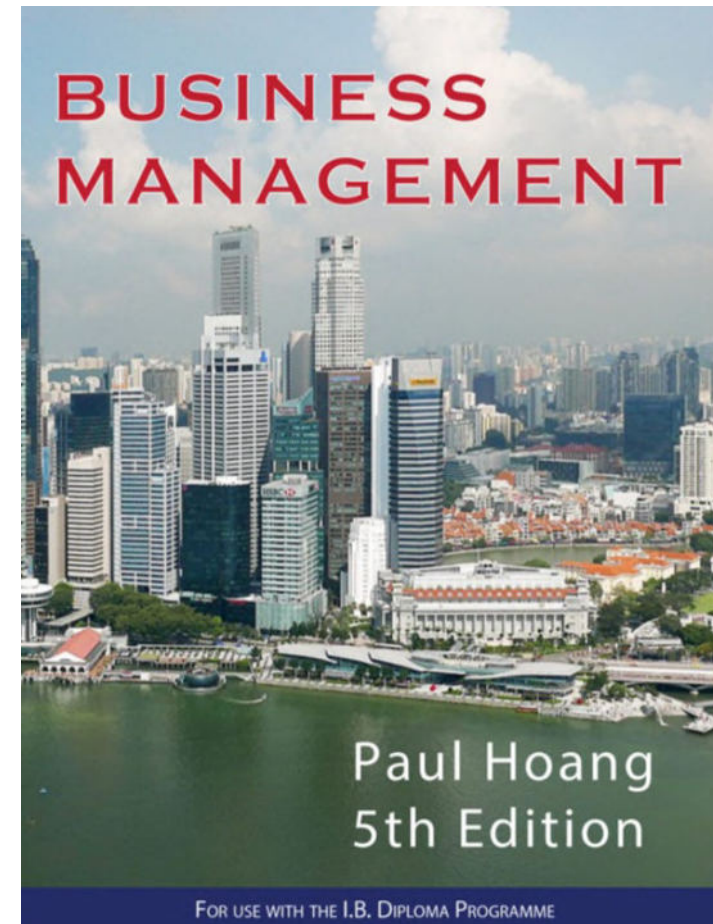




Approaches to learning

- Hoang textbook
- Activity 3.1 *Thinking and communication skills*
 - Page 40
- Activity 3.2 *Thinking skills*
 - Page 41
- Activity 3.3 *Research skills*
 - Page 41

BUSINESS MANAGEMENT



Common business objectives:

- Growth
- Profit
- Protecting shareholder value
- Ethical objectives

Objectives and their importance to a firm

- Objectives are the goals or targets an organization strives to achieve.
- They are generally specific and quantifiable and are set in line with the organization's mission statement.
- Objectives are important for three reasons:

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To measure and control



To motivate



To direct

Growth

- This is usually measured by an increase in its sales revenue or by market share.
- Growth is essential for survival in order to adapt to ever-changing and competitive business conditions.
- Failure to grow may result in declining competitiveness and threaten the firm's sustainability.

The biggest risk is not taking any risk... In a world that is changing really quickly, the only strategy that is guaranteed to fail is not taking risks.

**Mark Zuckerberg,
co-founder of
Facebook, the world's
largest social media
platform ¹**

Facebook

Profitability

- Profit maximization is traditionally the main business objective of most private sector businesses.
- It provides an incentive for entrepreneurs to take risks in setting up and running a business.

There is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits.

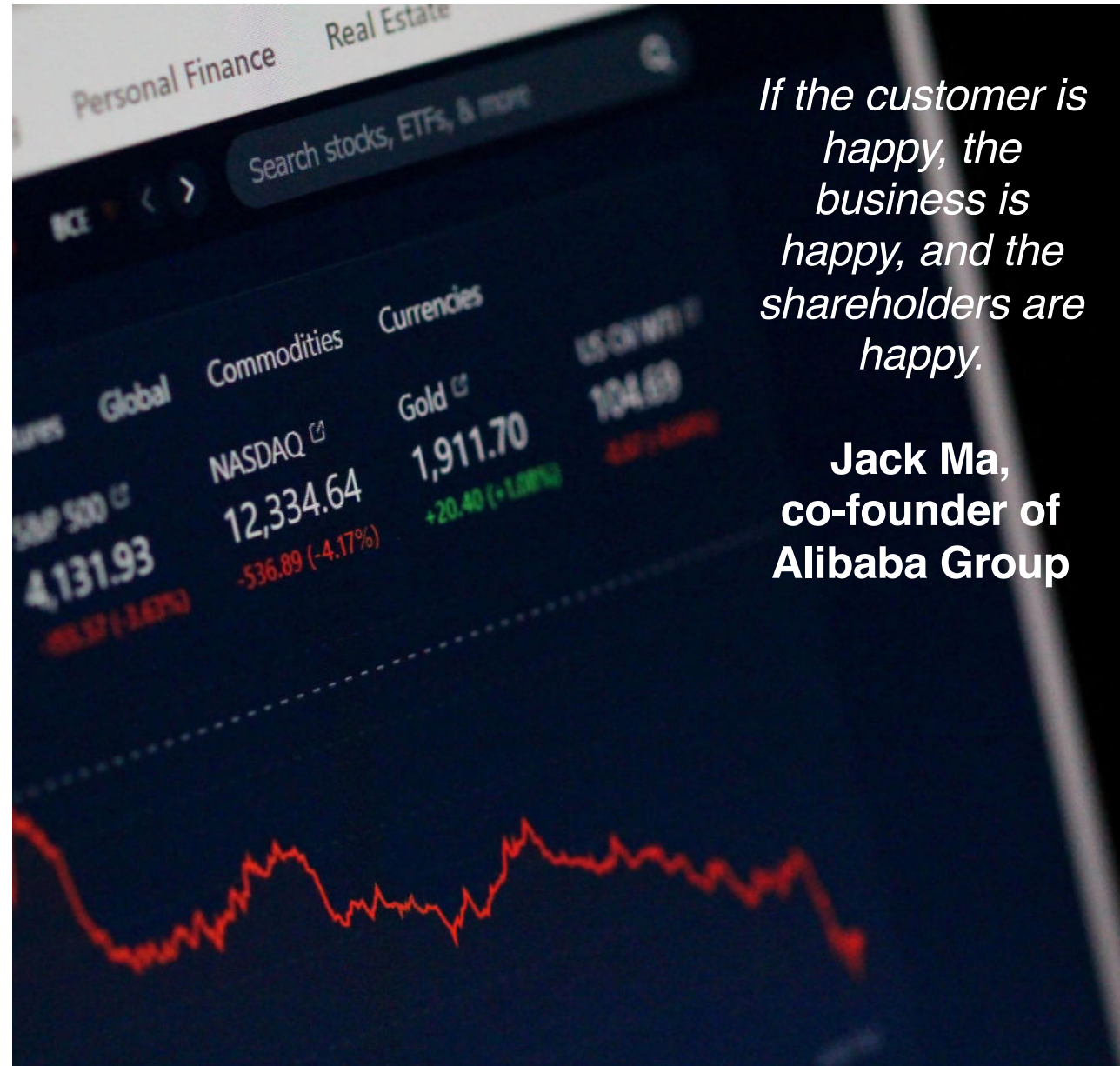
**Milton Friedman,
recipient of the Nobel Prize in
Economics in 1976**





Protecting shareholder value

- This objective is about earning a profitable return for shareholders in a sustainable way.
- A challenge for the directors of a firm is to balance short-term profits (in the form of dividends) with an investment in the long-term value of the company.



If the customer is happy, the business is happy, and the shareholders are happy.

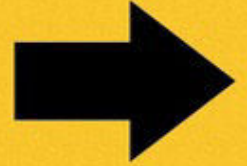
**Jack Ma,
co-founder of
Alibaba Group**



Ethical objectives

- Ethics are the moral* principles that guide decision-making and strategy.
 - *Morals are concerned with what is considered to be right or wrong, from the point of view of society.
- Therefore, business ethics are the actions of people and organizations that are considered to be morally correct.

RIGHT



WRONG

It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently.

**Warren Buffet,
Chairman and CEO of Berkshire Hathaway**

Unethical business practises at *Theranos*

- In 2003, *Theranos*, a blood testing company, claimed to have invented a medical machine that could detect diseases using only one drop of blood.
- In 2016, the firm was forced to shut down after an investigation showed the machine had technological flaws that produced widespread inaccurate results.
- In 2018, the CEO and COO were charged with massive fraud by government authorities.





BUSINESS MANAGEMENT

Advantages and disadvantages of ethical business practises



Advantages

- Improved corporate image
- Increased customer loyalty
- Cost-cutting
- Improved staff morale and motivation



Disadvantages

- Compliance costs
- Lower profits
- Stakeholder conflict
- The subjective nature of business ethics



Strategic and tactical objectives

Strategies

- Strategies are plans of action to achieve the objectives of an organization.
- They are:
 - medium to long-term goals.
 - expressed specifically.
- Fulfilment of strategies will allow an organization to reach its objectives.



Examples of strategic objectives

- Market standing:
 - This refers to the extent to which a business has presence in the industry.
- Image and reputation:
 - This stems from consumer beliefs and perceptions of a firm.
- Market share:
 - This is measured by expressing the firm's sales revenue as a percentage of the industry's total sales.



Tactics

- Tactics are the methods used to enact strategies of an organization.
- They are short-term and frequently generated in order to enact strategies.
- Fulfilment of tactics will allow an organization to perform its strategies.



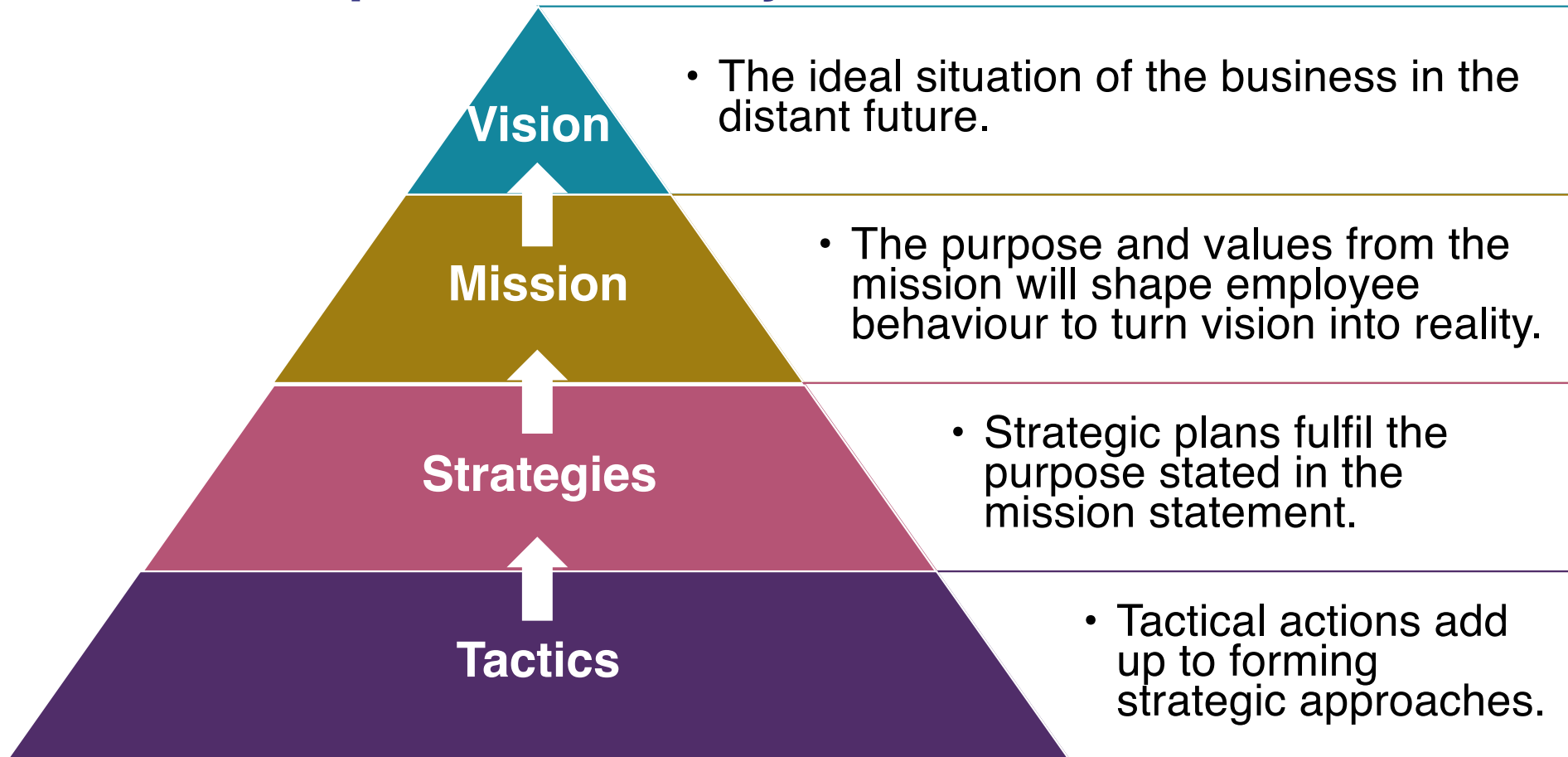
Examples of tactical objectives

- Survival
- Sales revenue maximisation



Many firms had to change their tactical objectives in order to survive the COVID-19 pandemic. These strategies were short-lived due to the temporary closure of firms during the pandemic.

Relationships between objectives

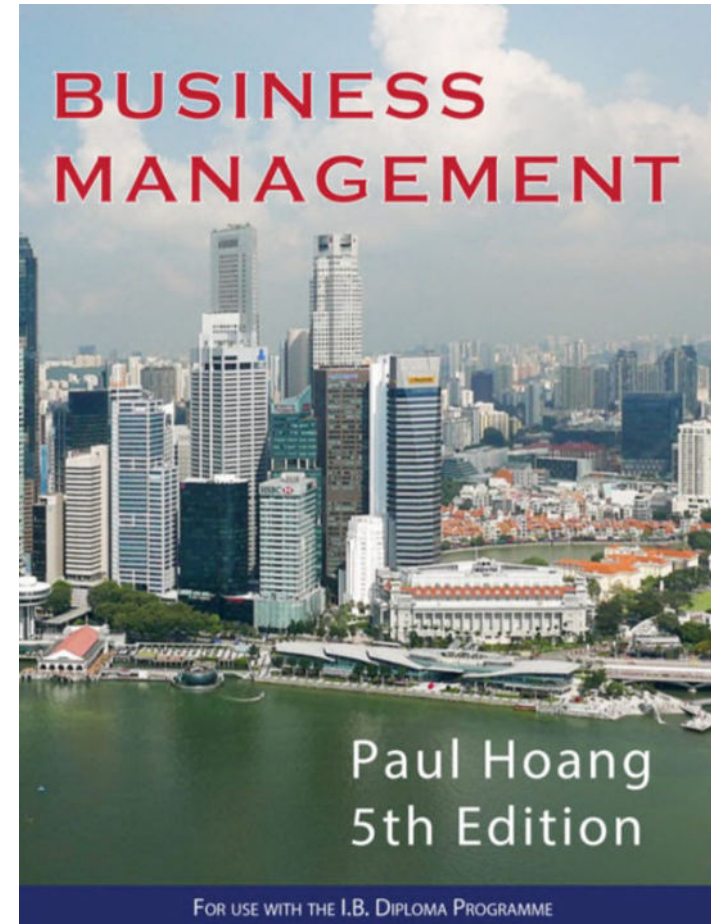




Over to you

- Hoang textbook
- Question 3.2 *Lenovo*
 - Page 46
- Answer all parts

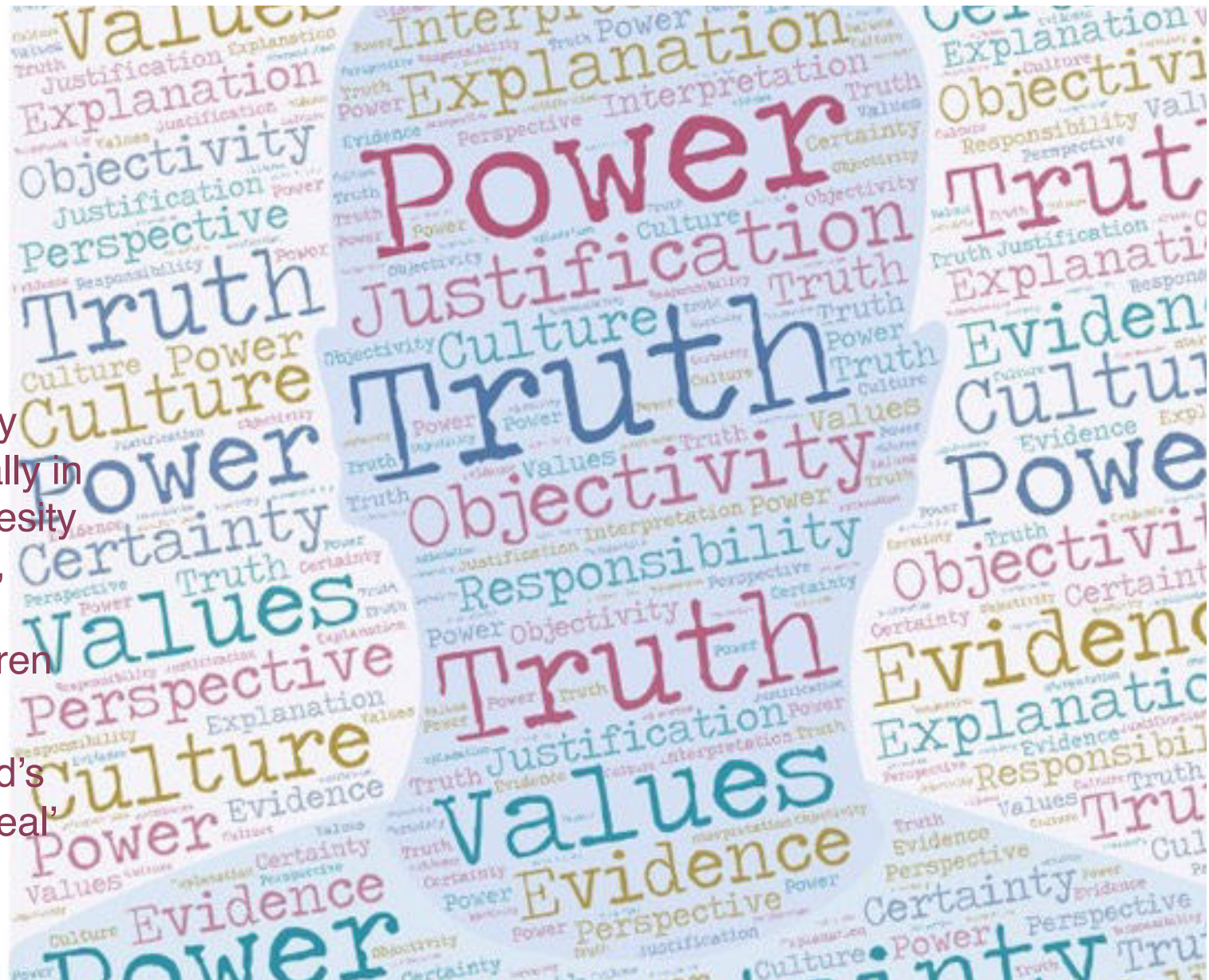
BUSINESS MANAGEMENT



Theory of knowledge

Some people argue that by targeting children, especially in an era of growing child obesity in many parts of the world, parents face unnecessary pressure to buy their children fast-food products.

Do you consider McDonald's marketing of its 'Happy Meal' as unethical? Justify your answer.

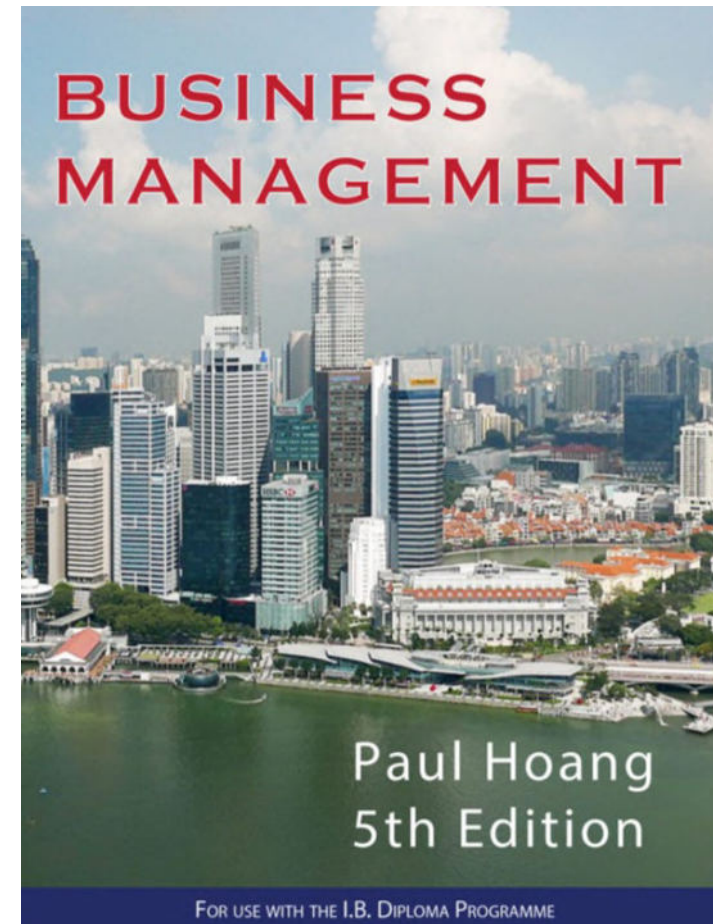




Approaches to learning

- Hoang textbook
- Activity 3.4 *Thinking skills*
 - Page 44
- Activity 3.5 *Research skills*
 - Page 45
- Activity 3.6 *Research skills*
 - Page 49

BUSINESS MANAGEMENT



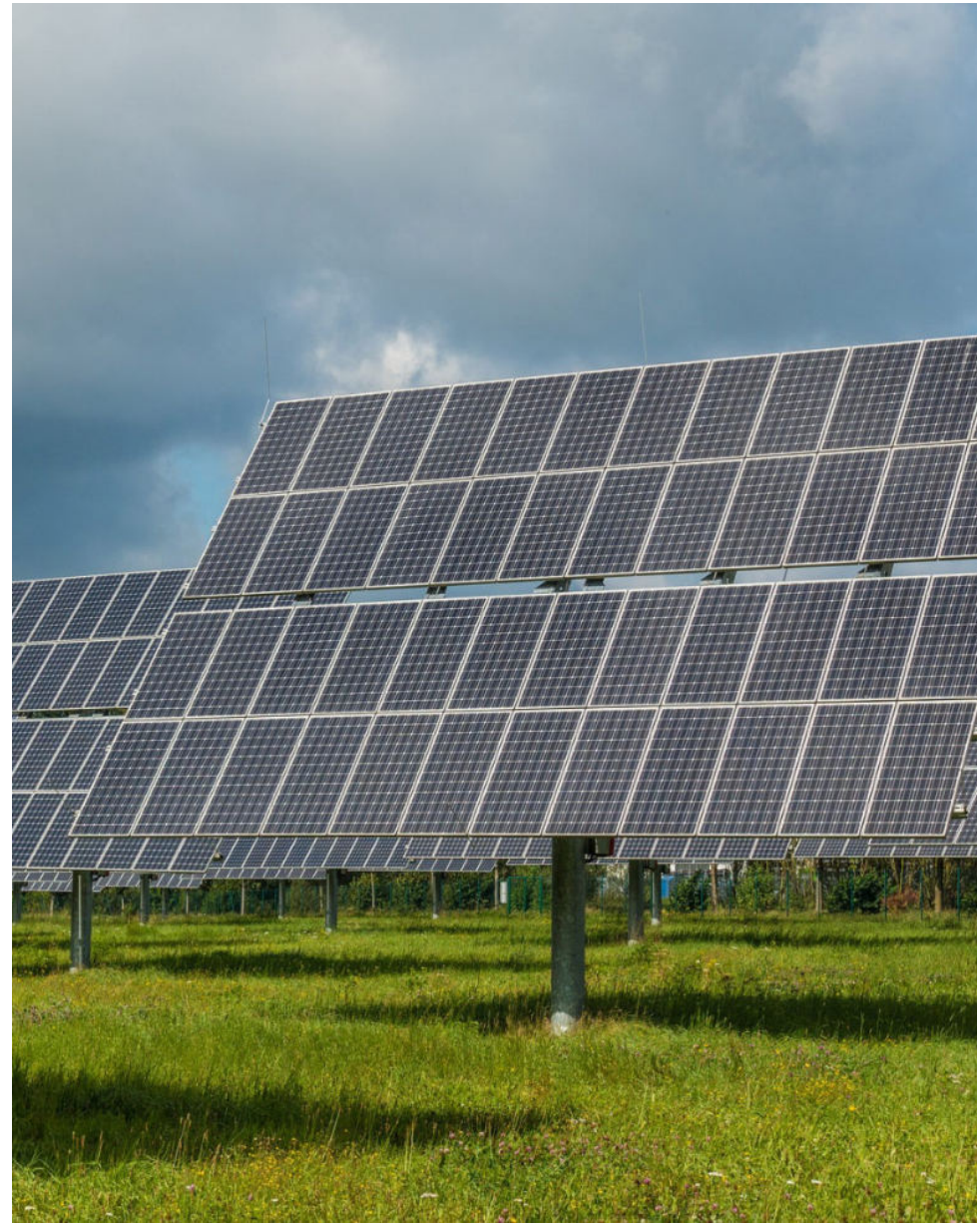


Corporate social responsibility (CSR)



Corporate social responsibility

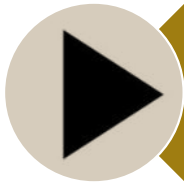
- Corporate social responsibility (CSR) is the conscientious consideration of ethical and environmental practice related to business activity.
- CSR policies and practices need regular review in order to adapt to evolving attitudes and expectations of different markets/countries.
- CSR practices can provide firms with competitive advantages and long-term sustainability.



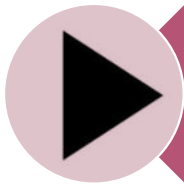
Examples of CSR policies



Provide accurate product labelling



Be conscious of impacts to the environment.



Adhere to fair employment practises



Contribute to communities via volunteer or charitable work

Misleading food labels



Recycling furniture at IKEA



Wage theft at *Funtea*



Community engagement by *Nissan*



The pros and cons of CSR policies

With reference to the previous video case studies of CSR, answer the following questions:

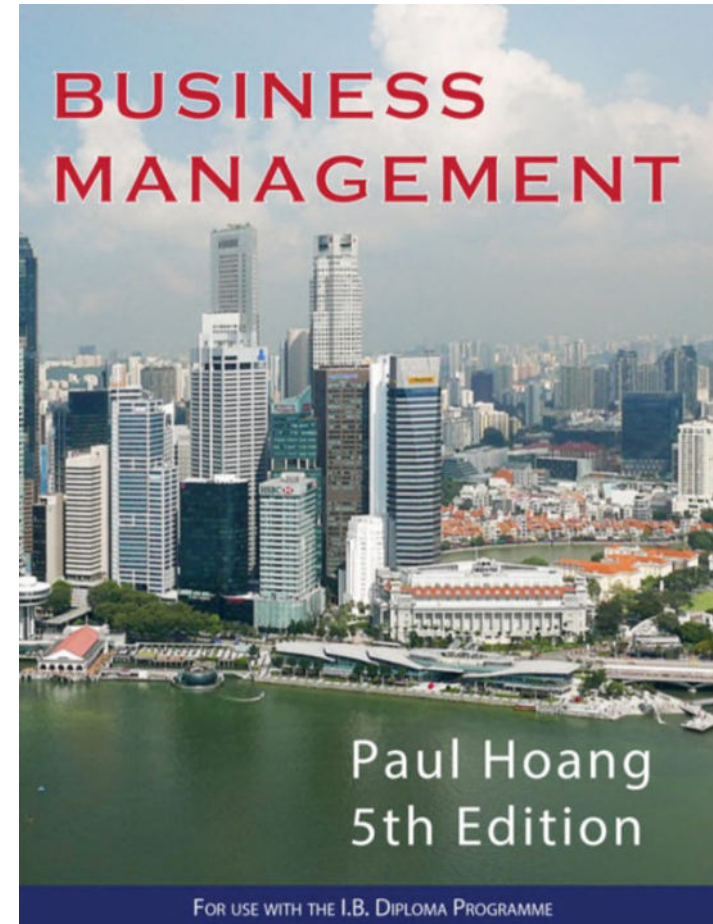
Video case study	Questions
1. <u>Misleading food labels</u>	Explain one advantage and one disadvantage of labelling food with truthful nutritional information for a food manufacturer.
2. <u>Furniture recycling at IKEA</u>	Explain two advantages of the furniture recycling CSR initiative for <i>IKEA</i> .
3. <u>Wage theft at Funtea</u>	a) Suggest two CSR initiatives that can be adopted to improve the wellbeing of employees at <i>Funtea</i> . b) For each suggestion from part a), explain one advantage and one disadvantage of the CSR initiative.
4. <u>Community engagement by Nissan</u>	Explain one advantage and one disadvantage of engaging with the community as a CSR initiative for <i>Nissan</i> .

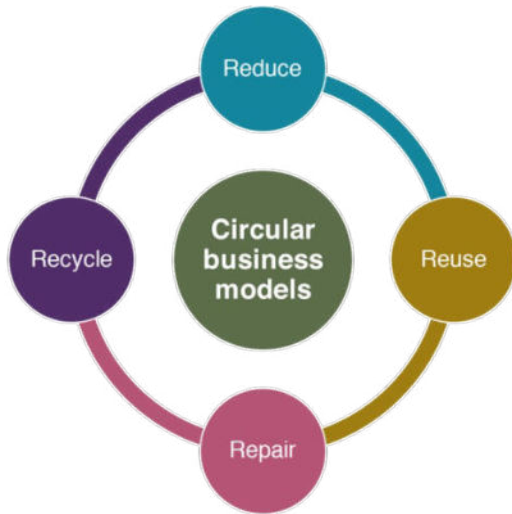


Over to you

- Hoang textbook
- Question 3.3 *CSR at McDonald's and Burger King*
 - Page 48
- Question 3.4 *Walmart*
 - Page 49
- Answer all parts

BUSINESS MANAGEMENT





BUSINESS MANAGEMENT

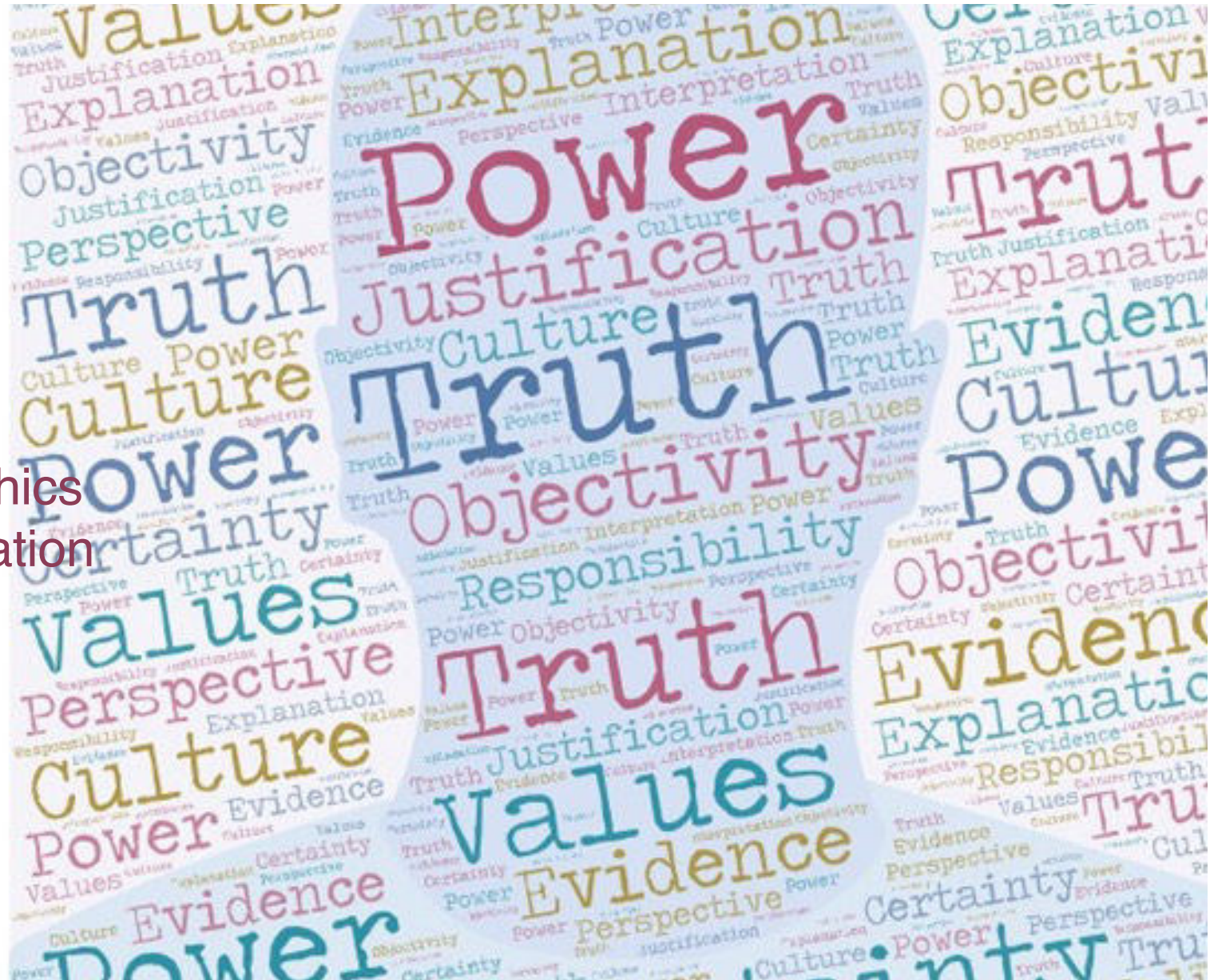
BMT: Circular business models and *H&M*

Watch the video of *H&M*'s approaches to CSR via a circular business model (CBM).

1. Identify the CBM employed by *H&M*.
2. Explain the three major approaches to sustainability used by *H&M*.
3. Evaluate the role of corporate social responsibility in relation to the CBM at *H&M*.

Theory of knowledge

Does the awareness and knowledge of ethics bring about an obligation for businesses to behave morally?





BUSINESS MANAGEMENT

BM Toolkit: Force field analysis of *Unilever* (HL only)

Scan the QR code to read about *Unilever's* equity, diversity and inclusion (EDI) policies.

Select any one of *Unilever's* EDI goals and:

1. Construct a force field analysis of implementing this goal at *Unilever*.
2. Comment on the results of your force field analysis.



Concepts in BM: change and creativity

Internal impacts	External impacts
Corporate culture	State of the economy
Age of the business	Government constraints
Finance	Pressure groups (presence and power)
Risk profile	New technologies
Crisis management	
Type and size of organization	
Private vs. public sector firms	

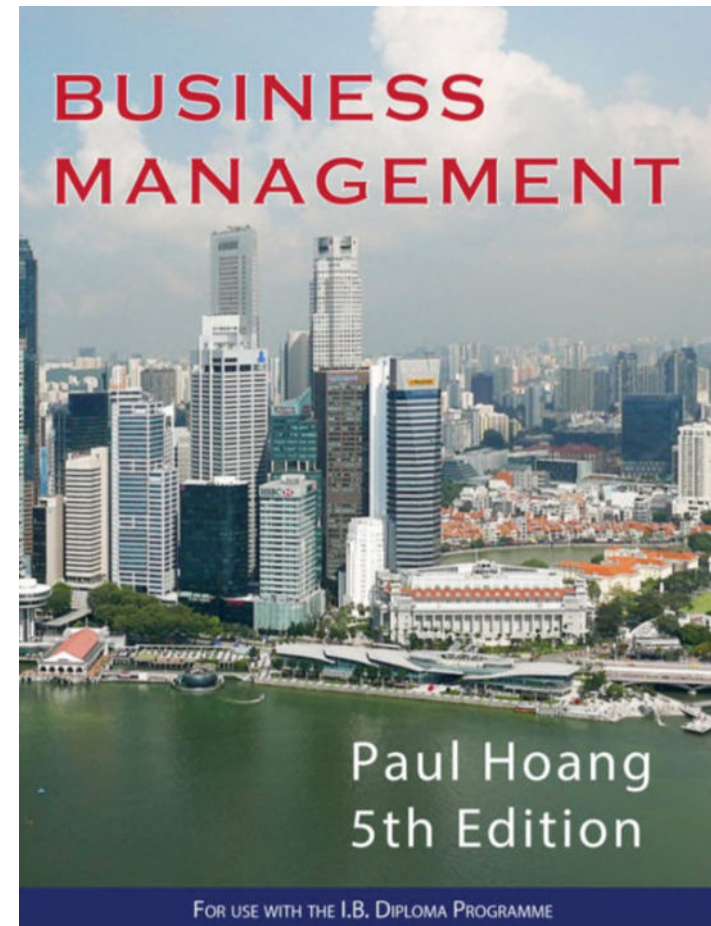
- There are various factors that cause objectives of a business to change, requiring creative responses to these factors to ensure the sustainability of the firm.
- They include internal and external impacts.



Over to you

- Hoang textbook
- *Review Questions*
 - Page 52

BUSINESS MANAGEMENT





BUSINESS MANAGEMENT

Unit 1.4 Stakeholders

Topic 1: Introduction to Business Management



BUSINESS MANAGEMENT

Unit content

Content	Assessment objective
<u>Internal stakeholders</u>	AO2
<u>External stakeholders</u>	AO2
<u>Conflict between stakeholders</u>	AO2
Business Management Toolkit <ul style="list-style-type: none">• <u>Business plans</u>• <u>Force field analysis (HL)</u>	
<u>Stakeholders and the business management concepts</u>	



What is a stakeholder?

- A stakeholder is any individual, group or organization with a direct interest in and/or is affected by the activities and performance of a business.
- They can be classified as internal or external stakeholders.





Stakeholders at *Uber*

- *Uber Technologies, Inc.* offers ride-hailing, food delivery and other transportation services by engaging drivers as independent contractors.
- How many stakeholders of *Uber* can you identify? List as many as you can.





Internal stakeholders



Internal stakeholders

- These stakeholders are members of the organization. They have a direct interest in, and are affected by, the activities and performance of a business.
- The main internal stakeholders are:
 - Employees
 - Managers and directors
 - Shareholders





Employees

- Employees are likely to have an interest in the organization they work for.
- They tend to strive for improvements in:
 - Pay and other financial benefits
 - Working conditions
 - Job security
 - Opportunities for career progression





Managers and directors

- Managers are the people who oversee the daily operations of a business.
- Directors are senior executives who direct business operations on behalf of shareholders.
- They are primarily interested in:
 - Profit maximization
 - Job security and financial benefits
 - Long-term financial health of the company



Shareholders

- Shareholders are a powerful stakeholder group due to their voting rights.
- They have two main interests:
 - Maximize dividends
 - Achieve capital gain in the value of the shares

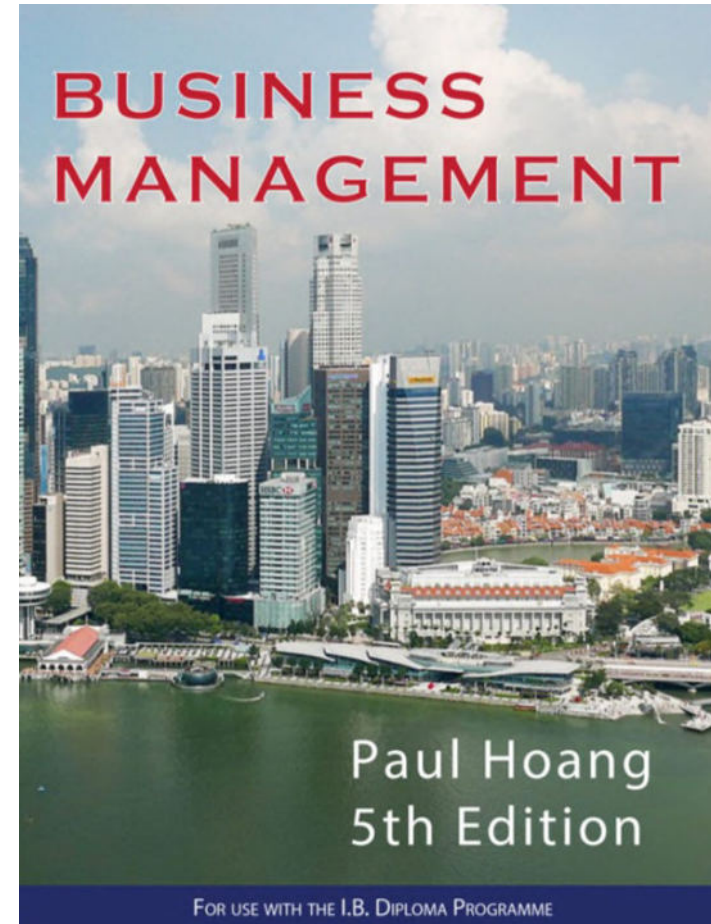




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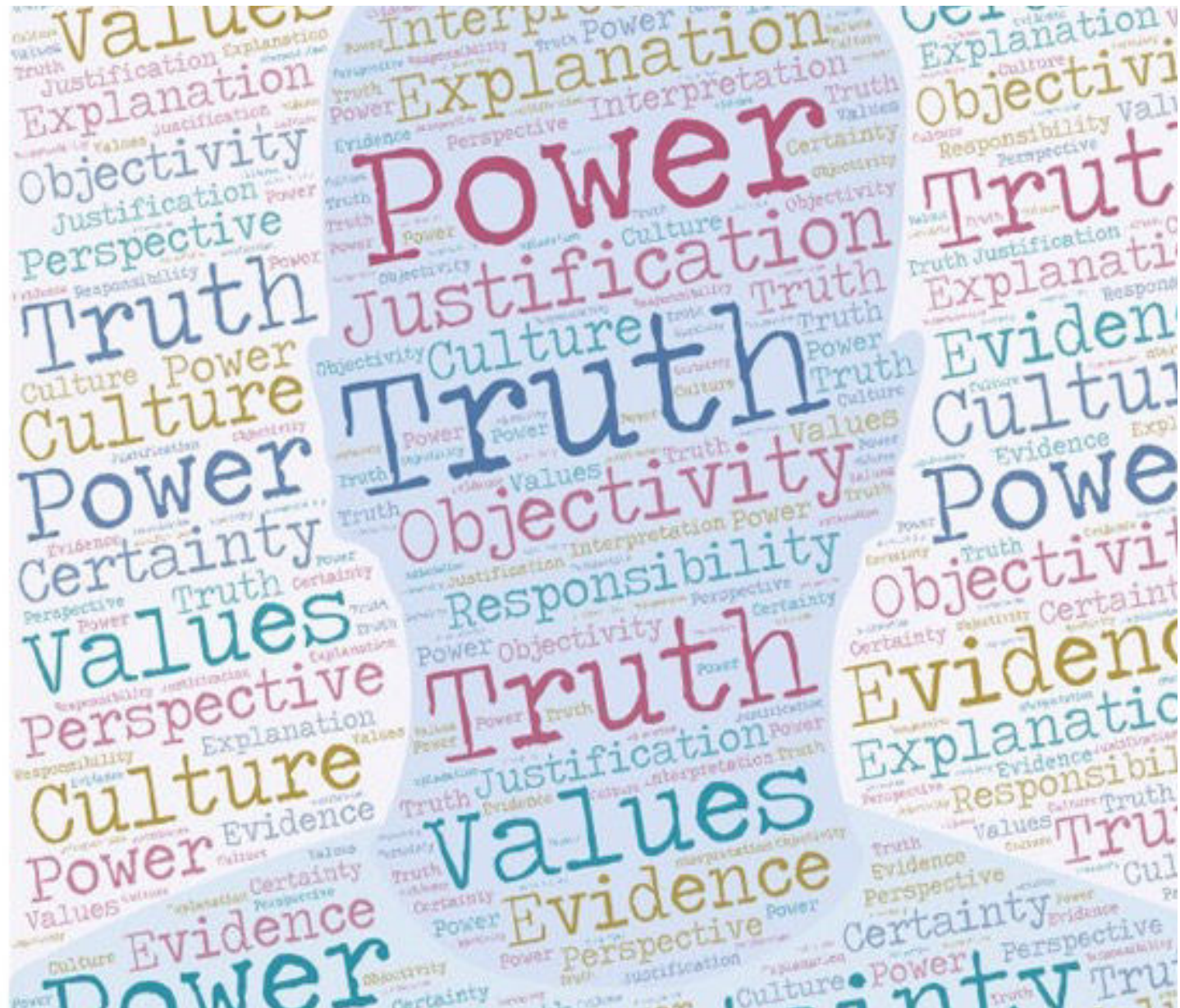
- Hoang textbook
- Question 4.1 *Nokia and Microsoft*
 - Page 54
- Answer all parts

BUSINESS MANAGEMENT



Theory of knowledge

Discuss whether it is possible to 'know' which stakeholder group is the most important to an organization. What knowledge issues would be made in such a case?





External stakeholders

External stakeholders

- These are stakeholders who do not form part of a business but have a direct interest in, and are affected by, the activities and performance of a business.
- External stakeholders vary between organizations, but some key external stakeholders are:
 - Customers
 - Suppliers
 - Pressure groups
 - Competitors
 - Government





Customers

- Customer care is instrumental to the survival of a business.
- Their interests vary depending on the goods and/or services provided by the business.
- However, they are generally interested in:
 - Quality of goods and services
 - Value for money





Suppliers

- Suppliers provide a business with stocks of raw materials needed for production.
- Their main interests are:
 - Clients who pay their bills on time
 - Regular contracts with clients
 - Good working relationships with clients





Financiers

- These are the financial institutions and individual investors who provide sources of finance for a firm.
- Financiers earn money by charging interest on the amount of money borrowed.
- Their interests include:
 - The ability of a firm to repay debts from generating sufficient profits
 - Establishing long-term relationships with firms in order to achieve subsequent earnings



Pressure groups

- Pressure groups consist of individuals with a common interest who seek to place demands on organizations to influence a change in their behaviour.
- Their interests in the business depend on the purpose of the pressure group.





Competitors

- These are rival businesses of an organization.
- Their interests in the business include:
 - Innovation that arises from rivalry
 - Responding to competitive threats
 - Performance benchmarking

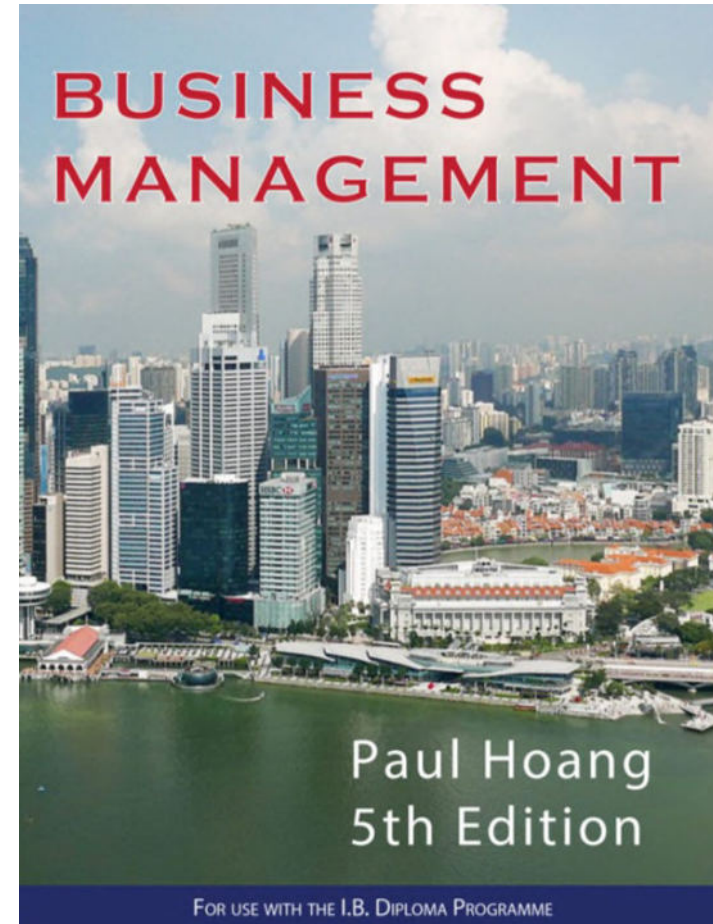




Over to you

- Hoang textbook
- Question 4.2 *Stakeholders of schools*
 - Page 57
- Answer all parts

BUSINESS MANAGEMENT

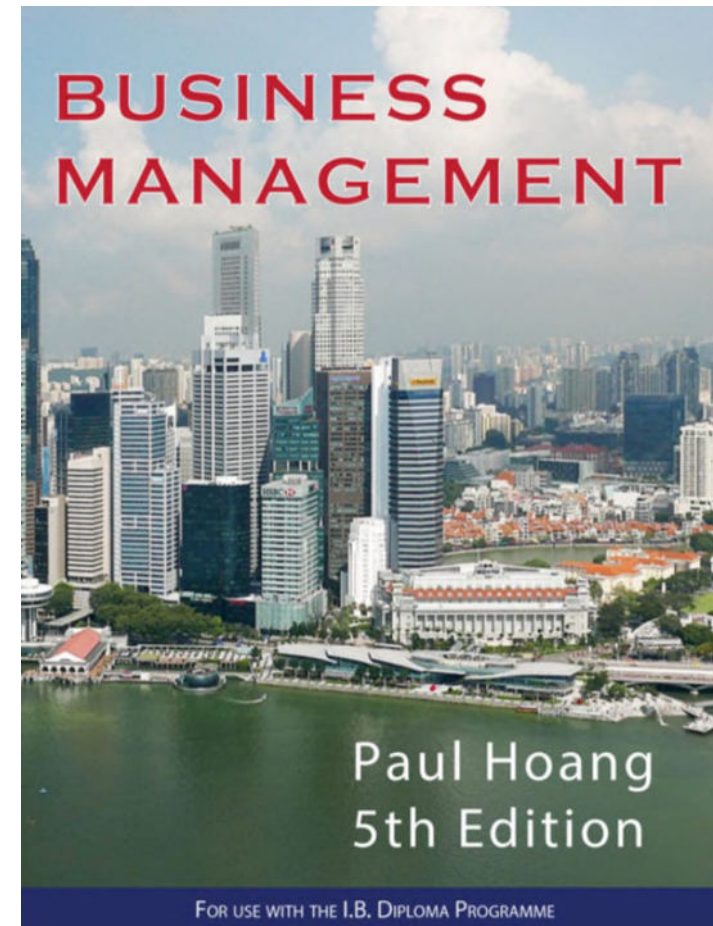




Approaches to learning

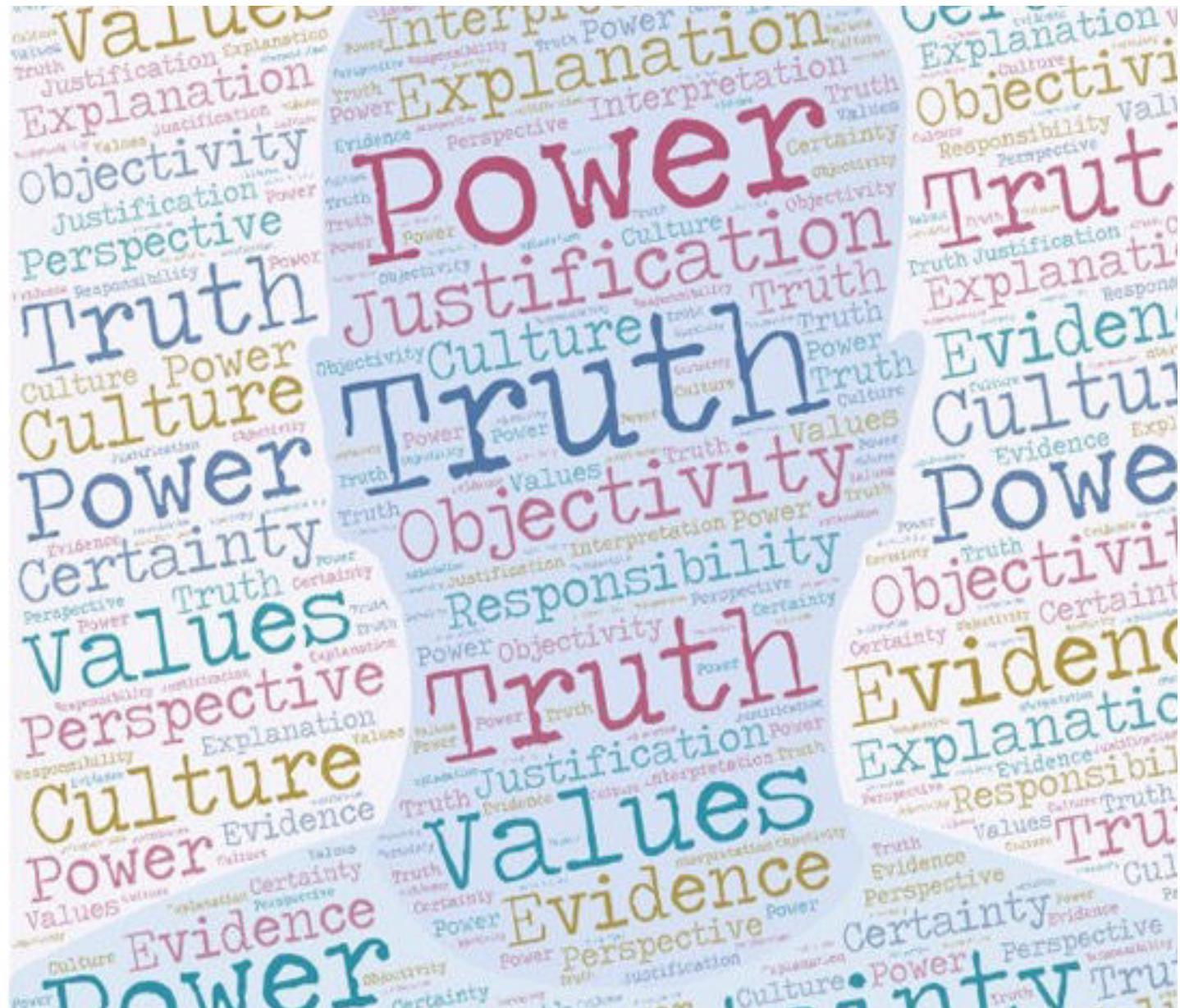
- Hoang textbook
- Activity 4.1 *Research skills*
 - Page 57

BUSINESS MANAGEMENT



Theory of knowledge

Is it unethical if a business chooses to ignore the demands (or needs) of one stakeholder group?



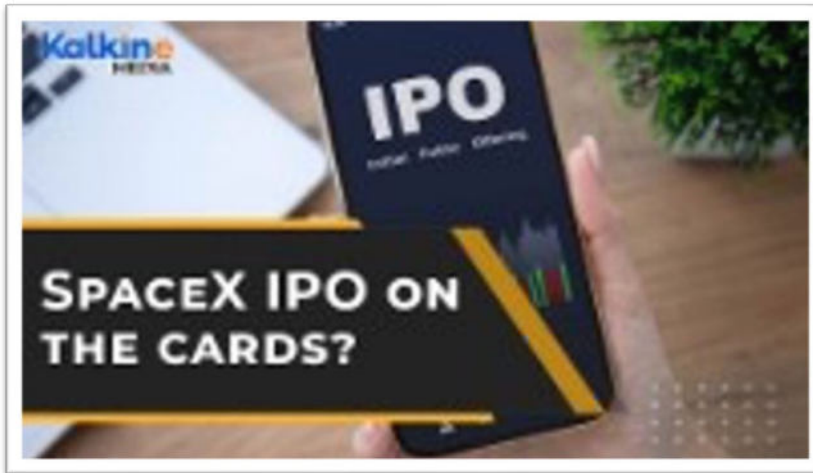


BUSINESS MANAGEMENT

BMT: Stakeholder interests in the business plan of *SpaceX*

SpaceX is a firm that designs, manufactures and launches advanced rockets and spacecraft.

- Watch this video discussing rumours that *SpaceX* might become a publicly held company.
- Consider the various stakeholder groups of *SpaceX* and why they might be interested in its business plan (see Chapter 48) in the event *SpaceX* decides to become a publicly held company.



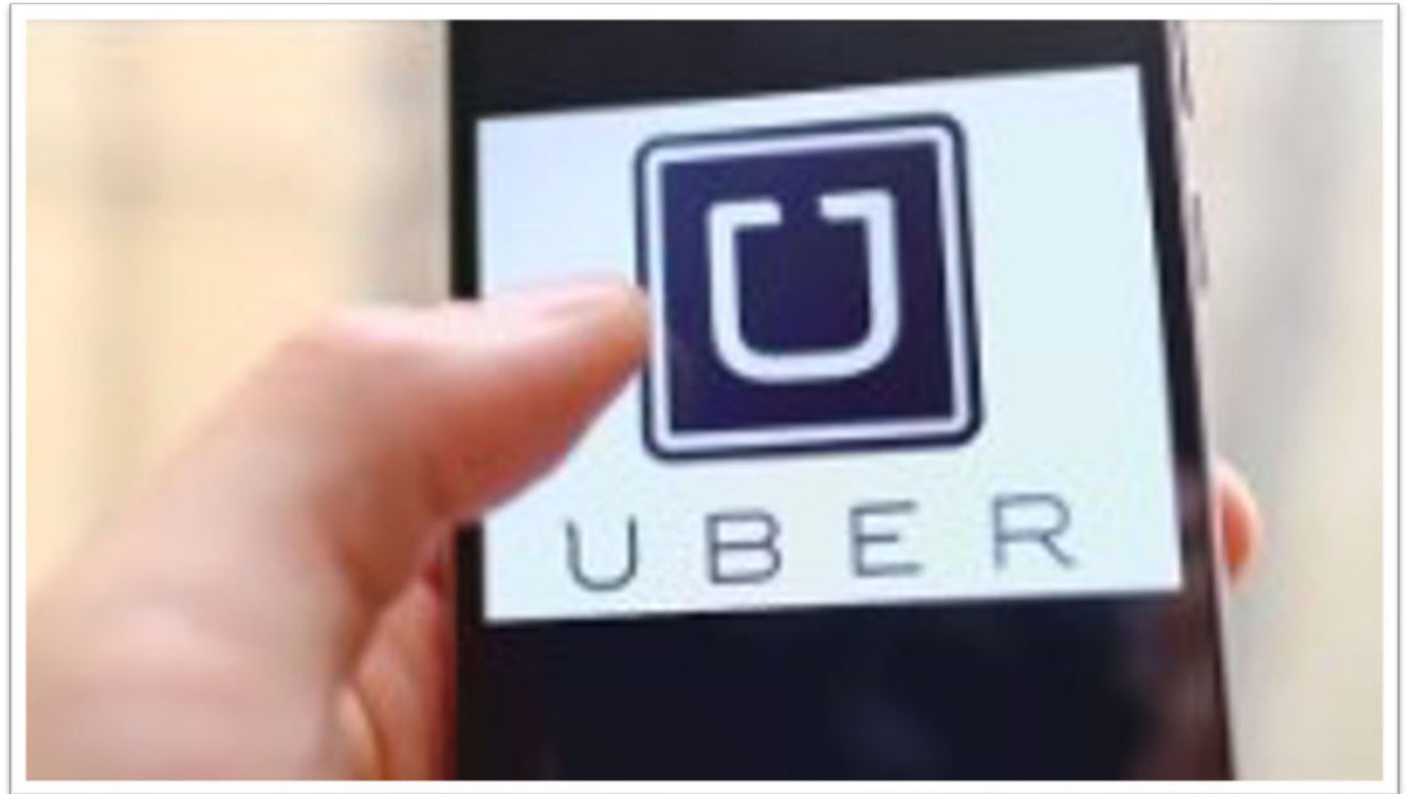


Conflict between stakeholders

Stakeholder conflict at *Uber* and *Lyft*

1. Identify the conflict occurring between *Uber* and *Lyft* and their drivers.
2. What are the interests of the following stakeholders in this conflict?
 - a. *Uber* and *Lyft*
 - b. The drivers

BUSINESS MANAGEMENT





Dealing with stakeholder conflict

- Stakeholder conflict refers to the inability of an organization to meet all of its stakeholder objectives simultaneously.
- This is due to differences in the varying needs of all its stakeholder groups.





Dealing with stakeholder conflict

- Resolving conflict depends on three key issues:
 - Type of organization
 - Organizational aims and objectives
 - Source and degree of power (influence) of each stakeholder group





Resolving stakeholder conflict at *Uber* and *Lyft*

Based on the area of conflict you identified from the previous video, if you were a senior manager at *Uber* or *Lyft*, how would you resolve the conflict?

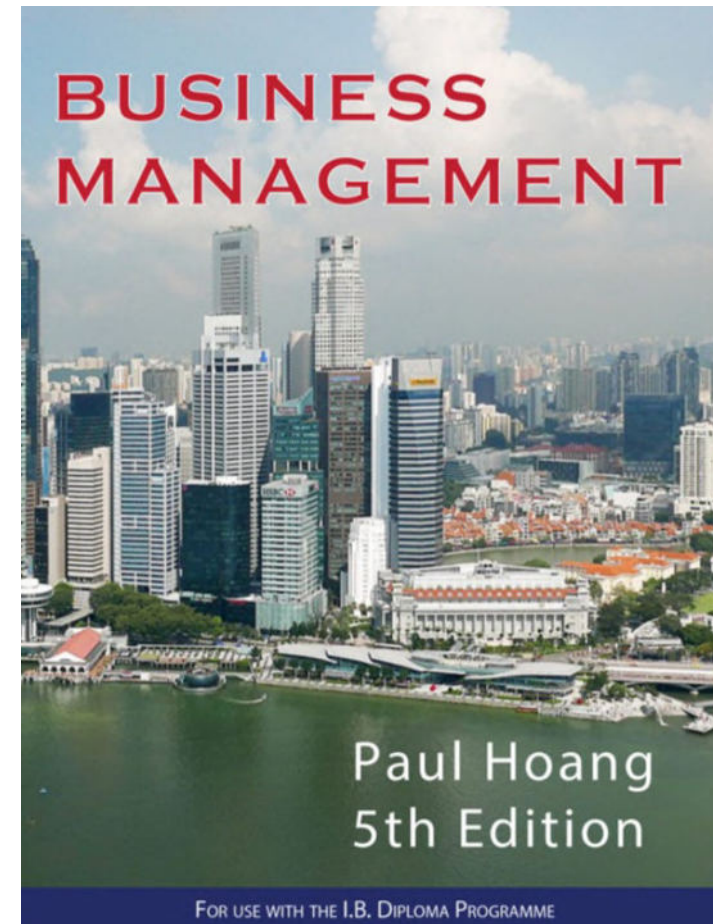




Approaches to learning

- Hoang textbook
- Activity 4.2 *Thinking skills*
 - Page 59

BUSINESS MANAGEMENT

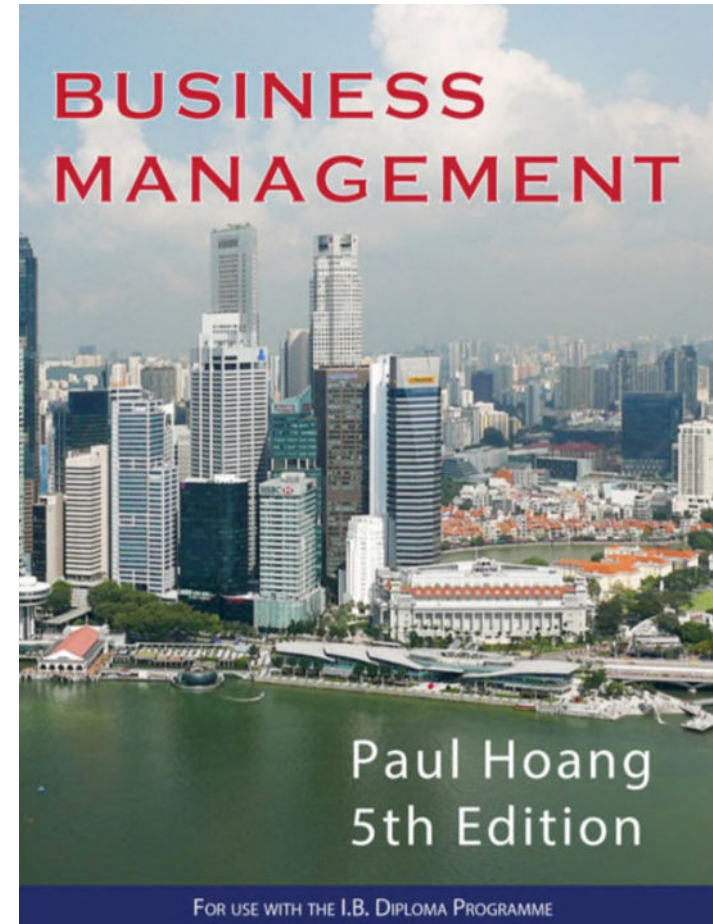




Over to you

- Hoang textbook
- Question 4.3 *The Royal Bank of Scotland Group*
 - Page 59
- Question 4.4 *Škoda Auto*
 - Page 60
- Question 4.5 *Royal Dutch Shell*
 - Page 61
- Answer all parts

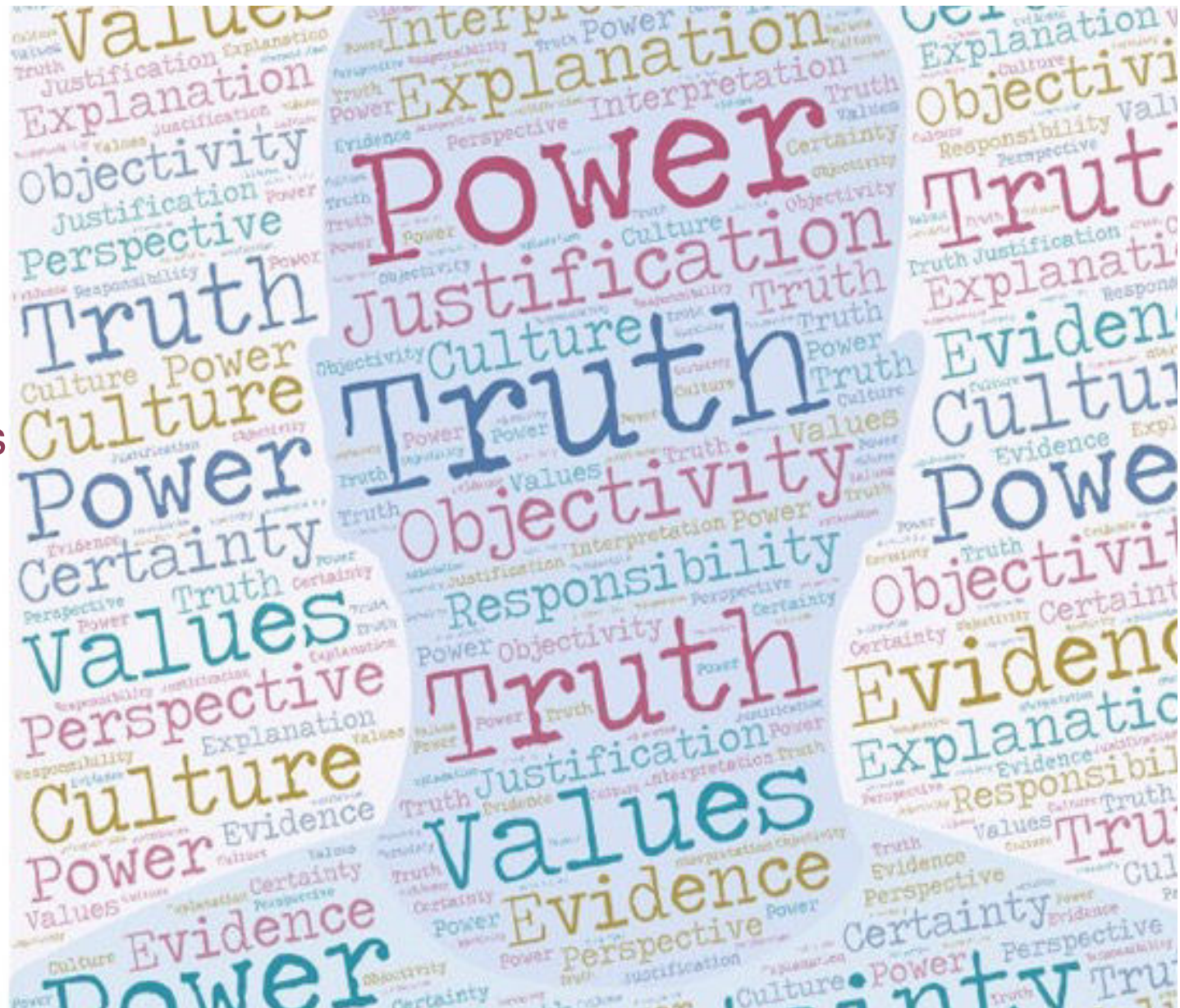
BUSINESS MANAGEMENT





Theory of knowledge

Are the values and beliefs of some stakeholders more superior than those of others?





Concepts in BM: change

		Level of interest	
		<i>Low</i>	<i>High</i>
Level of power	<i>Low</i>	Minimum effort	Keep informed
	<i>High</i>	Keep satisfied	Maximum effort

IENT

- Conflict is inevitable when there are varied opinions. Thus, conflict resolution is essential when firms are managing change.
- Stakeholder mapping is a useful tool to help managers prioritise actions to take for resolving conflict.
- This model assesses the relative interest and relative power (or influence) of stakeholders.

Concepts in BM: **change**

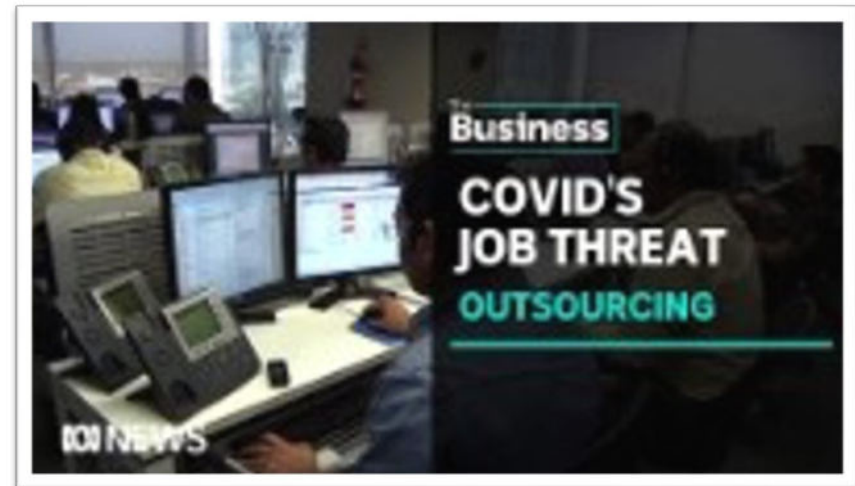
- Depending on the relative level of interest and power of each stakeholder, managers can manage change by using four strategies to resolve conflicts:
 - Maximum effort** – for key stakeholders.
 - Keep informed** – for stakeholders who can become highly disgruntled if they are dissatisfied even though they have low levels of power.
 - Keep satisfied** – via consultation on strategic decisions.
 - Minimum effort** – these stakeholders receive the lowest priority in having their needs addressed, if at all.

		Level of interest	
		<i>Low</i>	<i>High</i>
Level of power	<i>Low</i>	Minimum effort	Keep informed
	<i>High</i>	Keep satisfied	Maximum effort

1. Watch this video about the benefits and drawbacks to firms offshoring business processes.
2. Select a firm in your country and prepare a force field analysis of whether they should offshore some business processes.
3. Based on your answer to 2., prepare a stakeholder map.
4. Based on your answer to 3., suggest strategies on how to manage the interests of stakeholders that need maximum effort to reduce the possibility of conflict.

BUSINESS MANAGEMENT

BM Toolkit: Force field analysis of outsourcing (HL)

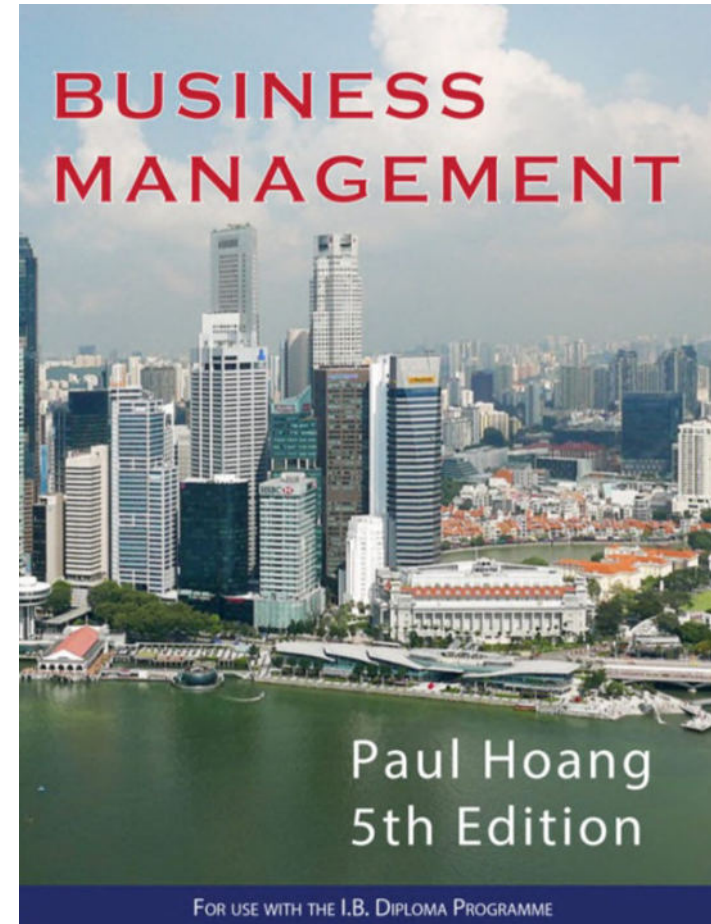




Over to you

- Hoang textbook
- *Review Questions*
- Page 63

BUSINESS MANAGEMENT





BUSINESS MANAGEMENT

Unit 1.5 Growth and evolution

Topic 1: Introduction to Business Management



BUSINESS MANAGEMENT

Unit content

Content	Assessment objective
<u>Internal economies and diseconomies of scale</u>	AO2
<u>External economies and diseconomies of scale</u>	AO2
<u>The difference between internal and external growth</u>	AO3
<u>Reasons for businesses to grow</u>	AO3
<u>Reasons for businesses to stay small</u>	AO3

Unit content (continued)

Content	Assessment objective
<u>External growth methods:</u> <ul style="list-style-type: none"> • <u>Mergers and acquisitions (M&As)</u> • <u>Takeovers</u> • <u>Joint ventures (JVs)</u> • <u>Strategic alliances (SAs)</u> • <u>Franchising</u> 	AO3
Business Management Toolkit <ul style="list-style-type: none"> • <u>Descriptive statistics</u> • <u>Ansoff's matrix</u> 	
<u>Growth and evolution and the Business Management concepts</u>	

Internal economies and diseconomies of scale

Economies of scale explained

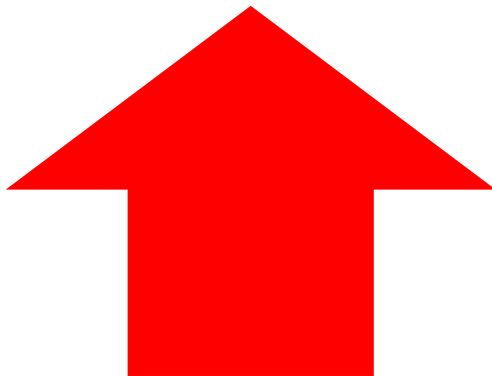


Economies vs. diseconomies of scale



Economies of scale is when average costs of production decrease as the organization increases the size of its operations.

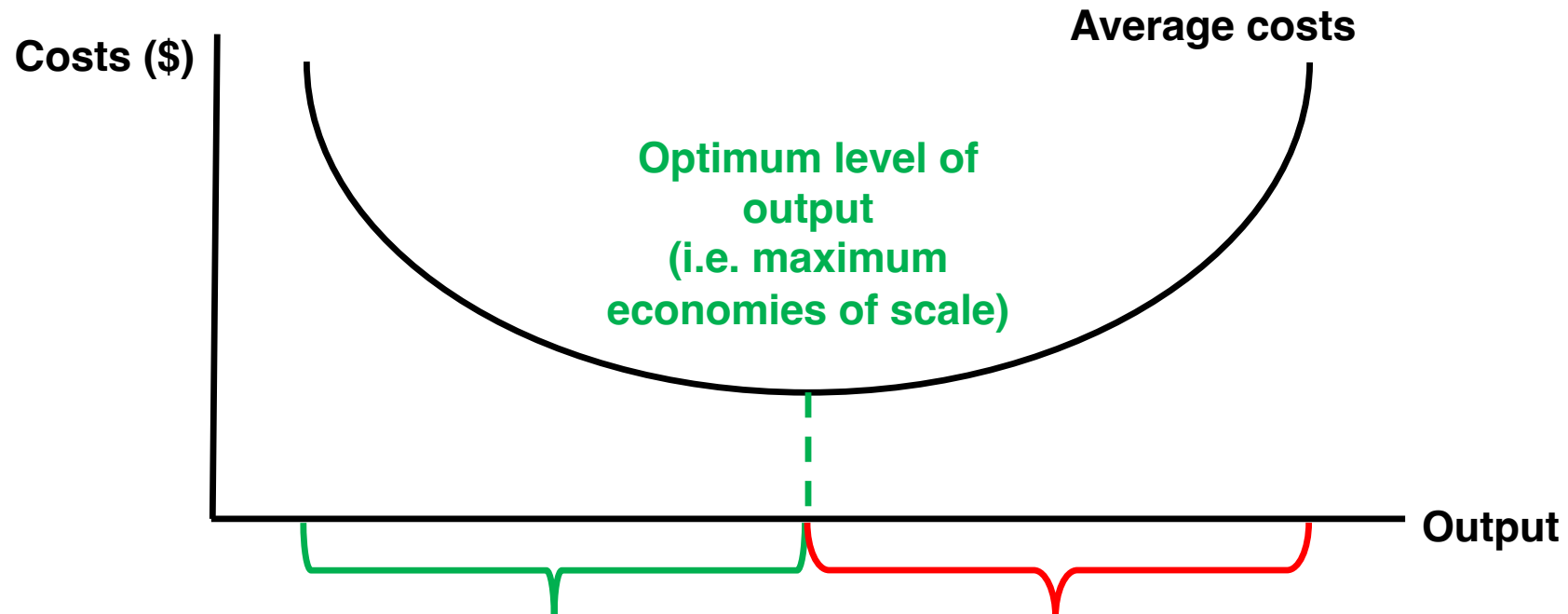
i.e. it is the cost-reducing benefits enjoyed by firms engaged in large scale operations.



Diseconomies of scale is when an organization becomes too large, causing productive inefficiencies that result in an increase in average costs of production.

i.e. it is the cost disadvantages of growth when the business becomes too big.

Economies vs. diseconomies of scale



The cost-reducing benefits enjoyed by firms increases as output rises to the optimum level due to greater efficiency.

The size of the organization becomes too big, causing costs to increase due to inefficiencies in the business.



Internal economies of scale

- These are economies of scale that occur inside the firm.
- They are within the firm's control.

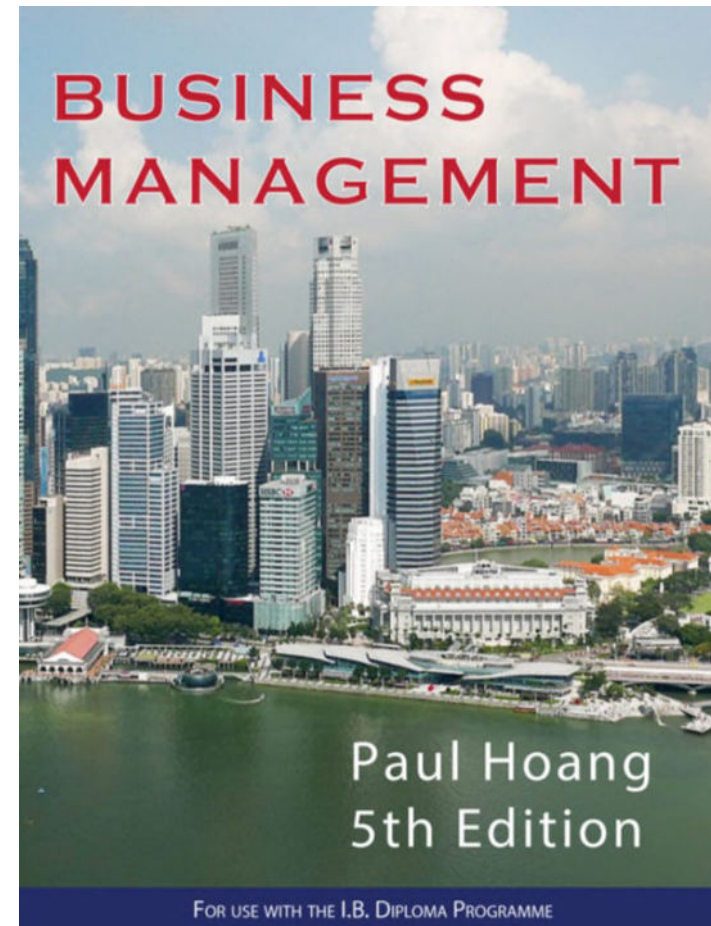




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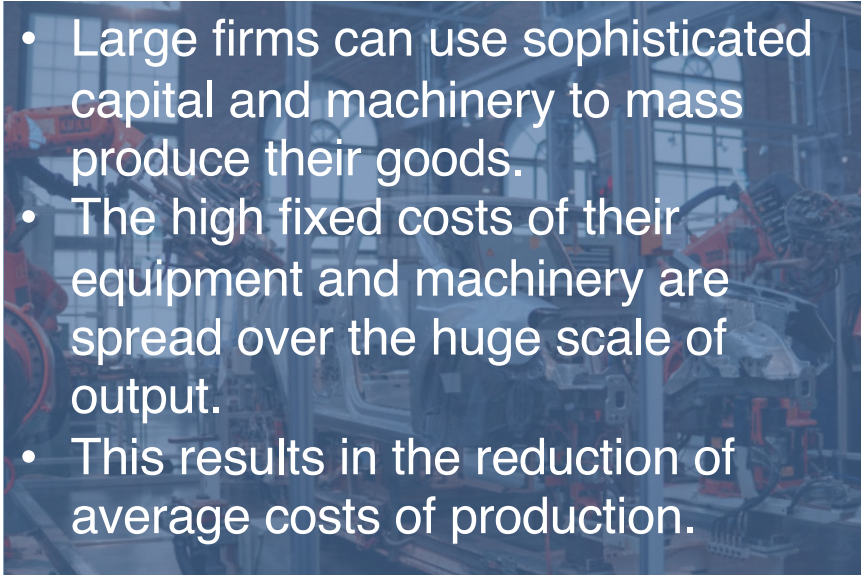
- Hoang textbook
- Question 5.1 *The Airbus A380*
 - Page 66
- Answer all parts

BUSINESS MANAGEMENT

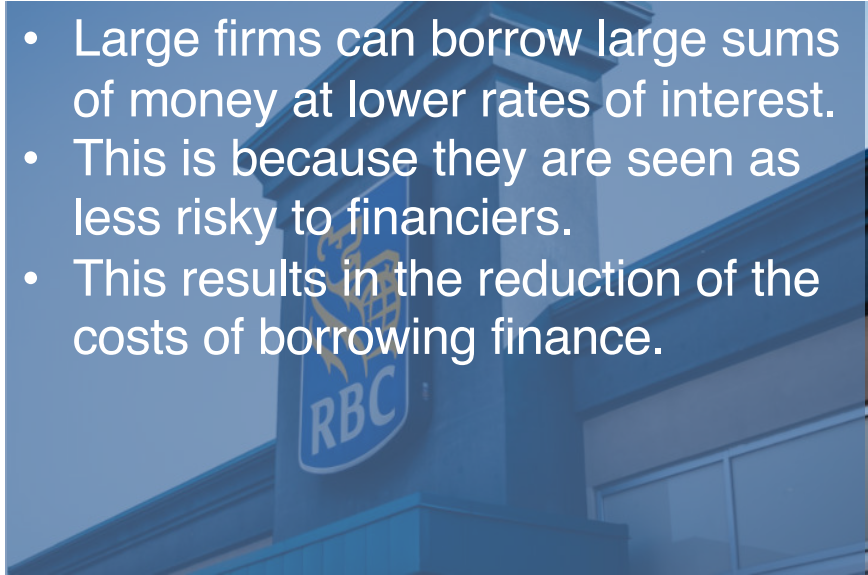


Types of internal economies of scale

Technical economies

- 
- A background image of a modern industrial factory with robotic arms and machinery.
- Large firms can use sophisticated capital and machinery to mass produce their goods.
 - The high fixed costs of their equipment and machinery are spread over the huge scale of output.
 - This results in the reduction of average costs of production.

Financial economies

- 
- A background image of a modern RBC bank building with a large RBC logo on the facade.
- Large firms can borrow large sums of money at lower rates of interest.
 - This is because they are seen as less risky to financiers.
 - This results in the reduction of the costs of borrowing finance.

Types of internal economies of scale

Managerial economies

- Large firms divide managerial roles by employing specialist managers.
- Small firms are less able to do so.
 - e.g., a sole trader often has to fulfil the functions of marketer, accountant and production manager.
- This results in the fall of average costs due to higher productivity.

Specialisation economies

- These are the results from division of labour of the workforce.
- By using mass production techniques, manufacturers benefit from having specialist labour.
- These specialists are responsible for a single part of the production process.
- This results in the fall of average costs due to higher productivity.

Types of internal economies of scale

Marketing economies

- Large firms benefit from selling in bulk.
- High costs of advertising can also be spread by large firms through using the same marketing campaign across the world.

Purchasing economies

- Large firms benefit from buying resources in bulk.
- Discounts are usually given to bulk purchases.
- Large firms are able to purchase enormous quantities, so they get the biggest discounts.

Risk-bearing economies



- Conglomerates can spread fixed costs across a wide range of business operations.
- Unfavourable trading conditions for some products can be offset by more favourable trading conditions in their other products.

The world's largest consumer goods conglomerates



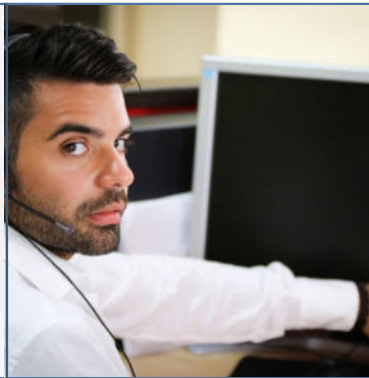
Examples of internal diseconomies of scale



Lack of
control and
coordination



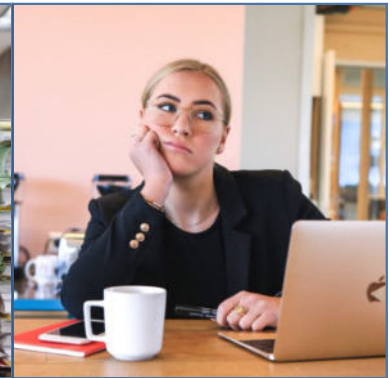
Poorer
working
relationships



Lower
productive
efficiency
from
outsourcing



Bureaucracy



Complacency



External economies and diseconomies of scale

Types of external economies of scale

Technological progress

- Technological innovations increase productivity within an industry with significant cost savings.
 - E.g., the internet has revolutionised business by offering e-commerce.
 - This offers cost savings as the location of premises can be in more affordable areas.

Improved transportation networks

- Globalized transportation networks have enabled firms to import raw materials and finished goods that have been manufactured at much lower costs.
- Increased convenience from improved logistical networks allows for faster deliveries at lower costs.

Types of external economies of scale

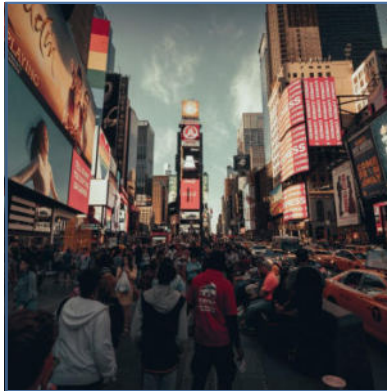
Abundance of skilled labour

- Certain locations may benefit from reputable education and training facilities.
- Local businesses benefit from this by having a suitable pool of educated and trained labour.
- This reduces costs of recruitment and training.

Regional specialisation

- Certain locations or countries have established reputations for specialising in specific goods and services.
- Firms in those locations benefit from having access to specialist labour, sub-contractors and suppliers.
- They are also able to charge a premium price for their products.

Examples of external diseconomies of scale



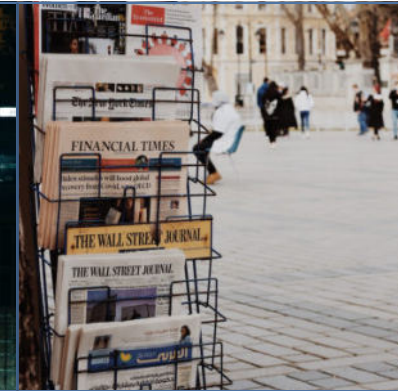
Higher rents



Local market conditions for pay and financial rewards



Traffic congestion



Context specific problems

The difference between internal and external growth



BUSINESS MANAGEMENT

Internal and external growth

Internal growth

- This occurs when a business grows by using its own capabilities and resources to increase the scale of its operations and sales revenue.

External growth

- External growth occurs through dealing with outside organizations. Such growth usually comes in the form of alliances or mergers with other firms or through the acquisition of other businesses.

Methods of internal growth



Changing
prices



Effective
promotions



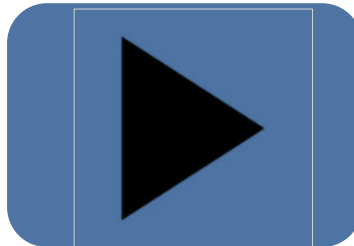
Product
innovation



Increased
distribution



Preferential
credit for
customers



Capital
expenditure

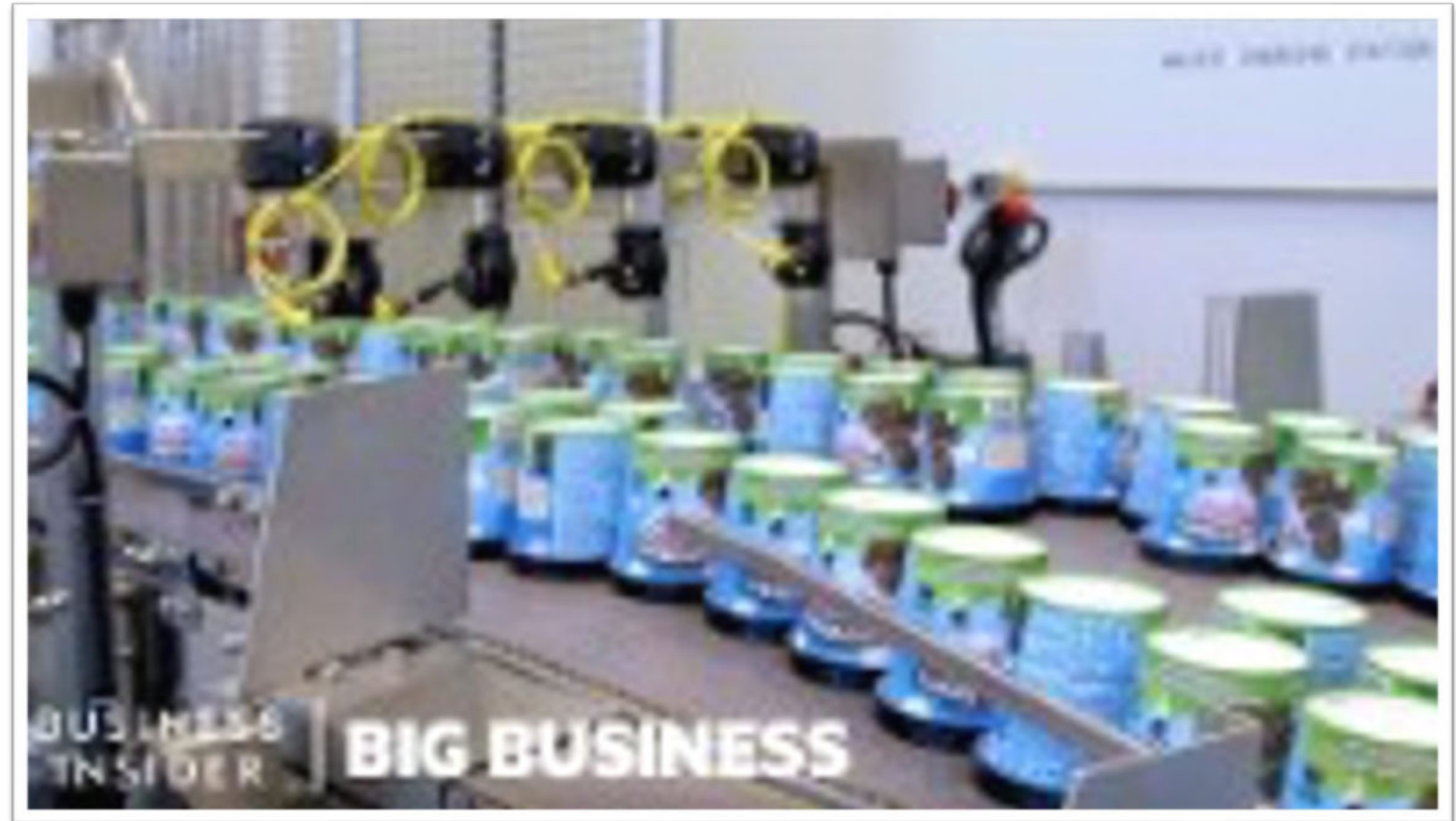


Staff training
and
development



Providing
overall value
for money

Capital expenditure at *Ben & Jerry's*



Advantages and disadvantages of internal growth



Advantages

- Better control and coordination
- Relatively inexpensive
- Maintains corporate culture
- Generally, less risky



Disadvantages

- Diseconomies of scale
- Restructuring of the form of ownership may be needed
- May lead to dilution of control and ownership
- Slower method of growth

Advantages and disadvantages of external growth



Advantages

- Quicker than organic growth
- Synergies
- Reduced competition
- Economies of scale
- Spreading of risks



Disadvantages

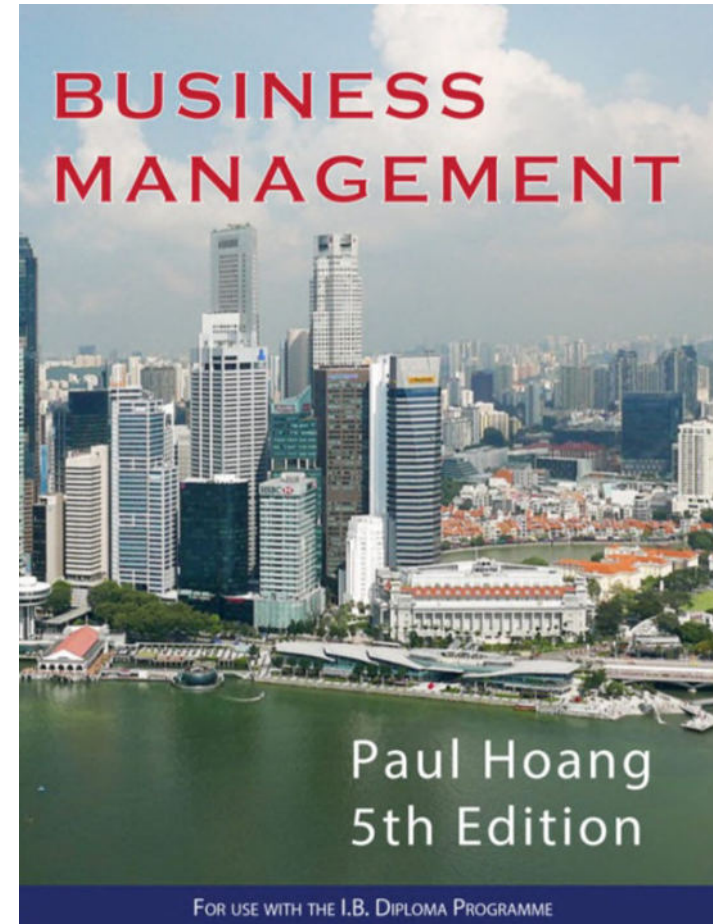
- More expensive than internal growth
- Greater risks
- Regulatory barriers
- Potential diseconomies of scale
- Organizational culture clash



Over to you

- Hoang textbook
- Question 5.2 *Poundland*
 - Page 71
- Question 5.2 *A.S. Watson Group*
 - Page 72
- Answer all parts

BUSINESS MANAGEMENT





In November 2020, *Korean Air* announced a planned acquisition of financially stricken *Asiana Airlines*.

1. Scan the QR code to view financial performance data published by *Korean Air*.
2. Select the Quarter 1 2021 report to view the statistical diagrams about the airline's financial performance.

Based on this financial report, how do the statistical diagrams assist the decision-making of potential financiers of the planned takeover of *Asiana Airline* with *Korean Air*?

BUSINESS MANAGEMENT

BM Toolkit: Descriptive statistics at *Korean Air*





Reasons for businesses to grow



Measuring the size of a business

- The size of a business can be measured in several ways:
 - Market share
 - Total sales revenue
 - Size of workforce
 - Profit
 - Capital employed





Generic benefits of being a large business

- Economies of scale
- Lower prices
- Brand recognition
- Brand reputation
- Value-added services
- Greater choice
- Customer loyalty

BUSINESS MANAGEMENT



		Products	
		Existing	New
Markets	Existing	Market penetration	Product development
	New	Market development	Diversification



BUSINESS MANAGEMENT

BM Toolkit:

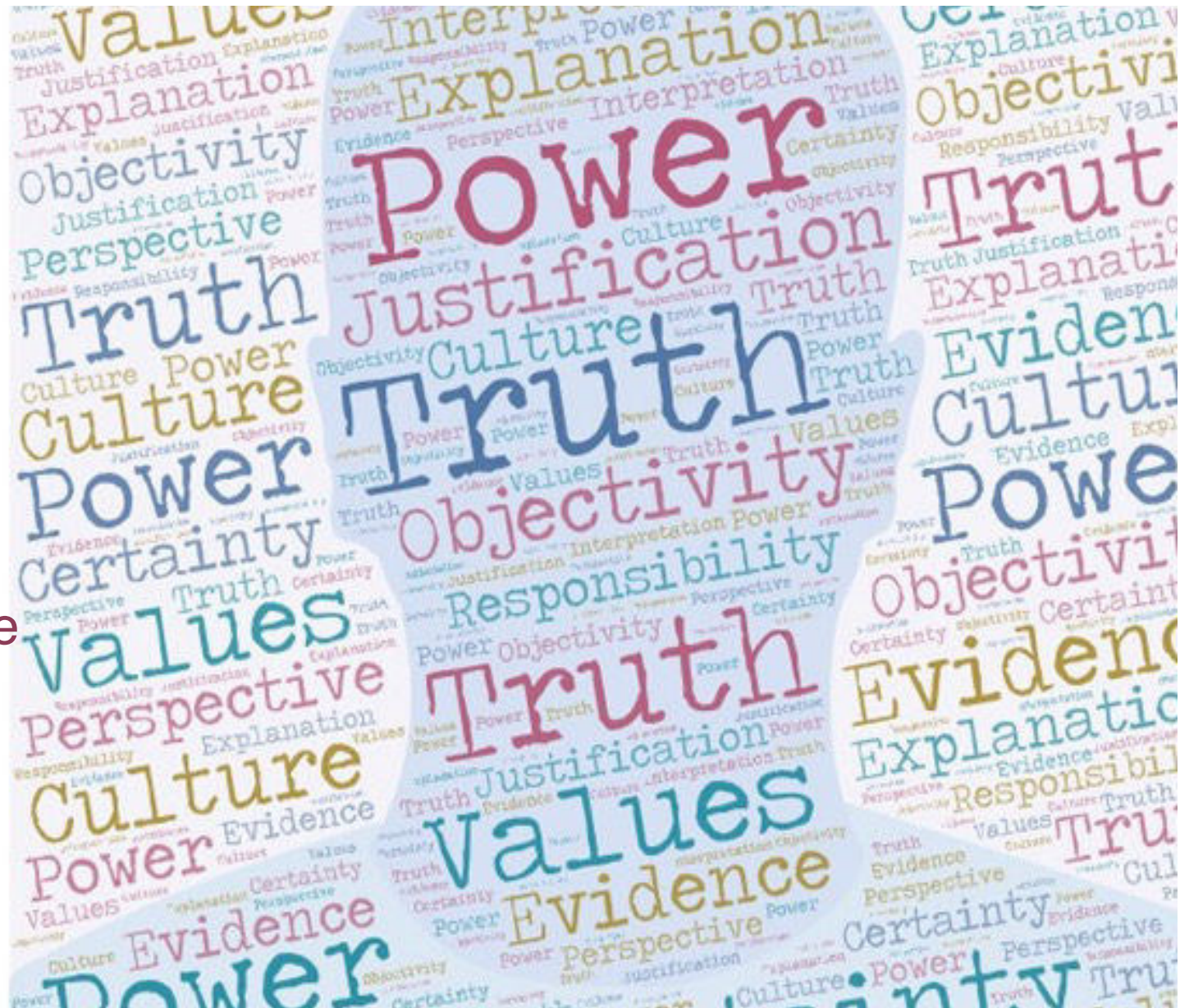
Ansoff's matrix and the growth of *Amazon*

Research the history of *Amazon* since it was founded in 1994. Find out:

1. How their product range developed over time.
2. Where they sold their products over time.
3. Based on your research from Task 1, prepare an Ansoff's matrix for *Amazon*.

Theory of knowledge

Should large and profitable multinational companies have an obligation to support the poor in society?

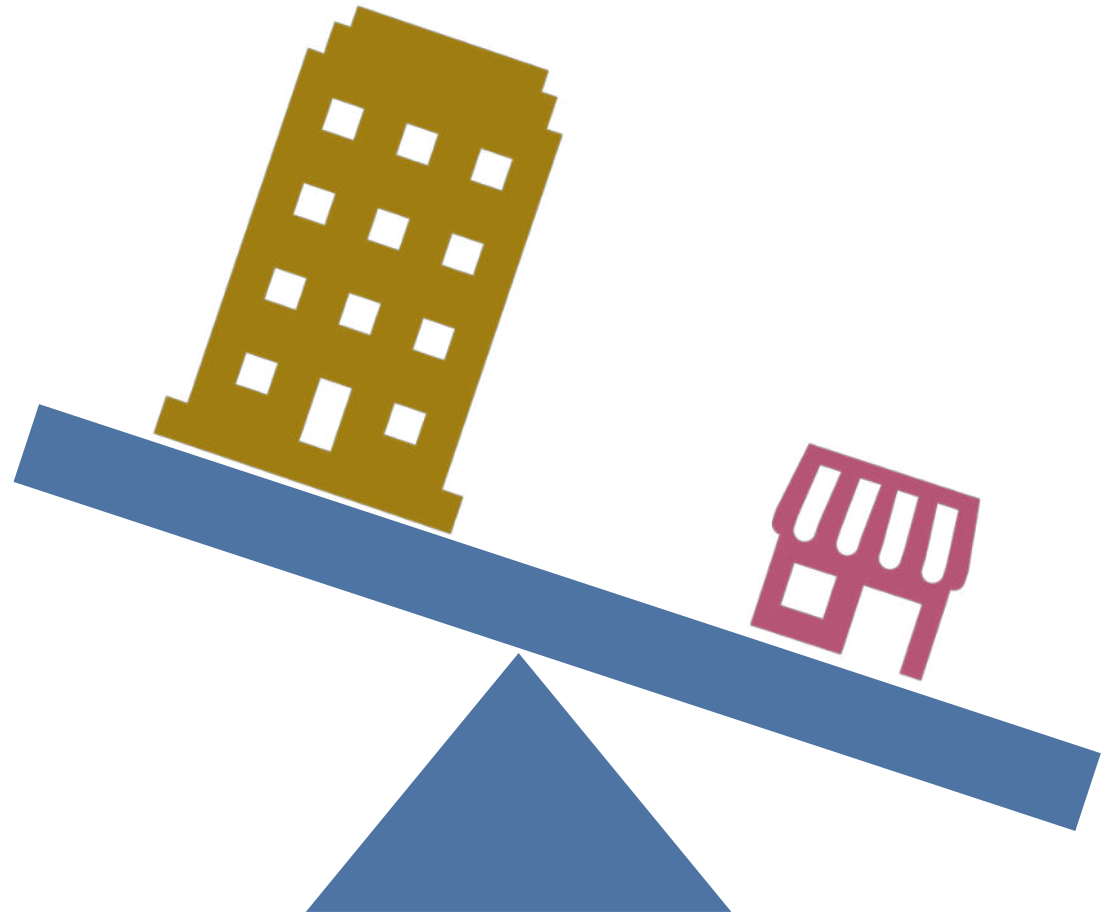




Reasons for businesses to stay small

Generic benefits of being a small business

- Cost control
- Loss of control
- Financial risks
- Government aid
- Local monopoly power
- Personalised services
- Flexibility
- Small market size

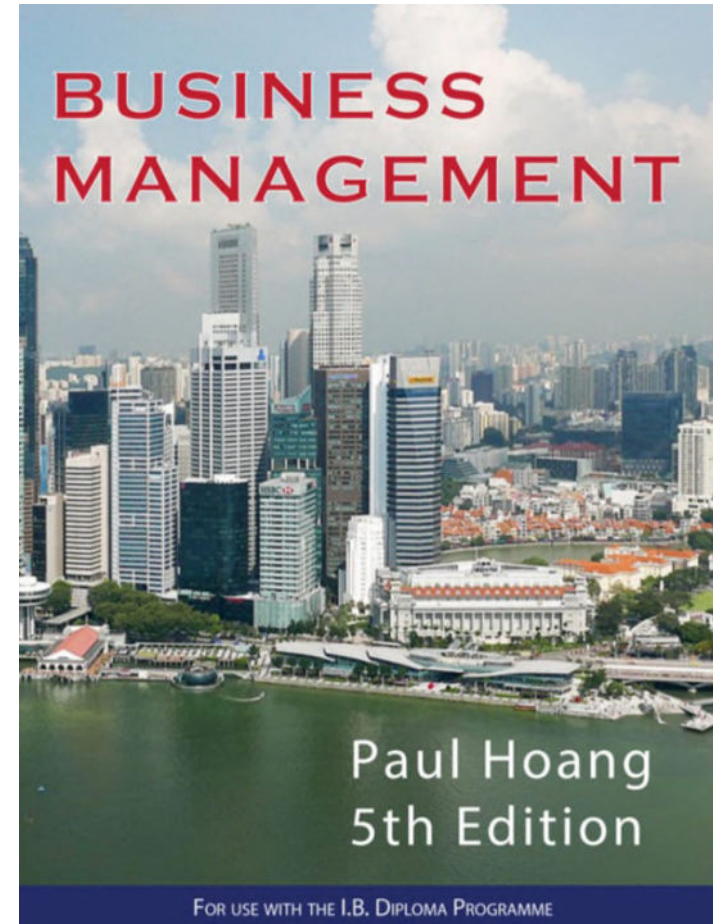




Over to you

- Hoang textbook
- Question 5.4 *Small vs. large*
 - Page 75
- Question 5.5 *Hoang Tan*
 - Page 76
- Answer all parts

BUSINESS MANAGEMENT



External growth methods

- Mergers and acquisitions (M&As)
- Takeovers
- Joint ventures (JVs)
- Strategic alliances (SAs)
- Franchising

Mergers and acquisitions (M&As)

Mergers

- Mergers take place when two firms agree to form a new company with its own legal identity.



Acquisitions

- Acquisitions occur when a company buys a controlling interest in another firm with the permission and agreement of its board of directors.



Benefits and drawbacks of M&As



Benefits

- Greater market share
- Economies of scale
- Synergy
- Survival
- Diversification
- Gain entry into new markets



Drawbacks

- Redundancies
- Conflict
- Culture clash
- Loss of control
- Diseconomies of scale
- Regulatory problems

The acquisition of *Activision Blizzard* by *Microsoft*

- In January 2022, *Microsoft* announced they would acquire *Activision Blizzard* for USD \$68.7 billion.
- *Activision Blizzard* is the developer of iconic games such as *Warcraft*, *Call of Duty* and *Candy Crush*.

Watch this video and list the reasons why *Microsoft* would benefit from the acquisition of *Activision Blizzard*.

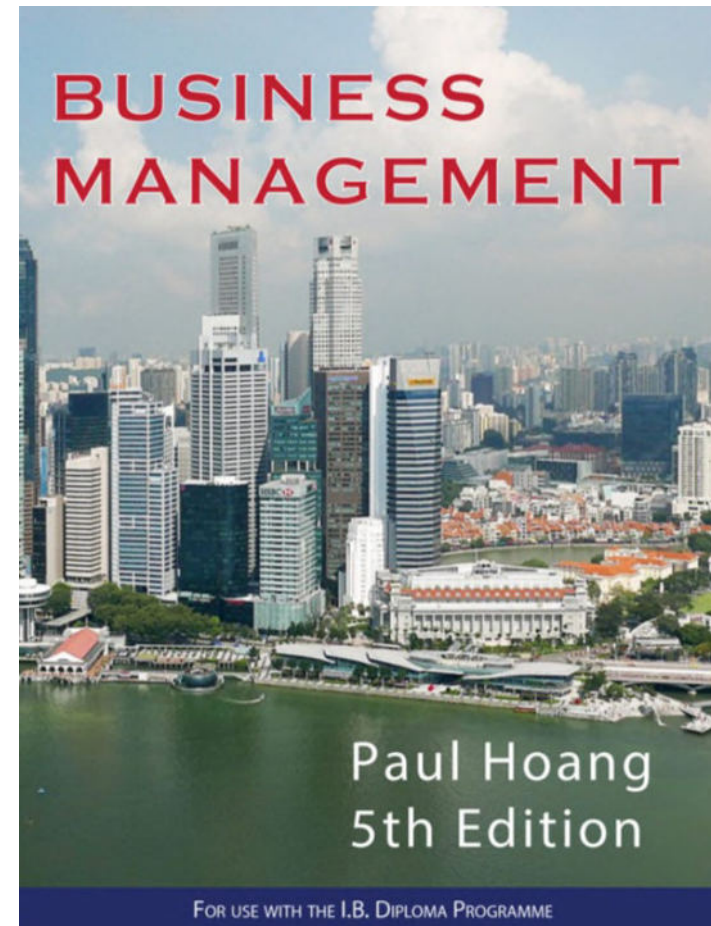




Over to you

- Hoang textbook
- Question 5.6 *The London taxi*
 - Page 79
- Answer all parts

BUSINESS MANAGEMENT

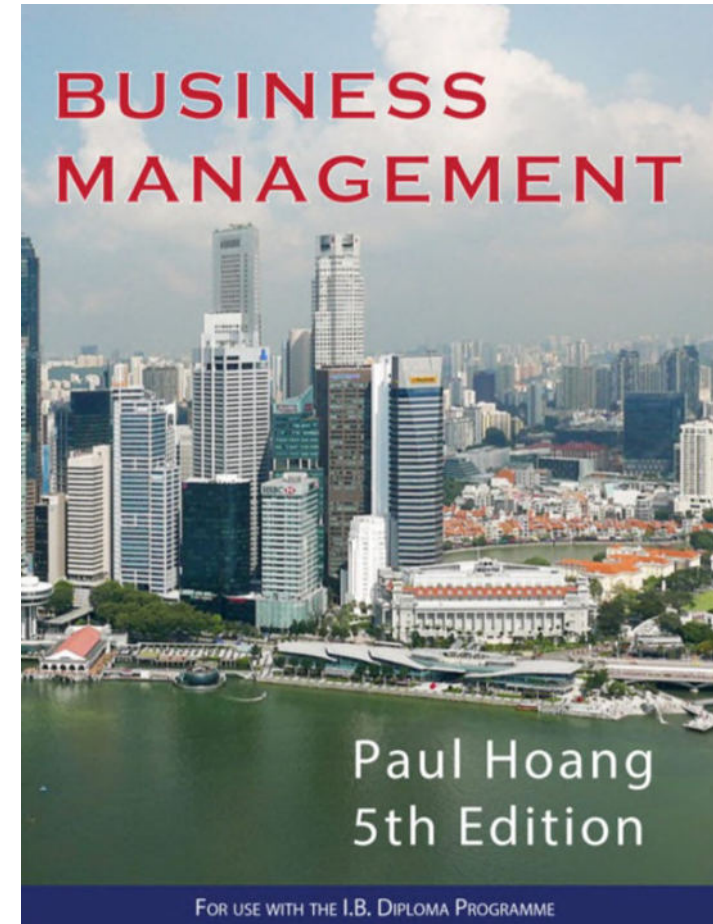




Approaches to learning

- Hoang textbook
- Activity 5.1 *Research skills*
 - Page 79

BUSINESS MANAGEMENT



Takeovers

- Takeovers occur when a company purchases a controlling stake in another company without the permission and agreement of the company or board of directors.
- They are also known as *hostile takeovers*.



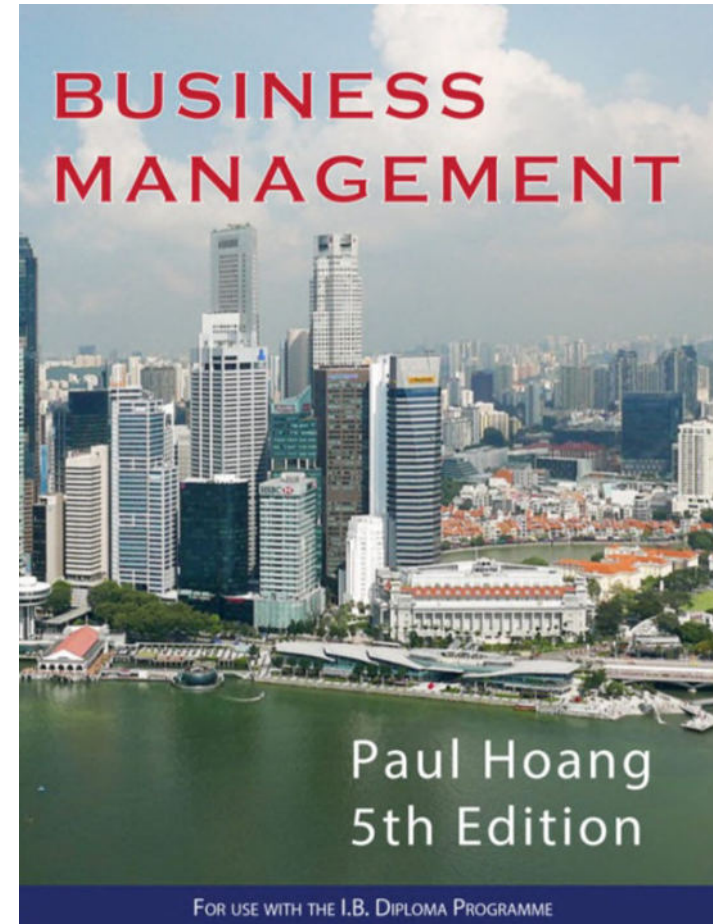
In April 2022, Elon Musk made an offer of US \$43 billion to takeover *Twitter*. This was an offer directed at the firm's shareholders. If shareholders agreed to the offer, Elon Musk could take over *Twitter* without the permission and agreement of the company or board of directors.



Over to you

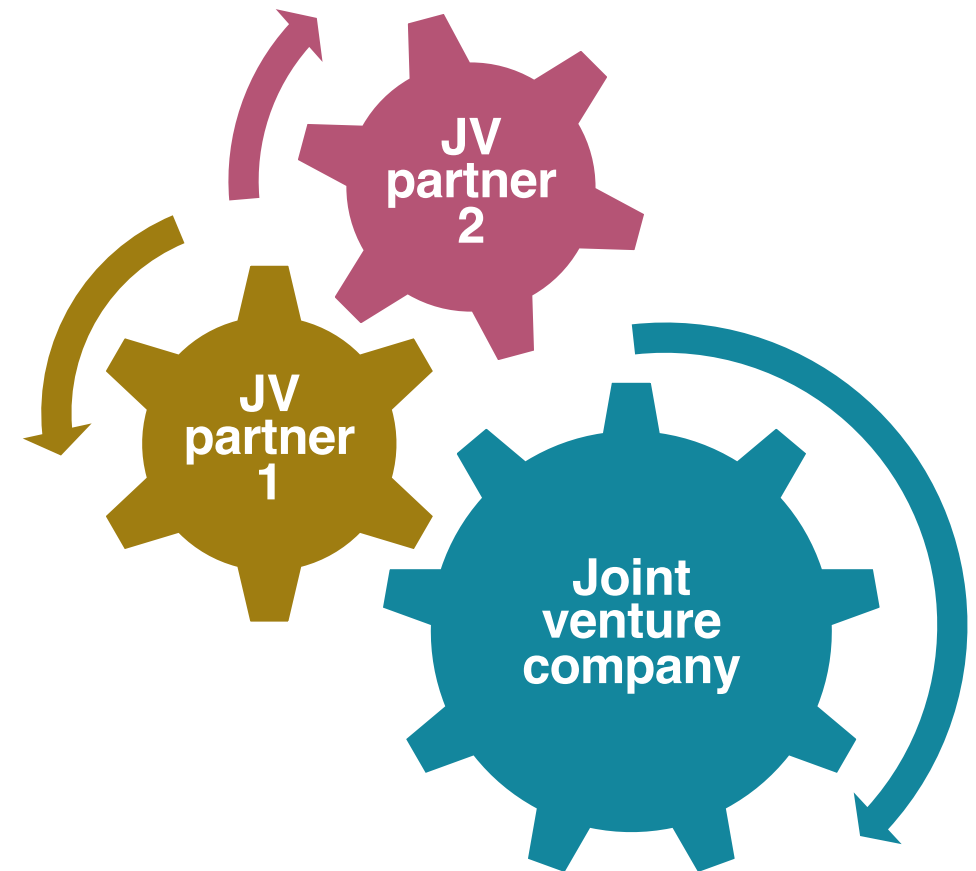
- Hoang textbook
- Question 5.7 *Disney's takeover of Pixar and Lucasfilm*
 - Page 80
- Answer all parts

BUSINESS MANAGEMENT



Joint ventures (JVs)

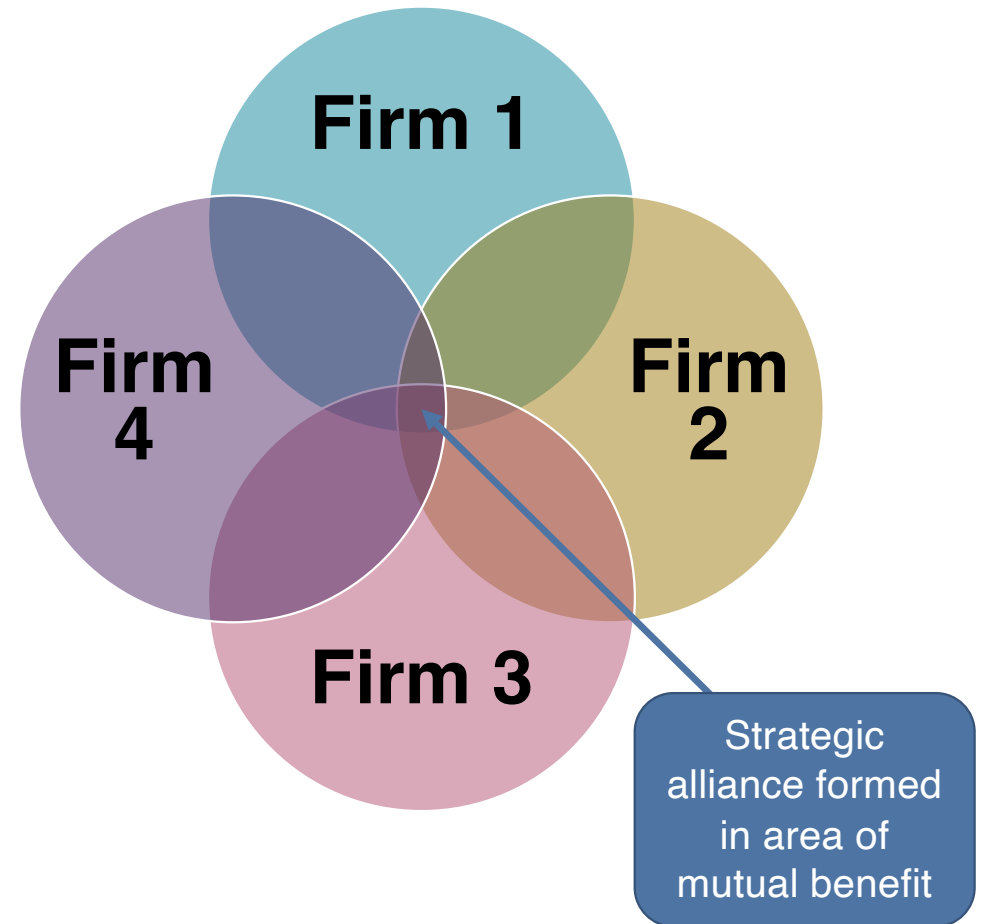
- A joint venture occurs when two or more businesses split the costs, risks, control and rewards of a business project.
- In doing so, the parties agree to set up a new legal entity.



Strategic alliances (SAs)

- Strategic alliances occur when two or more businesses cooperate in a business venture for mutual benefit.
- The firms in the SA share the costs of product development, marketing and operations.
- However, SA firms remain independent organizations.

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Benefits and drawbacks of JVs and SAs



Benefits

- Synergy
- Spreading costs and risks
- Entry to new/foreign markets
- Relatively cheap
- Competitive advantages
- Exploitation of local knowledge
- Relatively high success rate



Drawbacks

- Rely heavily on goodwill and resources of their counterparts
- Enormous expenditure on brand development
- Possible culture clashes

Sony and Honda's electric vehicles joint venture

- In June 2022, *Sony* and *Honda* finalized a 50-50 joint venture to develop electric vehicles.

Watch this video and list the reasons why *Sony* and *Honda* would benefit from this joint venture.





BUSINESS MANAGEMENT

Curtin University and the University of Aberdeen's strategic alliance

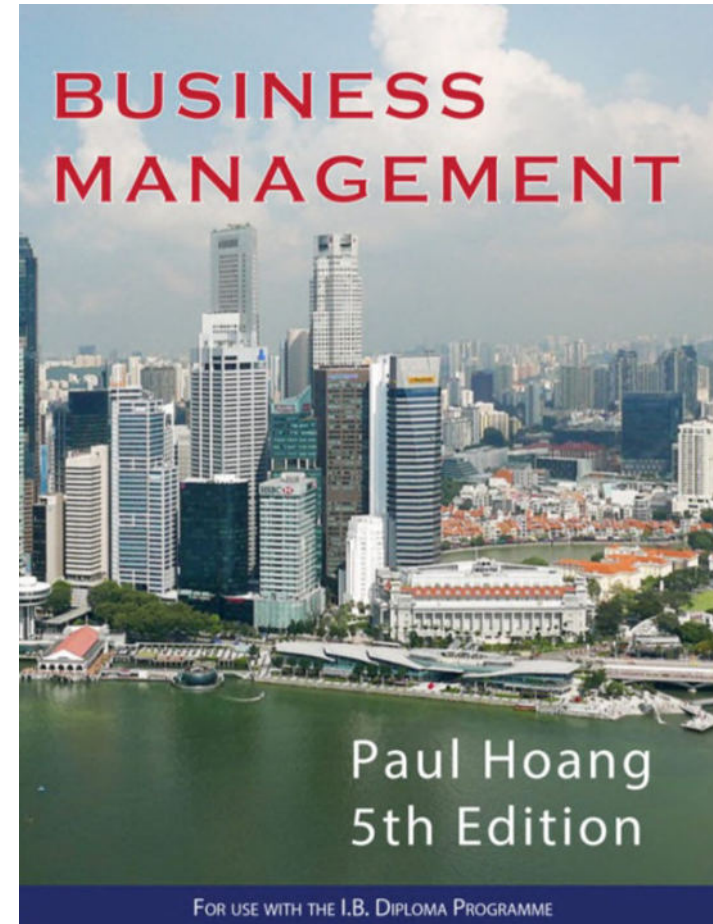




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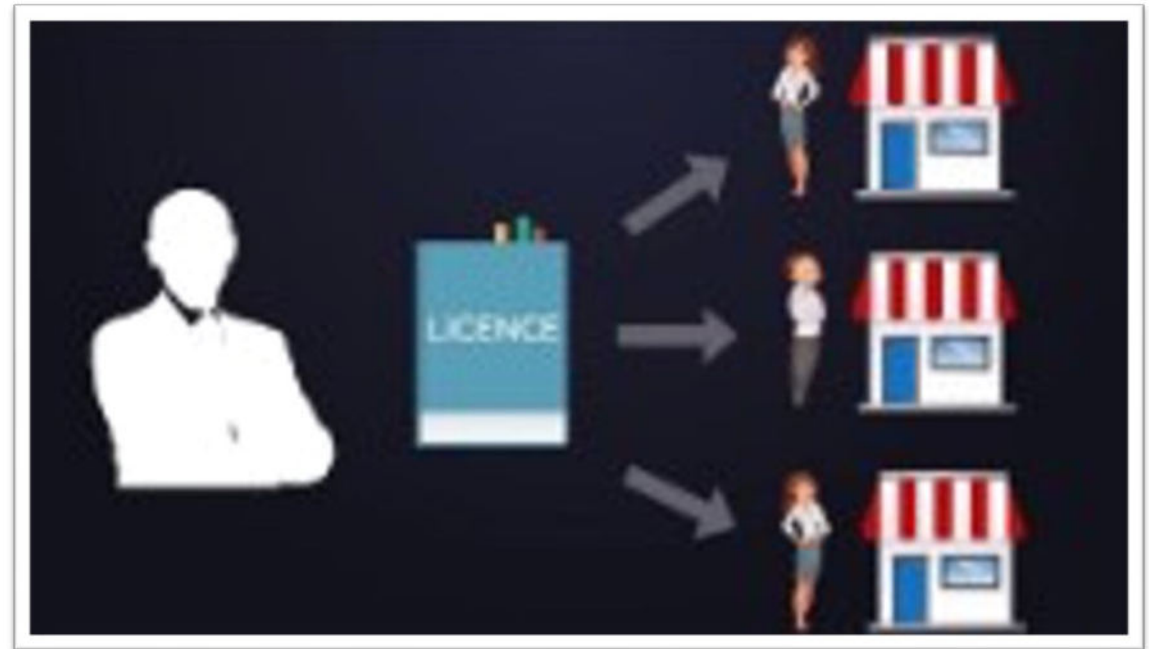
- Hoang textbook
- Question 5.8 *Tiffany & Co. and Swatch Group*
 - Page 81
- Answer all parts

BUSINESS MANAGEMENT



Franchising

- Franchising is a form of business ownership whereby a person or business buys a license to trade using another firm's name, logos, brands and trademarks.
- The agreement is between the:
 - **Franchisor:** the firm selling the license, and the
 - **Franchisee:** the entrepreneur buying the license



Benefits of franchising for franchisors and franchisees



Franchisors

- Cheaper and faster than internal growth
- Enter new local and international markets
- Growth without incurring day-to-day running costs
- Income from royalty payments
- Franchisees are more motivated than salaried managers



Franchisees

- Relatively low risk
- Relatively lower start-up costs
- Training and advice on financial management
- Large scale advertising performed by franchisor
- Greater likelihood of success due to local market insights

Drawbacks of franchising for franchisors and franchisees



Franchisors

- Risk damage to brand name if franchisees are unsuccessful
- Monitoring quality standards or franchisees can be difficult
- Slower growth method than M&As



Franchisees

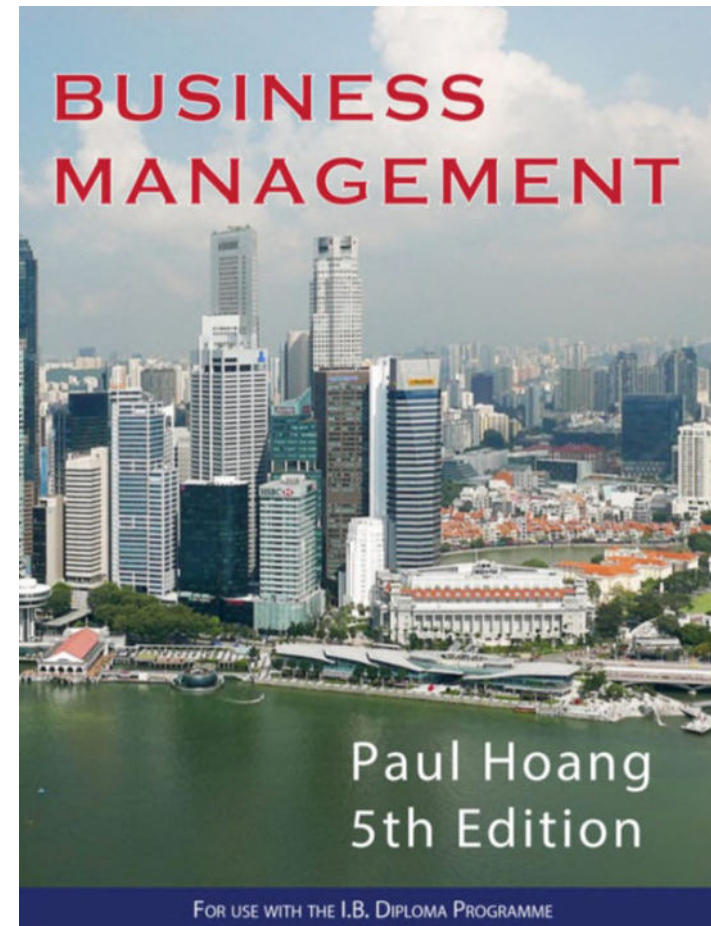
- Stifled creativity due to many franchisor rules and requirements
- Can be very expensive to buy a franchise with no guarantee of a return on investment
- Significant percentage of revenues paid to franchisor



Over to you

- Hoang textbook
- Question 5.9 *Pizza Hut*
 - Page 84
- Answer all parts

BUSINESS MANAGEMENT





Concepts in BM: change and sustainability

Methods of downsizing:

- Demerging by uncoupling merged firms
- Selling unprofitable business divisions

Downsizing allows a business to:

- Have a clearer focus on key business divisions
- Raise cash to fund new growth strategies
- Avoid diseconomies of scale

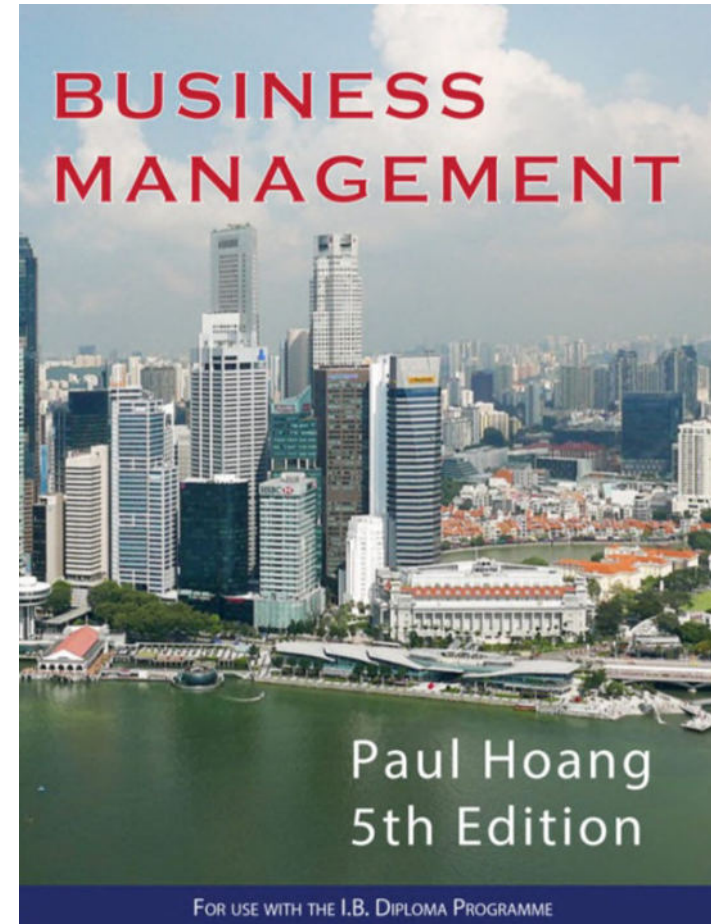
- The growth and evolution of firms depend significantly on a firm's ability to anticipate change.
- However, not all growth strategies will lead to success.
- Downsizing a business allows a business to remain sustainable in the long-term.



Over to you

- Hoang textbook
- *Review Questions*
 - Page 86

BUSINESS MANAGEMENT





BUSINESS MANAGEMENT

Unit 1.6 Multinational companies (MNCs)

Topic 1: Introduction to Business Management



BUSINESS MANAGEMENT

Unit content

Content	Assessment objective
<u>The impact of MNCs on host countries</u>	AO3
Business Management Toolkit <ul style="list-style-type: none">• <u>SWOT and STEEPLE analysis</u>• <u>Hofstede's cultural dimensions</u>	
<u>Multinational companies and the Business Management concepts</u>	

The impact of MNCs on host countries



Multinational companies

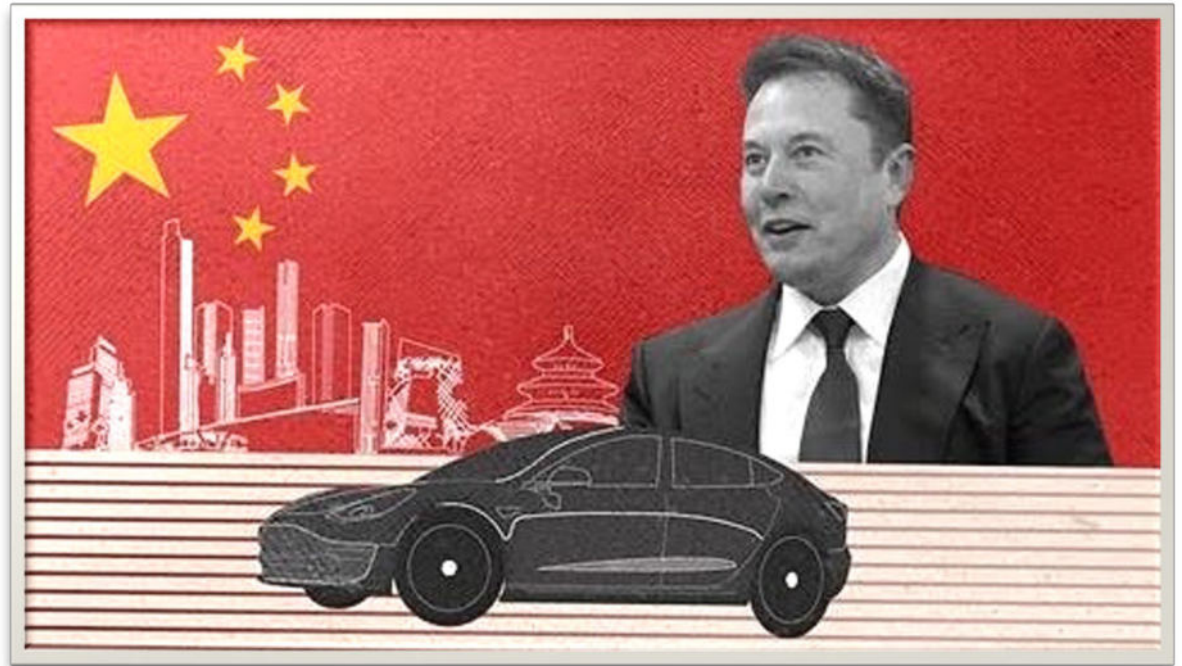
- A multinational company (MNC) is an organization that operates in two or more countries.
- MNCs have grown considerably over time due to the benefits of being such super-sized businesses.



Tesla's Gigafactory in Shanghai

In 2018, Tesla opened its first factory outside of the USA, in China.

1. Watch this video and list all the reasons why it decided to open the Shanghai Gigafactory.
2. What are some other reasons (not stated in the video) why *Tesla* would want to start manufacturing its cars in China?





Reasons why businesses become MNCs

- Increased customer base
- Cheaper production costs (especially inexpensive labour)
- Economies of scale
- Brand development and brand value
- Avoid protectionist policies
- Spread risks





Host countries

- A host country is any nation that allows a multinational company to set up in its country.
- The impact on host countries can be beneficial or harmful.



Positive and negative impacts of MNCs on host countries



Positive impacts

- Job creation
- Higher national income
- Knowledge and technology transfer
- Increased competition to incentivize local firms to be more efficient



Negative impacts

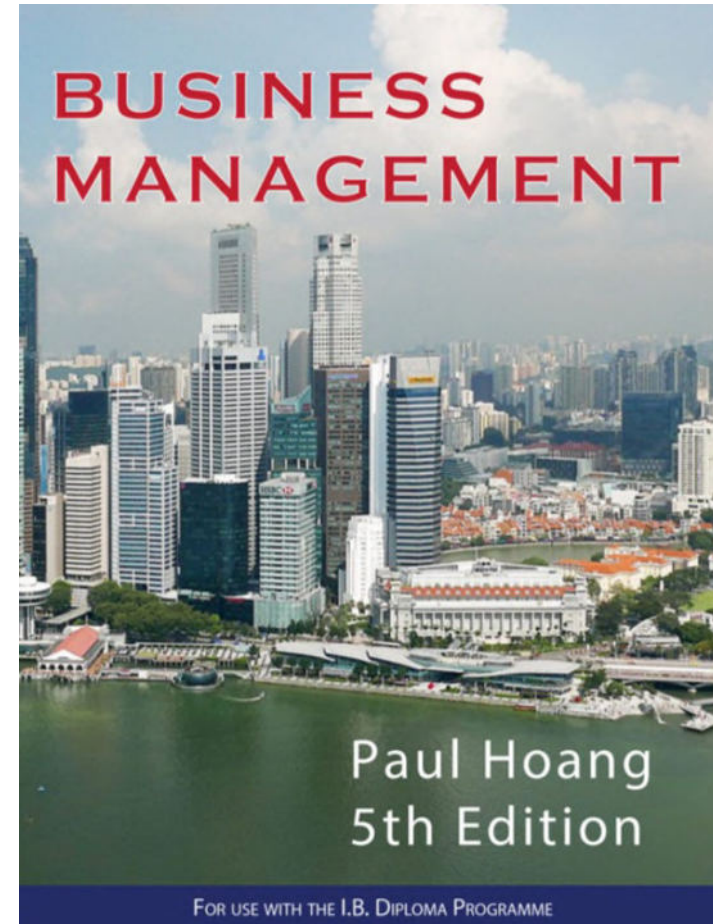
- Job losses
- Repatriation of profits
- Vulnerability
- Social responsibilities
- Competitive pressures



Over to you

- Hoang textbook
- Question 6.1 *The Coca-Cola Company*
 - Page 92
- Question 6.2 *MNCs in the UAE*
 - Page 92
- Answer all parts

BUSINESS MANAGEMENT

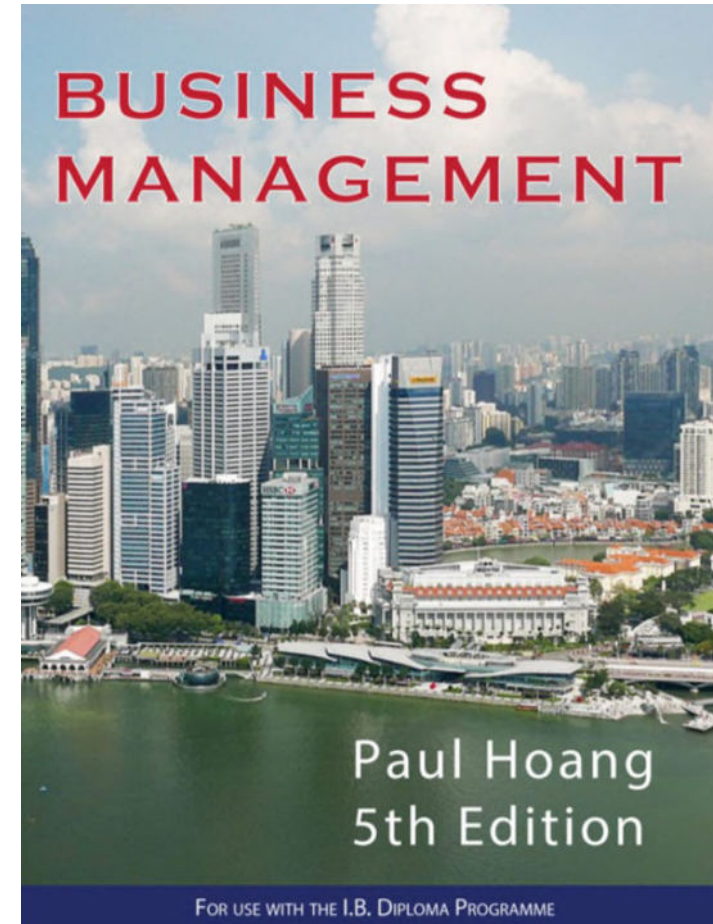


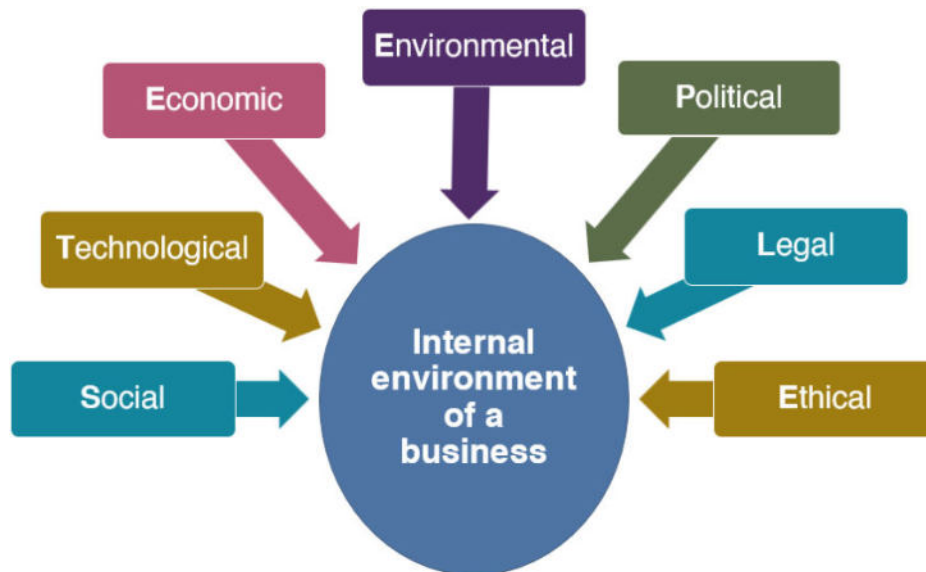


Approaches to learning

- Hoang textbook
- Activity 4.1 *Thinking skills*
 - Page 93

BUSINESS MANAGEMENT





BUSINESS MANAGEMENT

BMT: SWOT and STEEPLE analysis

1. Conduct a STEEPLE analysis of a MNC of your choice.
2. Classify each external environmental factor as an opportunity or threat to the firm.
3. Suggest one strategy to exploit each opportunity.
4. Suggest one strategy to mitigate each threat.
5. Identify the pros and cons of each strategy.



Excerpts from <i>The culture clash at DaimlerChrysler was worse than expected</i> , published by Automotive News Europe	
1	"In America, he said, 'At any time you can just pop into your boss' office and tell him something. The boss can make an instant decision.... It's different in Germany, he said. Underlings prepare extensive reports for top bosses and make recommendations at formal meetings.'"
2	"'(At the old Chrysler) if an idea had merit....you just went ahead and did it. Working-level people feel empowered to do things.....Over there (in Germany) they've got all these smokestack organizations that measure things, survey things. A lot of time is spent on unproductive activities.'"
3	"'Germans analyse a problem in great detail, find a solution, discuss it with their partners and then make a decision. It is a very structured process,' he said. 'Americans start with a discussion, and then come back to it with new aspects after talking with other people. Eventually - after a process which they call creative - they come to a conclusion.'"
4	"There's never a discussion if the Germans have to jump on the plane for a meeting on Friday afternoon in America. It's understood that they will need Saturday or Sunday for the return flight. Not so for the Americans."

BUSINESS MANAGEMENT

BM Toolkit: Hofstede's cultural dimensions at *DaimlerChrysler* (HL)

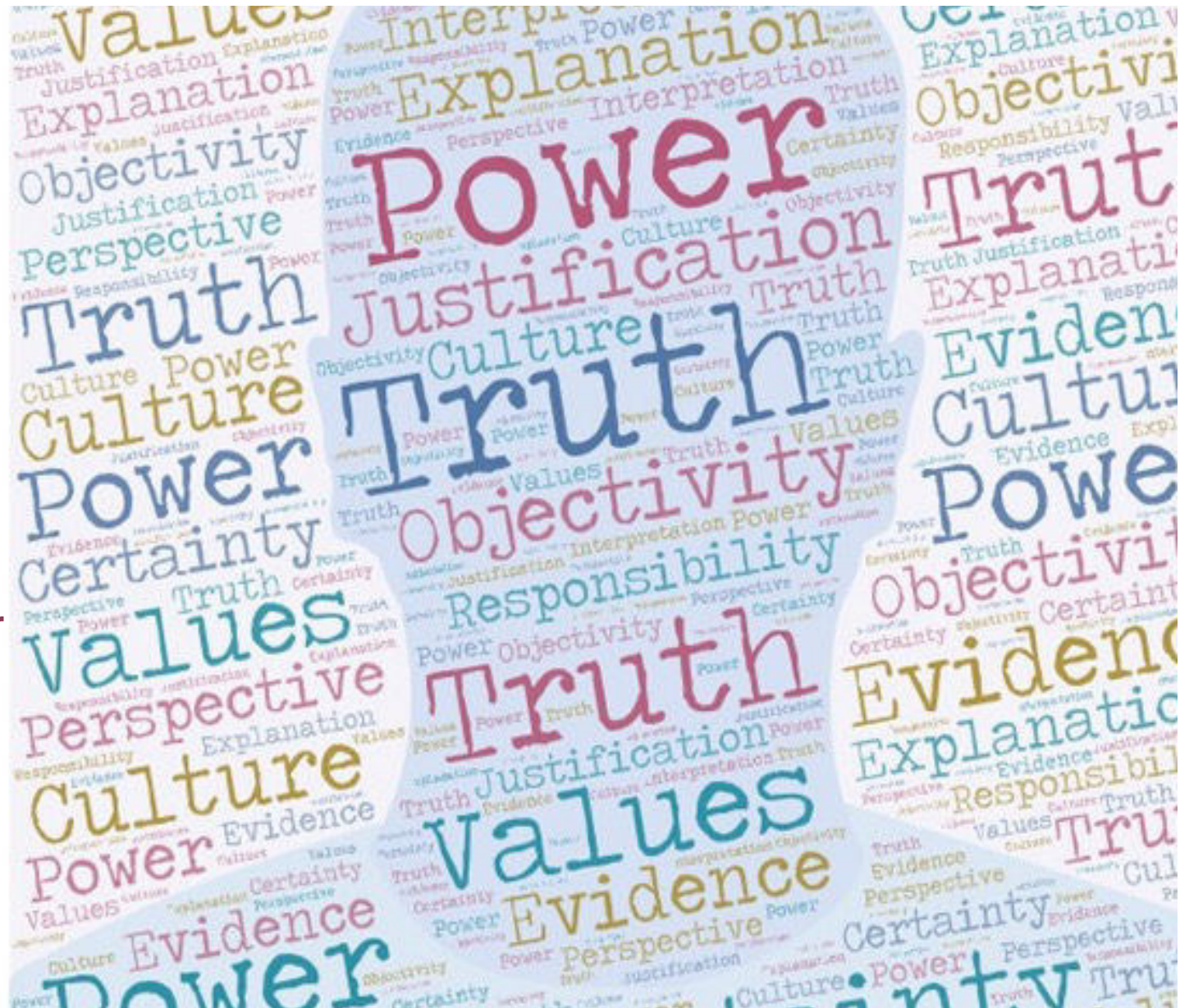
- *DaimlerChrysler*, one of the most disastrous corporate mergers in automotive history, was formed in 1988 by Germany's *Daimler* and America's *Chrysler*.
- Based on the information on the following slide, identify the cultural dimensions where culture clash occurred between the two firms.

Excerpts from *The culture clash at DaimlerChrysler was worse than expected*, published by Automotive News Europe

- 1 “In America, he said, 'At any time you can just pop into your boss' office and tell him something. The boss can make an instant decision.... It's different in Germany, he said. Underlings prepare extensive reports for top bosses and make recommendations at formal meetings.”
- 2 “(At the old Chrysler) if an idea had merit....you just went ahead and did it. Working-level people feel empowered to do things.....Over there (in Germany) they've got all these smokestack organizations that measure things, survey things. A lot of time is spent on unproductive activities.”
- 3 “Germans analyse a problem in great detail, find a solution, discuss it with their partners and then make a decision. It is a very structured process,' he said. 'Americans start with a discussion, and then come back to it with new aspects after talking with other people. Eventually - after a process which they call creative - they come to a conclusion.”
- 4 'There's never a discussion if the Germans have to jump on the plane for a meeting on Friday afternoon in America. It's understood that they will need Saturday or Sunday for the return flight. Not so for the Americans.

Theory of knowledge

Do China and India present the most important competitive threat or opportunity for global brands and multinational companies?





Concepts in BM: change, ethics, creativity, and sustainability



- Change, ethics, creativity and sustainability are central to any business strategy that involves growth in overseas markets.
- Some of the most successful MNCs have adopted a glocalization approach to integrate local and international cultures in the consumption of goods and services.



Over to you

- Hoang textbook
- Question 6.3 *Bollywood*
 - Page 94
 - Answer all parts
- *Review Questions*
 - Page 94

BUSINESS MANAGEMENT

