

6 External influences on business activity

Introduction

External Influences is an exciting topic. Relevant case studies and examples can be found on television, in newspapers and online everyday, so lessons can be based on real, contemporary events. The challenge, though, is that for many students External Influences is conceptually abstract and entirely new; many will never have given the economy a second thought.

The aim of the activities within this section is therefore to break the topics down into manageable chunks and to provide innovative examples of how the topics may be taught. Moreover, each chapter includes a substantive activity that can be used, in a fun and engaging way, to reinforce learning. These activities include:

- a board game activity that examines **government policy**
- an investigation of **environmental and ethical** concerns using dominoes
- a student debate on **globalisation** and **international trade**
- an examination of **multinational companies** using a jigsaw reading activity
- a categorisation exercise based on **exchange rates**.

To introduce students to the concepts they will study and to help you gauge prior student knowledge, a useful activity might be:

Collage creation

Bring to class a wide range of newspapers, magazines and articles that cover the topics from this section. Split your class into small groups. Ask each group to consider one of the following questions:

- What types of things do governments do that affect businesses?
- How do business activities affect the environment?
- What are multinational firms? Are they a positive or negative influence on the countries in which they operate?
- What are business ethics? Can you find examples of ethical business decisions and unethical business decisions?
- What are exchange rates? Why do they change?

Ask students to select from the various source materials articles that help to represent an answer to the question issued to their group. They should cut out and stick articles, images and quotes in a collage that represents their answer.

Circulate around the group as students undertake this activity, listening to student discussions and asking questions to assess the level of current student knowledge. Don't attempt to explain topics in detail; for now a basic overview is sufficient.

By this stage of the course, students should already be aware of the skills needed to make progress. That said, you can use the **Skills Builder** at the end of Section 6 in the Student Book to remind them that external influences do not affect all firms equally (*application*) – good progress comes from showing a clear ability to apply knowledge to a *particular* situation. Similarly, use the **Skills Builder** to remind students that recommending (*evaluation*) how a firm might respond to a particular external influence is the key to excellent progress.

6.1 Government economic objectives and policies

6.1.1 How government control over the economy affects business activity

Learning objectives (6.1.1)

Knowledge

Students will understand:

- government economic objectives
- the main stages of the business cycle (growth, boom, recession, slump)
- how changes in taxes and government spending can affect business activity
- how changes in interest rates can affect business activity
- how businesses might respond to these changes.

Key business terms

Balance of payments; bankruptcy; boom; business cycle; bust; central bank; corporation tax; direct taxes; disposable income; downturn; economic growth; employment; export; fringe/non-financial benefits; gearing; government spending; gross domestic product (GDP); import; income tax; inflation; interest rate; price elastic; price inelastic; price stability; productivity; recession; recovery; slump; spending power; taxation; value added tax (VAT)

Resources

Student Book pages 340–352
Activity sheets 6.1.1A and 6.1.1B (<i>available on the CD-ROM</i>)
Newspapers, business magazines and/or print-outs from relevant websites
Dice and counters

Lesson ideas

It is anticipated that the learning objectives for 6.1.1 will be covered over several weeks' worth of lessons. Depending on the ability profile of your group and the time available, delivery of this topic could take three to four weeks. To achieve the learning objectives for this section, it is suggested that at least some of the following activities are undertaken over the course of the lessons.

Starter suggestions

What do you know?: As many of the concepts in this topic will be unfamiliar to students, start by writing various key terms from the topic (or sub-topics) on the board and ask students if they know what the terms mean.

What do they do?: Pose the question 'What do governments do?' Ask students to work in small groups to list as many government activities as possible. Once they have listed the activities, ask them to consider why governments undertake these activities. Use student responses as an introduction to the broad scope of this topic.

Interested?: Introduce interest rates by displaying the deposit rates offered by a local bank on the board. Ask students what the rates mean. Repeat the exercise with loan rates from the same bank. Now ask them to imagine they have \$1 million deposited (or the equivalent local currency) at the bank. Ask them if they would be happy or unhappy if the interest rates went up or down. Then ask them to

imagine they have borrowed \$1 million from the bank and how they would feel about changes in the rates. Use their answers to lead into the topic.

Main lesson activities

Discussion and note-taking (whole class): Talk students through the various government economic objectives and policies, instructing them to take notes as appropriate. Ensure that you focus on how businesses might respond to economic changes.

Cut it out: Take into class a large selection of newspapers, business magazines or print-outs from relevant websites. Tell students that they need to create a collage of articles and images related to this topic. For example, they might find an article reporting that the central bank has raised interest rates and link this in their collage to an article discussing the impact of interest rates on business. The key to the exercise is encouraging students to develop links between economic changes and business responses. To facilitate this activity, you could allow students to link articles by topic but not necessarily by story or theme.

Mime: Split the class into small groups and ask students to create a mime that represents each stage of the business cycle.

Compare: Ask students to research GDP data for five different countries, including recent changes in the GDP. Alternatively, you could provide them with the relevant data. Instruct them to analyse the differences in the GDP of each country and to suggest reasons why the GDPs may be different. They should conclude by suggesting how the changes in the GDP for each country may impact on businesses within that country.

Tip: You may find it useful to set the Skills activity on page 343 of the Student Book (a GDP research exercise) as a homework leading into this class-based task.

Discussion (Taxing times): Ask students to list all of the different taxes they can think of. To expand the list, ask them to consider what taxes their parents pay and what taxes companies pay. Illustrate the impact of a rise or fall in taxes by asking them to consider their own spending habits if a tax on pocket money (allowances) was introduced. Use this to lead into a discussion on the impact of taxation on business.

Research activity (Interest rates): Ask students to investigate the interest rate in a country of their choice. Ask them to consider the following:

- What is the current interest rate?
- Who controls the interest rate (the government or central bank)?
- Has the interest rate risen or fallen recently?
- Investigate why any change in the rate has taken place. Was the aim economic growth or economic slowdown?
- What might this have meant for businesses?

Pair students up with a classmate who has chosen a different country, asking them to compare and contrast their findings. If possible, write students' findings on the board under the following headings: Country, Who controls?, Risen/Fallen, Why?, Impacts. Use this summary to discuss reasons for interest rate changes and the impact on business.

Investigation: Split the class into small groups and assign each group a different topic from this section (government spending, interest rates, etc.). Ask each group to prepare a presentation that explains the topic to the rest of the class AND explains how businesses might respond to economic changes related to this topic.

Knowledge check: Ask students to complete the Knowledge check questions on page 352 of the Student Book.

Tip: This exercise could be given as a homework task.

Plenary suggestions

Student activity: Activity 6.1.1 is designed as a fun plenary for this topic. It could be used at the end of a lesson, or could be used as a final summative lesson in itself. The aim of this board game activity is to review various government economic objectives, policies and the impact of those policies.

Answers to Student Book activities

Knowledge check (page 352)

1. **Identify** one government objective. (1)

Any one from: Sustainable economic growth; full employment; price stability; stable balance of payments. *Accept appropriate alternatives.*

2. **Explain** how economic growth is measured. (3)

GDP (gross domestic product): A measure of the value of all goods and services produced within a country over a period of time.

Award 1 mark for GDP; award 2–3 marks for an explanation of GDP.

3. **Identify** and **explain** the main stages of the business cycle. (4)

Growth; boom; recession; slump.

Award 1 mark per correct stage (accept variations in terms).

4. **Identify** and **explain** two strategies a business might use to survive a recession. (4)

Strong brand; develop essential products; reduce products' price elasticity of demand; open overseas branches; introduce lead production; ensure continual cost-efficiency.

Award 1 mark per correctly identified strategy (1–2) and 2–3 marks for a suitable explanation.

5. **Explain** the difference between direct and indirect taxes. (2)

Direct taxes are those charged on income (individual or company profit). Indirect taxes are applied to the purchase of goods.

Award 1 mark per correct explanation (max 2 marks).

6. **Explain** how interest rates affect business profits. (2)

Higher interest rates will increase the debt burden (for geared firms) and reduce profits. Lower interest rates will reduce the debt burden and increase profits. Interest rates also affect consumer spending and thus affect business profits: higher interest rates may increase saving and increase the debt burden on consumers, thus reducing their spending; lower interest rates reduce the debt burden and increase disposable income (discouraging saving).

Award 1–2 marks for a suitable explanation. It is possible to award 2 marks if only one impact is discussed fully.

Total: 16 marks

Skills activity (page 343): possible outcomes

Basic information on GDP (and its components) is sufficient for this activity. Students may find the relevant data but have difficulty extracting the relevant information. Anticipate short articles with relevant facts/figures but limited linkage.

Tip: *After briefly introducing GDP (a concept students may have studied in geography), use this exercise as a homework task (supported by instructions to read the relevant section of Student Book) The results of the homework task can then be used as a starter activity for the opening lesson of this topic.*

6.1.1 How government control over the economy affects business activity: Activity

Activity type

Board game

Time

30 minutes (or at teacher discretion)

Content

Changes in taxes, government spending and interest rates

Key terms

Government spending; income tax; interest rates

Objective

To understand how changes in taxes, government spending and interest rates can affect business activity (6.1.1)

Procedure

1. Explain to students that they are going to play a board game that requires them to analyse the effects of changes in income tax, government spending and interest rates.
2. Divide the class into groups of three or four and give each group a copy of the game board, a set of cards and a dice, plus a counter for each player.
3. Each student takes five cards and places their counter on START. They place the remaining cards in a pile face down in the centre of the game board. Students should arrange their cards on the table in front of them. It does not matter if students can see each other's cards.
4. Students take turns to roll the dice and move their counter. They read the situation in the square they land on, and use any appropriate cards in their hand to respond to that situation.

Example: A student might have the following cards in their hand: 'Prices fall', 'Consumer demand falls', 'Unemployment increases', 'GDP rises', 'Cost of borrowing falls'. If they land on 'The government reduces spending', they can put down 'Consumer demand falls', 'Unemployment increases' and 'Prices fall'.

As the student lays down each card, they must explain to their group how it affects business activity and link it to the initial policy action of a cut in government spending. If the other students are not satisfied with the explanation or link, they may challenge it.

5. A player is awarded one point for each card they successfully link to the government policy and business activity. They should put these cards to one side and replace them with cards drawn from the top of the pile, so that they always have at least five cards in their hand.
6. If a player lands on 'Miss a turn', they miss their current turn. If a player lands on 'Swap cards', they may swap any number of cards from their hand with cards drawn randomly from the pile. If a player lands on 'Policy decision' or 'START', they may choose the government policy to which they link their cards. If a student lands on 'Pick up a card', they may pick up one card from the pile and add it to their hand.

Skills practised

AO1: Knowledge and understanding	✓
AO2: Application	✓
AO3: Analysis	✓
AO4: Evaluation	

Preparation

Prepare one copy of the game board (Activity sheet 6.1.1A) enlarged to A3 size and one set of cut up cards from Activity sheet 6.1.1B for each group of three students in the class. Each group will also need one six-sided dice and each player will need a counter.

7. As students play the game, move around each group and check that they are playing correctly. Also be on hand to settle any disputes between players!
8. The game ends when there are no cards left in the centre of the board or when a predetermined time limit has been reached. The winner is the student who has accumulated the most cards.

Teacher tip: *It might be a good idea for students to spend a few minutes in their groups linking as many of the cards as possible to the various government policies before they start the game.*

Variation: In order to make the game more accessible for lower ability students, you could remove some cards, such as 'Workers' real wage decreases', from the pack.

6.2 Environmental and ethical issues

6.2.1 Opportunities and constraints of environmental concerns and ethical issues

Learning objectives (6.2.1)

Knowledge

Students will understand:

- how business activity can impact on the environment
- the concept of externalities (external costs and external benefits of business decisions)
- sustainable development (how business activity can contribute to this)
- how and why business might respond to environmental pressures and opportunities
- the role of legal controls over business activity affecting the environment
- the ethical issues a business might face
- how business might react and respond to ethical issues.

Key business terms

Boycotting; competitive advantage; conservation of resources; corporate social responsibility (CSR); deforestation; depletion of resources; environmental audit; ethical behaviour; exploitation of labour; fair trade; fossil fuels; global warming; infrastructure; labour turnover; legal controls and regulations; multinational company; negative externality; negative publicity; petitioning/lobbying; positive externality; pressure groups; stakeholders; shareholders; sustainable development

Resources

Student Book pages 353–363
Activity sheet 6.2.1 (<i>available on the CD-ROM</i>)
Scissors

Lesson ideas

It is anticipated that the materials below will be covered in two one-hour lessons, plus, as appropriate, a homework assignment. To achieve the learning objectives for this topic, it is suggested that at least some of the following activities are undertaken over the course of the lessons.

Starter suggestion

The school's impact: Introduce the topic by asking students to consider the impact of the school's activities on its indirect stakeholders (the externalities). For example, students could work in pairs or small groups and report their ideas back to the whole class. If appropriate, you could broaden this discussion to include sustainable development and ethics. (For example, does the school use paper from sustainable sources?) Use students' suggestions to introduce the concept of externalities, and the potential for such externalities to be both positive and negative.

Main lesson activities

Discussion and note-taking (whole class): Talk students through environmental and ethical issues, instructing them to take notes as appropriate. Ensure that your focus is on the impact of environmental and ethical issues on business activity.

Investigation: To introduce and prompt analysis of environmental issues, ask students to undertake Skills activity 1 on page 357 of the Student Book. Students are asked to write a summary of an environmental issue from the point of view of particular stakeholders: a manager, a member of the local community, a politician.

Knowledge check: Ask students to complete the Knowledge check questions on page 363 of the Student Book.

Tip: *This exercise could be given as a homework task.*

Skills activity: To encourage evaluation of ethical issues, ask students to carry out Skills activity 2 on page 361 of the Student Book. For this debate on business ethics, you will need to split the class into small groups and assign the position of for or against to the students in each group.

Situation report: As a summary of the key issues in this topic, students work in groups or as individuals to list five environmental or ethical issues a business may face. You may wish to give them a specific type of business to focus on, such as a clothing manufacturer. They should also list the possible impact of each issue for business and how a business might respond.

Plenary suggestions

Activity 6.2.1 is designed as a fun plenary for this topic. It requires students to recap and analyse the links between various key terms from the topic. It could be used at the end of a lesson or as a final summative lesson in itself.

Answers to Student Book activities

Knowledge check (page 363)

1. What is meant by the term *externalities*? (2)

The positive or negative impacts a firm can have on society and the environment around it.
Award 1 mark for basic understanding, 2 marks for good understanding.

2. **Identify** three constraints a government may place on a firm's activities to reduce environmental impact. (3)

Any three from: Building/planning regulations (i.e. location); pollution controls; congestion charges; waste management charges/taxes; requiring businesses to use a proportion of energy from renewable sources; controlling materials used for new buildings.
Award 1 mark for each correctly identified constraint.

3. **Explain**, using a suitable example, the phrase 'sustainable development'. (3)

Economic/business development that meets today's needs without damaging the ability of future generations to meet their needs – what we do today should not harm our future.
Award 1 mark for basic understanding, 2–3 marks for good understanding.

4. **Identify** and **explain** two possible ways in which a business might respond to environmental pressures. (4)

Any two from: Lower waste/pollution; offset pollution, waste or land use with investment in environmental initiatives; promote environmental consciousness as a way to improve brand/increase sales.

Accept any other appropriate response.

Award 1–2 marks for identifying suitable reasons; award 3–4 marks for a suitable explanation.

5. What is meant by the term 'business ethics'? (2)

A business acting in ethical (right/fair) ways in countries where it operates; conducting business morally.

Award 1 mark for basic understanding (right/wrong); award 2 marks for good understanding (morality).

6. **Explain**, using an example, two possible impacts of pressure group activity on a business. (4)

Any two from: Reduction in sales; damage to brand image/company reputation; legal requirement/consumer pressure to change operations.

Accept any other appropriate response.

Award 1–2 marks for identifying impacts. Award 3–4 marks for explaining possible impacts. Award 4 marks if suitable examples are used.

Total: 18 marks

Skills activities: possible outcomes

Skills activity 1 (page 357)

Encourage students to write their summary and analysis in prose, not as bullet points or lists. Encourage them to apply their knowledge to the context of each stakeholder.

Tip: To develop skills, give students this activity as an individual exercise (requiring students to consider all three viewpoints), or ask students to complete it in a group of three and discuss the stakeholder perspectives with each other.

Skills activity 2 (page 361)

Encourage students to present balanced (and justified) views, using evidence from the scenario where possible. Challenge assumptions and extreme statements or positions. Conclude with a class discussion on the case and use students' different views to reinforce how difficult it is to judge what is 'ethical'.

6.2.1 Opportunities and constraints of environmental concerns and ethical issues: Activity

Activity type

Dominoes

Time

40 minutes

Content

Environmental concerns and ethical issues

Key terms

Boycotting; conservation of resources; corporate social responsibility (CSR); environmental audit; ethical behaviour; exploitation of labour; fair trade; legal controls and regulations; negative externality; negative publicity; petitioning/lobbying; positive externality; pressure groups; shareholders; stakeholders; sustainable development

Procedure

1. Tell students that they are going to write definitions for a range of business terms related to environmental concerns and ethical issues and then play a game of dominoes.
2. Give a copy of the activity sheet to each student in the class.
3. Give students 15 minutes to write definitions for the business terms on the activity sheets. The first three have been done as examples. Point out that the term 1A matches definition 1B, term 2A matches definition 2B, and so on.
4. After completing the activity sheet individually, allow students time to compare their definitions with a classmate and make changes if necessary.
5. Instruct students to cut out the domino cards around the dotted lines, so that the numbers and letters are removed.
6. Divide the class into groups of three and ask students to combine all their cut up cards into one pile.
7. Demonstrate the game for students. Each student in the group starts with five cards laid out on the table in front of them. It does not matter if group members can see each other's cards.
8. Students take one card from top of the pile and place it face up on the table. They then take turns to match a card in their hand with the card(s) on the table. They may place their card at either end of the chain of dominoes.
9. If a student is not able to place a card, they must take a new card from the pile and add it to their hand. The first student to get rid of all of their cards is the winner.

Teacher tip: For homework, students could paste their dominoes into their exercise books, matching the business terms with the definitions, as a permanent record. Alternatively, the cards could be put away to play again in a later lesson.

Teacher tip: In order to save time, students could complete steps 3 and 5 for homework and play the game at the beginning of the next lesson.

Note: If required, explanation of the key terms can be found on pages 353–363 of the Student Book, as well as in the Student Book Glossary (pages 386–392).

Objective

To understand the key terms related to environmental concerns and ethical issues (6.2.1)

Skills practised

AO1: Knowledge and understanding	✓
AO2: Application	
AO3: Analysis	
AO4: Evaluation	

Preparation

Make one copy of the dominoes on Activity sheet 6.2.1 for each student in the class. Students will also need scissors to cut out their dominoes.

6.3 Business and the international economy

6.3.1 The importance of globalisation

Learning objectives (6.3.1)

Knowledge

Students will:

- understand the concept of globalisation and the reasons for it
- demonstrate knowledge of the opportunities and threats of globalisation for businesses
- understand why some governments might introduce import tariffs and quotas.

Key business terms

Communication; developing economies; disposable income; economic growth; economic trading bloc; emerging economies; export; fair trade agreements; globalisation; homogeneous; import; interdependent; international trade; labour migration; protectionism; quota; tariff

Resources

Student Book pages 364–368
Activity sheets 6.3.1A and 6.3.1B (<i>available on the CD-ROM</i>)
Large world map
Examples of goods and images of goods made in a variety of countries

Lesson ideas

It is anticipated that the materials below will be covered in two one-hour lessons, plus, as appropriate, a homework assignment. To achieve the learning objectives for this topic, it is suggested that at least some of the following activities are undertaken over the course of the lessons.

Starter suggestion

How different are we?: If the nationality mix of your class allows, a useful and interesting way to start this topic is to compare the similarities and differences between the spending patterns of those nationalities. Write headings such as 'Favourite music', 'Last movie watched', 'Favourite food', 'Type of phone owned' and 'Brand of trainers owned' on the whiteboard.

Tip: Choose headings that are likely to yield similar responses across the different nationalities.

Ask students to come up to the board to write their preferences/answers under each heading. Use the responses to introduce the concept of homogeneity as one reason for globalisation.

Variation: If the nationality mix of your class does not facilitate this starter activity, ask students to list a variety of non-local brands that can be found in their country. Ask them to consider how many of these brands can be found in multiple countries (i.e. to identify the overwhelming popularity of global brands).

Main lesson activities

Discussion and note-taking (whole class): Talk students through the importance of globalisation, paying particular attention to the opportunities and threats for business. Instruct students to take notes as appropriate.

Skills activity: Following on from the starter, students complete Skills activity 1 on page 365 of the Student Book as a whole class. Students prepare a visual montage and analyse the extent of

globalisation. If possible, provide students with a world map and bring to the lesson examples of goods made in a variety of countries.

Tip: This is a very useful (and interactive) exercise to do as a whole class on the board. Draw, pin or project a world map onto the board and ask students to draw or stick printed images of products in the locations that they are made. Use the map to draw out themes related to globalisation.

Student activity: As preparation for Activity 6.3.1, and as an introduction to or reinforcement of the benefits and drawbacks of globalisation, ask students to form small groups and complete Skills activity 2 on page 367 of the Student Book.

Tip: If students will be doing Activity 6.3.1, keep this activity brief. Use it as preparation for the main debate (and to introduce students to the rules of debating).

Protect it: Without introducing the concept of protectionism, ask students, in small groups, to imagine they are the government of a country suffering the harmful effects of globalisation. Instruct them to list and describe all of the measures they might take to protect their country. Use their responses to formally introduce methods of protectionism.

Extension: Then ask students to imagine they are a foreign firm wanting to trade in the country. What would the implications of protectionism be for this firm?

Knowledge check: Ask students to answer the Knowledge check questions on page 368 of the Student Book.

Tip: This exercise could be given as a homework task.

Plenary suggestion

Student activity: Activity 6.3.1 is a debate on the opportunities and threats of globalisation, designed as a synoptic activity for this topic. Running the debate properly is likely to take a full lesson (plus preparation time) and so will ideally be the last lesson in a series delivered on this topic.

Answers to Student Book activities

Knowledge check (page 368)

1. What is meant by the term *globalisation*? (2)

The increasing trend for businesses to trade across international boundaries and for people to live in or travel to countries that are not their own. In the process countries (and the people within them) become more similar and their livelihoods more integrated.

Award 1 mark for basic understanding, 2 marks for good understanding.

2. **Identify** three reasons why globalisation is occurring. (3)

Any three from: Improved communication and transport systems; increased labour migration and cultural integration; increased number of economic trading blocs; recession in developing countries combined with rapid economic growth in many developing and emerging economies, encouraging businesses to set up new branches in these growing countries; MNCs seeking the benefits of lower labour costs in developing/emerging countries.

Award 1 mark per valid reason (max 3 marks).

3. **Explain** the differences and similarities between tariffs and quotas. (4)

Tariff: a specific form of tax imposed (charged) on imported goods.

Quota: a limit on the quantity (amount) of a particular good that can be imported into a country.

Award 1–2 marks for basic understanding, 3–4 marks for good understanding. Award 2 marks maximum if only quota or tariff is explained.

4. **Identify** three advantages and three disadvantages of globalisation. (6)

Any three from each column:

Advantages	Disadvantages
<ul style="list-style-type: none">● Globalisation allows countries to specialise and therefore increase GDP.● Consumers get much wider variety of products to choose from.● It promotes understanding and goodwill among different countries.● Inward investment by MNCs helps countries by providing employment for local people.● Globalisation makes people more aware of, and more likely to find solutions to, global issues such as deforestation and global warming.	<ul style="list-style-type: none">● The benefits of globalisation favour rich countries.● Globalisation does not benefit everyone equally.● Globalisation leads to financial problems that affect not just one country but many.● There are no guarantees that the wealth from MNC investment will benefit the local community.● It can be argued that globalisation has led to an increase in environmental and ethical problems.● Some people view globalisation as a threat to global diversity.

Award 1 mark per correct advantage (max 3 marks). Award 1 mark per correct disadvantage (max 3 marks).

Total: 15 marks

Skills activities: possible outcomes

Skills activity 1 (page 365)

Use students' visual montage to draw out the following points:

- an increase in international trade between countries
- the sale of homogeneous (similar) products by multinational companies (MNCs) across many countries
- the adoption of a common language (often English, but increasingly Mandarin)
- the movement of production from developed countries to less economically developed countries
- an increasing exposure to global media that affects tastes and fashion (making them more similar).

Skills activity 2 (page 367)

Students may draw from the advantages and disadvantages in the table on page 366 of the Student Book in their arguments for and against globalisation.

6.3.1 The importance of globalisation: Activity

Activity type

Class debate

Time

80 minutes (over two lessons)

Content

Globalisation and international trade

Key terms

Communication; developing economies; economic growth; economic trading blocs; emerging economies; export; fair trade agreement; globalisation; homogeneous; import; interdependent; international trade; labour migration; protectionism

Procedure

1. Tell students that they are going to use their knowledge to participate in a debate on globalisation and international trade.
2. Divide the class into two groups, A and B. Give a copy of Activity sheet 6.3.1A to each student in group A and a copy of Activity sheet 6.3.1B to each student in group B.
3. Draw students' attention to the motion and write it on the board: '*Globalisation and international trade benefit everyone and should be encouraged.*' Explain that the students in group A are the affirmative team and will be arguing for the motion while the students in group B are the negative team and will be arguing against the motion.
4. Tell students that, within either Team A or Team B, they will be working in groups of three and will have time to research and prepare their arguments.
5. Refer students to the activity sheet and explain that each student in the group will be allowed to speak for one minute uninterrupted. Each team member should present a different argument and back it up with any evidence they are able to find in the Student Book or online.
6. Students will decide the winning team democratically. Each spectator will be permitted to cast one vote for the team they think has the most persuasive arguments. They may choose to abstain from voting if they are undecided.
7. Arrange students within each team into groups of three and allow them 20 minutes to prepare their arguments. After this, allow students a further 10 minutes to practise their arguments within their group. Move around the different groups, offering advice on how they can present their ideas more effectively.
8. Once students are sufficiently prepared, begin the debate. Nominate a timekeeper and instruct him or her to indicate when speakers have 10 seconds remaining, perhaps by tapping on the desk.
9. Follow the structure presented on the activity sheet (with each debating 'team' taking turns to present their arguments). Allow the audience time to ask questions once all team members have spoken. If practical, invite students from other classes to watch the debate.
10. Explain that students should vote for the team they think had the most persuasive arguments. They should try to remain objective and not be influenced by their own personal views on the topic.

Objective

To understand the opportunities and threats of globalisation for countries and businesses (6.3.1)

Skills practised

AO1: Knowledge and understanding	✓
AO2: Application	✓
AO3: Analysis	✓
AO4: Evaluation	✓

Preparation

Make one copy of Activity sheets 6.3.1A and 6.3.1B for each pair of students in the class.

11. Depending on class size, some groups may have to present their debates in the next lesson.

Extension: In groups of three, students could consider the opportunities and threats of globalisation mentioned in the debate and discuss how they might impact businesses specifically. They could present their ideas in the form of a concept map to share with the class.

Teacher tip: *Because of the language demands of this kind of speaking task, it is important to allow students time to practise presenting their arguments in the safety of small groups before asking them to present their ideas in front of the class.*

Note: *Do not allow more competent or advanced English speakers to dominate the debate. Encourage support for all speakers, regardless of their English ability. If possible, assign roles (team leader, debate chair, note-taker, etc.) according to English ability, assigning easier roles to those who may find the exercise more difficult.*

6.3.2 Growth of multinational companies (MNCs)

Learning objectives (6.3.2)

Knowledge

Students will understand:

- the benefits to a business of becoming a multinational
- the potential benefits to a country and/or economy where an MNC is located
- the potential drawbacks to a country and/or economy where an MNC is located.

Key business terms

Economies of scale; exchange rates; fossil fuels; free trade agreements; multinational company (MNC); raw materials; repatriation of products; subsidies; transnational corporation

Resources

Student Book pages 369–372
Activity sheet 6.3.2 (<i>available on the CD-ROM</i>)
Websites with information about MNCs operating in the students' country

Lesson ideas

It is anticipated that the materials below will be covered in a single one-hour lesson, plus, as appropriate, a homework assignment. To achieve the learning objectives for this topic, it is suggested that at least some of the following activities are undertaken over the course of the lesson.

Starter suggestion

Context: First define the concept of a multinational company (MNC) then ask students to list as many MNCs operating in the country as they can. If there are many, it may be necessary to set a very short time frame for this exercise. Now ask students to list at least **three** reasons why the MNCs are located in the country.

Main lesson activities

Discussion and note-taking (whole class): Use student responses to the starter activity as a basis for discussing the reasons for the growth of MNCs.

Student activity: Ask students to complete Activity 6.3.2. This is a reading activity, in which students use the Student Book to find out about the benefits and drawbacks for a business of becoming an MNC and the benefits and drawbacks for a country of having MNCs locate there.

Skills activity: Ask students to undertake the Skills activity on page 372 of the Student Book, examining the implications of MNCs operating in their own country. If possible, direct students to suitable websites and other information sources or brainstorm local MNCs onto the board before setting the task.

Tip: *This exercise could be given as homework.*

Plenary suggestion

Knowledge check: Ask students to answer the Knowledge check questions on page 372 of the Student Book.

Answers to Student Book activities

Knowledge check (page 372)

1. What is meant by the term *multinational company*? (1)

A firm that has operational bases in a number of different countries.

Award 1 mark for a correct definition.

2. **Identify** two reasons why a business may wish to become a multinational. (2)

Any two from: Increased sales potential; spreading the risk of operating in only one country; cost of advertising campaigns can be shared across countries; global brands potentially more desirable; economies of scale can be gained in production; economic downturn in one country (and a fall in sales) might be offset by economic growth (and rising sales) in other countries; benefiting from lower (labour) costs in host countries; accessing raw materials (particularly fossil fuels) not available in own country; locating branches/factories within a country to avoid protectionist barriers; localising products and reducing transport costs and delivery times.

Accept any two correct reasons (1 mark each).

3. **Explain**, using a suitable examples, two ways in which multinationals might damage the countries in which they operate. (6)

Any two from: MNC may offer low wages and poor working conditions for staff; jobs created are often low-skilled manual jobs that offer little opportunity for long-term development and future economic growth; profits from MNC may go back to the MNC's own country and may not be spent in the host country; increased competition for local businesses (potentially forcing closure); MNCs use up a country's resources and may contribute to environmental issues; MNCs often use complex accounting rules to avoid paying tax in the host country; MNCs often have significant power with local governments and may be able to affect decision making in their favour (possibly disadvantaging local firms).

Award 1 mark per correct reason (max 2 marks). Award 3–4 marks per suitable reason. Award 5–6 marks for some/good explanation.

4. **Identify** three advantages for a country of attracting multinationals to locate there. (3)

Any three from: Increased job opportunities; increased exports from a country (helping to strengthen its currency); increased consumer choice; investment by the MNCs in infrastructure (roads, rail links, etc.) and in training/education; MNCs will pay (at least some) tax in the host countries, increasing funds available to the government.

Accept any three correct advantages (1 mark each).

Total: 12 marks

Skills activity (page 372): possible outcomes

Encourage students to take the viewpoint of a member of staff working for the company, applying the advantages/disadvantages appropriately. Anticipate 200–300 words for the blog, written in an informal style.

Possible areas of response might include:

Advantages: See the suggested answers for question 4 of the Knowledge check.

Disadvantages: See the suggested answers for question 3 of the Knowledge check.

6.3.2 Growth of multinational companies (MNCs): Activity

Activity type

Jigsaw reading activity

Time

40 minutes

Content

Multinational companies

Key terms

Economies of scale; exchange rates; fossil fuels; free trade agreements; multinational company (MNC); raw materials; repatriation of products; subsidies; transnational corporation

Objective

To understand the reasons for the importance and growth of multinational companies (MNCs) (6.3.2)

Skills practised

AO1: Knowledge and understanding	✓
AO2: Application	
AO3: Analysis	
AO4: Evaluation	

Preparation

Make one copy of Activity Sheet 6.3.2 for each student in the class.

Procedure

1. Tell students that they are going to read about the benefits and drawbacks of MNCs, make notes and discuss their points with other students in the class.
2. Divide the class into two equal groups, A and B, and give a copy of Activity sheet 6.3.2 to each student.
3. Explain that the students in group A will read about the benefits and drawbacks to a business of becoming an MNC in the Student Book (pages 369–370), while students in group B will read about the benefits and drawbacks to the host country in which an MNC is located (pages 371–372). As they read, each student should make notes in the relevant sections of Activity sheet 6.3.2 (see the teacher tip below).
4. To make this process quicker, explain that some students in each group should read and make notes on the benefits, while the others should make notes on the drawbacks. They should then work together, sharing their information in order to complete their sections of the activity sheet. Remind students that they should only complete their assigned sections of the activity sheet and should leave the other sections blank.
5. Once students have completed their sections of the activity sheet, pair each student from group A with a student from group B and ask them to share the information they learned from the Student Book. Emphasise that this is intended as a speaking activity so students should not simply hand their completed table to their partner to copy. Rather, students should listen to each other's points and make brief notes on their activity sheet as they listen. They should only note down key words, as they will have an opportunity to develop the points later in more detail. Encourage students to seek clarification from each other if they do not understand a particular point.
6. Move around the room, ensuring that students are completing the activity correctly.
7. As a homework task, you could ask students to complete their tables in more detail, using what they learned from their partner as well as the information in the Student Book.
8. To round off the activity, nominate a few students in the class to outline one or two of the benefits and drawbacks they discussed with their partner. Offer examples of MNCs to provide context to the points made.

Extension: Ask students to carry out the Skills activity (Evaluation) on page 372 of the Student Book, investigating an MNC operating in their home country.

Teacher tip: *Before students start this activity, you may need to instruct them how to take notes effectively. To do this, read aloud the first two paragraphs of Topic 6.3.2 on page 369 of the Student Book and ask students to make notes. Explain that they will not have time to write down every word and should concentrate on noting down the content words in each sentence (the words that contain meaning). Read the paragraphs aloud at a natural pace to the class. Following this, analyse the paragraphs with the class and identify the content words that should have been noted down. For example, in the first paragraph, the content words are: MNC, operate, production, sales, in more than one country. Students then compare the notes they made with the content words identified in the text.*

6.3.3 Impact of exchange rate changes

Learning objectives (6.3.3)

Knowledge

Students will understand:

- the causes and impacts of depreciation and appreciation of an exchange rate
- how exchange rate changes can affect businesses as importers and exporters of products.

Key business terms

Appreciation; balance of payments; competitive; depreciation; exchange rate; export; favourable exchange rates; free trade agreements; import; price inelastic; profitability; price inelastic; repatriation of profits; stable exchange rate; subsidies

Resources

Student Book pages 373–378
Activity sheet 6.3.3 (<i>available on the CD-ROM</i>)
Websites with information about imports to and exports from different countries
Maps of student's chosen countries
Images of import and export products

Lesson ideas

It is anticipated that the materials below will be covered in two one-hour lessons, plus, as appropriate, a homework assignment. To achieve the learning objectives for this topic, it is suggested that at least some of the following activities are undertaken over the course of the lessons

Note: *The relatively technical nature of this topic is likely to require more teacher input than other topics. It may be necessary to focus on teacher-led exposition initially. Once students are comfortable with the concepts, use activities (such as those in the Student Book and the suggestions below) to reinforce knowledge and understanding.*

Starter suggestion

Context: Introduce students to the concepts of international trade, imports and exports. Then ask students to investigate imports and exports within a country of their choice. Guide them towards a suitable website if necessary. Ask them to consider the following:

- What are the top three imports?
- What are the top three exports?
- Does the country import more (in total) than it exports, or vice versa?

Ask students to present their findings as a spider diagram, perhaps with a map of their chosen country in the centre surrounded by images of the imports and exports supported by written explanation. Only basic detail is required. Use this activity to introduce definitions of imports/exports and link to exchange rate issues.

Tip: *You could give students this exercise as a pre-topic homework and then discuss the results as a lesson starter.*

Main lesson activities

Discussion and note-taking (whole class): Talk students through exchange rates and, in particular, how exchange rate changes can affect businesses. Instruct students to take notes as appropriate.

Group discussions: Ask students to sit in small groups and discuss their experiences of exchange rate changes. They should share with each other examples of how exchange rate changes have made holidays cheaper or more expensive and any knowledge they have of products that have been made more or less expensive by exchange rate changes. Ask different groups to report back on their experiences and use the discussions to introduce formal topic language such as appreciation and depreciation.

Student activity: Ask students to complete Activity 6.3.3. This categorising activity requires students to consider the impact of exchange rate changes.

Examiner: Tell students that they are going to take on the role of a Business Studies examiner. Students must write an exam-style question (and mark scheme) on the impact of exchange rate changes on a business. Give different groups within the class different topics on which to focus (profitability, price, etc.). If possible, provide students with an example question as guidance, but instruct them that they must create their own version and not simply copy.

Plenary suggestion

Knowledge check: Ask students to answer the Knowledge check questions on page 378 of the Student Book.

Tip: This exercise could be given as homework.

Answers to Student Book activities

Knowledge check (page 378)

1. What is meant by the term *exchange rate*? (2)

The value of one currency expressed in another.

Award 1 mark for basic understanding, 2 marks for good understanding.

2. **Identify** one impact on an exporter of an appreciation of their country's currency. (1)

Any one from: Goods seem relatively more expensive overseas (possible fall in sales); any imported goods used in manufacture cost less to buy (increasing profit margin or enabling prices to be lowered).

Award 1 mark for correctly stated impact (max 1 mark).

3. **Identify** one impact on an importer of a depreciation of their country's currency. (1)

Any one from: Goods are relatively cheaper overseas (possible increase in sales); any imported goods used in manufacture cost more to buy (reducing profit margin or increasing prices and potentially harming competitiveness).

Award 1 mark for correctly stated impact (max 1 mark).

4. **Identify** and **explain** one way in which exchange rate changes might affect a firm's profitability. (4)

Assuming a fixed price in location of sale profitability may increase or decrease depending on direction of exchange rate shift. An appreciation may make imported raw materials cheaper but profit margins overseas lower; a depreciation may make profit margins overseas higher but raw material imports more expensive.

Award 1 mark for understanding of profitability (1) and basic link to exchange rate (2). Award 2–4 marks for a suitable explanation.

5. **Explain** how exchange rate changes might affect competitiveness. (3)

Exchange rate changes may force a firm to raise the price of its goods, or may enable them to be lowered. The extent of the price change depends on the price elasticity of demand for the firm's product and its exposure to overseas markets.

Award 1 mark for basic understanding of competitiveness. Award 2–3 marks for good understanding and suitable linkage to exchange rates.

Total: 11 marks

Skills activity (page 378): possible outcomes

Guide students to a suitable website and, depending on students' ability level, give hints as to government action to 'protect' the currency.

If possible, use the recording software on tablet computers or smartphones to record student's short news reports and feed back to students with clarifications of any misunderstandings.

6.3.3 Understand the impact of exchange rate changes: Activity

Activity type

Categorising activity

Time

30 minutes

Content

Exchange rates

Key terms

Appreciation; competitive; depreciation; export; exchange rate; favourable exchange rates; import; profitability; stable exchange rate

Objective

To understand how exchange rate changes can affect businesses as importers and exporters of products (6.3.3)

Skills practised

AO1: Knowledge and understanding	✓
AO2: Application	✓
AO3: Analysis	✓
AO4: Evaluation	

Preparation

Photocopy and cut up one set of the cards on Activity sheet 6.3.3 for each group of three students in the class.

Procedure

1. Tell students that they are going to complete a categorising activity about how exchange rate changes can affect businesses.
2. Divide the class into groups of three students and give a set of cards from Activity sheet 6.3.3 to each group.
3. Ask students to remove the category cards (black) and place them on the table in front of them (writing side up). They should place the remaining cards in a pile face down on the table.
4. Explain that students must take turns to draw one card from the pile and read it aloud to their group. They must then collectively agree on the category to which the card belongs. For example, if a student picks up 'The business's product becomes more expensive overseas', the correct categorisation would be 'Effect of an exchange rate appreciation on exporters'.
5. If students cannot agree or are unsure as to where to place the card, they may put it to one side and move on to the next card.
6. Elicit the correct answers from students during the class feedback stage of the activity so students can check their answers.
7. Ask students to discuss how exchange rate fluctuations can affect the total revenue that exporters and importers receive from sales. Use this as a lead in to a class discussion on the effects of price elasticity of demand on a firm's total revenue (revision from Topic 3.3.2).

Teacher tip: Emphasise to students that this is not a competitive activity and the objective is not to be the first group to finish. Rather, they should take their time to consider each card and make sure they can justify where they have placed it. Move around the class, ensuring that students are doing the activity correctly and asking groups to justify how they have placed and sequenced their cards.

Extension: If they have not done so already, ask students to sequence the cards for exporters and importers in order of cause and effect. For example, first 'The business's product becomes more expensive overseas' (cause) and then 'The firm becomes less competitive in overseas markets' (effect). Then ask students to answer the following exam-style question:

Thai Style is a business that imports handmade furniture from northern Thailand for sale in the United Kingdom. Discuss the effect of an appreciation in the British pound on Thai Style's business. (6)

6 External influences on business activity

Levels of response and model answers

The following answers are offered as examples only. They are mapped against appropriate examination skills and would score high marks in any examination.

AO1 Knowledge

This skill requires you to demonstrate knowledge. It might involve:

- Providing a definition of a key business term
- Using key business terms and concepts accurately and appropriately in written responses
- Describing a theory or part of a theory, for example, business ethics
- Providing a simple explanation of the facts, without referring to specific evidence presented in the case study or data response material.

Model answer (Question 2a, page 379)

Q. What is meant by the term *business ethics*? (2)

Operating in a way that is considered fair and equitable to all stakeholders (regardless of local context). (AO1) For example, paying above market rates for locally employed labour in developing countries. (AO1)

It would have been easy for the student to answer this question in an overly long and indirect way. Instead they have given a simple, direct definition and supported it with a good example.

AO2 Application

Application of knowledge requires you to understand and appreciate the importance or significance of context provided for you in the question or case study. This is more than simply using the name of the business in your answer. Everything you write must be applied to a specific business.

Demonstrating application of knowledge involves:

- Writing responses within the context of a specific business, for example, how exchange rates might affect a particular business
- Using case study evidence to support main business points in written responses.

Model answer (Question 3e, page 380)

Q. Identify and explain two possible externalities of BigHomes operations. (6)

Externalities are the costs (negative) or benefits (positive) a firm's activities have on people not directly associated with its operations (such as the impact of a firm on the local community, not all of whom may be customers of the firm) – i.e. the impact on people and things external to the firm. (AO1)

Examples of externalities include the negative impact of increased congestion for the local community near to BigHomes construction sites. (AO2) A positive externality might be an increase in house prices if the new BigHomes projects help to make the whole area more desirable. (AO2)

Note again how concise this response is; the more precise your understanding of terms, the shorter your responses can be and the more time you save. Here, the first paragraph demonstrates knowledge and gives a detailed definition of externalities. The second paragraph demonstrates application in identifying examples of externalities as relevant to BigHomes.

AO3 Analysis

Analysis is about explaining your points in depth and detail. It involves making a clear link between the cause of an action and its overall effect or consequence on a business.

Analysis is about recognising and discussing relationships between different pieces of evidence and the possible causes or consequences of a particular aspect relating to the business or situation under review. Simply listing advantages and disadvantages is not enough, to demonstrate analysis you must:

- Develop main points and explanations in detail using relevant examples and supporting evidence
- Ensure that every point made is explained, including, for example, the possible impact on a business of an increase in interest rates
- Distinguish between evidence and opinion.

Model answer (Question 2a, page 382)

Q. Identify two different types of trade barrier and explain the impact of those barriers on a firm wishing to import goods to India. (8)

Two types of trade barrier are tariffs and quotas. (AO1)

Tariffs involve charging a tax on certain goods as they enter the country. (AO1) This increases the selling price and makes them more expensive. (AO3)

Quotas involve restricting the number of certain goods allowed into a country. (AO1) These makes those goods harder to purchase and, because they are rare, increasing their price (due to excess demand). (AO3)

For a firm wishing to import goods into India the impact of tariffs and quotas will depend upon how big the tariff is and how small the quota. For some goods there may be little impact, for others (those with restrictive quotas or high tariffs) the price of these goods may be significantly higher than local products and therefore demand (and sales) low. (AO3) The impact will therefore depend on the relative price of local products compared to imported ones; it is likely though that tariffs and quotas will make imported goods more expensive and therefore less competitive. (AO3)

This answer is well laid out and makes the examiners job easier (always a good thing). The first two paragraphs show good knowledge; the definitions are clear and concise. The third paragraph shows good analysis in explaining how tariffs and quotas might impact a firm wishing to import into India. Note that the student has explained the impact (higher prices and therefore lower sales) AND identified what factors the impact will depend upon (the price of local products, for example).

AO4 Evaluation

Evaluation involves considering both sides of an argument and making a reasoned judgment. Evaluation is achieved by:

- Using phrases such as, 'however', 'this depends on', 'although' and 'on the other hand'
- Prioritising points/suggestions, for example ranking them in time order by stating what should be done in the short term, and what in the long term, with reasons why.
- Assessing the extent to which your recommendations will work; how much impact might a possible solution have – does it solve all of the problem or just part?
- Identifying which information, data or arguments are most significant (in the context).

The suitability and feasibility of any of your proposals should take into account the following:

- The timescale (short-term effects versus long-term effects)
- The nature of the business, its markets and activities

- The aims and objectives of the business
- The objectives, power and activities of stakeholders; the opinion of customers regarding the use of low-cost labour in developing countries, for example.
- Government policy and the economic climate
- Other external influences such as legislation.

Overall, you will need to make a recommendation, put forward your opinion based on evidence and justify your selection by weighing up the advantages and disadvantages of each alternative.

Model answer (Question 1b, page 382)

Q. Considering the advantages and disadvantages that multinational companies create, do you think that a government should seek to attract these companies to its country? Justify your recommendation. (12)

An advantage of multinationals (MNC) is the increased job opportunities for local people (AO1) (the MNC may employ large numbers of staff and may offer better terms and conditions than local firms). (AO3) MNCs might also invest in local infrastructure (building road or rail links) (AO1), helping to improve quality of living for the local community – this is a positive externality. (AO3) MNCs might also invest in training for local staff, this brings long-term benefits to the country as the population become better educated and can therefore contribute to ongoing economic development. (AO1/AO3)

Local consumers might benefit from a greater choice of products and possibly lower prices as the MNC's products compete with local ones. Also, the government benefits from the tax paid by the MNC (AO1) and can use this to help further improve the country. (AO3)

However, on the other hand, the company but not the country often enjoys the benefits of MNCs. The MNC may avoid paying local taxes (as Starbucks was accused of doing in the UK, for example) (AO1) and may offer low pay and poor working conditions (compared to standards in their home countries). Competition from MNCs (who enjoy economies of scale and therefore lower costs) may also force local firms to go out of business (AO1/AO3) and the MNC may use its power to influence government decision making in its favour (building roads to help their factories not local people, for example). (AO1/AO3)

MNCs also use up a country's natural resources and can contribute to pollution and congestion – these are negative externalities. (AO1)

On balance, I think that MNCs give more advantages to the countries where they locate than disadvantages. Even though wages may be low compared to those paid in their home base, the terms and conditions of employment are often much better than those provided by local firms and MNCs can offer employment opportunities where none other exists. (AO4) A country should, therefore, allow multinationals to locate there but should set strict controls over their activities and should, for example, ensure that the correct amount of tax is paid. (AO4) The government should also balance the impact of MNCs by using the revenue from increased taxation to support local firms, helping them to compete with the MNC. (AO4)

This is a long answer (necessary for this kind of question) that relies on good structure to ensure that its length does not reduce its quality. Each paragraph focuses on a particular argument: advantages are considered, then disadvantages followed by evaluation. Each piece of knowledge is supported by explanation ('Competition from MNCs (who enjoy economies of scale and therefore lower costs) may also force local firms to go out of business'). The final paragraph reaches a clear conclusion ('A country should, therefore, allow multinationals...') and justifies that conclusion with a number of well-explained reasons: ('...but should set strict controls over their activities and should, for example, ensure that the correct amount of tax is paid.').

6 External influences on business activity: Key terms revision

Define each term and provide an example or explanation. There are 2 marks per definition.

Term	Description/Definition
Boom	
Business ethics	
Central bank	
Corporation tax	
Emerging economies	
Exchange rate appreciation	
Globalisation	
Import	
Interest rate	
Multinational company (MNC)	
Positive externality	
Sustainable development	
Tariff	
Unemployment	

