

Unit Reference Number	Y/502/5408
Title	The Business Environment
Unit Level	Level 3
Guided Learning Hours	60
Unit Credit Value	10
SSAs	15.3 Business Management

Learning Outcome – The learner will:		Pass – The assessment criteria are the pass requirements for this unit. The learner can:		Merit – To achieve a merit the evidence must show that, in addition to the pass criteria, the learner is able to:	Distinction – To achieve a distinction the evidence must show that, in addition to the pass and merit criteria, the learner is able to:
1	Know the range of different businesses and their ownership	P1	describe the type of business, purpose and ownership of two contrasting businesses	M1 analyse the type of business, purpose and ownership of two contrasting businesses	D1 evaluate the effect of a selected business changing its ownership status
		P2	describe the different stakeholders who influence the purpose of two contrasting businesses		
2	Understand how businesses are organised to achieve their purposes	P3	describe how two businesses are organised		
		P4	explain how their style of organisation helps them to fulfil their purposes		
3	Know the impact of the economic environment on businesses	P5	describe the influence of two contrasting economic environments on business activities within a selected organisation	M2 analyse the impact of changes in demand and supply on a selected business	D2 evaluate to what extent a selected business is likely to be affected by changes in the economic environment

4	Know how political, legal and social factors impact on business	P6	describe how political, legal and social factors are impacting upon the business activities of the selected organisations and their stakeholders		
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Aim of the unit

This unit will help the learner to have an understanding of the range of different businesses that can exist in an economy. Learners will discover the different purposes that such organisations can have and the different forms of ownership that can exist. They will also be able to appreciate the role of the different stakeholders involved in such businesses.

Learners will have an understanding of the different ways in which businesses are organised to achieve their purposes and they will also be able to appreciate that businesses can have a variety of different aims.

This unit will also help the learner to have an understanding of the way in which the wider environment can impact on businesses in terms of both the economic environment and the political, legal and social framework in which businesses operate.

There are clear links between this unit and many of the other units.

Teaching content

LO1 know the range of different businesses and their ownership

Range of different businesses including:

- local; national; European; international; global
- public; private; not-for-profit/voluntary/charity

- different business sectors in the economy – primary; secondary; tertiary

Business purposes, (e.g. to supply goods, to provide services)

Different types of ownership including:

- sole trader
- partnership (both unlimited and limited)
- private limited company
- public limited company
- co-operative
- franchise
- government/state owned
- charity/voluntary/not-for-profit organisations

The impact of different types of ownership on businesses, (e.g. the extent of liability, limitations to operation for public and not-for-profit organisations)

Stakeholders, including:

- employees
- customers

- suppliers
- owners
- local and national communities
- government
- trade unions/employer associations
- the impact of different stakeholders on organisations
- possible conflicts of interest between different stakeholders

LO2 Understand how businesses are organised to achieve their purposes

Organisational structures:

- purpose,(e.g. division of work, lines of control and communication)
- types of structure, (e.g. functional, geographic, product, customer, matrix)
- diagrammatic representation of different types of structure (through the use of organisation charts)
- span of control
- chain of command

Functional areas including:

- finance

- human resources/personnel
- production/operations
- research and development
- purchasing
- sales
- marketing
- customer service
- administration

Strategic planning including:

- business plan
- mission statement/values/vision
- development of strategic aims and objectives
- use of SMART objectives (specific, measurable, achievable, resources, time-bound) in the strategic planning process

Possible factors which can impact on the organisation including:

- wider business environment
- stakeholders

- business type and ownership

Different aims of businesses including:

- profit maximisation
- sales revenue maximisation
- breakeven
- survival
- growth/increase in market share
- quality of goods/service provision
- cost limitation
- meeting standards
- value for money

LO3 Know the impact of the economic environment on business

- changes in trade cycle, (e.g. boom, recession)
- impact of wider economy, (e.g. inflation, unemployment)
- changes in government policy, (e.g. -fiscal, such as types and levels of taxation, provision of grants and loans;
 - monetary, such as changes in interest rates
 - supply-side measures, such as enhancing the skills of the working population through initiatives in education, training and research)

- demand curves
- influences on demand, (e.g. price, price of substitutes and complements, income, advertising, tastes and preferences)
- elasticity of demand - price, income and cross elasticity of demand
- supply curves
- influences on supply, (e.g. availability/cost of inputs, price, extent of government support)
- elasticity of supply
- globalisation
- degree of interdependence, (e.g. supply chains, ownership of organisations, movement of factors of production)
- ability of national governments to regulate businesses

LO4 Know how political, legal and social factors impact on business

Political:

- degree of political stability/instability
- change of government
- government support for different types of business organisations
- government initiatives
- membership of international organisations, (e.g. the International Monetary Fund)

Legal:

- provision of an appropriate legal framework, (e.g. company law)
- consumer protection, (e.g. Trade Descriptions Act, Sale of Goods Act)
- employee protection, (e.g. Employment Act, Health and Safety at Work Act)
- competition, (e.g. Competition Act)
- remuneration, (e.g. Minimum Wage Act)
- EU legislation

Social:

- demographic issues, (e.g. size of population, age structure of population, migration)
- standard of living/quality of life, (e.g. impact of changes in income on people)
- attitudes to work, (e.g. changes in attitudes to male and female roles)
- religion
- ethics and morality

Delivery guidance

LO 1 Know the range of different businesses and their ownership

Learners should be encouraged to focus on businesses that they are already familiar with or have an interest in, such as through part-time employment, work experience or as customers. The two businesses must offer a contrast, so careful consideration should be given when choosing. For example, the contrast might be the sector that the business operates in; one could be in the primary or secondary sector and the other could be in the tertiary sector. Alternatively, the contrast could be between a business in the private sector and one in the public or voluntary sector. This could provide a good opportunity for group work, with perhaps different groups investigating different businesses in the local area and using the information they find to produce wall charts or posters to build up a visual map of the local business environment.

Learners should be able to distinguish between internal stakeholders, such as employees and owners, and external stakeholders, such as customers and suppliers. They should examine the influence of the different stakeholders on the businesses, especially in terms of the possible conflicts of interest between different stakeholders. It might be useful if learners focused on particular issues that illustrated such conflicts. The use of local newspaper articles highlighting local issues, such as planning applications, could be used to stimulate discussions about the impact on two contrasting businesses and how their different stakeholders might feel. Alternatively different stakeholders could be invited to talk to the learners.

LO 2 Understand how businesses are organised to achieve their purposes

Learners must understand how businesses are organised. They could be provided with the organisation charts of two businesses, and asked to identify the various functional areas that the businesses are organised into. Learners could then compare and contrast the two businesses, in terms of span of control and chain of command and discuss possible reasons for the differences. In order to develop their understanding learners could research using websites, leaflets and booklets produced by the businesses. It would also be helpful, if the learners were able to visit the two businesses.

Learners need to appreciate that the organisation of businesses is not important for its own sake, but as a means of achieving its aims and objectives. Learners could be provided with copies of mission statements from the two businesses and where a visit is possible they should try to find out as much as they can about how the two businesses organise their strategic planning. The use of examples from the public and voluntary sector should enable learners to see how certain businesses involve stakeholders formally in their organisation structure, for example regulatory stakeholders such as Ofwat and Oftel.

LO 3 Know the impact of the economic environment on businesses

In earlier learning outcomes, learners were required to focus on two businesses. In learning outcome 3 they just need to be concerned with one. Learners need to understand that any business does not exist in isolation but is affected by a range of possible economic factors. They could undertake a group task where the key economic variables that can affect a business are identified and researched. Learners should then use the data that they have obtained and look for changes in the behaviour of businesses using examples from newspapers or news websites. Each group could then be asked to present their findings

LO 4 Know how political, legal and social factors impact on business

Learners could work in groups to research how a particular business has been affected by political, legal and social factors, and summarise their findings in a visual form.

In terms of the political environment, learners will need to discover how different governments have different policies in relation to certain business activities.

Learners also need to research any additions to the law, or changes to the existing law that could impact on businesses.

Learners should also consider the social factors that can impact upon the business activities of the selected organisations. For example, learners could consider how changes in demographics, such as the age of the population, could have a serious impact on many businesses.

Suggested assessment scenarios and task plus guidance on assessing the suggested tasks

Assessment Criteria P1, M1, D1

For P1, learners could write a newspaper article that describes the type of business, purpose and ownership of two contrasting businesses.

Guidance: It would be advisable for the tutor/learner to choose the two businesses to be compared carefully. Businesses that are very different may lead to a meaningless comparison. Ideally, the two businesses chosen should have some similarities but have sufficient differences to allow learners to progress to the merit and distinction requirements.

For merit criterion M1, learners will need to analyse the reasons for the differences in ownership of the two contrasting businesses.

For distinction criterion D1, learners will need to evaluate the impact that a change in the legal structure might have on a business

Guidance: It might be advisable for learners to use a real example where possible, but a theoretical example could be used.

Assessment Criteria P2, P3, P4

For P2, learners could create a report that describes the different stakeholders, both internal and external, who can influence the purpose of the two contrasting businesses.

For P3 and P4, learners could produce a leaflet which describes how two businesses are organised. Learners should include in their leaflet an explanation of how the style of organisation used by each business helps them to fulfil their purposes.

Guidance: It may be beneficial for the learners to use the same businesses that were used for P1 and P2

Assessment Criteria P5, M2, D2

For P5, learners could write a report for the management team of an organisation. They should describe the influence of two contrasting economic environments upon business activities within the selected organisation.

For merit criterion M2, learners will need to go on to consider changes in demand and supply on the business, and analyse the impact of those changes.

For distinction criterion D2, learners will need to evaluate the extent to which a business is likely to be affected by changes in the economic environment.

Assessment Criteria P6

For P6, learners could give a presentation in which they describe how political, legal and social factors are impacting upon the business activities of selected organisations and its stakeholders.

Guidance: The presentation could be as a result of group work, with each learner taking responsibility for a particular area. However, tutors must record the contribution to the task of individual learners so that clear evidence of achieving the criteria is available for each learner.

Links to NOS

CfA M&LB8 Ensure compliance with legal, regulatory, ethical and social requirements (Partial)

CfA BAD322 Analyse and report data (Partial)