

Unit 1 – The Business Environment

<u>LO1: Understand different types of businesses and their objectives</u>			
Different types of business activity, i.e. <ul style="list-style-type: none"> • primary • secondary • tertiary 			
Different sectors of operation, i.e. <ul style="list-style-type: none"> • private • public • third 			
Different forms of legal business ownership, i.e. <ul style="list-style-type: none"> • sole trader • partnership • private limited company • public limited company • state/government owned • charity/not-for-profit • community interest companies (CIC) 			
Factors which inform business ownership, i.e. <ul style="list-style-type: none"> • legal status • liability • funding • control/decision making • legal/administrative requirements 			
Differing business aims and objectives, i.e. <ul style="list-style-type: none"> • survival • financial, <ul style="list-style-type: none"> o break-even o increase revenue o reduce cost o make profit • growth, i.e. <ul style="list-style-type: none"> o physical expansion o increase in market share o increase provision • reputation (e.g. quality, offering value for money, being ethical, social responsibility, being environmentally friendly) • being enterprising (e.g. own boss, pursue own interests, being competitive) 			
<u>LO2: Understand how the functional areas of businesses work together to support the activities of businesses</u>			
Key tasks of functional areas of businesses, i.e. <ul style="list-style-type: none"> • finance • marketing • sales • human resources (HR) • operations management • customer services • business support services • research and development • purchasing/procurement 			
How business functions interrelate with other business functions			
Consequences of poor interrelationships			

<u>LO3: Understand the effect of different organisational structures on how businesses operate</u>			
Different organisational structures, i.e. <ul style="list-style-type: none"> • flat structures • hierarchical/tall structures • centralised • decentralised • matrix 			
Elements of organisational structures, i.e. <ul style="list-style-type: none"> • division of work • span of control • chain of command 			
How the elements of the organisational structures impact on businesses operations, i.e. <ul style="list-style-type: none"> • communication paths • accountability, authority and responsibility • delegation • empowerment 			
The use of organisation charts to show: <ul style="list-style-type: none"> • elements of the organisational structure • the status of different levels of job role, i.e. <ul style="list-style-type: none"> o chief executive o directors o managers o supervisors o assistants/operatives 			
<u>LO4: Be able to use financial information to check the financial health of businesses</u>			
What is meant by the terms: <ul style="list-style-type: none"> • cost (including fixed and variable costs) • revenue • cash flow • net cash flow • profit • break-even • margin of safety 			
How to calculate: <ul style="list-style-type: none"> • profit/loss • break-even point/output 			
How to interpret financial statements, i.e. <ul style="list-style-type: none"> • an income statement • a statement of financial position • a cash flow statement • a cash flow forecast 			
<u>LO5: Understand the relationship between businesses and stakeholders</u>			
Who the main stakeholders are and what their objectives are, i.e. <ul style="list-style-type: none"> • internal stakeholders - owners (sole trader, partners), employees (e.g. chief executive, directors, managers, supervisors, assistants), and trade unions • external stakeholders - shareholders, customers, suppliers, potential investors, lenders, local community, pressure groups, and central and local government (e.g. HM Revenue & Customs (HMRC), environmental health, planning department) <p>To include internal and external stakeholder objectives; for example, employees' objectives may include job security, pay and benefits, rewards and recognition.</p>			

The ways in which different stakeholder groups attempt to alter business behaviour e.g. an environmental pressure group could protest about the expansion plans of a business, causing negative media publicity and a customer boycott or denial of planning permission			
How businesses respond to the different and sometimes conflicting objectives of different stakeholders Business response includes: <ul style="list-style-type: none"> • the degree of influence individual stakeholders possess is likely to determine how businesses respond to the individual stakeholder's objectives • conflict resolution and conflict management of stakeholder objectives • the benefits and drawbacks of meeting stakeholder needs 			
The consequences to a business of not listening to its stakeholders <ul style="list-style-type: none"> • Damaged reputation • Less customers • Lack of investment • Loss of potential employees • Boycott/strikes etc. 			
<u>LO6: Understand the external influences and constraints on businesses and how businesses could respond</u>			
The factors which comprise the external business environment STEEPLE			
Social factors such as demographic issues, attitudes to work, disposable income, social trends, cultural beliefs			
Technological factors such as automation, communication, purchasing/sales, mobile			
Environmental factors such as energy management, carbon emissions, waste reduction, recycling, pollution			
Economic factors <ul style="list-style-type: none"> o interest rates o exchange rates o inflation o unemployment o taxation 			
Political factors such as political instability, change of government, government initiative			
Legal factors <ul style="list-style-type: none"> o the impact of current legislation on business operations <ul style="list-style-type: none"> • Business framework • Companies Act • Partnership Act • Consumer protection <ul style="list-style-type: none"> o Sale and Supply of Goods Act o Supply of Goods and Services Act o Consumer Protection Act • Employee protection <ul style="list-style-type: none"> o Equality Act o Health and Safety at Work Act o Working Time Directive 			

<ul style="list-style-type: none"> ○ National Minimum Wage Act • Data Protection Act • Copyright, Designs and Patents Act • Planning permission <p>The implications of a business failing to meet legal requirements</p>			
<p>Ethical factors</p> <p>o ways in which a business can act ethically</p> <ul style="list-style-type: none"> • as an employer (e.g. not exploiting workforce, no child labour, pay above minimum wage, living wage, fair working practices) • as a trader (e.g. fair trade, fair prices) • environmentally friendly (e.g. waste management, recycling, carbon emissions, transport miles, energy use) • sustainability (e.g. fossil fuels, land management, green energy) • corporate social responsibility activities (e.g. charity donations, humanitarian aid, health and welfare schemes, sponsorship of sport/educational/ cultural events) <p>The impact on a business and its stakeholders of operating ethically</p> <p>The consequences for a business and its stakeholders of not operating ethically</p>			
To identify how the external environment can impact on a business and its stakeholders			
How businesses can respond to changes in their external environment			
<u>LO7: Understand why businesses plan</u>			
<p>Why businesses plan:</p> <ul style="list-style-type: none"> • to survive/avoid business failure • to develop business ideas o where business ideas come from (e.g. problem solving, innovation or accidental discovery, from employees, inventors, entrepreneurs) • to avoid unnecessary risk <ul style="list-style-type: none"> o attitude to risk and uncertainty • to meet objectives 			
To determine appropriate sources of finance for businesses			
Know short and long term sources of finance including pros and cons of each			
<ul style="list-style-type: none"> • savings • reserves • overdraft • loan • mortgage • credit card • hire purchase • trade credit • venture capitalist • share issue • crowd-funding 			
<p>What may be included in a business plan</p> <ul style="list-style-type: none"> • identification of a product or service • the unique selling point • how to protect a product/service • prioritisation of business objectives • results of market research that has been carried out including competitor analysis 			

<ul style="list-style-type: none"> • identification of financial requirements (e.g. cash flow forecast, the sources of finance to approach) • identification of resource requirements (e.g. finance, number of employees, skills of employees, premises requirements and location) 			
<u>LO8: Be able to assess the performance of businesses to inform future business activities</u>			
Factors affecting the success/failure of a business <ul style="list-style-type: none"> • financial • non-financial • short-term • long-term 			
How to conduct a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis			
How to interpret business performance <ul style="list-style-type: none"> • financial analysis • assessment of non-financial data • comparison with organisational objectives • comparison with industrial averages • comparison with similar businesses • trends over time • methods used to improve business performance 			