

Cambridge TECHNICALS LEVEL 3

BUSINESS

Cambridge
TECHNICALS
2016

Unit 1

The business environment

A/507/8148

Guided learning hours: 120

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LEVEL 3

UNIT 1: The business environment

A/507/8148

Guided learning hours: 120

Essential resources required for this unit: N/A

This unit is externally assessed by an OCR set and marked examination.

UNIT AIM

Businesses operate in an environment which is dynamic, competitive, uncertain and frequently hostile. They need to constantly adapt to changes in their internal and external environments in order to be successful. These changes may include anticipating the actions of competitors, reacting to economic or political changes or making use of new technologies. Whether you aspire to be a business professional, manager, charity worker or entrepreneur, understanding the business environment is key to ensuring that the business in which you work reaches its full potential.

In this unit you will develop an understanding of how and why businesses operate in the way they do. You will look at a range of different types of business and business structures, and explore how the ownership of a business and its objectives are interrelated. You will learn about the importance of different functions within a business and how they work together. You will understand the legal, financial, ethical and resource constraints under which a business must operate and how these can affect business behaviour. You will explore ways in which businesses respond to changes in their economic, social and technological environment, and the necessity for a business to plan. You will appreciate the influence different stakeholders can have on a business, and you will learn how to assess business performance.

The knowledge, skills and understanding gained by completing this unit is fundamental to being effective in business and, therefore, has synoptic links to all of the other units in the OCR Level 3 Cambridge Technical in Business suite of qualifications.

TEACHING CONTENT

The teaching content in every unit states what has to be taught to ensure that learners are able to access the highest grades. Anything which follows an i.e. details what must be taught as part of that area of content. Anything which follows an e.g. is illustrative.

For externally assessed units, where the content contains i.e. and e.g. under specific areas of content, the following rules will be adhered to when we set questions for an exam:

- a direct question may be asked about unit content which follows an i.e.
- where unit content is shown as an e.g. a direct question will not be asked about that example.

| Learning outcomes | Teaching content | Exemplification |
|--|--|--|
| The Learner will: | Learners must be taught: | |
| 1. Understand different types of businesses and their objectives | 1.1 different types of business activity, i.e. <ul style="list-style-type: none"> • primary • secondary • tertiary 1.2 different sectors of operation, i.e. <ul style="list-style-type: none"> • private • public • third sector 1.3 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 | 1.1 To include purposes, key features and examples of each type. 1.2 To include key features and examples for each sector. 1.3 To include advantages and disadvantages of each form of legal ownership and the most appropriate form of ownership for a particular business. |

| Learning outcomes | Teaching content | Exemplification |
|-------------------|--|--|
| The Learner will: | Learners must be taught: | |
| | <ul style="list-style-type: none"> • community interest companies (CIC) <p>1.4 factors which inform business ownership, i.e.</p> <ul style="list-style-type: none"> • legal status • liability • funding • control/decision-making • legal/administrative requirements <p>1.5 differing business aims and objectives, i.e.</p> <ul style="list-style-type: none"> • survival • financial, i.e. <ul style="list-style-type: none"> ○ break-even ○ increase revenue ○ reduce cost ○ make profit • growth, i.e. <ul style="list-style-type: none"> ○ physical expansion ○ increase in market share ○ 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) | <p>1.4 To include the most appropriate form of legal ownership for a particular business.</p> <p>1.5 To include the appropriateness of the objectives of a business.</p> |

| Learning outcomes | Teaching content | Exemplification |
|---|---|---|
| The Learner will: | Learners must be taught: | |
| <p>2. Understand how the functional areas of businesses work together to support the activities of businesses</p> | <p>2.1 key tasks of functional areas of businesses, i.e.</p> <ul style="list-style-type: none"> • finance • marketing • sales • human resources (HR) • operations management • customer services • business support services • research and development • purchasing/procurement <p>2.2 how business functions interrelate with other business functions</p> | <p>2.1 Different businesses may have different names for some of these functions, for example, Finance may be called Accounting, Business Support Services may be called IT or Administration, HR may be called Personnel and Operations Management may be known as Production.</p> <p>The tasks should be limited to the key activities:</p> <ul style="list-style-type: none"> • finance – financial control and record keeping • marketing – promoting the business using different and relevant forms of media, including social media • sales – selling business products/services • human resources (HR) – planning recruitment, redundancies, remuneration and reward systems • operations management – converting inputs to outputs • customer services – liaising with customers, managing expectations and resolving queries • business support service – managing resources, maintaining equipment, providing IT support, providing administrative support • research and development – developing new products and services in response to research findings • purchasing/procurement – sourcing and providing materials or services <p>2.2 To include the consequences of poor interrelationships between business functions.</p> |

| Learning outcomes The Learner will: | Teaching content Learners must be taught: | Exemplification |
|--|---|---|
| | | <p>For example, the actions of the sales function may impact on the operations management function if output needs to be increased. If the sales function fails to inform the operations management function of the likely increase in sales, there may be insufficient products to sell.</p> |
| <p>3. Understand the effect of different organisational structures on how businesses operate</p> | <p>3.1 different organisational structures, i.e.</p> <ul style="list-style-type: none"> • flat structures • hierarchical/tall structures • centralised • decentralised • matrix <p>3.2 elements of organisational structures, i.e.</p> <ul style="list-style-type: none"> • division of work • span of control • chain of command <p>3.3 how the elements of the organisational structures impact on businesses operations, i.e.</p> <ul style="list-style-type: none"> • communication paths • accountability, authority and responsibility • delegation • empowerment | <p>3.1 To include organisation by function, product/service, geographic location.</p> <p>3.2 Division of work in large organisations, subtasks are often distributed to functional areas such as operations management, finance, or marketing.</p> <p>3.3 Implications, include:</p> <ul style="list-style-type: none"> • authority can be delegated, responsibility cannot. • span of control may increase if chain of command is shorter or a flat structure is adopted <p>To include the advantages and disadvantages of different organisational structures.</p> <p>To include the appropriateness of an organisational structure for a business.</p> |

| Learning outcomes | Teaching content | Exemplification |
|---|---|---|
| The Learner will: | Learners must be taught: | |
| | 3.4 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"> ○ chief executive ○ directors ○ managers ○ supervisors ○ assistants/operatives | 3.4 To include reporting status (upwards) and command status (downwards). To include an awareness of the key tasks associated with each job role. |
| 4. Be able to use financial information to check the financial health of businesses | 4.1 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 4.2 how to calculate: <ul style="list-style-type: none"> • profit/loss • break-even point/output 4.3 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 | 4.1 To include definitions and examples. Learners should understand the difference between revenue, profit and cash flow. 4.2 Profit = revenue – cost Break-even output = fixed costs/(selling price – variable cost) Graphical analysis is not required. 4.3 To include description of components in financial statements and analysis of data. A cash flow statement is a record of actual cash inflows and outflows, whereas a cash flow forecast is a prediction. |

| Learning outcomes The Learner will: | Teaching content Learners must be taught: | Exemplification |
|---|--|--|
| | | <p>Interpretation of statement of financial position would be limited to a comparison between different time periods</p> <p>To include recommendations for future success.</p> |
| <p>5. Understand the relationship between businesses and stakeholders</p> | <p>5.1 who the main stakeholders are, i.e.</p> <ul style="list-style-type: none"> • internal stakeholders • external stakeholders <p>and their objectives</p> <p>5.2 the ways in which different stakeholder groups attempt to alter business behaviour</p> | <p>5.1 A stakeholder is any person, group or organisation which has an interest in a business because they are affected by, or may be affected by, the activities of that business.</p> <p>Internal stakeholders include owners (sole trader, partners), employees (e.g. chief executive, directors, managers, supervisors, assistants), and trade unions.</p> <p>To include external stakeholder groups such as shareholders, customers, suppliers, potential investors, lenders, local community, pressure groups, and central and local government (e.g. H.M.R.C., environmental health, planning department).</p> <p>To include internal and external stakeholder objectives, for example, employees' objectives may include job security, pay and benefits, rewards and recognition.</p> <p>5.2 Consider practical examples from real businesses, (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).</p> |

| Learning outcomes The Learner will: | Teaching content Learners must be taught: | Exemplification |
|---|--|---|
| | <p>5.3 how businesses respond to the different and sometimes conflicting objectives of different stakeholders</p> <p>5.4 the consequences to a business of not listening to its stakeholders</p> | <p>5.3 Business response includes:</p> <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. <p>5.4 Including not listening to specific stakeholder groups or a specific stakeholder (e.g. local residents or the business owner).</p> |
| <p>6. Understand the external influences and constraints on businesses and how businesses could respond</p> | <p>6.1 the factors which comprise the external business environment, i.e.</p> <ul style="list-style-type: none"> • social factors • technological factors • economic factors, i.e. <ul style="list-style-type: none"> ○ interest rates ○ exchange rates ○ inflation ○ unemployment ○ taxation • environmental factors • political factors • legal factors, i.e. <ul style="list-style-type: none"> ○ the impact of current legislation on business operations, i.e. <ul style="list-style-type: none"> ▪ Business framework, i.e. <ul style="list-style-type: none"> • Companies Act | <p>6.1 To include:</p> <ul style="list-style-type: none"> • 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 • political factors such as political instability, change of government, government initiatives. • legal factors to include purpose and main provisions of itemised legislation. By current legislation we mean the legislation specified or its equivalent should it be revised during the lifetime of the qualifications in which this unit is taught. |

| Learning outcomes | Teaching content | Exemplification |
|--------------------------|---|--|
| <p>The Learner will:</p> | <p>Learners must be taught:</p> <ul style="list-style-type: none"> • Partnership Act ▪ Consumer protection, i.e. <ul style="list-style-type: none"> • Sale and Supply of Goods Act • Supply of Goods and Services Act • Consumer Protection Act ▪ Employee protection, i.e. <ul style="list-style-type: none"> • Equality Act • Health and Safety at Work Act • Working Time Directive • National Minimum Wage Act ▪ Data Protection Act ▪ Copyright, Designs and Patents Act ▪ Planning permission ○ the implications of a business failing to meet legal requirements • ethical factors, i.e. <ul style="list-style-type: none"> ○ ways in which a business can act ethically, i.e. <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) ○ the impact on a business and its stakeholders of | <p>The implication of failing to meet legal requirements to include legal (e.g. fine) and non-legal implications (e.g. effect on reputation).</p> <ul style="list-style-type: none"> • ethical to be taken to mean doing what is morally right, by acting above and beyond what the law requires. To include ways in which a specific business can improve its ethical profile (e.g. a restaurant could buy fair trade products). To include both positive and negative impacts of a business operating in an ethical manner. To include both positive and negative impacts of a business not operating in an ethical manner. |

| Learning outcomes The Learner will: | Teaching content Learners must be taught: | Exemplification |
|--|---|--|
| | <ul style="list-style-type: none"> operating ethically <ul style="list-style-type: none"> ○ the consequences for a business and its stakeholders of not operating ethically ● competitor factors <p>6.2 to identify how the external environment can impact on a business and its stakeholders</p> <p>6.3 how businesses can respond to changes in their external environment</p> | <ul style="list-style-type: none"> ● competitive factors such as the strength of competition, market share of business and competitors, competitor behaviour and position in market. <p>6.2 To include positive and negative impacts on a business and its stakeholders</p> <p>6.3 To include the advantages and disadvantages of differing responses, including seizing opportunities and dealing with threats.</p> |
| <p>7. Understand why businesses plan</p> | <p>7.1 why businesses plan, i.e.</p> <ul style="list-style-type: none"> ● to survive/avoid business failure ● to develop business ideas <ul style="list-style-type: none"> ○ 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"> ○ attitude to risk and uncertainty ● to meet objectives <p>7.2 to determine appropriate sources of finance for businesses, i.e.</p> <ul style="list-style-type: none"> ● savings ● reserves ● overdraft ● loan ● mortgage ● credit card | <p>7.1 Survival to include why businesses fail (e.g. flawed business plans, poor financial control, lack of knowledge of market and competition, lack of clear unique selling point, concentration risk (e.g. relying on one major customer))</p> <p>Attitude to risk (e.g. willingness to take risk, risk averse).</p> <p>7.2 To include the need for internal and external sources of finance, short and long term sources, the advantages and disadvantages of each source, and their appropriateness to a specific business.</p> |

| Learning outcomes | Teaching content | Exemplification |
|--|--|--|
| The Learner will: | Learners must be taught: | |
| | <ul style="list-style-type: none"> • hire purchase • trade credit • venture capitalist • share issue • crowd-funding <p>7.3 what may be included in a business plan, i.e.</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 • 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) | <p>7.3 To include what a business plan can be used for and who may wish to see one.</p> |
| <p>8. Be able to assess the performance of businesses to inform future business activities</p> | <p>8.1 factors affecting the success/failure of a business, i.e.</p> <ul style="list-style-type: none"> • financial • non-financial • short-term • long-term <p>8.2 how to conduct a S.W.O.T. (Strengths, Weaknesses, Opportunities and Threats) analysis</p> | <p>8.1 To include past and present success/failure.</p> <p>8.2 S.W.O.T. assesses a business' current position. Strengths and weaknesses are internal and within a business' control. Opportunities and threats are external, they need to be managed as they cannot be controlled.</p> |

| Learning outcomes | Teaching content | Exemplification |
|-------------------|---|--|
| The Learner will: | Learners must be taught: | |
| | <p>8.3 how to interpret business performance, i.e.</p> <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 | <p>8.3 To include both assessment of the current performance of a business against its past performance and assessing various measurements of its current performance. Industrial averages could include benchmarking</p> <p>Methods used to improve business performance should include making specific recommendations for future business objectives.</p> |

LEARNING OUTCOME (LO) WEIGHTINGS

Each learning outcome in this unit has been given a percentage weighting. This reflects the size and demand of the content you need to cover and its contribution to the overall understanding of this unit. See table below:

| | |
|------------|-------|
| LO1 | 6-24% |
| LO2 | 3-14% |
| LO3 | 6-17% |
| LO4 | 6-17% |
| LO5 | 6-17% |
| LO6 | 6-17% |
| LO7 | 3-14% |
| LO8 | 3-14% |

ASSESSMENT GUIDANCE

All Learning Outcomes are assessed through an externally set written examination paper worth a maximum of 90 marks and 2 hours in duration.

The assessment comprises:

- multiple choice questions
- short answer questions to which responses should be based on businesses that learners have researched. The research brief will be pre-issued.
- short answer and extended answer questions based on a given business scenario. Some of the questions will require the skills of analysis and evaluation.

Please note in relation to LO6 by current legislation we mean the legislation specified or its equivalent should it be revised during the lifetime of the qualifications in which this unit is taught.

SYNOPTIC LEARNING AND ASSESSMENT

It will be possible for learners to make connections between other units over and above the unit containing the key tasks for synoptic assessment, please see section 6 of the centre handbook for more detail. We have indicated in this unit where these links are with an asterisk and provided more detail in the next section.

*OPPORTUNITIES FOR SYNOPTIC TEACHING AND LEARNING

This identifies opportunities for developing links between teaching and learning with other units in the business suite.

| Name of other unit and related LO | This unit and specified LO |
|---|---|
| Unit 2 Working in business LO1 Understand protocols to be followed when working in business LO5 Understand how to communicate effectively with stakeholders | LO3 Understand the effect of different organisational structures on how businesses operate LO5 Understand the relationship between businesses and stakeholders |
| Unit 3 Business decisions LO1 Understand factors to be taken into account when making business decisions LO2 Be able to use financial data to inform business decisions LO6 Be able to use information to make and justify business decisions | LO6 Understand the external influences and constraints on businesses and how businesses could respond LO7 Understand why businesses plan LO8 Be able to assess the performance of businesses to inform future business activities |
| Unit 4 Customers and communication LO1 Understand who customers are and their importance to business LO5 Know the constraints and issues which affect the sharing, storing and use of information for business communications | LO1 Understand different types of businesses and their objectives LO6 Understand the external influences and constraints on businesses and how businesses could respond |
| Unit 5 Marketing and market research LO2 Know the constraints on marketing | LO2 Understand how the functional areas of businesses work together to support the activities of businesses LO7 Understand why businesses plan |

| Name of other unit and related LO | This unit and specified LO |
|--|--|
| Unit 6 Marketing strategy LO1 Understand the purpose of marketing strategies LO2 Understand factors influencing marketing strategies LO5 Be able to use business tools to propose marketing strategies | LO1 Understand different types of businesses and their objectives LO6 Understand the external influences and constraints on businesses and how businesses could respond LO8 Be able to assess the performance of businesses to inform future business activities |
| Unit 7 Marketing campaign LO1 Understand the purpose of marketing campaigns | LO6 Understand the external influences and constraints on businesses and how businesses could respond |
| Unit 8 Introduction to human resources LO1 Know the factors that are involved in human resources planning LO5 Understand the importance of confidentiality within the human resources function | LO2 Understand how the functional areas of businesses work together to support the activities of businesses LO6 Understand the external influences and constraints on businesses and how businesses could respond |
| Unit 11 Accounting concepts LO1 Understand why businesses keep accurate accounting records | LO2 Understand how the functional areas of businesses work together to support the activities of businesses LO4 Be able to use financial information to check the financial health of businesses |
| Unit 12 Financial accounting LO2 Understand the reporting requirements of private limited companies and public limited companies | LO4 Be able to use financial information to check the financial health of businesses |
| Unit 13 Management accounting LO5 Be able to prepare and use cash flow forecasts | LO4 Be able to use financial information to check the financial health of businesses |
| Unit 15 Change management LO3 Be able to plan for change, manage change and overcome barriers | LO6 Understand the external influences and constraints on businesses and how businesses could respond |
| Unit 16 Principles of project management LO3 Understand how and why projects are monitored and factors that influence a project | LO2 Understand the relationship between businesses and stakeholders |
| Unit 17 Responsible business practices LO1 Understand how business act responsibly LO2 Understand the importance of adopting responsible business practices | LO5 Understand the relationship between businesses and stakeholders LO6 Understand the external influences and constraints on businesses and how businesses could respond |
| Unit 19 International business LO2 Understand the opportunities and challenges that businesses face when operating internationally | LO6 Understand the external influences and constraints on businesses and how businesses could respond |

| Name of other unit and related LO | This unit and specified LO |
|---|---|
| <p>Unit 20 Business events LO1 Be able to prepare for a business event LO3 Be able to review a business event</p> | <p>LO2 Understand how the functional areas of businesses work together to support the activities of businesses. LO5 Understand the relationship between businesses and stakeholders LO8 Be able to assess the performance of businesses to be able to inform future business activities</p> |
| <p>Unit 21 Being entrepreneurial - evaluating viable opportunities LO4 Be able to evaluate the viability of opportunities</p> | <p>LO7 Understand why businesses plan</p> |
| <p>Unit 22- Delivering a business project LO2 Be able to collaborate to deliver a project LO1 Be able to scope a project LO3 Be able to evaluate the effectiveness of the project against its objectives and own contribution towards the project</p> | <p>LO2 Understand how the functional areas of businesses work together to support the activities of businesses. LO5 Understand the relationship between businesses and stakeholders LO8 Be able to assess the performance of businesses to be able to inform future business activities</p> |

To find out more

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