

Unit 1: Business Environment

Unit code: Y/601/0546

QCF level: 4

Credit value: 15 credits

Aim

The aim of this unit is to provide learners with an understanding of different organisations, the influence of stakeholders and the relationship between businesses and the local, national and global environments.

Unit abstract

Organisations have a variety of purposes that depend on why they were established. Some operate for profit, whilst others do not. Organisations structure themselves and operate in ways that allow their objectives to be met. Every organisation has a range of stakeholders whose interests need to be satisfied, but stakeholders have competing interests that may be hard to reconcile.

Businesses operate in an environment shaped by the government, competitors, consumers, suppliers, and international factors. Learners will understand that some influences on the business environment are direct and clear, for example taxation policies on corporate activities. Other influences are less clear, perhaps coming from the international arena and sometimes with only an oblique impact on the national business environment.

It is within this business environment that organisations function and have to determine strategies and a modus operandi that allow them to meet their organisational purposes in ways that comply with the relevant legal and regulatory frameworks. In addition, business markets take various forms and the structure of a market enables an understanding of how organisations behave. In this unit learners will consider how different market structures shape the pricing and output decisions of businesses, as well as other aspects of their behaviour.

Learning outcomes

On successful completion of this unit a learner will:

- 1 Understand the organisational purposes of businesses
- 2 Understand the nature of the national environment in which businesses operate
- 3 Understand the behaviour of organisations in their market environment
- 4 Be able to assess the significance of the global factors that shape national business activities.

Unit content

1 Understand the organisational purposes of businesses

Categories of organisation: legal structure; type eg private company, public company, government, voluntary organisation, co-operative, charitable; sector (primary, secondary tertiary)

Purposes: mission; vision; aims; objectives; goals; values; profits; market share; growth; return on capital employed (ROCE); sales; service level; customer satisfaction; corporate responsibility; ethical issues

Stakeholders: owners; customers; suppliers; employees; debtors; creditors; financial institutions (banks, mortgage lenders, credit factors); environmental groups; government agencies (central government, local authorities); trade unions

Responsibilities of organisations: stakeholder interests; conflict of expectations; power-influence matrix; satisfying stakeholder objectives; legal responsibilities eg consumer legislation, employee legislation, equal opportunities and anti-discriminatory legislation, environmental legislation, health and safety legislation; ethical issues eg environment, fair trade, global warming, charter compliance eg Banking Code

2 Understand the nature of the national environment in which businesses operate

Economic systems: the allocation of scarce resources; effective use of resources; type of economic system eg command, free enterprise, mixed, transitional

The UK economy: size (gross domestic product, gross national product); structure; population; labour force; growth; inflation; balance of payments; balance of trade; exchange rates; trading partners; public finances (revenues, expenditure); taxation; government borrowing; business behaviour eg investment, objectives, risk awareness; cost of capital; consumer behaviour; propensity to save; propensity to spend; tastes and preferences

Government policy: economic goals; fiscal policy: control of aggregate demand; central and local government spending; Public Sector Net Borrowing (PSNB) and Public Sector Net Cash Requirement (PSNCR); euro convergence criteria, monetary policy; interest rates; quantitative easing; private finance initiative (PFI); competition policy (up-to-date legislation including Competition Act 1998, Enterprise Act 2002); Competition Commission, Office of Fair Trading; Directorate General for Competition); European Commission); sector regulators eg Ofgem, Ofwat, Civil Aviation Authority; Companies Acts; regional policy; industrial policy; enterprise strategy; training and skills policy

3 Understand the behaviour of organisations in their market environment

Market types: perfect competition, monopoly, monopolistic competition, oligopoly, duopoly; competitive advantage, strategies adopted by firms; regulation of competition

Market forces and organisational responses: supply and demand, elasticity of demand; elasticity of supply; customer perceptions and actions, pricing decisions; cost and output decisions; economies of scale, the short run; the long run, multi-national and transnational corporations; joint ventures, outsourcing; core markets; labour market trends; employee skills, technology; innovation; research and development; core competencies; business environment (political, economic, social, technical, legal, environmental); cultural environment

4 Be able to assess the significance of the global factors that shape national business activities

Global factors: international trade and the UK economy; market opportunities; global growth; protectionism; World Trade Organisation (WTO); emerging markets (BRIC economies – Brazil, Russia, India, China); EU membership; EU business regulations and their incorporation in to UK law; EU policies eg agriculture (CAP), business, competition, growth, employment, education, economics and finance, employment, environment, science and technology, regional); labour movement; workforce skills; exchange rates; trading blocs (eg monetary unions, common markets; customs unions, free trade areas); labour costs; trade duties; levies; tariffs; customs dues; taxation regimes; international competitiveness; international business environment (political, economic, social, technical, legal, environmental); investment incentives; cost of capital; commodity prices; intellectual property; climate change eg Kyoto Protocol, Rio Earth Summit; third world poverty; the group of 20 (G-20); global financial stability

Learning outcomes and assessment criteria

Learning outcomes On successful completion of this unit a learner will:	Assessment criteria for pass The learner can:
LO1 Understand the organisational purposes of businesses	1.1 identify the purposes of different types of organisation 1.2 describe the extent to which an organisation meets the objectives of different stakeholders 1.3 explain the responsibilities of an organisation and strategies employed to meet them
LO2 Understand the nature of the national environment in which businesses operate	2.1 explain how economic systems attempt to allocate resources effectively 2.2 assess the impact of fiscal and monetary policy on business organisations and their activities 2.3 evaluate the impact of competition policy and other regulatory mechanisms on the activities of a selected organisation
LO3 Understand the behaviour of organisations in their market environment	3.1 explain how market structures determine the pricing and output decisions of businesses 3.2 illustrate the way in which market forces shape organisational responses using a range of examples 3.3 judge how the business and cultural environments shape the behaviour of a selected organisation
LO4 Be able to assess the significance of the global factors that shape national business activities	4.1 discuss the significance of international trade to UK business organisations 4.2 analyse the impact of global factors on UK business organisations 4.3 evaluate the impact of policies of the European Union on UK business organisations.

Guidance

Links

This unit has links with other business and economics-focused units such as *Unit 3: Organisations and Behaviour*, *Unit 7: Business Strategy*, *Unit 35: European Business* and *Unit 45: Business Ethics*.

This unit also links to the Management and Leadership NOS as mapped in *Annexe B*.

Essential requirements

There are no essential or unique resources required for the delivery of this unit.

Employer engagement and vocational contexts

Centres can develop links with local employers. Many businesses look to employ learners when they finish their programmes of study and may provide information about the business environment which they operate in. They will have a view about the impact of the governmental and EU factors that shape how they behave.

Many learners are, or have been, employed and will be able to draw on their experience of employment and will have had experience of the nature of the business environment and the ways in which organisations respond