

# Unit 1: Exploring Business

Level: **3**

Unit type: **Internal**

Guided learning hours: **90**

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## Unit in brief

In this introductory unit, learners study the purposes of different businesses, their structure, the effect of the external environment, and how they need to be dynamic and innovative to survive.

## Unit introduction

A business is any activity that provides goods or services, whether that is to make a profit or not. The common thread in business is that owners and employees are striving to satisfy customers. Nowadays, customers are more informed and have more options in terms of what they buy and who they buy from, so a successful business is one that balances satisfying their customers with selling products or providing services.

In this unit, you will gain an overview of the key ingredients for business success, how businesses are organised, how they communicate, the characteristics of the environment in which they operate, and how this shapes them and their activities. You will also look at the importance of innovation and enterprise to the success and survival of businesses, with the associated risks and benefits.

By developing relevant business knowledge and understanding, this unit will help you to progress to employment, vocational training and higher apprenticeships, or higher education.

## Learning aims

In this unit you will:

- A** Explore the features of different businesses and analyse what makes them successful
- B** Investigate how businesses are organised
- C** Examine the environment in which businesses operate
- D** Examine business markets
- E** Investigate the role and contribution of innovation and enterprise to business success.

## Summary of unit

Learning aim	Key content areas	Recommended assessment approach
<b>A</b> Explore the features of different businesses and analyse what makes them successful	<b>A1</b> Features of businesses <b>A2</b> Stakeholders and their influence <b>A3</b> Effective business communications	A report that examines the features of a for-profit and a not-for-profit business, looking at how each is organised, how their structures enable achievement of their aims and objectives and the relationship and communication with stakeholders.
<b>B</b> Investigate how businesses are organised	<b>B1</b> Structure and organisation <b>B2</b> Aims and objectives	
<b>C</b> Examine the environment in which businesses operate	<b>C1</b> External environment <b>C2</b> Internal environment <b>C3</b> Competitive environment <b>C4</b> Situational analysis	A report that examines the effects of the internal and external environment on a large business and how the business has, and will, respond to changes.
<b>D</b> Examine business markets	<b>D1</b> Different market structure <b>D2</b> Relationship between demand, supply and price <b>D3</b> Pricing and output decisions	
<b>E</b> Investigate the role and contribution of innovation and enterprise to business success	<b>E1</b> Role of innovation and enterprise <b>E2</b> Benefits and risks associated with innovation	A presentation that investigates the use of enterprise and innovation in an existing business.

## Content

### Learning aim A: Explore the features of different businesses and analyse what makes them successful

#### A1 Features of businesses

- Ownership and liability:
  - private, e.g. sole trader, partnership, private limited company, public limited company, cooperative, limited and unlimited liability
  - public, e.g. government department
  - not-for-profit, e.g. charitable trust, voluntary.
- Purposes, e.g. supply of products or services, difference between for-profit and not-for-profit businesses.
- Sectors: primary, secondary, tertiary, quaternary.
- Scope of business activities: local, national, international.
- Size: micro – up to nine staff, Small and Medium Enterprises (SMEs): small – between 10 and 49 staff, medium – between 50 and 249 staff; large: more than 250 staff.
- Reasons for success: how these differ depending on the type of business (profit or non-profit), and its aims and objectives, e.g. clarity of vision, innovative products or processes.

#### A2 Stakeholders and their influence

- Stakeholders:
  - internal, e.g. managers, employees, owners
  - external, e.g. suppliers, lenders, competitors, debtors, creditors, customers, government agencies and departments (local, national, international), communities (local, national, international), pressure groups, interest groups.
- The influence of stakeholders on business success, e.g. shareholder value; customers as long-term assets (strong customer service enables customer loyalty and retention); employee involvement, corporate social responsibility (community groups and interest groups).

#### A3 Effective business communications

Appropriate presentation and delivery of information to a given audience:

- written presentations, e.g. financial, non-financial, formal and informal reports
- oral presentations, e.g. computer projection/PowerPoint with speaker notes
- importance of communication to aid business success, e.g. social media, virtual communities.

### Learning aim B: Investigate how businesses are organised

#### B1 Structure and organisation

- Organisational structure, e.g. hierarchical, flat, matrix, holacratic.
- Functional/operational areas, e.g. human resources, research and development, sales, marketing, purchasing, production and quality, finance, customer service, IT, administration.

#### B2 Aims and objectives

- Aims of businesses in different sectors – mission, vision and values:
  - private, e.g. making profits, profit maximisation, break-even, survival, growth, market leadership
  - public, e.g. service provision, cost control, value for money, service quality, meeting government standards
  - not-for-profit, e.g. education, housing, alleviating poverty, healthcare.
- SMART (Specific, Measurable, Achievable, Relevant, Time constrained) objectives.

## **Learning aim C: Examine the environment in which businesses operate**

### **C1 External environment**

- Political, e.g. government support, membership of trading communities such as the European Union.
- Economic, fiscal, monetary and other government policies, e.g. supply side policy, economic growth, exchange rates.
- Social attitudes to saving, spending and debt; social responsibility requirements; change, e.g. to demographic trends, consumers' tastes/preferences.
- Technological change, e.g. automation, improved communications.
- Environmental factors and ethical trends, e.g. carbon emissions, waste, recycling, pollution.
- Legal environment, e.g. Partnership Act 1890, Companies Act 2006, Charities Act 2011, Competition Act 1998, UK Corporate Governance Code, financial services regulation, industry regulators, government departments.

(Statutes and regulations current at the time of teaching should be used.

Outline understanding only is expected.)

### **C2 Internal environment**

- Corporate culture.
- Corporate social responsibility (CSR), ethics.

### **C3 Competitive environment**

- Competition (local, national and international).
- Factors influencing competitive advantage, e.g. differentiation, pricing policies, market leadership, reputation, market share, cost control, technology relationships with customers, suppliers, employees.
- Benefits and importance of establishing and maintaining a competitive advantage.

### **C4 Situational analysis**

- Assessment of the business environment using various techniques, e.g. PESTEL (Political, Economic, Social, Technological, Legal, Environmental) analysis, SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis, 5Cs (Company, Competitors, Customers, Collaborators, Climate) analysis, Porter's Five Forces.

## **Learning aim D: Examine business markets**

### **D1 Different market structures**

- Market structures: perfect competition, imperfect competition.
- Features of different market structures: number of firms, freedom of entry, nature of product.

### **D2 Relationship between demand, supply and price**

- Influences on demand, e.g. affordability, competition, availability of substitutes, level of Gross Domestic Product (GDP), needs and aspirations of consumers.
- Influences on supply, e.g. availability of raw materials and labour, logistics, ability to produce profitably, competition for raw materials, government support.
- Elasticity: price elasticity of demand.

### **D3 Pricing and output decisions**

- Impact on pricing and output decisions in different market structures.
- Responses by business to pricing and output decisions of competitors in different market structures.

**Learning aim E: Investigate the role and contribution of innovation and enterprise to business success****E1 Role of innovation and enterprise**

- Innovation, e.g. creative process, product or service development, new ways of increasing business efficiency or improving profitability, successfully exploiting a new idea, adding value to products, services or markets to differentiate the business from the competitors.
- Enterprise: identifying opportunities to develop business activities through, e.g. creative, lateral (approaching subjects from alternative perspectives) and 'blue sky' thinking (approaching subjects with no restrictions on perspectives); chance and serendipity, intuition.

**E2 Benefits and risks associated with innovation and enterprise**

- Benefits: improvements to products, processes, services and customer experience, business growth, development of new and niche markets, offering unique selling points, improved recognition and reputation, smarter working.
- Risks: failing to meet operational and commercial requirements, failing to achieve a return on investment, cultural problems (resistance to change, unsupportive systems and processes, insufficient support from leadership and management).

## Assessment criteria

Pass	Merit	Distinction
<b>Learning aim A: Explore the features of different businesses and what makes them successful</b>		<b>AB.D1</b> Evaluate the reasons for the success of two contrasting businesses, reflecting on evidence gathered.
<b>A.P1</b> Explain the features of two contrasting businesses. <b>A.P2</b> Explain how two contrasting businesses are influenced by stakeholders.	<b>A.M1</b> Assess the relationship and communication with stakeholders of two contrasting businesses using independent research.	
<b>Learning aim B: Investigate how businesses are organised</b>		
<b>B.P3</b> Explore the organisation structures, aims and objectives of two contrasting businesses.	<b>B.M2</b> Analyse how the structures of two contrasting businesses allow each to achieve its aims and objectives.	
<b>Learning aim C: Examine the environment in which businesses operate</b>		<b>C.D2</b> Evaluate the extent to which the business environment affects a given business, using a variety of situational analysis techniques. <b>D.D3</b> Evaluate how changes in the market have impacted on a given business and how this business may react to future changes.
<b>C.P4</b> Discuss the internal, external and competitive environment on a given business. <b>C.P5</b> Select a variety of techniques to undertake a situational analysis of a given business.	<b>C.M3</b> Assess the effects of the business environment on a given business.	
<b>Learning aim D: Examine business markets</b>		
<b>D.P6</b> Explore how the market structure and influences on supply and demand affect the pricing and output decisions for a given business.	<b>D.M4</b> Assess how a given business has responded to changes in the market.	
<b>Learning aim E: Investigate the role and contribution of innovation and enterprise to business success</b>		<b>E.D4</b> Justify the use of innovation and enterprise for a business in relation to its changing market and environment.
<b>E.P7</b> Explore how innovation and enterprise contribute to the success of a business.	<b>E.M5</b> Analyse how successful the use of innovation and enterprise has been for a given business.	

## Essential information for assignments

The recommended structure of assessment is shown in the unit summary along with suitable forms of evidence. *Section 6* gives information on setting assignments and there is further information on our website.

There is a maximum number of three summative assignments for this unit. The relationship of the learning aims and criteria is:

Learning aims: A and B (A.P1, A.P2, B.P3, A.M1, B.M2, AB.D1)

Learning aims: C and D (C.P4, C.P5, D.P6, C.M3, D.M4, C.D2, D.D3)

Learning aim: E (E.P7, E.M5, E.D4)

## Further information for teachers and assessors

### Resource requirements

There are no specific resource requirements for this unit but centres must give learners access to information on a range of businesses, including local, national and international.

### Essential information for assessment decisions

It is expected that learners in a cohort will individually select and research different businesses.

### Learning aims A and B

**For distinction standard**, learners will produce relevant evidence of how differing features and the complex relationship and communications with its internal and external stakeholders make businesses successful to support the evaluation given. The report will be professional, logically structured, use the correct business terminology and will contain high-quality written language. It will be suitable for the given audience.

**For merit standard**, learners will demonstrate clear analysis of the range of features that have made two businesses successful, and show how the organisation of each business has allowed it to achieve its aims and objectives. The report will be logically structured, use appropriate business terminology and will contain good-quality written language. It will be suitable for the given audience.

**For pass standard**, learners will carry out research that allows them to clearly link familiar and obvious features of the businesses and the stakeholder influence to success factors. The report will be structured, use some business terminology appropriately and will contain quality written language. It will be suitable for the given audience.

### Learning aims C and D

**For distinction standard**, learners will carry out in-depth research on the extent to which the business environment affects a given business, and how it could affect the business in the future. Learners will be able to utilise a variety of situational analysis techniques to support their evaluation. The report will be professional, logically structured, use the correct business terminology and will contain high-quality written language. It will be suitable for the given audience.

**For merit standard**, learners will select and apply relevant knowledge of the effects of the business environment on a given business and how it has responded to changes in the market. The report will be logically structured, use appropriate business terminology and will contain good-quality written language. It will be suitable for the given audience.

**For pass standard**, learners will carry out research that allows them to discuss the effect of the internal, external and competitive environment on a given business. Learners will show an understanding of situational analysis techniques that can be used to analyse the business environment. The report will be structured, use some business terminology appropriately and will contain good-quality written language. It will be suitable for the given audience.

### Learning aim E

**For distinction standard**, learners will prepare and present an individual assessment and analysis of the use of innovation and enterprise in an existing business. Learners will weigh up risks versus advantages and come to a justified conclusion, supported by relevant evidence that clearly explains the importance of innovation and enterprise. The presentation will be professional, i.e. appropriately structured, use the correct business terminology, contain high-quality written language and be supported by speaker notes. It will be suitable for the given audience. Throughout the unit learners will show individuality of thought, independent collection, collation and judgement of evidence.



**For merit standard**, learners will carry out adequate research to allow them to demonstrate how the use of innovation and enterprise has affected a business, and to analyse how this has affected the success of this business. The presentation will be professional, i.e. appropriately structured, use appropriate business terminology, contain good-quality written language and be supported by speaker notes. It will be suitable for the given audience.

**For pass standard**, learners will carry out research on use of enterprise and innovation in an existing business, and show an understanding that although innovation and enterprise may have its benefits, there are also risks and drawbacks. The presentation will be structured, use some business terminology, contain good-quality written language and be supported by speaker notes. It will be suitable for the given audience.

### Links to other units

This unit is an introductory unit. It is fundamental to, and supports, all other units in the programme.

### Employer involvement

This unit would benefit from employer involvement in the form of:

- guest speakers
- participation in audience assessment of presentations
- design/ideas to contribute to unit assignment/case study/project materials
- work experience
- business materials as exemplars
- support from local business staff as mentors.

