

## Topic 1

# The business environment

## What the specification requires

You will need to identify the key **aims and objectives** of a business, the different **stakeholders** and how both of these considerations have a major impact on the business.

## In brief

All businesses have aims and objectives; these are used to measure their success, such as gaining **market share**. Businesses also have a range of stakeholders, internal and external. Each stakeholder group has demands and expectations that the businesses must try to fulfil. This means that the business has to try to balance the often competing demands of the



The Co-operative Bank

stakeholders. On the one hand, shareholders will want the business to maximise profits; on the other, customers will want high-quality products and services at an affordable price. At the same time, employees will want to receive a fair level of pay for their work.

## Revision notes

The most successful businesses have **mission statements** to help them meet their aims and objectives. Aims and objectives help a business to:

- make decisions
- set targets
- measure their progress
- make sure that all parts of the business are working towards the same goal

Typical aims and objectives are:

- breaking even — making sure that the income of the business is equal to its expenditure
- making a profit — ensuring that income from sales is greater than spending

Businesses have to balance the needs of their stakeholders



**Speak the language**

**aims and objectives** — the goals of the business; aims are short term and objectives longer term

**market share** — the value of a business's sales as a percentage of the total sales of all businesses operating in that market

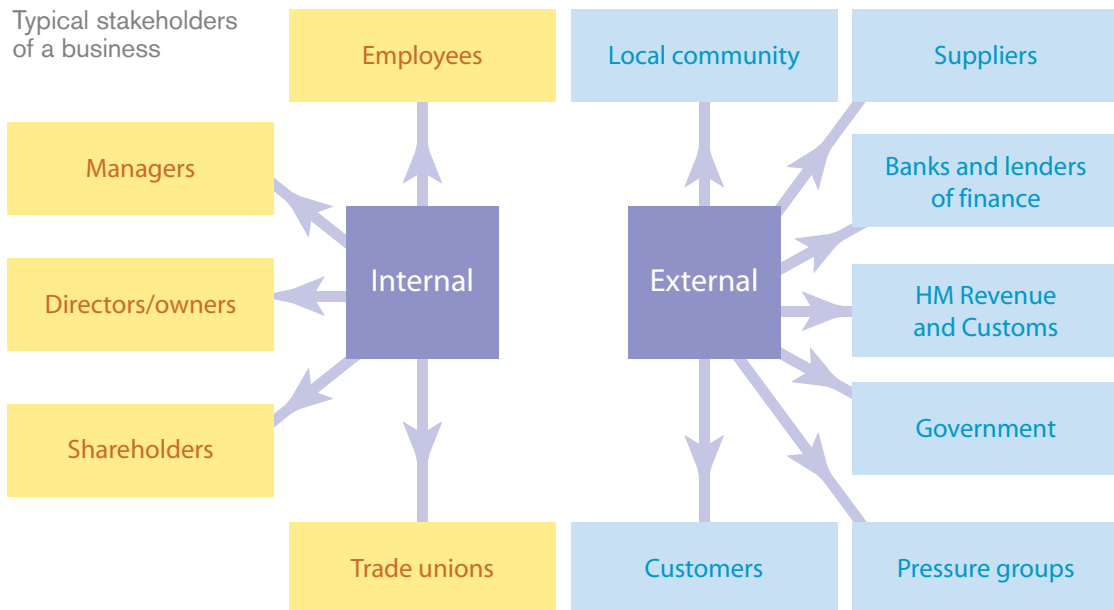
**mission statement** — a sentence or set of points that summarises what the business does, stands for and hopes to achieve

**stakeholders** — an individual or group that is affected by a business or has an interest in the activities of a business

- creating jobs and wealth — providing employment and building up the assets owned by the business
- survival — ensuring that the business keeps going in difficult economic times
- market share — increasing sales income compared with other businesses selling to the same market
- customer satisfaction — exceeding the expectations of customers by providing high-quality products, services and support
- being ethical — making decisions that are morally correct
- being sustainable — running the business so that it does not have a negative impact on the environment

Stakeholders influence the aims and objectives of a business and may hold different views or demand different things from the business. A business will try to rank the importance of its stakeholders and work out how powerful each of them is, then try to take each into account when it makes decisions. Pleasing all stakeholders is almost impossible. Some of the stakeholders will be internal ones, such as managers and employees; others will be external, such as customers, banks and the government.

Typical stakeholders of a business



## In a nutshell



Businesses create mission statements to help them understand and measure their success in meeting their aims and objectives.

- \* Mission statements need to be measurable.
- \* They need a timescale.
- \* They have to be clear and mean something.
- \* They need to be realistic.

Businesses cannot set their aims and objectives without thinking about the expectations of their stakeholders. Different stakeholders will have different demands; all will expect the business to take account of them:

- \* Pleasing one stakeholder group may anger another one.
- \* Some groups are more powerful than others.
- \* The bigger the business, the more stakeholder groups there are.
- \* The business needs to act responsibly and explain its actions.

## Test yourself

Anderson's Steel Ltd has a 16% share of the £1.4 billion British market for steel fences. Its advertising slogan is 'Quality British steel products, accept no substitute' and its mission statement is 'British quality products for the world made by the experts'.

- 1 What is meant by 'market share'? (2 marks)
- 2 What might Anderson's mean by their slogan and mission statement? (4 marks)
- 3 Identify and explain the likely stakeholders of a business like Anderson's (9 marks)

## Boost your grade

The relationship between a major stakeholder and a business needs careful handling. The owners want the business to generate profit. However, another major stakeholder group is the business's customers and they want reasonable prices, quality products and reliable service. It is not always easy to balance the needs of these two key groups. Compromises have to be made, sometimes profits have to be cut to provide for customer needs, and sometimes customers have to pay slightly more to ensure that the business makes a profit.

## Topic 2

# Business administration

### What the specification requires

You will need to understand that administration involves the storing, processing, retrieving and circulation of information to support the functions of a business. Each part of the organisation needs this support and information to work in an effective way. You will also need to know that there are several different job roles in any business.

### In brief

Being efficient and having the ability to react to situations as they happen are vital if a business is to be successful. This means that the business has to be able to make decisions based on the latest information. It needs to circulate (disseminate) this information to all of the key departments or areas of the business. Businesses have a range of people working for them in their **hierarchy**, each with particular job titles and responsibilities.

### Revision notes

Administration helps a business to coordinate its activities and allows decision makers to plan for the future. A business needs to have access to relevant information when it needs it:

- Information comes into the business.
- It is processed and passed on to relevant parts of the business.
- Copies of the information are stored.
- The information is retrieved when needed in the future.
- Decisions are made, based on the information received and processed.



PhotoDisc

Businesses need to process information efficiently

Typical administrative support is needed for:

- meetings
- creating and distributing documents
- arranging events, travel and accommodation
- handling data, documents and other information
- distributing information
- storing information in a secure manner

Administration supports the key functions of a business including:

- finance and accounts — dealing with income and expenditure, **budgets** and the creation of financial documents such as **balance sheets** and **profit and loss accounts**
- human resources — handling all matters relating to employees, including recruitment
- sales — creating orders and dealing with customers
- marketing — promoting and advertising the business's products and services
- research and development — coming up with new ideas and testing whether they work and whether customers would buy them
- customer service — handling customer queries and complaints, and providing assistance
- IT services — responsible for all the hardware and software needs of the business
- production — making the products that the business sells
- purchasing — buying all of the goods and services that the business needs
- distribution — handling the transport and delivery needs of the business

There are a number of different job roles in any business, including:

- managers — who make day-to-day decisions and organise the other employees
- supervisors or team leaders — who make sure that the day-to-day tasks are carried out
- operatives — the regular employees who carry out most of the work in the business
- support staff — who assist all of the other employees to do their job

Businesses seek to organise their workforce in the most efficient way. Most organisation charts look like a pyramid with a small number of key decision makers supported by managers, who direct the work of supervisors, who in turn organise the tasks and duties of the bulk of the employees.

### Speak the language



**balance sheet** — a snapshot of what the business owns and owes

**budget** — how much money was expected to be either spent or earned

**hierarchy** — the layers of management in a business

**profit and loss account** — how the business earned money and where money was spent



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Span of control



These layers are known as hierarchies, with each layer having certain authority and responsibility. Each manager or supervisor will be directly responsible for organising the work of a number of other employees; this is known as a 'span of control'.

### In a nutshell

Administration is vital to the smooth running of a business as it means:

- \* All information is handled.
- \* It is passed on to right part of the business.
- \* The business has the latest information.
- \* It can act on this information.
- \* It can make the right decisions.

Each business organises itself to match its needs either by:

- \* what it produces — different departments for different products
- \* what it does — departments each have different functions
- \* where things are done — different departments for different areas
- \* whom it sells to — different departments for different customer types

### Test yourself

Farman Associates has five hierarchical layers in the business. It has a dedicated department which deals with all administrative procedures. It runs a computer-based system alongside a paper-based one.

- 1 What does 'hierarchical layers' mean? (4 marks)
- 2 What is meant by 'administrative procedures'? (4 marks)
- 3 Why might the business have two systems? (7 marks)

### Boost your grade

Businesses need to log, circulate, store and retrieve a vast amount of information, and without a sound filing and retrieval system, crucial pieces of information can be lost or ignored.

## Topic 3

# Tasks, decision making and planning

## What the specification requires

You will need to understand that administration has to handle **routine** and **non-routine** work, and that this may mean that managers will have to make non-routine decisions as well as regular, routine ones. You also need to remember that planning is very important in a business — without planning the business will never be prepared and organised to do anything.

## In brief

Administration systems handle a great deal of routine work, but they also need to cope with non-routine work which is out of the ordinary. Day after day, routine decisions are taken by managers, but sometimes they have to make decisions about things they have not had to handle in the past. A key to being able to cope with all situations is to plan in advance; good planning is essential for continued success.

## Revision notes

The activities of business, including administration and decision making, can be routine or non-routine. Some work and decisions will never differ regardless of what else is happening in the business. Other work and decisions can be different every day, but these will still need the support of good administrative procedures to ensure that the work is efficiently carried out and the right decisions are made.

Decision making involves:

- looking at the alternatives and then choosing the one that is likely to be the most successful or acceptable to all concerned
- having a back-up plan or **contingency plan** in place to help the business at a time of crisis
- meeting to get ideas and suggestions for how to solve a problem, known as **brainstorming**

### Speak the language



**brainstorming** — a group discussion where the group looks at different ways of handling a problem and comes up with the best solution

**contingency plan** — a series of actions that will be taken by the business if a crisis happens

**non-routine** — activities or decisions that are unusual or only crop up from time to time

**routine** — activities or decisions carried out or made on a regular basis

Planning is important for all businesses. This means deciding:

- what the objectives of the plan are
- who needs to do what to make it happen
- what needs to be done to meet the objectives
- how the business will know if the plan is working or not

The saying ‘failing to plan is planning to fail’ is a good one. If a business does not make plans for the future, it will not know where it is going, how it is performing or how to deal with problems when they arise. Planning aims to:

- eliminate or reduce uncertainty
- improve efficiency
- give a better understanding of objectives
- provide a basis for monitoring and controlling the business

### ***In a nutshell***

Businesses have to carry out a number of routine and non-routine tasks every day; they also will make routine and non-routine decisions.

Handling routine work and routine decisions can be straightforward if the business has set procedures to handle them. Coping with non-routine work means that managers and employees need to be flexible in their approach to work and handle these tasks as and when they happen. Making non-routine decisions is more difficult, as the business may not have encountered these problems in the past.

This can be dealt with by having plans ready to deal with problems. If a business plans ahead and considers all the problems and situations that it might face, then it is better prepared to deal with them.

Failing to plan in advance may cause the business real problems as it has to cope with the situation it is facing and keep doing all of the regular, routine work at the same time.



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Failing to plan may cause problems for the business

There are three basic kinds of decision:

- Decisions whether — these are yes/no, either/or decisions that must be made before selecting an alternative.
- Decisions which — these involve a choice of one or more alternatives from a set of possibilities. The choice is based on how well each alternative measures up to a set of criteria.
- Contingent decisions — these are decisions that have been made but put on hold until some condition is met.

## Test yourself

A regular customer of a shop returns a present bought for them 3 weeks ago. Normally, the shop has a strict 14 days returns policy. On the same day, a delivery arrives, one person has to check the delivery, another has to price up the products and another has to contact the supplier as part of the order is wrong.

- 1 What type of decision does the manager have to make about the customer and why? (6 marks)
- 2 What types of task are being carried out by the staff handling the delivery? Explain your answer. (9 marks)