

UNIT 1:  
EXPLORING BUSINESS  
LEARNING AIM A

**Introduction**

# WHAT THE UNIT IS ALL ABOUT

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.**

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.

# UNIT 1: EXPLORING BUSINESS

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**Part 1**

## 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.

Look at the following businesses. **For each business/organisation, write a brief paragraph explaining what their purpose is.**



# THE PURPOSE OF BUSINESSES

Different businesses have different purposes. The purpose of the majority of businesses is to provide goods or services. **Some businesses may do this 'for profit', others may operate 'not for profit'.**

Choose one **'for profit'** organisation and one **'not for profit'** organisation.



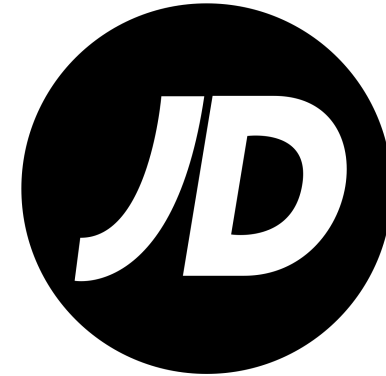
# WHAT IS A 'NOT FOR PROFIT' ORGANISATION?

'Not for profit' is a broad term for all organisations whose purpose is something other than to make profit for directors, members or shareholders. Many different types of organisation can be 'not-for-profit'. For example, all public sector organisations fall under this category, as do charities.



# WHAT IS A 'FOR PROFIT' ORGANISATION?

'For profit' is a term for all organisations whose purpose is to make profit for directors, members or shareholders. Many of the most well known businesses fall under this category.



# 'FOR PROFIT' VS 'NOT FOR PROFIT' - KEY DIFFERENCES

	'For profit' organisation	'Not for profit' organisation
How money is raised	Usually sell goods or services.	Usually rely on donations and sponsorship.
Aims/Objectives	Usually focused on market share, profits and competition.	Usually focused on helping people, doing something good, communities.
Tax	Pay tax on all profits.	Do not pay tax on income if it is being used for the organisation.
Examples	Tesco, Walmart, Nandos, Currys PC World, Argos, Amazon, Google	Chester Zoo, Cancer Research UK, WWF, RSPCA, 4Ocean

# UNIT 1: EXPLORING BUSINESS

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**Part 2**

# TYPES OF OWNERSHIP AND LIABILITY

Businesses can be privately owned or publicly owned depending on the type of business they are, and their purpose. **Privately owned businesses can be set up in a variety of ways which give the owners either limited liability, or unlimited liability.**



# WHAT IS LIMITED AND UNLIMITED LIABILITY?

Liability is all about who is responsible for the business's debts.

**Limited liability** - this is when the owners/directors/shareholders are not personally liable for the business's debts. The business is its own entity.

**Unlimited liability** - this is when the owners/directors/shareholders are personally liable for the debts of the business. Should the business get into debt, creditors will seek to pursue the above people for the money.



# WHAT IS PRIVATE OWNERSHIP?

**Private ownership is when an individual, or group set up a business, with the intention being to make profit.**

Privately owned businesses have the option to sell shares to members of the public, however this does not mean that they are publicly owned.



# PRIVATE OWNERSHIP - SOLE TRADER

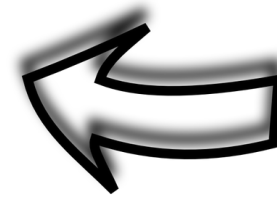


A sole trader is an individual who sets up a small business in which only they work. Sometimes referred to as being 'self-employed'. Examples include, hairdressers, beauticians, personal trainers, tradesmen.

**Liability** - sole traders are usually liable for any debt that the business incurs.



# PRIVATE OWNERSHIP - PARTNERSHIP



Unlimited Liability

In a partnership, you and your partner (or partners) personally share responsibility for your business. This includes: any losses your business makes and decision making. Partners share the business's profits (this doesn't always have to be equally). A partner does not have to be an actual person. For example, a limited company counts as a 'legal person' and can also be a partner.



# PRIVATE OWNERSHIP - PRIVATE LIMITED COMPANY

With a private limited company (LTD) all the business assets, liabilities and profits belong to the company itself and the shareholders (who are usually the owners) are not personally responsible for these. A private limited company will have to pay its own tax on profits, this is known as corporation tax.



Limited Liability



# PRIVATE OWNERSHIP - PUBLIC LIMITED COMPANY

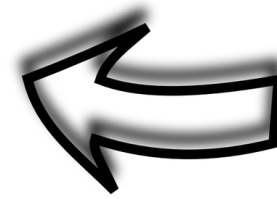
A public limited company (PLC) is a company that is able to offer its shares to the public. Directors will usually run the company and be accountable to the shareholders (people who own parts of the company). Public limited companies usually have quicker access to money, but their financial decisions are more likely to be scrutinised.



Limited Liability



# PRIVATE OWNERSHIP - COOPERATIVE



Limited Liability

A cooperative business, also known as a co-op, is a type of organisation that is both owned and controlled by its members, who also happen to use the services and products of the cooperative. Members democratically decide the direction and operations of the business with one vote each.



## Credit Union

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**Part 3**

# WHAT IS PUBLIC OWNERSHIP?

Public ownership refers to what we call public sector organisations. These are organisations that are owned by the government. They provide goods and services for the benefit of the community.

They are run by the government. They operate with money raised from taxes.



# THE FEATURES OF A PUBLIC SECTOR ORGANISATION

## The following are features of public sector organisations:

- Owned or ran by government.
- Funded by government through taxes and organisations revenue.
- Not always free, sometimes subsidised (NHS).
- Created to provide services to the public.



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**Part 4**

# WHAT ARE BUSINESS INDUSTRY SECTORS?

**Business industry sectors are categories in which businesses can be sorted into depending on what they do.** For example, some businesses extract raw materials from the earth, some businesses manufacture products from these raw materials and other businesses don't work with products whatsoever and instead provide services. **Each one falls under a different sector.**



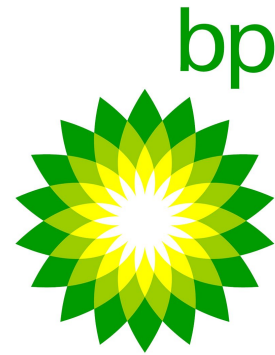
# WHAT ARE BUSINESS SECTORS? - PRIMARY SECTOR

The primary sector of industry is concerned with the extraction of raw materials or natural resources from the land. Any business that grows goods or extracts materials from the land would be classed as a primary sector business.

Examples of businesses that operate in the primary sector would be **farming, mining, fishing or oil production.**



# EXAMPLES - PRIMARY SECTOR



GLENCORE



VALE

**BHP**

**Smales**

Class Question

Do any of these businesses operate in more than one sector?



# WHAT ARE BUSINESS SECTORS? - SECONDARY SECTOR

**The secondary sector of industry is concerned with manufacturing.**

This would involve taking the raw materials from the primary sector and converting them into new products.

Examples of businesses that operate in the secondary sector would be **car manufacturers, food production or building companies.**



# EXAMPLES - SECONDARY SECTOR



Class Question

Do any of these businesses operate in more than one sector?



DAVID WILSON HOMES

WHERE QUALITY LIVES



# WHAT ARE BUSINESS SECTORS? - TERTIARY SECTOR

The tertiary sector of industry is concerned with providing goods, products or services to consumers.

Examples of businesses that operate in the tertiary sector would be **hairdressers, banks, gyms, cinemas, hotels, shops** - retail, leisure, hospitality, travel and more.



# EXAMPLES - TERTIARY SECTOR

cahoot



TONI&GUY™



Class Question

Do any of these businesses operate in more than one sector?

VUE®

ASOS

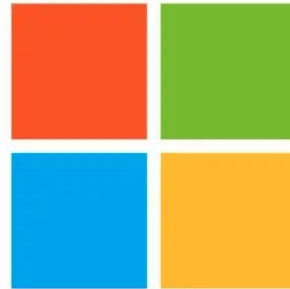
# WHAT ARE BUSINESS SECTORS? - QUATERNARY SECTOR

**The quaternary sector consists of those industries providing information services**, such as computing, ICT (information and communication technologies), consultancy (offering advice to businesses) and R&D (research, particularly in scientific fields).

The quaternary sector is sometimes included with the tertiary sector, as they are both service sectors. The tertiary and quaternary sectors make up the largest part of the UK economy.



# EXAMPLES - QUATERNARY SECTOR



Class Question

Do any of these businesses operate in more than one sector?



# UNIT 1: EXPLORING BUSINESS

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**Part 5**

# WHAT IS SCOPE OF BUSINESS ACTIVITIES?

A simple explanation of business scope is **the scale on which businesses operate.** This can be regional, national or international.

A general rule is that smaller businesses have a smaller scope, and larger businesses have a larger scope.



# WHAT IS SCOPE OF BUSINESS ACTIVITIES? - EXAMPLE

Here is a list of well known businesses and details of their scope.

<b>Business Name</b>	<b>Scope</b>
St Rocco's Hospice	Regional
Tesco	International
Chester Zoo	Regional
Sainsbury's	National
Wetherspoons	National
Tessuti	International (delivery over 200 countries)

# WHAT IS SCOPE OF BUSINESS ACTIVITIES? - REGIONAL

England is divided into 9 geographical regions. These are London, the North East, North West, Yorkshire, East Midlands, West Midlands, South East, East of England and the South West.

**A business that operates and sells to customers within a specific region of the UK has a regional scope.**



# WHAT IS SCOPE OF BUSINESS ACTIVITIES? - REGIONAL

## Advantages

- Cost of marketing will be lower
- Can potentially have a better relationship with customers.

## Disadvantages

- Amount of potential customers is limited.
- Competition can be difficult if there are a high number of similar businesses in the region.



# WHAT IS SCOPE OF BUSINESS ACTIVITIES? - NATIONAL

As of 2019, the UK population stands at approx 66 million people.

**A business that operates and sells to customers across the UK has a national scope.**



# WHAT IS SCOPE OF BUSINESS ACTIVITIES? - NATIONAL

## Advantages

- Larger potential market
- Can operate nationally without the need for multiple premises if you ship products.

## Disadvantages

- Cost of marketing will be higher.
- Competing with bigger businesses who have more capital and brand awareness.
- Can be more difficult to raise brand awareness in a larger market.



# WHAT IS SCOPE OF BUSINESS ACTIVITIES? - INTERNATIONAL

As of 2021, there are approx 7.9 billion people in the world.

**A business that operates and sells to customers in multiple countries has an international scope.**



# WHAT IS SCOPE OF BUSINESS ACTIVITIES? - INTERNATIONAL

## Advantages

- Lots of potential customers.
- Sell to anybody online and not have to open stores.

## Disadvantages

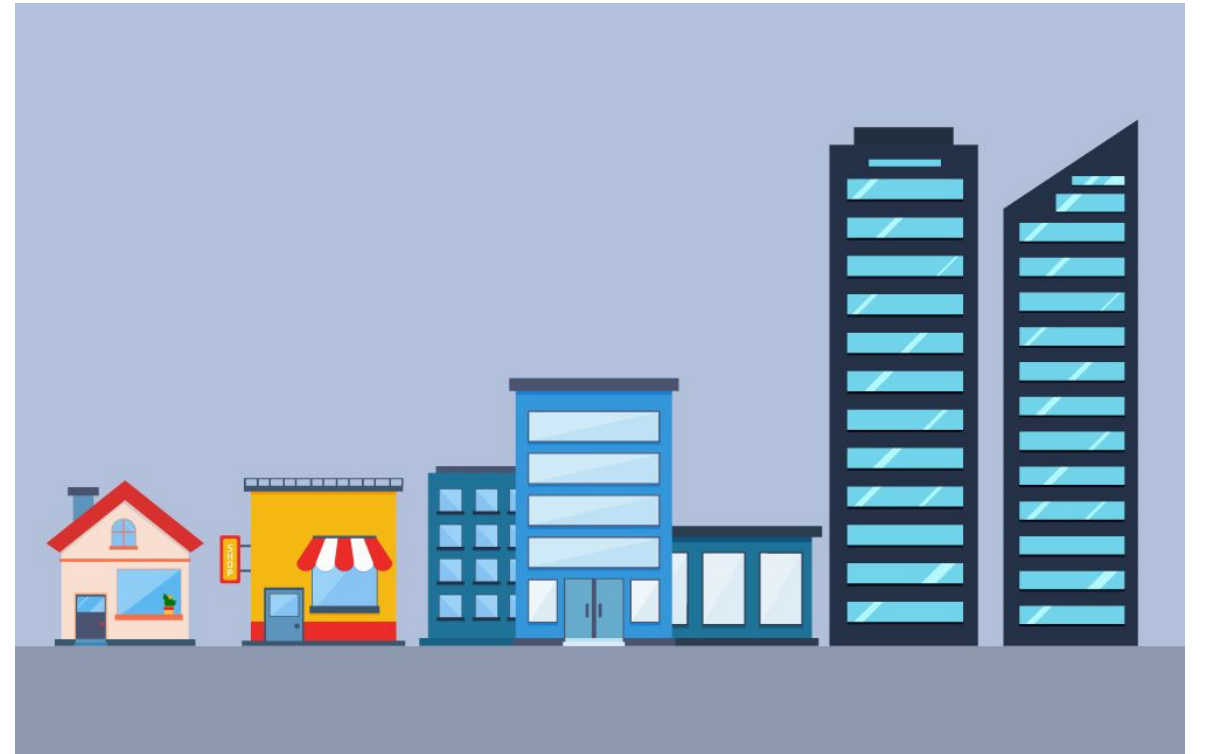
- More difficult to understand customers wants and needs due to cultural differences in other countries.
- If selling a product online, shipping can be costly and unreliable.
- High marketing costs.
- Lots of competition.



# DIFFERENT BUSINESS SIZES

**The size of the business can have a significant impact on its success.**

For example, smaller businesses are less complicated to manage but will usually generate less revenue. Whilst larger businesses are complex to manage but will usually generate more revenue.



# DIFFERENT BUSINESS SIZES - MICRO BUSINESSES

A business is defined as a 'micro business' if it has **upto 9 employees.**



# DIFFERENT BUSINESS SIZES - SMALL BUSINESSES

A business is defined as a 'small business' if it has **upto 10-49 employees.**



# DIFFERENT BUSINESS SIZES - MEDIUM BUSINESSES

A business is defined as a 'medium business' if it has **upto 50-249 employees.**



# DIFFERENT BUSINESS SIZES - LARGE ORGANISATIONS

A business is defined  
as a 'large  
organisation' if it has  
**over 250 employees.**



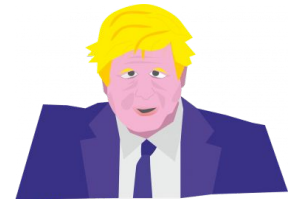
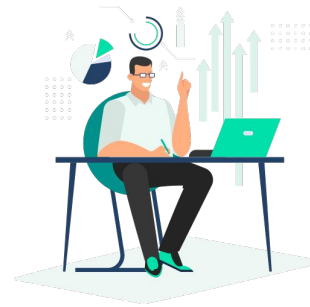
# UNIT 1: EXPLORING BUSINESS

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**Part 6**

# WHAT ARE STAKEHOLDERS?

A stakeholder is a person, group of people or organisation that has an interest in the business. Stakeholders can have an impact on the business' success and can be impacted by the business' success or failure.



# WHAT ARE STAKEHOLDERS? - INTERNAL VS EXTERNAL

Stakeholders can be split into 2 categories. These are internal and external. **An internal stakeholder is an individual that is part of the business, and an external stakeholder is an individual/group/organisation outside of the business.**



# INTERNAL STAKEHOLDERS - EMPLOYEES

Employees all have a stake in the business as without the business they would be unemployed. Their actions can affect the business in a variety of ways, and employees are usually the largest group of stakeholders.

- The way employees interact with customers can have a positive or negative impact on the businesses reputation.
- How hard employees work (productivity) can impact the businesses revenue and profits.
- Employees leaving the business (staff turnover) can cost the business money.

# INTERNAL STAKEHOLDERS - MANAGERS

Similar to employees, managers all have a stake in the business as without the business they would be unemployed. Managers are usually responsible for teams of employees within the business and **must control, delegate, monitor and organise.**

- The way managers interact with their employees can determine if employees are happy, motivated and productive. This impacts the employees quality/quantity of work.
- Managers are responsible for monitoring employees work and progress. If they don't do this correctly then productivity can be impacted.
- Managers are responsible for ensuring their employees have everything they need to do their jobs (physical resources, access to training, support). If managers fail to do this then the quality of the work being done will be poor.

# INTERNAL STAKEHOLDERS - OWNERS

Owners are the main stakeholder(s) in a business and stand to lose their business, as well as any money they have invested, should the business fail.

- Owners decide the direction of the business and future strategy. If they get this wrong the business may fail all together.
- Owners make big financial decisions and decide where to invest money. If they get this wrong then the business may go bankrupt.
- Owners are sometimes the face of the business and must maintain good PR so as to enhance the businesses reputation.

# EXTERNAL STAKEHOLDERS - SUPPLIERS

Suppliers are the organisations that provide the business with the materials they need to manufacture their products. Alternatively, suppliers may manufacture a businesses product for them.

- Suppliers may increase prices. If this happens then the business must pass this increase onto the customer or accept a reduction in profits.
- Suppliers may stop trading leaving the business to find a new supplier with very little notice. This can leave the business without stock/inventory.
- Suppliers may not always meet quality standards and products may come through with defects or faults. This can damage the reputation of the business when they sell on to customers.

# EXTERNAL STAKEHOLDERS - LENDERS

Lenders are organisations who lend money to the business. This is usually a bank or loan company. If the business fails then lenders may lose their money.

- Lenders can increase interest rates which will leave the business with higher monthly repayment costs.
- Lenders may refuse to lend money to the business leaving them in financial trouble.
- Lenders can be a source of cash for the business and can help them to expand or buy assets.

# EXTERNAL STAKEHOLDERS - COMPETITORS

Competitors are businesses that provide similar products/services and operate in the same market. Businesses must monitor the actions of their competitors in order to compete with them.

- If a competitor runs an advertising campaign then the business will usually have to counter this with their own campaign. This will cost the business money.
- Businesses must continually work on product development in order to remain competitive. Failure to do this can lead to a reduction in sales.
- Competitors can directly challenge the business through clever advertising campaigns which can result in customers moving to a competitor. (take Aldi's comparison adverts for example).

# EXTERNAL STAKEHOLDERS - DEBTORS

Debtors are people who owe money to the business. The business may give products to customers on credit, or 30 day invoice customers.

- If debtors are **late** paying the money they owe to the business then this will negatively impact cash flow.
- If debtors are **early** paying the money they owe to the business then this will positively impact cash flow.
- If debtors don't pay whatsoever then the business will need to sell the debt (debt factoring) and will only reclaim some of the money owed.

# EXTERNAL STAKEHOLDERS - CREDITORS

Creditors are usually suppliers who give the business products/materials on credit. The business will then need to pay the creditors within a set period of time (usually 30 days).

- Creditors help the businesses cash flow by requiring payment immediately. Think of a tradesman doing a job, they can get paid for the job before they need to pay the supplier for materials.
- Creditors may charge fees if the business fails to pay what is owed on time.
- Creditors may charge more for products than other suppliers. For example, stationary from Lyreco is expensive compared to other places on the internet.
- Creditors may require a minimum spend on orders meaning the business may buy stock that it doesn't necessary need at that time.

# EXTERNAL STAKEHOLDERS - CUSTOMERS

Customers are one of the most important stakeholders in a business as without them there would be no business. Customers actions, opinions and decisions can all impact the success or failure of the business.

- If customers have a positive opinion of the business then they will recommend the business to friends/family.
- Poor customer reviews (online) can lead to a loss of customers and bad reputation for the business.
- Consumer spending habits can dictate the success of the business. For example, if consumers stop spending (like we see in a recession) the business will have reduced revenue.

# EXTERNAL STAKEHOLDERS - GOVERNMENT

The government receives tax from businesses so it is in their interest that businesses succeed. Also, businesses generate jobs.

However, government decisions have a significant impact on businesses.

- If corporation tax increases then this can reduce the businesses profits.
- Business rates are like a council tax for businesses. The amount that businesses have to pay is decided by the government and can result in extra expense for the business.
- The government may offer certain grants to businesses which can help inject money into the business.
- Minimum wage is the wage businesses need to pay employees as a bare minimum. This is decided by the government and when it increases it results in extra expense for the business.
- During Covid the government imposed restrictions on certain businesses which dramatically impacted their success.

# EXTERNAL STAKEHOLDERS - COMMUNITIES

Communities may rely on businesses and vice versa.

For example, a large business may provide jobs for the community (Amazon).

Communities can also be opposed to a business in the local area (truckstops, shopping centres, housing developments).

→ Local communities may be supportive of businesses and keen to work for them.

→ Communities may petition and protest against the opening/building of a business as they may be concerned about its impact on the local environment.

→ The local community may boycott the business and refuse to buy from them. Think about supermarket chains that open up in rural villages.

# EXTERNAL STAKEHOLDERS - PRESSURE GROUPS

Pressure groups try to influence public opinion and legislation for a particular cause. Businesses may participate in practices which go against their cause, and the pressure groups may do things which impact the business.

- Environmental groups such as Greenpeace work to raise awareness of plastics and the impact on our planet. How might this impact businesses that utilise single use plastics.
- Animal rights groups such as PETA raise awareness of the issue of animal experimentation in cosmetic production. How might this impact make-up manufacturers?

# UNIT 1: EXPLORING BUSINESS

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**Part 7**

# COMMUNICATION IN BUSINESS

The people within an organisation must work together in order to make the business successful. This requires them sharing information/ideas and collaborating. Effective communication is the way to do this.



# WHY IS COMMUNICATION SO IMPORTANT?

The way in which we deliver information to people is extremely important if we want to engage them. Sometimes we may need to sell an idea to our colleagues and this may require a **presentation**. Other times we may need to exchange ideas, which may require a **meeting**.

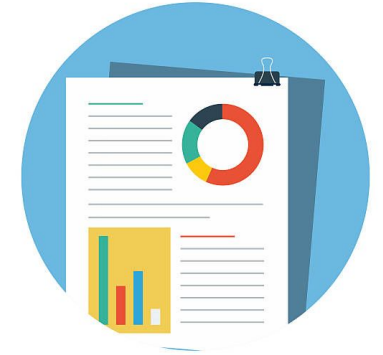
In this lesson we will look at how businesses communicate with stakeholders and why they use particular communication methods.



# METHODS OF COMMUNICATION

**The main methods of communication used in businesses are as follows:**

- Phone/Email
- Meetings
- Internal Website
- Presentations
- Written Proposal
- Reports
- Social Media



# METHODS OF COMMUNICATION - PHONE/EMAIL

Phone calls are usually used when immediate contact is required with people inside the business, or external to the business.

Email provides a convenient way to contact people when a response is not required immediately or information/attachments need to be sent. Email leaves a record, can be used to contact multiple individuals at once.

## When are they used in business?

**Phone** - To communicate directly with customers or suppliers regarding more urgent matters.

**Phone** - To ask quick and simple questions that require an answer immediately, or pass on important information.

**Email** - To share documents with colleagues.

**Email** - For communications that must include a number of people or require a record (paper trail).

# METHODS OF COMMUNICATION - MEETINGS

Meetings can be between 2 or more individuals and will usually follow an agenda. Minutes can be taken at a meeting to record what was discussed.

## **When are they used in business?**

To discuss team performance, targets and strategies.

To check on the wellbeing of employees.

To bring teams together so that ideas can be discussed and exchanged.

To encourage team bonding and build interpersonal relationships.

# METHODS OF COMMUNICATION - INTERNAL WEBSITE

Internal websites are websites that can only be accessed by employees. They are set up to host information and resources for employees should they need access to them. Employees can only usually access an internal website when at work, or from home using a username and password.

## **When are they used in business?**

- To host information such as employee handbooks and forms that employees may need access to from time to time.
- To allow the business to share announcements and information - internal vacancies may also be hosted on here.
- To give employees access to virtual resources such as programs and applications that they may need for work.
- To allow employees to share information and resources with one another.

# METHODS OF COMMUNICATION - PRESENTATIONS

Presentations usually consist of a slideshow and the use of handouts in order to deliver information to a small/large audience. Presentations are a great way to communicate with numerous people all at once and can be tailored to make them engaging as well as informative.

## **When are they used in business?**

To train employees.

To update all employees on changes within the business.

To propose new ideas to management or fellow colleagues.

To discuss performance and statistics using visual aids such as graphs and tables.

# METHODS OF COMMUNICATION - WRITTEN PROPOSAL

When you propose something you share an idea with others in the hope that they will agree, and approve, so that the idea can be put into action.

A written proposal can also be a way of selling your business services to a potential client.

## **When are they used in business?**

A written proposal is sometimes used when trying to win a contract with a potential client. The business will put together a written proposal which states why they should be chosen by the client and what they can offer to meet the clients needs.

# METHODS OF COMMUNICATION - REPORTS

**A business report is document which contains information and data which has been discussed, analysed and put into a format that is easy for the reader to digest.**

Reports will usually include a structure made up of a title page, TOC, summary, introduction, main body, conclusion.

## **When are they used in business?**

Annual business reports are used in PLCs to update investors/shareholders on the business' performance and progress over the past 12 months.

# METHODS OF COMMUNICATION - SOCIAL MEDIA

Social media includes any online platform that's purpose is to allow the building of virtual networks of individuals. These individuals will be able to share information, interact and communicate with one another.

**Popular platforms include YouTube, Facebook, Twitter, Instagram and LinkedIn.**

## **When are they used in business?**

To update customers on the availability of a product/service.

To provide customer service and 2 way communication for customers.

To share information on products/services and the business through YouTube channels.