



Oxford Cambridge and RSA

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| Unit Title: | Business environment, structure and governance |
| OCR unit number: | 5 |
| Sector unit number: | Bus-1 |
| Credit value: | 2 |
| Level: | 4 |
| Guided learning hours: | 20 |
| Unit reference number: | M/602/5067 |

Unit aim and purpose

By completing this unit the learner will develop an understanding of the relationship between the business and its stakeholders, how businesses are structured and organised and the influence of culture within organisations. Learners will also be able to recognise the external influences and constraints on a business and the function of corporate governance within business organisations.

| Learning Outcomes | Assessment Criteria | Teaching content |
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| The Learner will: 1 Understand the relationship between the business and its stakeholders, their claims, and how these should be taken into account | The Learner can: 1.1 Explain the term 'stakeholder' in relation to agency theory 1.2 Define internal, connected and external stakeholders 1.3 Identify the main stakeholder groups and their objectives | This may include: <ul style="list-style-type: none">• stakeholders – a person or group with an interest in a business• agency theory – relationships between principals and agents• stakeholder agency theory – relationships between management and stakeholder groups• internal• connected• external• shareholders• potential investors• company executives• creditors• customers• employees• HMRC |

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| | <p>1.4 Explain how the business should take into account the relative and sometimes conflicting interests of stakeholders</p> | <ul style="list-style-type: none"> • pressure groups • trade unions • general public • recognising divergent stakeholder interests and factoring these into business planning • contractual relationships • potential impact of power differentials, unequal dependence • managers unique role – monitor, respond and communicate with stakeholder groups • decision making and resource allocation to maximise stakeholder benefit • conflict resolution – discussion/meetings, negotiation, public relations, media • conflict management -incentive systems, public reports, third-party review |
| <p>2 Recognise the external influences and constraints on a business.</p> | <p>2.1 Explain political and governmental influences</p> <p>2.2 Explain the key micro and macro economic principles and theories which affect business activity</p> <p>2.3 Explain social and demographic factors which affect a business and its markets.</p> | <p>This may include:</p> <ul style="list-style-type: none"> • political • EU • central governmental • local government • demand and supply • macro economic indicators - economic growth, unemployment, exchange rates, inflation • the business cycle • international trade • changes in: <ul style="list-style-type: none"> - lifestyle patterns - buyer behaviour - employee work patterns - cultural and ethical beliefs - population |

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| | <p>2.4 Identify technological factors affecting business operations and their impact on organisations</p> <p>2.5 Explain the key environmental factors which businesses should take account of</p> <p>2.6 Identify and outline the main sources of legislation which affect business:</p> <ul style="list-style-type: none"> • <i>Sale of goods</i> • <i>Simple contract</i> • <i>Employment</i> • <i>Health and safety</i> • <i>Data protection</i> • <i>Company acts</i> | <ul style="list-style-type: none"> • communication technologies • mobile technologies • invoicing, payment and banking technologies • robotics and automation • emerging technologies • waste • recycling • pollution • energy consumption • carbon emissions • global warming • congestion • sale of goods <ul style="list-style-type: none"> - Sale and Supply of Goods Act 1994 - Supply of Goods and Services Act 1982 - Trade Descriptions Act 1968 - Consumer Protection Act 1987 • simple contract <ul style="list-style-type: none"> - invitation to treat - elements of contract – offer, acceptance, consideration, intention, legality, capacity • employment <ul style="list-style-type: none"> - The Equality Act 2010 - Minimum Wage Act 1998 - Working Time Regulations 2002 - Employment Rights Act 2002 • health and safety <ul style="list-style-type: none"> - Health and Safety at Work Act 1974 • data protection <ul style="list-style-type: none"> - The Data Protection Act 1998 • company acts <ul style="list-style-type: none"> - The Companies Acts 2006 - subsequent amendments to legislation |

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| | 2.7 Identify competitive factors, forces and influences on the business value chain; within the markets in which a business sells its produce and obtains its supplies | <ul style="list-style-type: none"> • market structure - number and size of competitors, degree of differentiation, barriers to entry, power of consumer/supplier, new competition, reputation |
| 3 Understand how businesses are structured and organised | 3.1 Identify different types of organisation: <ul style="list-style-type: none"> • <i>Commercial</i> • <i>Not-for-profit</i> • <i>Public sector</i> • <i>Non-governmental organisations</i> • <i>Trusts</i> • <i>Cooperatives</i> 3.2 Describe different ways in which organisations may be structured and managed 3.3 Explain basic organisational structure and concepts <ul style="list-style-type: none"> • <i>Strategic, tactical and operational levels</i> • <i>Tall and flat organisations</i> • <i>Span of control and Scalar chain</i> | This may include: <ul style="list-style-type: none"> • commercial – private sector, trading for profit • not-for-profit, third sector organisations • public sector – central government and local government organisations • non-governmental organisations • trusts – companies which manage financial assets and property for the benefit of another • cooperatives – owned, controlled and operated for the benefit of members • by function • by product/service • matrix • team, • network • geographical • virtual • management by objectives • distributed management • participative management • strategic – vision for entire organisation, broad long term goals • tactical - big projects which move towards goals, focused on a particular objective • operational - day to day processes to achieve objectives • hierarchical and flat organisations including levels of authority, communication, authority, responsibility, accountability |

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| | <ul style="list-style-type: none"> • <i>Centralisation v decentralisation</i> <p>3.4 Describe the roles and functional areas within business:</p> <ul style="list-style-type: none"> • <i>Research and development</i> • <i>Purchasing/ procurement</i> • <i>Production</i> • <i>Marketing</i> • <i>Administration</i> • <i>Human resources</i> • <i>Finance</i> | <ul style="list-style-type: none"> • chain of command, and span of control including responsiveness to change, communication, delegation, workload, control • centralisation - majority of decisions taken by senior managers, passed down the organisational hierarchy • decentralisation - organisations delegate authority down the chain of command • Research and Development - developing new products/services in response to research findings • Purchasing/Procurement – sourcing and providing materials or services - on time, of correct quality, at the right price • Production - converting inputs to outputs • Marketing - promoting the business • Administration – organisation of resources, paperwork • Human Resources – planning, recruitment, redundancies, remuneration and reward systems • Finance – financial control and record keeping |
| <p>4 Understand the influence of culture within organisations</p> | <p>4.1 Distinguish between the formal and informal organisation of a business</p> <p>4.2 Define organisational culture and the factors that shape the culture of an organisation</p> | <p>This may include:</p> <ul style="list-style-type: none"> • formal organisation – based on status and authority relationships within the structure of the organisation • informal organisation – a dynamic network of personal and social relationships • organisational culture • factors which shape organisational culture <ul style="list-style-type: none"> - operating sector - external environment - historic norms and expectations - organisational and decision-making structures |

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| | 4.3 Explain the main theories of organisation culture | <ul style="list-style-type: none"> - size and nature of the workforce - technology used by the organisation - control systems used monitor what is going on - performance management systems <ul style="list-style-type: none"> • Charles Handy 1976 • Deal and Kennedy 1982 • Schein 1992 • Johnson, Scholes and Whittington 2008 |
| 5 Recognise the function of corporate governance within business organisations | <p>5.1 Recognise the separation between ownership and control</p> <p>5.2 Describe the function of committees in business management and decision-making and how they operate.</p> <p>5.3 Define corporate governance and corporate social responsibility</p> <p>5.4 Explain the purpose of the main recommendations of best practice in corporate governance:</p> <ul style="list-style-type: none"> • <i>Non-executive directors</i> • <i>Remuneration committees</i> • <i>Nomination committees</i> • <i>Audit committees</i> • <i>Risk committees</i> | <p>This may include:</p> <ul style="list-style-type: none"> • incorporation – shareholders own, managers control – role of directors, divergent interests, agency theory • remit, responsibilities and level of authority; decision-making or advisory • committee members- invited, elected, specialists • rules regarding quorums • record keeping and communications • decision-making processes • corporate governance • corporate social responsibility • purposes may include: <ul style="list-style-type: none"> - enhance independence of directors - strengthen control and position of shareholders - accountability and transparency - free up directors to concentrate on key aspects of their roles - additional time and focus to oversee Board roles - greater assurance of the integrity of financial reporting - external scrutiny |

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| | 5.5 Explain how businesses can meet their corporate social responsibilities | <ul style="list-style-type: none"> • Non-executive directors – independent, unbiased, part of board but not part of executive management team • Remuneration committees - advise Board of Directors on the remuneration of CEO, directors and management team • Nomination committees – nominate directors and evaluate them on an annual basis • Audit committees - approve external auditor and maintain integrity of financial statements and resources • Risk committees - risk management responsibilities, particularly for banking and financial sectors • integrating ethics into working practices • ethical trading/fair trade • donations • sports, social and educational activities • sponsorship • government partnerships and schemes • ensuring non-discriminatory recruitment practices |

Assessment

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

Sample assessment material is available on our [website](#).

Additional information

For further information regarding administration for this qualification, please refer to the OCR document '*Admin Guide: Vocational Qualifications*' (A850) on the OCR website www.ocr.org.uk