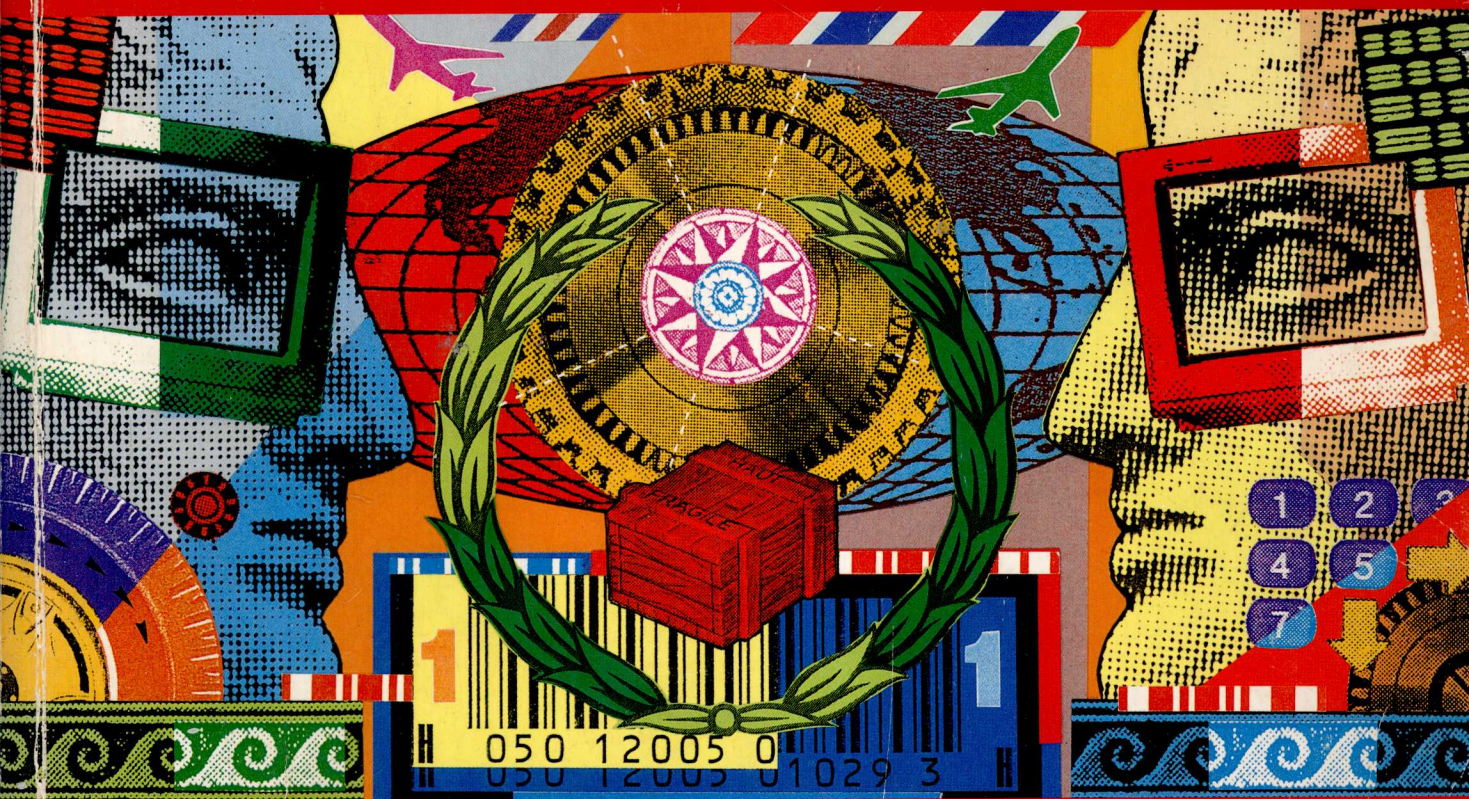


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intermediate
BUSINESS



MARIA WILLIAMS & HELEN NEEDHAM

intermediate

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INTRODUCTION

WHAT IS A GNVQ?

A General National Vocational Qualification is a broad-based qualification which tests understanding of a vocational area – in your case, business.

GNVQs are currently available at three levels:

- Foundation
- Intermediate
- Advanced

How is the Intermediate GNVQ structured?

The intermediate qualification is split into six units or subjects, four of the units being mandatory (compulsory). These are:

- Business organisations and employment
- People in business organisations
- Consumers and customers
- Financial and administrative support

Everybody works towards these units. In addition you will need to work towards two optional units. The choice available will depend on which awarding body your school/college is using to run the GNVQ qualifications, i.e. BTEC (Business and Technology Education Council), The City and Guilds of London Institute or the RSA (Royal Society of Arts). This book deals with options offered by each awarding body (as well as the mandatory units).

ELEMENTS

Each unit is broken down into elements. For example, Unit 1, 'Business Organisations and Employment' has three elements:

- Element 1.1 'Explain the purposes and types of business organisations'
- Element 1.2 'Examine business location, environment, markets and products'
- Element 1.3 'Present results of investigation into employment'

'These are broad headings which explain what you will be expected to be able to do, understand or achieve.'

PERFORMANCE CRITERIA

Each element is then broken down into smaller parts. For example, Element 1.1 'Explain the purposes and types of business organisations' has four performance criteria:

- 1 Describe developments in industrial sectors
- 2 Explain the purposes of business organisations
- 3 Explain the differences between types of business ownership
- 4 Explain the operation of one business organisation

These are the **specific** things you will be expected to do, understand or achieve in each element.

RANGE

The range is the range of knowledge you should demonstrate an understanding of for each performance criterion. For example, for the performance criteria for Element 1.1 given above the range of purposes will include profit making, public service, and charitable.

How do I go about proving that I can do, understand or achieve these performance criteria?

The way you meet the requirements of each unit element and performance criterion is by gathering **evidence**. This means that you will carry out activities or tasks to meet each criterion until you have sufficient evidence for each unit. All the evidence is then filed in a special portfolio (or folder). You may be given assignments or guidance by your tutors to help you gather the evidence. Alternatively, you may decide the best ways to collect it yourself (after negotiation with your tutors).

Examples of evidence are:

- written reports
- diaries
- statistics
- video or audio cassettes
- presentations
- written statements/testimonials
- photographs

- letters/memoranda
- evidence of oral work
- assessment of previous achievements and qualifications
- evidence from work experience/part-time employment

WILL I GET A GRADE FOR MY EVIDENCE?

If your evidence successfully meets the requirements of each performance criterion you will pass. In order to achieve a **merit** or **distinction** your tutors will be looking for evidence of the following:

- 1 Planning** This is how well you outline the way you are going to go about specific tasks to achieve the evidence requirements and the way you monitor your plans as you go along.
- 2 Information seeking and handling** This is the way you identify the information required for evidence collection and how well you use the information.
- 3 Evaluation** This is the way you look back on the work you have done, reflect on your progress, identify problems you have encountered and explain how you have overcome them.
- 4 Quality of outcomes** This is the quality of the work or evidence you actually produce, including the knowledge and skills you demonstrate and the language you use.

A grade may be awarded once you have submitted *all* your evidence. At least one third of the evidence must meet the required standard to achieve a grade. Your tutors may ask you to prepare a detailed plan for each piece of evidence to assist with the grading process.

ARE THERE ANY TESTS?

There are three external tests you must pass to achieve the GNVQ qualification (in addition to the successful collection of evidence). These are in three of the mandatory units:

- 'Business organisations and employment'
- 'People in business organisations'
- 'Consumers and customers'

The tests are set and marked by the awarding body. They last for one hour and are made up of multiple choice questions. There are a number of testing opportunities during the year and if you don't pass a test the first time, you will be able to retake it until you do.

Core skills

In addition to the mandatory and optional units you will also be asked to gather evidence for core skills units. The compulsory core skills units are:

- 'Communication'
- 'Application of number'
- 'Information technology'

Each core skill unit is broken down into elements and performance criteria in the same way as the other units.

Core skills are important, basic skills which we use everyday whether we are at work or in education. Because of this in most cases you will find that you do not need to gather separate evidence for them but can simply identify which core skills you have achieved in the process of gathering the evidence for your mandatory and optional units. For example, for Element: 1.1 'Explain the purposes and types of business organisations' you may decide to prepare a presentation with a friend to meet the performance criteria. Your presentation could involve some of the following core skills.

COMMUNICATION

- taking part in discussions with a range of people on routine matters – discussions with your friend to plan the presentation and discussions with your tutor for guidance
- preparing written material – your presentation could be accompanied by a handout
- using images – your presentation could include diagrams presented on an overhead projector or flip chart

APPLICATION OF NUMBER

- interpreting and presenting mathematical data – your presentation finding could be supported by statistics

INFORMATION TECHNOLOGY

- selecting and using formats for presenting information – your accompanying handout could be produced using a word processor.

How do I put together my evidence portfolio?

First buy yourself a large, strong folder and some subject dividers. Then organise your folder as follows:

- a section for each mandatory and optional unit
- a subsection within each of these to include the evidence for each element
- a section for each of the core skills
- a subsection within each of these for each core skills element (included in these may be cross referencing sheets to evidence for mandatory and optional units instead of actual evidence for core skills – see below)
- a section for any forms or documents which your school

or college or awarding body may require you to complete

- a contents page

It is important that the people checking through your portfolio can find their way through it as easily as possible and are able to check that there is sufficient evidence to meet all of the performance criteria.

CROSS REFERENCING

As we indicated when we were talking about core skills, an individual piece of evidence can often meet the requirements of the performance criteria of more than one unit. If this is the case you can photocopy the work and include it under each relevant section in the portfolio, so that a copy of the presentation for Element 1.1 we discussed earlier could be filed in your portfolio under Unit 1 'Business organisations and employment' and each core-skills unit. Alternatively you could

develop a suitable system to cross reference your work as in the following example:

Communication

Element 2.3 Use images

Evidence submitted: Tutor feedback, visual aids and written copy from presentation on purposes of organisations

Range covered: Images produced by the student, people familiar with the subject who know the student

Location of evidence: 'Business organisations and employment' Element 1.1

By following this information, anyone checking your folder could look under 'Business organisations and employment' Element 1.1 and see the evidence (including tutor feedback) which meets some of the requirements of Element 2.3 of the 'Communication' core skills unit.

HOW TO USE THIS TEXTBOOK

This book has been written to cover the range of knowledge you will need for the mandatory units, as well as some of the optional units for each of the awarding bodies. It should be particularly helpful when you are revising for your external tests.

We have included lots of practical activities to help you understand and apply the things you are learning about business. You will find many of the activities useful when deciding how to gather your evidence.

The following symbols have been included to make the book easier to use:



indicates an activity and a possible opportunity for evidence gathering



indicates that work produced could involve the use of a computer (or other form of information technology) and be used as evidence towards the 'Information technology' core-skills unit



indicates that work produced could be used as evidence towards the 'Application of number' core-skills unit



indicates that work produced could be used as evidence towards the 'Communication' core-skills unit

At the end of each unit we have included some revision questions to assess your understanding and prepare you for the external tests in the mandatory units.

At the end of each mandatory unit we have also included some evidence-gathering projects that will enable you to meet all the requirements of the performance criteria for these units. The projects are identified by the following symbol:



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Chapter I

BUSINESS ORGANISATIONS AND EMPLOYMENT

This chapter should help you to understand about different types of business organisation, the reasons for their existence, their location and the way they operate. It will enable you to investigate types of employment and employment trends.

EXPLAIN THE PURPOSES AND TYPES OF BUSINESS ORGANISATION

PURPOSES OF BUSINESS ORGANISATIONS

The objectives (aims or purposes) of organisations vary between the public and private sector.

The **private sector** consists of organisations that are set up, funded and run privately by individuals or groups of people. Examples are: sole traders, partnerships, public limited companies and limited companies. Their objectives are:

- to make a profit
- to meet demand
- to be a market leader
- to expand
- to develop operations abroad
- to survive
- to minimise costs
- to provide customer service

The **public sector** consists of organisations that are owned by the state (or the public) and controlled by the government. They are mainly funded by the government and through public taxes. Examples are: central government departments, local government, public corporations (or nationalised industries). Their objectives are:

- to supply essential services
- to meet public needs
- to be cost effective
- to run efficiently
- to provide customer service

COMPARING TYPES OF BUSINESS OWNERSHIP

The private sector

SOLE TRADERS

A sole trader organisation is one which is set up and funded by an individual. A sole trader provides all the capital (or money) to start up, takes all the profits and has full control of the running of the business. The sole trader may or may not employ other people (including a manager) and has no special legal status. The sole trader obtains funds from private sources including banks, overdrafts, personal loans, hire purchase, grants and mortgages. He or she is personally responsible for *all* the losses of the business, i.e. has 'unlimited liability'.

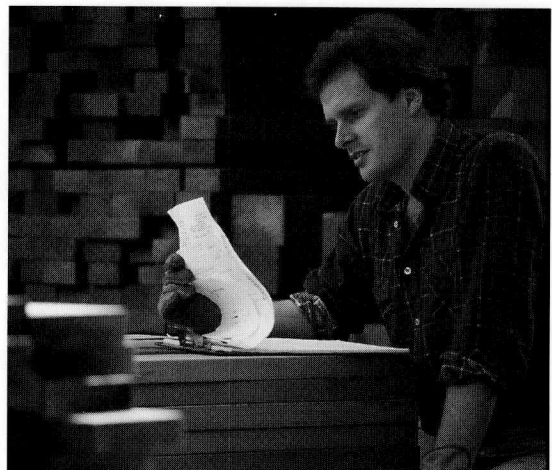


FIG. 1.1 SOLE TRADER ORGANISATIONS

Examples of possible sole trader organisations are: a newsagent, a corner shop, a builder and a plumber.

Advantages

- 1 The sole trader is independent.
- 2 The sole trader takes all the profit.
- 3 The business is easy to set up.
- 4 The sole trader can make decisions easily.
- 5 The sole trader owns the business.

Disadvantages

- 1 The sole trader pays all the losses.
- 2 The sole trader works long hours and has few holidays.
- 3 It is often hard to raise finance.
- 4 The business can fail if the sole trader falls ill or has an accident.
- 5 The sole trader need to be a 'jack of all trades', i.e. accountant, administrator, sales person, etc.

PARTNERSHIPS

A partnership involves two or more people setting up and funding a business organisation.

Partnerships are governed by the Partnership Acts (must have a minimum of two partners) and are limited to a maximum of 20 partners. A legal document called the Deed of Partnership is usually drafted which covers the following:

- the amount of money to be invested by each partner
- the voting rights of each partner
- details as to how profits and losses will be shared
- arrangements if the partnership is dissolved
- rules relating to admitting and expelling partners
- the role of any sleeping partners (see below)

A **sleeping** (or silent) **partner** is someone who invests money into the business but is not active in its day-to-day running.

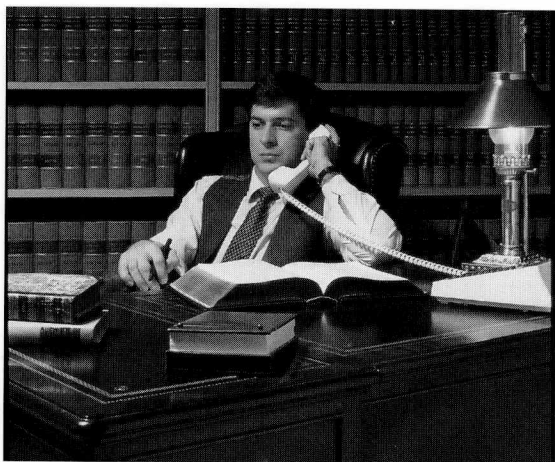


FIG. 1.2 PARTNERSHIPS

Partnerships are popular with doctors, solicitors and accountants.

Advantages

- 1 Mutual support.
- 2 Chance to specialise.
- 3 Chance to raise more finance.

Disadvantages

- 1 Each partner is personally liable for all the debts of the business.
- 2 Disagreement can occur.

COMPANIES

There are two main forms of company: private limited companies and public limited companies.

A **private limited company** (Ltd) is a corporate organisation that in law is treated as a separate body from its shareholders and directors. It can sue and be sued, employ staff and own property. In a private limited company capital (or money) is raised through selling shares. All shareholders have limited liability, i.e. they are only liable for the company's debts in relation to the amount of their shareholding (the amount they have invested in the company), the company is run by a board of directors, and shareholders will normally have one vote per share.

Public limited companies (PLCs) are also corporate bodies. In a PLC capital is raised through issuing shares, which can be sold to the general public through trading on the stock exchange. The minimum share capital is £50,000, profit is distributed to the shareholders in the form of a 'dividend' and shareholders have limited liability. PLCs must make the accounts public and produce an annual company report.

All limited companies must present two important documents to the registrar of companies in order to receive a Certificate of Incorporation which enables them to start trading. The documents are:

- 1 *The Memorandum of Association* – this identifies the name and address of the company, states the objectives (aims) of the company, provides details of the capital of the company and explains the liability of members.
- 2 *The Articles of Association* – these outline relations between the company and its members and between members themselves. They identify the directors and the company secretary, explain the powers and responsibilities of the directors and outline how they will be appointed, explain the control of shareholders (and how shares are to be issued and transferred) and detail the organisation of company meetings.

Advantages

- 1 Money can be raised quite easily through issuing shares.
- 2 Shareholders have limited liability.
- 3 Treated in law as a separate legal body.
- 4 Economies of scale (see p.9).

Disadvantages

- 1 Companies are complicated to form.
- 2 Companies are costly to set up.
- 3 Diseconomies of scale (see p.10).
- 4 Decision-making can be time consuming and administration very complex.

CO-OPERATIVES

A co-operative is a 'self-help' organisation made up of independent groups of householders, workers and businesses who join together to share the profits of their products. **Consumer or retail co-operatives** are the most common form, operating from shops in the high street. In consumer co-operatives the members are also the customers who use the shops and purchase the shares. Shares may be purchased by anyone (usually in £1 denominations) and may be redeemed at their face value (purchase price) when required. Shareholders have only one vote regardless of the size of their investment in the co-operative; any number of shares may be issued. A proportion of the profits are ploughed back into the organisation and the remainder distributed to the members in proportion to the amount invested – this sometimes takes the form of 'dividend' or 'trading' stamps. The co-operatives have an elected board of directors or committee of management who will employ officials to oversee the day-to-day running of the organisations. Co-operatives are members of the CWS (Co-operative Wholesale Society) from whom they purchase the majority of their stock.

Worker co-operatives are organisations owned and run by the employees or workforce. They are less common than retail co-operatives. In worker co-operatives all employees are eligible to become members. The employees provide all the capital and take all the risks. Profits are shared among the members, each of whom has a single vote.

Producer co-operatives are a third type. Here people group together to produce goods or services.

Advantages

- 1 Open membership.
- 2 Democratic decision making i.e. all members only have one vote.
- 3 Profits are distributed fairly or ploughed back into the business.
- 4 Economies of scale (see p.9).

Disadvantages

- 1 Competition from larger organisations.
- 2 Members may lack business experience.

FRANCHISES

A franchise is an arrangement whereby the retailer enters into an agreement with the manufacturer to be the sole agent in a particular area for a product or service. The **franchisor** is the manufacturer or organisation in control of the particular product or service; the **franchisee** is the person who runs the business. The majority of the starting capital is raised by the franchisee, who will also pay an initial licensing fee to the franchisor. Examples of franchises are McDonalds and The Body Shop.

Advantages

- 1 Enables a person to run their own business with the security of an established business behind them.
- 2 There are fewer decisions to make.
- 3 Security.
- 4 Use of an established trade name.
- 5 The franchise is cheaper to establish than the franchisee's own business.

Disadvantages

- 1 Raising capital can be hard.
- 2 The franchisee only receives a share of the profits.
- 3 The franchisee cannot own the business.
- 4 The franchisee is restricted to the prices, products and regulations established by the franchisor.
- 5 Limited expansion possibilities.

The voluntary sector (charities)

Charities do not fit specifically into either the public or private sector. They are often referred to as being part of the voluntary sector. Most charities have trust status. This means that a person (a trustee) is responsible for the funds and assets which have been given to the charity. Charities do not aim to make a profit but to provide a service and help the under-privileged or a particular cause.

TYPES OF CHARITY

- 1 *Registered charities* – an example is Oxfam.
- 2 *Charitable trusts* – these use money bequeathed in wills and endowments. Examples are schools and old people's homes.
- 3 *Companies limited by guarantee* – companies that do not aim to make a profit. Examples are schools, certain colleges and examination boards.

A C T I V I T Y



Find out the names of as many different charities as you can. Which 'cause' does each one support?

The public sector

CENTRAL GOVERNMENT

There are many reasons why we need a government:

- to make sure that there is law and order in society
- to help to defend the country
- to communicate with other countries
- to achieve growth in the economy
- to ensure that as many people as possible have jobs

A C T I V I T Y



Can you think of any more reasons why we need a government?

The government can be divided into three sections:

- 1 *Legislature* – functions carried out by the legislature. i.e. Parliament.
- 2 *Administrative* – functions carried out by the executive, i.e. the government and the civil service.
- 3 *Judicial* – functions carried out by the judiciary, i.e. the courts.

Parliament can also be divided into three sections:

- 1 *The House of Commons* – members of Parliament (MPs) who are voted in by members of the public.
- 2 *The House of Lords* – non-elected representatives, i.e. Lords and Ladies, such as Lady Thatcher.
- 3 *The Monarch* – the Queen.

A C T I V I T Y



Have a look in the telephone directory and see if you can find out the name of your local MP.

The two main functions of Parliament are: to act as a debating chamber to discuss government decisions and other important issues; and to provide a process to pass laws (or legislation).

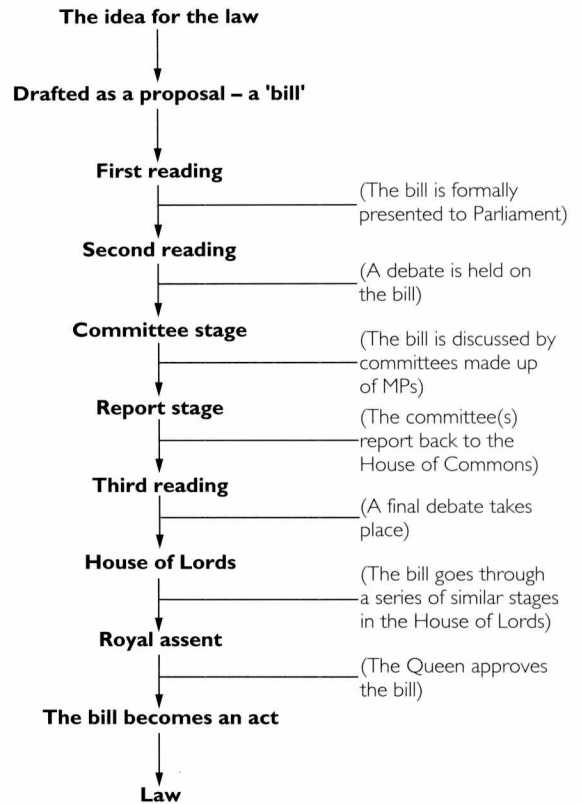


FIG. 1.3 INTRODUCING A LAW

Most **legislation** is passed through government bills (proposals). For example, a bill could be introduced to propose that there should be a law to ban smoking. To become law a bill must pass through the House of Commons and House of Lords and receive royal assent. The procedure involves the stages shown in Figure 1.3.

In theory **the Queen** has wide powers. She can stop laws or dismiss a government. In practice, however, she is really only a nominal head of government (i.e. a figurehead) and rarely uses these powers.

The **prime minister** is the leader of the party with the majority in the House of Commons. The present prime minister is John Major who is the leader of the Conservative party.

The **cabinet** consists of between 20 and 25 ministers (mostly MPs and some members of the House of Lords). They meet at least once a week to discuss important government issues and to formulate policies.

Most **cabinet ministers** are responsible for a **government department**. They are supported by junior ministers. Some departments are headed by ministers who are not members of the cabinet. The following are government departments:

- The Ministry of Defence
- The Department of the Environment
- The Employment Department Group
- HM Treasury
- The Department of National Heritage
- The Home Office
- The Export Credits Guarantee Department
- The Department of Social Security
- The Department of Health
- The Foreign and Commonwealth Office
- The Board of Inland Revenue
- HM Customs and Excise
- The Department of Trade and Industry
- The Department of Transport
- The Ministry of Agriculture, Fisheries and Food

A C T I V I T Y



What sort of things do you think each of the government departments might be responsible for?

Members of the **civil service** are responsible for the public administration of the government of the country. It is their job to put government policies and ideas into practice. Civil servants are employed by central government departments and do not leave their jobs if a different political party comes into power.

Central government finance (the way the government raises its money) takes the following forms:

- direct taxes – taken directly from the public e.g. income tax
- indirect taxes – e.g. value added tax (VAT), a tax on spending
- government borrowing

LOCAL GOVERNMENT (LOCAL AUTHORITIES)

Local government is responsible for providing services to meet the needs of a local community. Some of the main areas of local government provision are as follows:

- housing
- education
- social services
- planning and development
- leisure and recreation
- public protection
- highways
- environmental health

County councils deal with services which need to be provided and administered over a wide area, for

example education and the police. **District councils** (also called borough or city councils) provide services for a smaller area, for example housing.

The advantages of local government provision are that people who run local services can respond to local needs and attitudes; there can be close contact with the people who use the local services; and time and money can be saved in comparison to services being run by central government in London.

A C T I V I T Y



Can you think of any more advantages of local government provision?

Although local authorities run and make decisions about local services, central government still have ultimate **control** over them. This is to:

- ensure minimum standards across the country
- control spending in the interests of local people, i.e. protect them against wasteful expenditure
- make sure that local government is following the principles (or thinking) of central government
- ensure that services are being run efficiently

Local government finance (the way local government raises its money) takes the following forms:

- local taxes – the council tax
- business rates – the taxes paid by local business
- the revenue support grant and other central government grants
- profitable activities – for example the sale of council houses, charges for the use of leisure facilities, etc.

A C T I V I T Y



Look in your local telephone directory. What is the name of:

- a the county council?
- b The district, city or borough council?



Make a list of the services provided by each.

PUBLIC CORPORATIONS

Public corporations or nationalised industries are business organisations that are owned and controlled by

the state. They are mainly financed by the state (or government) through public taxes. There are **no** shareholders and profits are ploughed back into the organisation. Public corporations are run by a board of management appointed by the government and must operate within guidelines laid down by Parliament. Examples of public corporations are British Rail, British Coal and the Post Office.

Privatisation

Since 1979 when the Conservative Government came into power they have carried out a massive programme of privatisation. This means that public corporations have been taken out of the public sector (and the control of government), sold to the private sector and become public limited companies (PLCs).

Below is a list of all the organisations which have been privatised since 1979.

Year	Organisation
1979	International Computers
1980	Ferranti Electronics
1981	British Aerospace British Sugar Corporation Cable and Wireless
1982	Amersham International National Freight Corporation
1983	Associated British Ports
1984	British Telecom Enterprise Oil Jaguar Cars Naval Shipbuilding Yards Sealink Ferries
1985	British Oil
1986	British Gas
1987	British Airways British Airport Authority Rolls Royce
1988	British Steel Bus Services
1989	Water Authorities
1990	Electricity (except nuclear power stations)
1994	British Coal

The British Rail track has now been privatised and is owned by Railtrack. The rolling stock is due to be privatised in 1996.

A C T I V I T Y



Look in a national newspaper and see if you can find an article about the privatisation of British Rail.

ADVANTAGES OF PRIVATISATION

- less control by the government
- more incentive to do well as the organisations aim to make a profit
- more efficient running
- cost effectiveness
- improved standards
- members of the public have the opportunity to buy shares
- encourages competition

DISADVANTAGES OF PRIVATISATION

- in many cases, there is no real competition
- the government loses valuable income
- the advantages of economies of scale may be lost (see p.9)

INDUSTRIAL SECTORS

Primary sector

The primary sector includes organisations which are involved in extracting raw materials. Examples are forestry, fishing, farming and the mining of raw materials which will then be used by the secondary sector.

Secondary sector

The secondary sector includes those organisations involved in manufacturing or processing the raw materials into finished products. Examples are car manufacturers, steel production, brewing and road construction.

Tertiary sector

The tertiary sector is not involved in the production process. It provides services which are essential in order for production to take place. There are two types of service: **personal** – involved in providing services to people, e.g. doctors, teachers, solicitors and firefighters; and **commercial** – involved in providing services for business, e.g. marketing, banking, accountancy and training.

A C T I V I T Y



Below is a list of occupations. Write down which sector of industry you think each belongs to:



- | | |
|--------------------|--------------------|
| ■ college lecturer | ■ farmer |
| ■ shop assistant | ■ miner |
| ■ baker | ■ insurance broker |
| ■ dentist | ■ furniture maker |

A C T I V I T Y



Draw a map of your local town or city centre. Highlight all the business organisations and indicate which sector of industry they belong to.



A C T I V I T Y



Now see if you can find out some information about business organisations that operate on the outskirts of your town or city. To which sector of industry do they belong? How does this compare with businesses in the city/town centre?

DEVELOPMENTS IN INDUSTRIAL SECTORS

In the early part of the 20th century, Britain, along with most of western Europe and the USA, had very strong manufacturing industries which employed a large percentage of the countries' workforces. However, two significant factors have caused this to change over the last few decades:

- the increase of automation leading to greater efficiency, but resulting in the shedding of jobs
- the increase of employment within the service sector (now the largest employer of all three sectors) contributing up to seven out of ten jobs in the UK

The recessions of the 1970s and early 1980s affected UK manufacturing, making it more streamlined and less labour intensive. During the 1980s the service

sector has increased as consumers with increased spending power now purchase many services, for example dry-cleaning, restaurant meals or leisure services. The primary sector employs a small percentage of the population: agriculture and farming in the UK are two examples of efficient industries which no longer require labour intensive methods. For the future it is difficult to expect anything other than continued growth for services, although a slight resurgence in manufacturing is possible, particularly in relation to export markets.

A C T I V I T Y



The increased use of technology has affected levels of employment in the different industrial sectors.

Write a paragraph to explain how you think it has affected each of the following:



- Primary sector – farming
- Secondary sector – car manufacturing
- Tertiary sector – a supermarket

THE SIZE OF AN ORGANISATION

Organisations can vary in size; they can be small, medium or large. A common abbreviation used is SME which means small- or medium-sized enterprise, normally one which employs fewer than 500 people. There are other factors to take into consideration when measuring the size of an organisation. These are outlined below.

Scale

The **scale** really means the size of an organisation. When measuring scale, a number of factors can be taken into account:

- 1 Market Share.
- 2 Turnover.
- 3 Number of people employed.
- 4 Number of branches/outlets.

Market share

Sometimes organisations will measure their performance by the size of their market share, that is, how much of the overall market their company's products account for. The example below illustrates how this works. Let us assume that in 1996, 10,000

widgets are sold in the UK. Each company which sells widgets will then calculate what percentage of the market their own widgets account for.

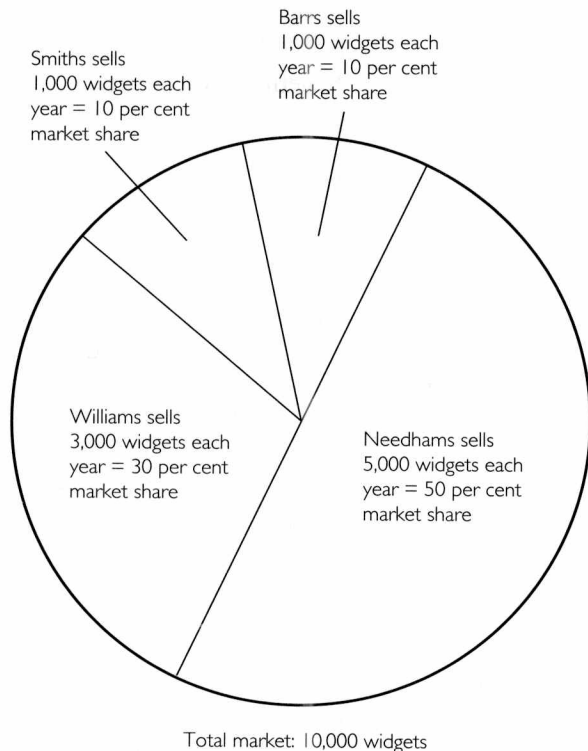


FIG. 1.4 UK MARKET SHARE OF WIDGETS 1996 BY VOLUME

In the example above, the market share is calculated by volume, i.e. the number of units sold. Sometimes, however, it is more relevant to measure the market share by value, i.e. the value of all sales made. This is calculated by multiplying the selling price of the widgets by the number of units sold.

	UNITS SOLD	SELLING PRICE PER UNIT (£)	TOTAL SALES VALUE (£)
Smiths	1,000	3	3,000
Barrs	1,000	2	2,000
Williams	3,000	15	45,000
Needhams	5,000	1	5,000
Total market = 55,000			

TABLE 1.1 UK MARKET SHARE OF WIDGETS 1996 BY VALUE

This shows quite a different picture from the one based on volume sales.

Generally, companies will wish to have a large market share so they can dominate the market. Sometimes however, a company will be quite content to have a small market share if they have a 'niche' or

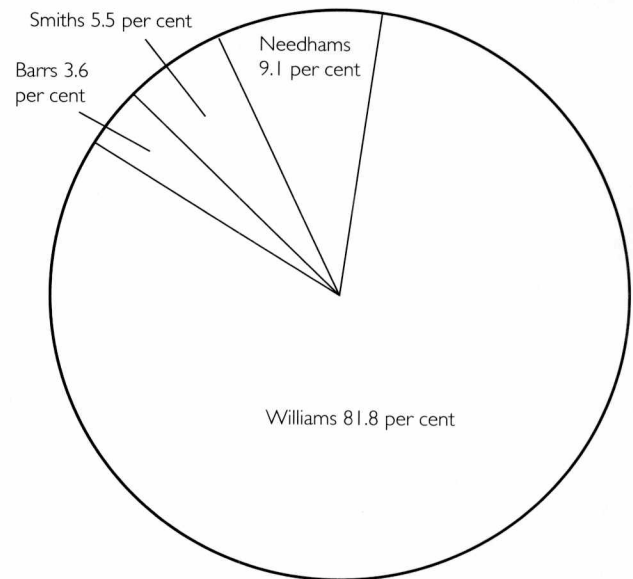


FIG. 1.5 UK MARKET SHARE OF WIDGETS 1996 BY VALUE

specialised market. For example, Rolls Royce only has a small market share of the total car market, but would never expect to have one of the largest shares due to the expense of their product.

ACTIVITY



Why do the two ways of measuring market share give different results? Which do you think is the most effective way of measuring performance?

Some figures relating to the market share of food retailers are shown in Figure 1.6.

Turnover

This is the total amount of money a business receives from its sales in a year. A business with a large market share will have a high turnover.

Number of people employed

The number of people employed can be an indication of the size of a business. However, other factors should be taken into account, for example, how many hours the staff work, whether the staff are full or part time and whether the business uses new technology to a large extent (which will reduce its need for so many employees).