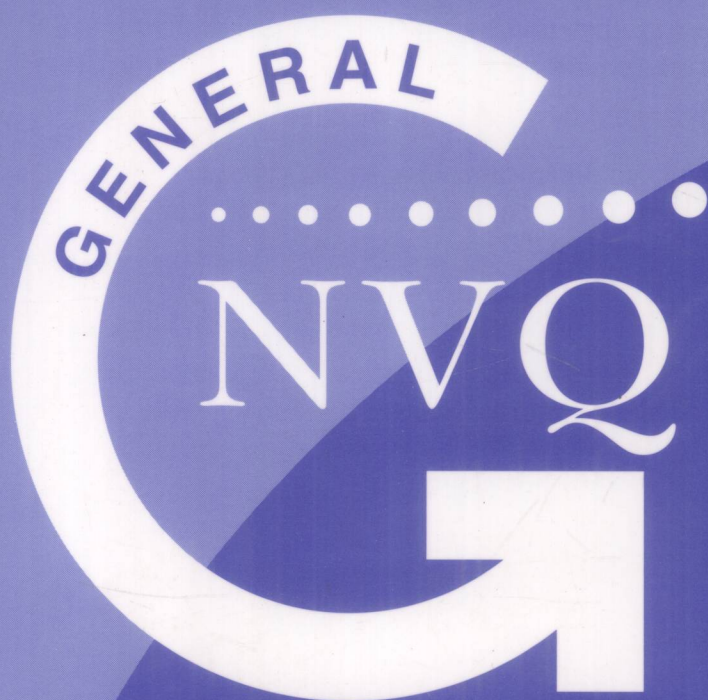


For GNVQ Intermediate Business mandatory units

GNVQ Intermediate Business



Stephen Danks

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Preface

Aim

The aim of this text is to provide comprehensive coverage of the 1995 specification for GNVQ Intermediate Business mandatory units. Together with its lecturers' supplement it provides complete course material for schools and colleges.

Need

This text answers the need for material that:

- has a lively and clear approach to business studies, providing the knowledge base for **coursework** and **external** testing
- includes a wide **variety** of tasks and assignments to assist the gathering of **valid evidence** for the students' coursework portfolio
- presents business studies in a way that develops **core skills and techniques** such as numeracy, communication, information technology and the selection and use of relevant information
- includes material to help students **self assess** progress
- is supported by a free lecturers' supplement to help plan and control students' progress.

Approach

The text has been written in a structured form, with numbered paragraphs, summaries, self review questions and many different assessment means. It is organised in the **sequence** of the **four mandatory units**, and takes account of the constructive comments made by business studies lecturers in a survey of their requirements. Each chapter contains the following question types:

- **student-centred tasks** (answers in Lecturers' Supplement)
- **review questions** (with paragraph references to the answers in the text)
- **evidence assignments** (answers in Lecturers' Supplement)

How to Use this Book

The book is designed to be used as a course text to support either courses with a high proportion of lecturer contact time or those that allow for less contact time and more directed self-study. In either case, the **text** will provide practical help in both understanding and completing coursework. The end of chapter review questions provide confirmation that the students have understood the topic covered.

The chapters can be tackled in any order and no previous knowledge of business studies is required to use the text.

The element(s) of the mandatory units covered in each chapter are indicated on the Contents pages and also clearly marked at the beginning of the chapter. Performance criteria covered by each task are indicated in the top right-hand corner of the task box. Many of the tasks also cover elements of the **core skills** units, and these are indicated in brackets in the task box.

Lecturers' Supplement

A free supplement is available to lecturers on application to the Publishers in writing (on your school/college headed paper) stating the course on which the book is to be recommended, the number of students on the course, the probable number of books to be purchased by them and where they will buy them.

The Supplement contains

- i) **four GNVQ-style question papers** which cover the mandatory units which can be photocopied and used for testing students.
- ii) **outline answers** to
 - the in-text tasks
 - the end-of-chapter assignments
 - and to the four GNVQ-style question papers.
- iii) **planning tables.** These link tasks to performance criteria and core skills and help the lecturer to decide which to recommend to students for their portfolio evidence-gathering and which to use for assessment purposes.

Suggestions and Criticisms

The author would welcome, via the publishers, any comments on the book. This will enable subsequent editions to be amended, if necessary, and made even more useful to students and teachers alike.

Discrimination between the Sexes

For reasons of textual fluency, you will find the words 'he/him/her' have been used throughout this book. However in most cases the person referred to could be of either sex.

Additional information for students

What is an Intermediate General National Vocational Qualification (GNVQ) in business?

Intermediate GNVQ Business is a work-related qualification that gives a broad introduction to anyone wishing to follow a career in one of the many areas of business. It also provides a progression route into advanced GNVQ business.

It is a nationally recognised qualification which provides the knowledge and skills that employers look for when recruiting staff.

What you will study

The programme of study consists of four **Mandatory Vocational Units** (all covered in this book), plus two **Optional Units** which you will choose yourself from those offered at your school or college.

You will also study and be assessed on three **core skills** needed for employment. You must achieve all these essential skills but they are not graded.

The core skill units included in GNVQ are:

Mandatory

- **Communications** which involves taking part in discussions, producing written material, using images to illustrate points and understanding and responding to written materials.
- **Information technology** which involves using computers to prepare, process and present information and evaluate its uses in business.
- **Application or number** which involves collecting and recording data, tackling problems and interpreting and processing data.

Recommended (i.e. optional)

- **Working with others**
- **Improve own learning and performance**

Key terms

It is not easy to get to grips with all the different terms used in the GNVQ specification, but the key terms that you should be familiar with are as follows:

Unit

An area of study e.g. *Unit 2 People in business organisations*. You will be tested on at least 6 units in order to achieve your Intermediate GNVQ Business, i.e. 4 **mandatory** plus 2 **optional** (see above).

Element

A particular **topic** of study within a Unit e.g. *Element 2.3 Present results or investigations into job roles*. Most units are divided into three or four elements.

Performance criteria (PC)

The essential knowledge or skills that you are expected to gain and understand for each element.

e.g. *2.3.2 Explain the benefits of team membership in performing job roles*

Each element consists of between four and six PCs.

Range

The area or extent of knowledge specified by the PCs.

Benefits of team membership

Achievement of objectives and targets, awareness of the needs of team members improved commitment to job roles.

Evidence indicators

The proof needed that you have covered the full range of the PCs.

Tasks and assignments

You will find that this book contains several different types of evidence tasks and assignments including case studies, projects and practical exercises. These are designed to encourage you to take an active part in the process of learning.

A number of the tasks require you to work outside the classroom and can be carried out either as an individual or as a member of a group. Some assignments will also require you to make oral presentations. Where possible, you are advised to make use of information technology in your studies.

You will be asked to obtain a variety of information which will require you to use library reference books or other sources such as newspapers and journals. You will also need to contact various organisations, including local companies, to obtain information.

Assessment

The four Mandatory Units are assessed with an **externally set** test (so are not under the control of your school or college). All units are also assessed by your college or school using the work that you produce **throughout the course**. (You may also be given credit for relevant previous achievement e.g work done for your GCSEs.) The Mandatory Unit tests check that you have (or have not!) understood the required material for each unit. Your coursework (projects/assignments for these units) will contribute to a **final grade (pass, merit or distinction)** for the whole your GNVQ course. This book provides you with the knowledge base to be successful in your coursework/external testing.

You will also find that tackling the many tasks provides an exciting way to learn/confirm your understanding. The ones that you need to do for your course assessment will be decided by your teacher/lecturer. You must keep all your assessment material carefully in a **portfolio of evidence** file.

Presentation

Your work should always be well organised and neatly presented. This is particularly important if it is to form part of your coursework portfolio.

A suitable structure for research reports might be as follows:

- Title and purpose of report
- Summary of findings, including any key recommendations
- Introduction
- Body of report, that is, presentation and analysis of data collected
- Conclusions or results

As you will see in Element 3.2, graphs, pie charts, pictographs and bar charts are particularly good methods of presenting any numerical information.

Research projects are usually assessed on the quality and depth of the research, analysis of the data collected, evaluation of the findings and final presentation.

Grading

You can achieve a pass or a higher grade of merit or distinction in your intermediate GNVQ. Your grade will depend upon how much initiative and independent action you take when preparing your portfolio of evidence. To improve your grade you should pay attention to the following areas.

- **Planning**

You should be able to demonstrate that you have prepared an appropriate action plan for each evidence assignment and that it has been successfully completed.

- **Information gathering**

You will need to collect and use a lot of material to provide the evidence needed in your assignments. It is very important that you make sure that it is always relevant and accurate.

- **Evaluation**

When you complete an assignment you should appraise it. This involves looking at it carefully to ensure that you have covered everything required in the performance criteria,

- **Quality of outcome**

Finally you need to consider this quality of your work and make sure that you have completed everything fully and to the best of your ability.

If you have planned carefully, collected appropriate information and thoroughly evaluated your work the quality of the outcome is likely to be higher which will then increase the likelihood that you will achieve a higher grade.

Keeping up-to-date

Business studies is an exciting subject but it also changes rapidly and therefore it is often difficult to keep up-to-date. If you are to be really successful in your Intermediate GNVQ course, it is important that you devote some time of this aspect of your studies. There are many ways of doing this but I would recommend that the following are some which you might find particularly useful to pursue on a regular basis.

- Read a quality newspaper such as the Daily Telegraph or Financial Times
- Listen and take note of news bulletins on television and radio
- Statistical data can be found in the Monthly Digest of Statistics, Annual Abstract of Statistics, Social Trends, Population Trends and other Government publications or via the internet
- Other regularly published sources of information include Bank Reviews, Company Reports, The Economist and a wide range of journals which should be available in your local library
- Information about key trends in your area can be gathered from local press and other media reports
- Other useful local sources include Business Enterprise Agencies, Chambers of Commerce and Trade, Careers Offices, Council Economic Development Units and Training and Enterprise Councils (TEC's)
- Many other local, regional and national organisations also publish journals and reports on economic and labour market trends including many banks, the Confederation of British Industry (CBI), Employers Associations and Trade Unions. You will find 'Economic Briefing', published by HM treasury, and 'Labour Market and Skill Trends', 'Labour Force Survey' and 'Employment Gazette', published by the Employment Department, particularly useful.

I hope that you will enjoy using this text and wish you every success in your coursework and in obtaining your qualifications.

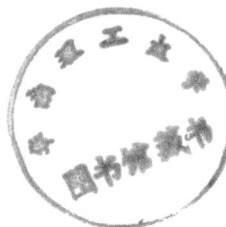
S.Danks

August 1996



Contents

	Element	Page
Preface		iii
Additional information for students		vi
Unit 1	Business organisations and employment	
1	Purposes of business organisations	1.1 1
2	Types of business organisations	1.1 15
3	Business location and environmental influences	1.2 36
4	Demand, supply and markets	1.2 67
5	Business activities	1.2 83
6	Investigation into employment	1.3 115
Unit 2	People in business organisations	
7	Structures and working arrangements in business organisations	2.1 143
8	Rights and responsibilities of employers and employees	2.2 174
9	Job roles in business organisations	2.3 208
10	Preparation for employment or self-employment	2.4 237
Unit 3	Consumers and customers	
11	Importance of consumers and customers	3.1 250
12	Promotion and promotional materials	3.2 272
13	Providing customer service	3.3 301
14	Improving customer service	3.4 337
Unit 4	Financial and administrative support	
15	Financial transactions and documents	4.1/4.2 355
16	Financial information and information technology	4.2 384
Business Glossary		410
Information Technology Glossary		417
List of Useful Addresses		418
Index		419



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1 The Purposes of Business Organisations

This Chapter provides a general introduction to the subject of business studies and is intended to provide a framework for future studies since many of the topics outlined are discussed in later chapters. Because of the integrated nature of business, many terms and concepts will recur throughout this text.

- What is Business
- Development of Economic Activity
- Key Definitions
- The Resources of Business
- Profit
- Industry and Trade
- Industrial Sectors
- Industrial Structure
- The Economic System
- Organisations
- Purposes of Business Organisations
- Purposes of Other Organisations
- Conflicting Objectives
- Need for Profit
- Constraints of Business

What is Business?

1. The term business is used to describe all the commercial activities undertaken by the various organisations which produce and supply goods and services. Business affects nearly every part of our daily lives. Not only by supplying the food we eat, the clothes we wear and the transport we use to school, college or work, but also most of the jobs and wages which enable us to buy these goods and services.

Development of Economic Activity

2.
 - In primitive societies, people were **self-sufficient**, hunting, growing and making what they needed for themselves.
 - Later people began to specialise in doing what they were good at which enabled them to produce more than they needed for themselves.
 - This **division of labour** led to the development of **trade** as surplus goods were exchanged for other goods.
 - This earliest form of trade was called **barter**.
 - As the population, specialisation and technical developments increased, **money** was introduced to make the process of exchange easier.
 - This led to an increase in the quantity of goods produced and the rapid growth of trade both at home and overseas.

Some Key Definitions

3.
 - The provision of goods and services is called **production**. The people who buy them are **consumers**, who spend their **income** to satisfy their needs and wants.
 - **Goods** are tangible items which we can see and touch, e.g. food, drinks, make-up, motor cycles, cars and washing machines. The first three examples are called **consumption goods** because they are quickly consumed. The last 3 are **durable goods** because they last much longer.
 - **Producer goods** are items which are used by organisations in the manufacturing process, e.g. machinery, equipment and components used to make cars.
 - **Services** are not goods but things which we use like the telephone, buses, education and entertainment.
 - **Demand** is the term used to describe the amount of goods or services which consumers wish to buy at a given price. The term **aggregate demand** is used to describe the total expenditure of all the buyers of goods and services within the economy as a whole.
 - **Supply**, on the other hand, is the quantity of goods or services which producers are prepared to offer for sale at any given price. The term **aggregate supply** is used to describe the total supply of goods and services within the economy as a whole.

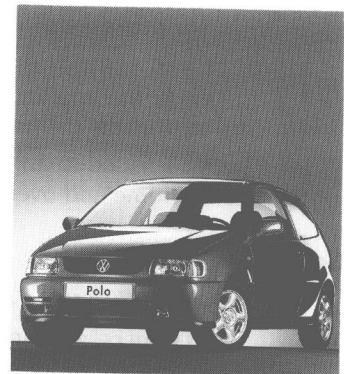
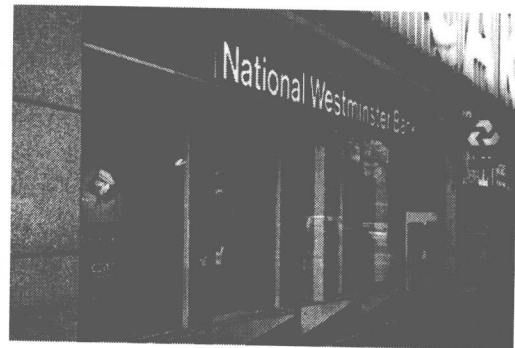
- The **environment** refers to the surroundings and circumstances which affect the way in which an organisation operates.
- A **system** can be defined as a collection of inter-dependent parts organised to achieve a particular objective. The change or removal of any of these parts will affect the way in which the system operates.
- **Objectives** are the aims or goals which a business seeks to achieve. In order to check whether or not they have been achieved, they must be measurable. For example, to increase sales by 10%.
- **Management** refers to a group of people who are appointed by the owners of a company to run a business on their behalf. Their role includes determining the distribution of profits to shareholders. Managers are expected to direct the efforts of their staff towards achieving the desired objectives. That is, to get things done through people.
- **Competition** refers to the amount of rivalry between organisations and their products or services or market. This may affect individual businesses in many ways, but in particular in terms of the prices which they can charge and quality of goods or services which they must supply in order to be competitive.

4.

Some goods and services

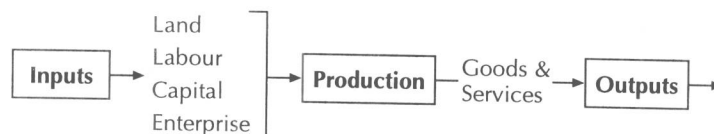


St Thomas' Hospital



The Resources of Business

5. In order to produce the goods and services needed to satisfy human wants, four essential resources are needed. These are also referred to as **factors of production** or **inputs**.



6. • **Land** consists of all natural resources and includes minerals, water, fish in the sea and land itself. Examples include Coal, Wood, North Sea Oil and Gas.
- **Labour** refers to the physical and mental skills of people who work. It is the human resource in production whether a labourer, teacher or office worker.
- **Capital** in its broadest sense means anything which is owned by a business and used to make production easier and more efficient. This includes buildings, machinery, equipment and vehicles.
- **Enterprise** or the entrepreneur is someone who organises the other inputs to initiate the process of production. They risk a loss if the business fails but if successful, are rewarded by making a **profit**. Very successful examples include Tesco, ICI and Boots.
7. Clearly not all inputs are of the same quality. For example, barren hillsides will not grow crops, a clumsy person will not have the skills to produce jewellery; capital equipment may be new or worn, whilst some entrepreneurs will have more ability than others. The type and quality of inputs used will depend on the goods and services (called **OUTPUTS**) being produced.

Profit

8. The difference between the total cost of running a business and the total income received by the business is the profit. The cost of the inputs include rent for land, wages for labour and interest on capital. Income comes from sales to consumers. Owners or managers will try to increase sales through good marketing (see Chapter 5, 11 to 14) and operate the business efficiently in order to reduce costs and therefore increase profits.



Task 1

1.1.1 (C2.4)

A manufacturer of clothing has a large number of inputs.

1. Consider the following list and group them into Land, Labour, Capital and Enterprise.

LABOURER	FACTORY	COMPUTER	SECRETARY
WOOL	MANAGER	PHOTOCOPIER	PENCILS
SCISSORS	COTTON	MACHINISTS	WATER

2. Now draw up a similar list of resources for a service business such as an insurance company, transport firm or holiday tour operator or one of your own choice.

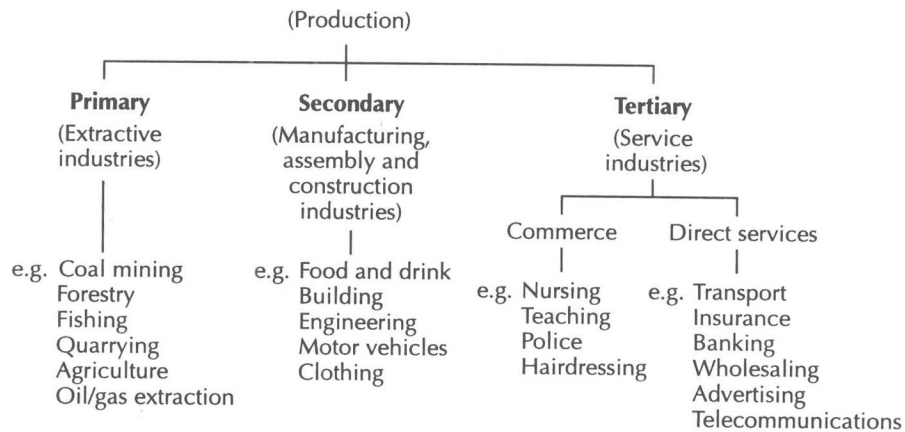
Industrial Sectors

9. We all consume a wide range of goods and services in life. Therefore, people work both to produce them and also to earn the money needed to buy them. Production can be considered under three main industrial sectors – primary, secondary and tertiary.
- **Primary**
This consists of all the **extractive** industries, for example agriculture, coal mining, quarrying, fishing and forestry. Many of these primary products form the raw materials used in secondary production.
 - **Secondary**
These are the **manufacturing, assembly** and **construction** industries which change the raw materials into finished products. Example include the manufacture of chemicals, textiles and shoes, the assembly of cars, ships and computers, and the building of roads, houses and bridges.
 - **Tertiary**
These industries do not produce goods, but provide **services**. Tertiary production is often referred to as Commerce and Direct Services. **Commercial services** are those which provide direct assistance to businesses; **personal services** are not directly related to trade, but are needed to in-

crease production by looking after people's health and welfare. The distinction, however, is not always clear cut because many services assist both businesses and consumers, e.g. insurance and banking.

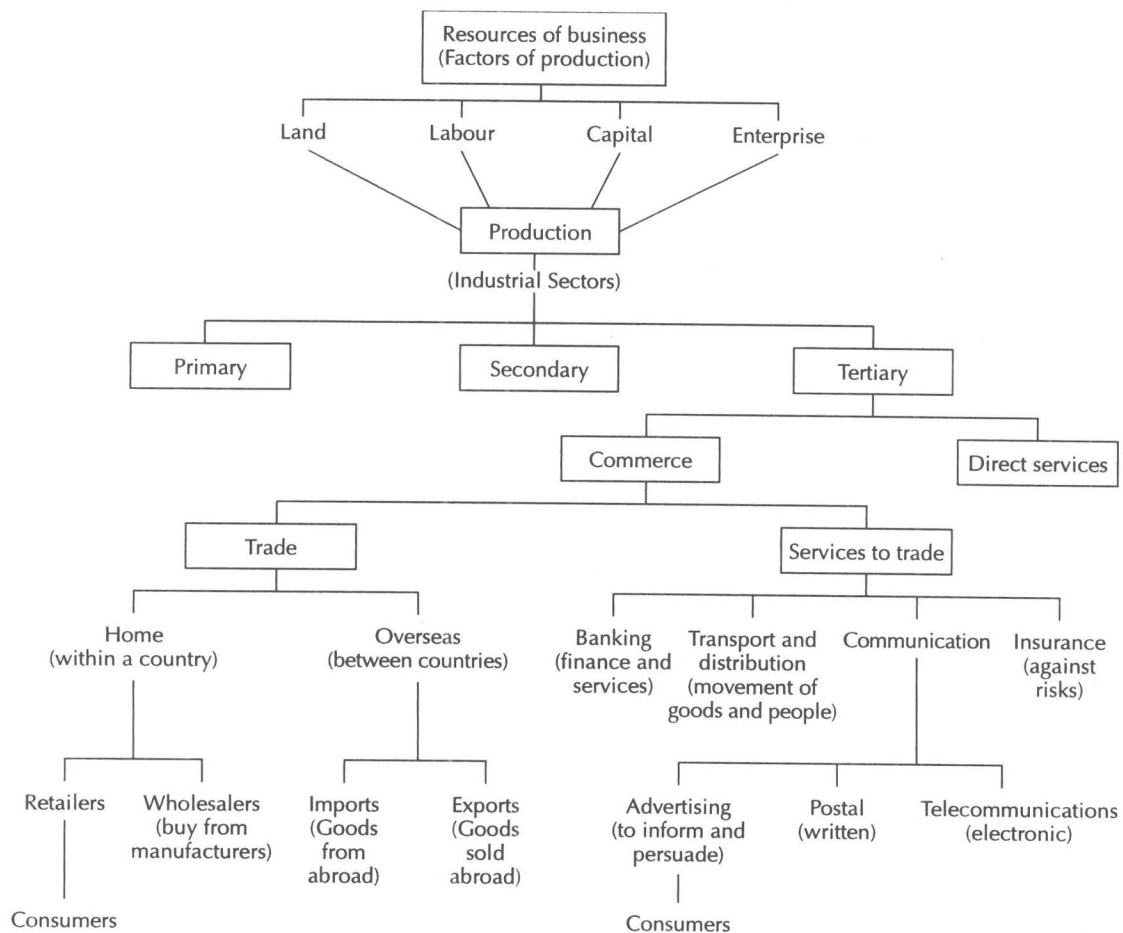
10.

Industrial Sectors



Industry and Trade

11.



12. This diagram illustrates the links between the resources of business used in production, the 3 industrial sectors involved, and how this leads to the development of trade to meet consumer needs.

13. From the mid-nineteenth century Britain developed as the first industrialised country. Wealth was based on the manufacture of iron and steel, heavy machinery and cotton textiles, and on coal mining, shipbuilding and trade with other countries.
14. However, as in other industrialised nations, service industries have now become much more important (see Chapter 6). Manufacturing still plays an important role and in recent years many high-technology industries have been developed. Major export industries include chemicals, aerospace, electronics and offshore equipment, where Britain is a world leader in technological expertise.

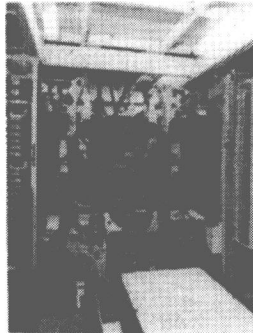
15.

Examples of different industries

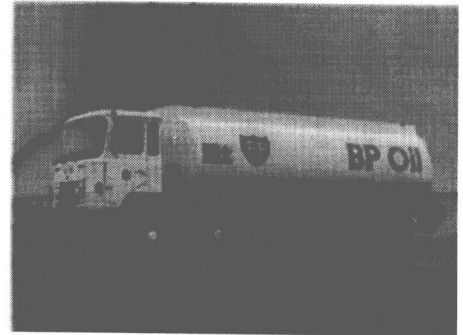
Primary
Tree Felling



Secondary
Car Manufacture



Tertiary
Oil Delivery



Task 2

1.1.1 (C2.4)

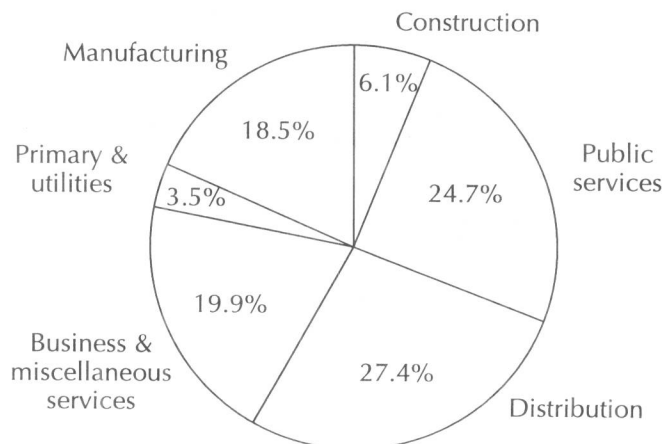
Consider the area in which you live or work. Identify by name the organisations concerned with the following types of production. List and briefly describe the products or services which they supply.

- 1) 2 examples of primary production.
- 2) At least 5 examples of secondary production.
- 3) Finally, at least 6 examples of tertiary production including 3 each of commercial and direct services.
- 4) Are any organisations involved in more than one type of production?

State which they are and in what way they are involved.

16.

Industrial Structure of Employment



17. The diagram in paragraph 16 illustrates the industrial structure of the UK in terms of the occupational distribution in 1994. That is the number of people employed in particular types of work.



Task 3

1.1.1 (N2.2)

From the diagram in paragraph 16 calculate the percentage of the total working population employed in:

1. the primary sector;
2. the secondary sector;
3. the tertiary sector of industry.

18. **Changes in the Occupational Distribution of the Working Population in Britain between 1980 and 1991 from *Britain '93 – An Official Handbook***

Industry or service (1980 Standard Industrial Classification)	Thousands (as at June)				Per cent (1991)
	1980	1983	1987	1991	
Primary sector	1,099	998	820	703	3.2
Agriculture, forestry and fishing	373	350	321	272	1.3
Energy and water supply	727	648	499	431	2.0
Manufacturing^b	6,937	5,525	5,167	4,720	21.7
Construction	1,243	1,044	1,013	939	4.3
Services	13,712	13,501	14,889	15,381	70.7
Wholesale distribution and repairs	1,173	1,150	1,240	1,217	5.6
Retail distribution	2,177	2,005	2,123	2,143	9.9
Hotels and catering	972	963	1,113	1,230	5.7
Transport	1,049	912	902	913	4.2
Postal services and communications	437	433	448	415	1.9
Banking, finance and insurance	1,695	1,875	2,337	2,658	12.2
Public administration	1,980	1,918	2,046	1,923	8.8
Education	1,642	1,592	1,708	1,741	8.0
Health	1,258	1,294	1,315	1,467	6.7
Other services	1,327	1,359	1,657	1,674	7.7
Total	22,991	21,067	21,889	21,743	100.0

Sources: Department of Employment and Northern Ireland Department of Economic Development.

^a Figures are not seasonally adjusted.

^b In June 1991 employment in the main sectors of manufacturing industry included 691,000 in office machinery, electrical engineering and instruments; 678,000 in mechanical engineering; 544,000 in food, drink and tobacco; 439,000 in textiles, leather, footwear and clothing; 474,000 in paper products, printing and publishing; 497,000 in timber, wooden furniture, rubber and plastics; 303,000 in chemicals and man-made fibres; and 220,000 in motor vehicles and parts.

Note: Differences between totals and the sums of their component parts are due to rounding.

19. The above table shows the main changes in the distribution of the working population between 1980 and 1991. These can be summarised as follows:
- A fall in the numbers employed in primary industries
 - A fall in employment in the secondary industries
 - An increase in employment in the tertiary sector.

These are discussed in detail in Chapter 6.

20. In fact these changes have been taking place throughout the twentieth century. The main reasons for these are:
- The increased use of new technology and mechanisation which has improved productivity and replaced labour. For example, fertilisers and tractors have helped to increase output in agriculture, computers and robots in manufacturing industries.
 - The general growth of the service sector in the UK, particularly insurance, banking and financial services although in the 1990s there have been many redundancies in these areas due to increasing automation.



Task 4

1.1.1 (N2.3, C2.4)

1. Update the information in the table in paragraph 18 with the latest information available.
2. Identify any significant changes since 1991 and discuss the possible reasons for them taking place.
3. Comment on any likely future developments and the key factors likely to influence them.

The Economic System

21. There are 3 groups which make up what can be called the economic system of a country – individuals, business organisations and the State.
22. **Individuals** – We are all consumers of goods and services whatever our age, race or sex, free to spend our income as we choose. In addition, individuals are also important providers of capital and many also form part of the labour force needed to produce goods and services.
23. **Business Organisations** – These are the various suppliers of goods and services for consumption whether they be importers, manufacturers, processors or involved in the chain of distribution as wholesalers or retailers. Business organisations are also consumers of raw materials and/or finished goods and services and importantly they are also employers of labour and users of capital.
24. **The State** – A variety of roles are performed by the State which includes both local and central government as well as State run industries such as the coal mines and railways. The State is also an important consumer of goods and services and a major employer.
25. But importantly, the State is also the regulating body in our society. It has the key role of devising laws which both protect individuals and organisations and also help to resolve any conflict which may take place between them. Examples include laws on Health and Safety, Consumer Protection, Employment Protection, Environmental Protection and Sunday Trading.

Organisations

26. An **organisation** is a group of people who co-operate together for a common purpose. Organisations are of all types and sizes, exist everywhere and most of us belong to many of them during life as the following examples illustrate. Families, hospitals, churches, youth clubs, sports clubs, schools, colleges, libraries charities, trade unions, political parties and businesses are all organisations. In this text we are considering the wide range of business organisations which exist today and the environment in which they operate to achieve their objectives.
27. **Business organisations** range in size and structure from small sole proprietors owned and run by one person, to huge national and multi-national organisations run by managers and owned by many thousands of shareholders, to industries owned and controlled by the State. The **private sector** is the term used to describe all businesses owned by individuals or groups that are run essentially from profit. Businesses that are owned and controlled by the Government or local authorities and run for the benefit of the community operate in the **public sector**.

**Task 5****1.1.2 (C2.2)**

1. Make a list of all the organisations to which you belong.
2. Identify what you feel is the 'common purpose' of each organisation.
3. Now identify the 'purpose' of two organisations in the private sector and two in the public sector.

28. The specific components of a business organisation can be summarised as

- **A name** that gives it an identity, e.g. ICI, Boots, Asda.
- **People** who consist of the management and workforce and provide a range of skills, knowledge, commitment and drive.
- **A mission and set of objectives** which are needed to define the purpose of the organisation and what it is trying to achieve.
- **A hierarchy** with an organisational structure through which power can be exercised.
- **A culture** and set of values which give the organisation an ethos and spirit.
- **Communication** and information flows to enable decisions to be taken and implemented.
- **Systems and procedures** for undertaking defined tasks.
- **Recording systems** for reference, evidence, control and accounting purposes.
- **A control system** to audit and influence management decisions.
- **Specialist functions** through which tasks can be carried out.
- **Rewards and punishments** to provide motivation and ensure compliance with objectives.
- **A boundary** which defines the limits of the organisation.
- **Linking mechanisms** needed to relate to other organisations.

29. All these components need to be assessed and matched together to try to achieve a harmonious whole. Complete harmonisation is, however, unlikely to be achieved because the components are always subject to change as, for example, when staff leave or new staff are appointed. In this text, we shall be considering each of these components in more detail, including the importance of each for an organisation.

**Task 6****1.1.2 (C2.2)**

Choose any business organisation which you know well or can find out about and try to identify with examples, its specific components.

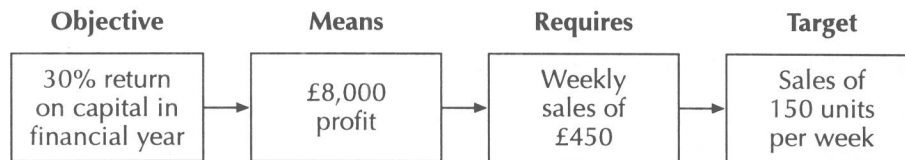
Purposes of Business

30. Business organisations are established for the purpose of achieving specific **aims and objectives** and it is against these objectives that the success or failure of the organisation can be judged. The key points about objectives are that they should be quantifiable, measurable and time specific, for example, to increase profits by 5% per annum.
31. There are four questions at the root of setting objectives.
 - **What is the organisation trying to achieve?** What is important, for example, increasing the return on investment (capital employed), increasing market share or reducing bad debts?

- **How can this be done?** What methods or policies are needed, for example, increasing profit margins, improving the rate of sales growth, tighter credit control.
- **When must it be done by?** A time period should be set, for example, by the end of the next financial year.
- **How will it know that it has succeeded?** Thus a unit of measurement is required, e.g. 10%. This question also implies the need to monitor progress and take corrective action as necessary.

32.

Example: Setting and Achieving a Business Objective



Why Objectives are Needed

33. Objectives are needed in an organisation for a number of reasons in particular because:
- they clarify for everyone what the business is working to achieve.
 - they aid the decision-making process and the choice of alternative strategies (courses of action).
 - they enable checks on progress and decisions on what needs to be done next.
 - they provide the means by which performance can be measured and actions controlled.
 - they provide a focus for individual roles in the organisation.
 - they can be broken down to provide targets for each part of the organisation.
 - they can be used to analyse the performance of the business and its employees.
34. It is important that an organisation's objectives are realistic in the light of market research and also achievable, particularly in relation to production. It is pointless, for example, if sales targets are 80 units daily, if production can only produce 55. It is also important that objectives are regularly reviewed to ensure that they are still relevant or realistic as circumstances change.
35. The specific objectives of an organisation will depend upon whether it is established in the **public** or **private sector**. However, in order for both sectors to be successful, the prime objective must always be to meet the needs of their customers or clients.



Purposes of Private Sector Organisations

36. Organisations in the private sector are usually created to earn **maximum profits** for their owners, i.e. to achieve the best possible return on the money which they have invested in the business.
37. However, whilst maximising profits will certainly be the main aim of most businesses, some may have other objectives which they pursue, particularly in the short-term. For example, a new business

may see **survival** as its main objective in its early years i.e. ensuring that it makes sufficient **profit** to enable it to be in a position to continue trading. This could then be followed by **consolidation** and it may be some years before it reaches a position of high profit.

38. On the other hand, established larger firms may be prepared to cut prices and accept lower profits for a short time in order to achieve the objectives of **increasing sales and market share**, i.e. selling more of the total sales of a product or service than their competitors. Other objectives might relate to **customer services**, for example targets could be set to improve quality, delivery, handling complaints, and after sales service. In the longer term, if successful, this may enable the firm to expand its output or product range and enter a period of **growth** which will enable it to benefit from **economies of scale**.

Purposes of Public Sector Organisations

39. Public sector organisations are created not to maximise profit but to achieve the maximum **benefit for the nation**. In order to achieve their objectives they may be involved in operating unprofitable services because it is in the public's interest to do so. For example, the provision of rail services to country areas. Another example would be keeping an uneconomic coal mine open in an area of high unemployment to prevent the loss of further jobs.
40. However, the government still expects public corporations to aim to at least '**break even**' over a period of years and if possible to make sufficient profit to enable investment in new equipment to take place. Each one is set a profit target just like a commercial firm.



Task 7

1.1.2 (C2.2)

Consider your place of study, work or any organisation which you know well. Find out and list its main objectives.

Objectives of Other Organisations

41. So far we have discussed the objectives of business organisations in the public and private sector. We now need briefly to consider the objectives of some other organisations which are non-profit making. These include charities, quangos, economic interest and mutual help organisations.

Charities

42. Charities are normally formed by groups of caring people to provide goods and services for the needy. Examples of charities are Oxfam, National Society for the Prevention of Cruelty to Children (NSPCC) and the World Wildlife Fund. Although they are not formed to make a profit, they must, nonetheless, remain solvent in order to survive, and therefore use business methods to help them. Income is usually received from public donations and fund raising activities, and then distributed to achieve the charities' objectives. The objectives of the NSPCC, for example, include helping to prevent children from being mistreated.
43. Some organisations, however, such as public schools, take on the legal form and status of a charity essentially to gain tax advantages, e.g. charities are exempt from income tax and receive rate relief on buildings. To help prevent unscrupulous people using them simply to make money for themselves, most charities must be registered with the **Charity Commissioners**. Local authorities maintain registers of local charities. They are run by **trustees** – individuals who manage the funds.

Many businesses also support charitable causes which benefit society. For example, by making direct cash donations or by providing sponsorship of specific events (see Chapter 12).

Quangos (Quasi-Autonomous Non-Governmental Organisations)

44. These are organisations set up by the government but run independently by nominated boards of directors. Examples include: the Welsh Development Agency, the purpose of which is to promote