

# 2 Business organisations

There are over 2.16 million business organisations in the UK. Most are quite small. 89 per cent employ fewer than 10 people and 98 per cent have fewer than 50 employees. Only 0.4 per cent employ more than 250 people.

What do these organisations have in common and what are their differences? If you have studied Unit 1, you know that all businesses exist for a purpose. To be successful, businesses must identify what they want to achieve in the future and then decide how to accomplish this. It is known as setting aims and objectives.

To achieve their aims and objectives, businesses need to be well organised. This is relatively easy with three or four staff. It is far harder with 300 or 400. For this reason, large organisations are divided into functional areas, such as sales and finance. Employees can specialise in specific areas whereas, in a small business, employees are likely to do a greater variety of tasks.

This information is useful for achieving your BTEC First and for your own future career. In this unit, you will learn how business organisations operate and about the specialist areas you may choose to work in one day.

## Learning outcomes

After completing this unit, you should be able to achieve the following learning outcomes:

1. set business aims and objectives
2. understand the main functional areas in business organisations.

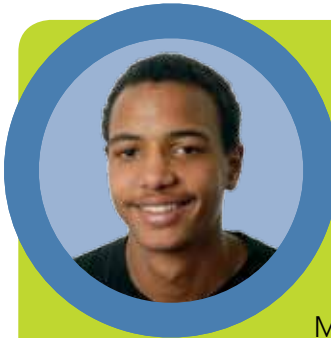
## Assessment and grading criteria

This table shows you what you must do in order to achieve a Pass, Merit or Distinction, and where you can find activities in this book to help you.

To achieve a pass grade, the evidence must show that the learner is able to:	To achieve a merit grade, the evidence must show that the learner is able to:	To achieve a distinction grade, the evidence must show that the learner is able to:
<p><b>P1</b> define aims and objectives  <b>See Assessment activity 2.1, page 11.</b></p>	<p><b>M1</b> compare the aims and objectives of different businesses  <b>See Assessment activity 2.1, page 11.</b></p>	<p><b>D1</b> assess whether a selected organisation meets its aims and objectives  <b>See Assessment activity 2.1, page 11.</b></p>
<p><b>P2</b> describe the purpose for the business in setting aims and objectives  <b>See Assessment activity 2.1, page 11.</b></p>		
<p><b>P3</b> write aims and objectives for a selected business  <b>See Assessment activity 2.1, page 11.</b></p>		
<p><b>P4</b> describe the functional areas in two contrasting business organisations  <b>See Assessment activity 2.2, page 29.</b></p>	<p><b>M2</b> compare the interaction of functional areas and how they relate to each other in two selected businesses to support the business objectives  <b>See Assessment activity 2.2, page 29.</b></p>	
<p><b>P5</b> explain how these functional areas link in one of these organisations  <b>See Assessment activity 2.2, page 29.</b></p>		

## How you will be assessed

To achieve Unit 2, you will investigate different businesses to find out their aims and objectives, as well as their functional areas. You will prepare and present this information either verbally or in writing. You could also use a mixture of both methods. Your tutor will give you guidance on appropriate businesses to choose and you will be able to practise with the assessment activities in this book.



### Ibrahim

When I began this unit, I was sure I wanted to start my own business or work in a small business, like my brother. I thought it would be better. There would be different jobs to do every day and I'd have more freedom. Now I'm not so sure!

My brother works really long hours and gets stressed if sales fall. He worries the business won't survive. After I'd done part of this unit, we talked about aims and objectives, and what firms do when they can't achieve them. I think I made some helpful suggestions. I also liked finding evidence to prove my chosen business had met its aims and objectives – it was a bit like doing detective work!

I enjoy selling in my part-time job, so it was interesting to learn about sales and marketing in large companies. I'd never heard of online marketing but really like the idea. Now I know there are agencies that specialise in this, and I've decided to find out more about them.

### Over to you!

- Have you thought about what type of job you would like to do in business?
- Or do you think it is better to stay open minded at this stage of your course?



### Compare your experiences

1. In groups, compare the experiences you have had working for different organisations, either on work experience or in a part-time job.
2. What was the largest organisation anyone worked for? How was it organised?
3. What was the smallest organisation? What job roles were there?
4. How big is your centre in comparison to these? What are its aims and objectives? Ask your tutor.

# 1. Set business aims and objectives

## Key terms

**Mission statement** – explains the main purpose of the business and the activities it is doing to achieve this.

**Vision statement** – focuses on the future. It explains what the business is hoping or planning to do. Ideally, it should be inspirational.

## 1.1 Mission statements

Many large organisations have a **mission statement** that briefly identifies the main purpose of the business and how it sees itself. Some businesses have a **vision statement**. Others have both a mission statement and a vision statement.

The wording may be different depending upon the sector and its ownership.

- **Privately owned businesses** focus on customers, employees, the cost of their products or how they give value for money. Tesco's mission statement is: 'We create value for customers to earn their lifetime loyalty.'
- **Publicly owned organisations** may mention the service they provide, the work they do and include statements about quality, efficiency and customer service. The Department of Transport's mission statement is: 'Working to deliver a transport system which balances the needs of the economy, the environment and society.'
- **Not-for-profit and voluntary organisations** focus on the services they provide, the causes they support or their aims in helping those in need. The mission of the British Red Cross is described below:

'The British Red Cross helps people in crisis, wherever and wherever they are. We are part of a global voluntary network, responding to conflicts, natural disasters and individual emergencies. We enable vulnerable people in the UK and abroad to prepare for and withstand emergencies in their own communities. And when the crisis is over, we help them to recover and move on with their lives.'

Many mission statements are quite short. Others are longer. They include the aims and objectives of the business, in other words, what the business is going to do and how it is going to achieve the mission.



### Activity: Mission statements

You can read the mission statements of dozens of companies at [www.samples-help.org.uk/mission-statements](http://www.samples-help.org.uk/mission-statements)

Check the mission statement of Adidas. It includes information about the aims of the business over the long and medium term.

What does the British Red Cross aim to do?



## 1.2 Business aims

All businesses have **aims** they want to achieve. These are its long-term plans, probably over the next 3–5 years. Businesses will probably want to focus on one or more of the following areas:

- **Profit and profit maximisation** – privately owned businesses aim to make a profit, as do those in public ownership (see Unit 1, page 00). Most aim to increase profits every year. Some want to achieve profit maximisation, which means making as much profit as possible.
- **Survival** – when trading is difficult, some businesses may make little or no profit, and focus on trying to stay in business until times improve.
- **Break-even** – one method of surviving is to focus on breaking even over a certain period. This means making enough money to cover the total costs involved in producing and selling the goods or services, and running the business. Although there is no profit, no money is lost. You will learn about break-even in Unit 3 (page 00).
- **Growth** – many businesses want to sell more every year and focus on expanding the business. They may plan to open more branches, start trading abroad or buy out a competitor.

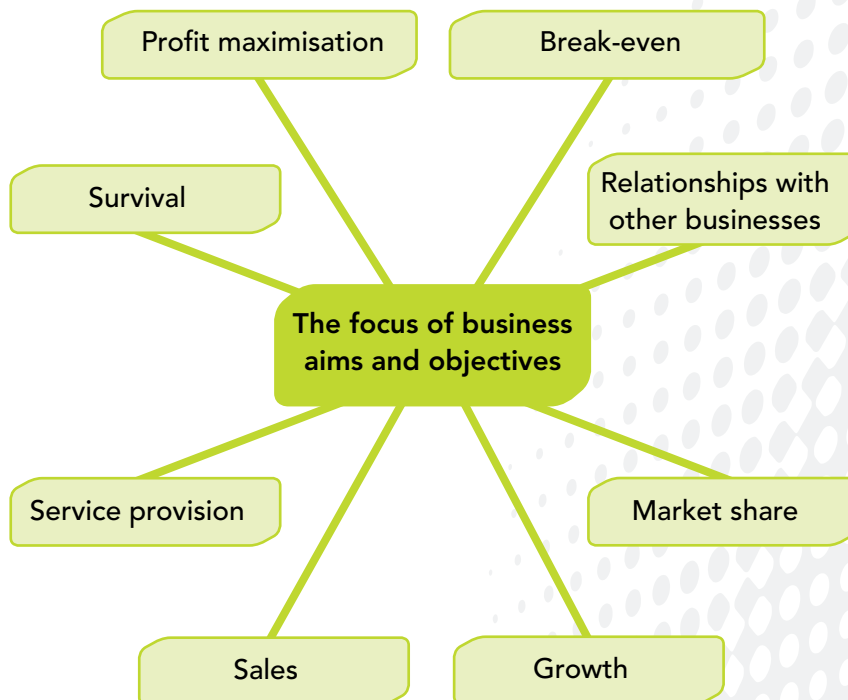
### Key terms

**Aims** – the longer-term visions or goals of the business.

**Profit maximisation** – making as much profit as possible.

**Break-even** – covering the costs of making the product and running the business, but no more.

Figure 2.1: Diagram showing the focus of business aims and objectives



### Did you know?

Debbie & Andrew's is a Yorkshire sausage business started in 1999 by two pig farmers. It has now sold over £7 million worth of sausages. It has teamed up with Guinness to produce a range of high-quality dual-branded products, such as pies and sausages, with stout as the key ingredient. This will help both businesses achieve their aims of expanding their product range.



## Remember

Aims are set to provide a focus for the business. The aims and objectives always link to the main purpose of the organisation.

- **Market share** – Many companies aim to increase their market share each year by winning customers away from their rivals.
- **Service provision** – relates to offering a new service or improving current services to attract more customers. For example, some supermarkets enable customers to shop online and have groceries delivered at the time of their choice.
- **Develop their relationship with other businesses** – may involve joint initiatives to help achieve other aims.

## 1.3 Business objectives

**Objectives** are more specific than aims. They are set over the short to medium term. Objectives are necessary because aims, in themselves, are too general and may be quite overwhelming. Your aim may be to go to university, run your own business or be an accountant one day. However, unless you are very focused it is difficult to keep this in mind all the time. It is far more sensible – and achievable – to break down this major ambition into a series of smaller steps. This is the role of objectives.

### SMART objectives

An obvious objective on your current career path is to achieve your BTEC First. Precise, measurable targets will help you do this. You will have to concentrate on doing your best as you achieve one unit at a time. You should set these goals using SMART objectives.

- **Specific** – you need a clear statement about what you will do. Usually, it is quantified, which means it has a number in it. For example: 'Complete Unit 2 in eight weeks.'



## Activity: Nectar programme

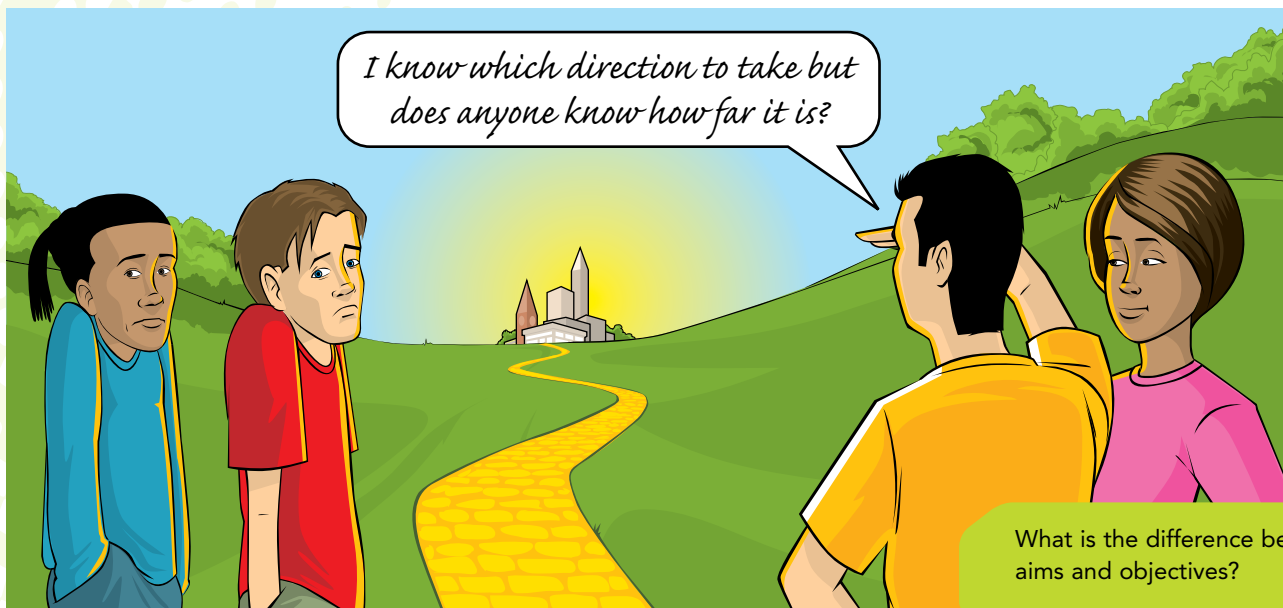
Loyalty Management UK Limited is the company behind the Nectar programme. Visit: [www.nectar.com](http://www.nectar.com)

How many other businesses does this company work with? Can you tell why?

## Key terms

**Market share** – the share of customers that buy from a certain supplier, or purchase a specific product or service.

**Objectives** – specific, measurable targets to help achieve an aim.



What is the difference between aims and objectives?

- **Measurable** – achievement can be checked. Recording your progress and keeping a record of your completed assessments will enable you to measure your achievements.
- **Achievable** – you can attain your target if you work hard. You can do really well if you stretch yourself.
- **Realistic** – your target should be sensible so that you stand a chance of achieving it. For example, it would be unrealistic to aim to complete Unit 2 in a week.
- **Time-constrained** – every objective should include a date for achievement or review. This acts as a warning, as well as a spur, if you are falling behind.

You either achieve a SMART objective or need a good reason for not doing so. This type of objective is useful for learners in schools and colleges. It is also important for managers and employees in business.



### Activity: Be SMART

Decide on one personal aim for this year, for example saving more or getting fitter. Then, write two SMART objectives to help you achieve your aim. Compare your ideas with others in your group.

## 1.4 Failing to meet aims and objectives...

It is not always possible to meet aims and objectives. Businesses will want to know why they have failed and then take action to correct this as soon as possible.

A business may not meet its aims and objectives for several reasons. Many of them relate to the type of external changes mentioned in Unit 1. Businesses often try to forecast these changes in advance by doing a PEST analysis.

- **Political** – a change of laws or regulations may affect the business, such as the introduction of drink driving laws or the smoking ban, which adversely affected the pub trade in Britain.
- **Economic** – the economy may go into recession, as it did in 2008/09. As a result, consumer demand for the goods and services of many businesses fell dramatically.
- **Social** – people's buying habits and lifestyles might change. The demand for carpets fell when wooden floors became popular.
- **Technological** – the launch of a new, technologically superior product or service by a competitor can have a serious effect.



### Remember

Objectives are **targets** that managers and their staff must achieve. They will vary, depending upon the work done in each department of the business but all will contribute to achieving the aims of the business.



### PLTS

As a self-manager, what checks would you carry out to ensure you kept on track to achieve your objectives?



### Did you know?

Successful businesses regularly monitor their achievement of aims and objectives. They also research changes in their markets, so that unplanned events rarely take them by surprise. Sometimes, this may force them to change their aims.



### Did you know?

TomTom, the Sat Nav manufacturer, saw sales fall and losses mount when mobile phones started having Sat Nav and more new cars were launched with inbuilt Sat Nav.

## 1.5 ...and the consequences

Unfortunately, it is impossible to foresee every possible event that can occur, such as a major customer or supplier going out of business or an unexpected fall in demand that sharply reduces forecast sales income.



AEG Live had to refund ticket holders when Michael Jackson died. What are the possible consequences of such an incident?

### Key terms

**Diversify** – to broaden the range of products made or activities undertaken.

**Dividend** – the reward paid to shareholders for investing in the business, similar to interest on a bank account.



### Remember

Businesses that do not meet their aims and objectives must analyse why and take corrective action. Then, they must revise their aims and objectives.



### Discussion point

In 2009, AEG Live – the company behind Michael Jackson's planned concerts at the O2 arena – was faced with a major problem when the star died. They had to refund about £51 million to ticket holders. They reportedly lost about £300 million because of the cancelled shows.

Many businesses can have serious problems if a major customer or key supplier goes out of business. In the case of AEG Live, their major supplier was a famous singer, but the problem was similar.

In groups, identify the possible outcomes of this type of problem. Discuss ways in which firms can prevent or minimise the consequences. Then, compare your ideas.

If a business suspects that it will not achieve its aims and objectives, it must take immediate action. Its choices include:

- **reducing costs**, often by closing some branches, freezing or cutting salaries or laying off staff
- **reducing prices** to boost sales, although discount will lower overall profits
- **diversifying** into new products or services, or doing the opposite, focusing just on the **core business activity** (all major supermarkets promoted or extended their 'basic' brands to improve sales during the 2008/09 recession)
- **scrapping** expansion plans
- **finding new** or better ways of meeting customer needs
- **cutting the dividend** paid to shareholders
- **revising** the current aims and objectives to ensure they are realistic in the current business climate.

If nothing works and the business runs out of money, it will have to stop trading. A sole trader will go **bankrupt**. For a company, the term used is **insolvent**.





## Case study: Towards the final countdown?

In a recession, one firm's solution can create another firm's nightmare. When many organisations reduced advertising spending to cut their costs, the knock-on effect caused major problems for local newspapers, and also ITV. Both depend upon advertising for much of their **revenue**.

ITV already had to cope with competition for advertising from a larger number of competitors, as a result of multi-channel TV. The recession saw its advertising revenues fall by £64 million during the year to £1.425 billion. They announced a £2.73 billion loss for 2008.

In response, ITV's executive chairman, Michael Grade, abandoned the 2012 revenue targets. He said the company was focusing on reducing costs and concentrating on its core business as a producer broadcaster. It intended to boost online revenues at itv.com as well as overseas programme sales, and sell off non-core operations such as the website Friends Reunited. About 600 jobs were cut and Yorkshire TV studios was closed. Drama production cuts to save money will mean less Heartbeat and more X-Factor in the future.

1. Why did Michael Grade decide to abandon ITV's existing revenue targets for 2012?
2. As a class, decide what the expression 'core business' means.
3. In 2005, ITV bought the Friends Reunited website for £175 million and lost £150 million when they sold it in 2009. Suggest reasons why its value fell so much.
4. What actions was the company taking to save money? Check recent press reports online to see what else ITV has done and how successful it has been.
5. Critics say the problems are not because of the recession, but because of unpopular programmes. They argue ITV is past its sell-by date in a digital age. Do you agree? Discuss this issue as a class and take a vote.



### Did you know?

Business failures in Britain were forecast to peak at 32,400 in 2010 as a result of the 2008/09 recession. A key survival strategy is to focus on **cash flow**. You will learn about this in Unit 3 (page 00).

### Key term

**Revenue** – the income received by a business from sales and other sources.

## 1.6 Aims and objectives in different sectors

Aims and objectives vary between organisations in different sectors. These businesses have different purposes.

- **Private sector businesses** provide goods and/or services, and must make a profit to survive. They can only break-even or make a loss for a very short time, or they will have to close.
- **Public sector businesses** are owned by the state. Many provide essential services free of charge or below cost price, such as the NHS. Remember that the government also owns businesses that aim to be profitable, like the Royal Mail.
- **Voluntary sector organisations** raise money that is used to support a particular cause. They aim to make a surplus, after the costs of the business have been deducted, and reinvest this into the business.

Table 2.1 (page 10) shows how these purposes affect their aims and objectives.



### Did you know?

The ability of many public sector organisations to meet their targets is often highlighted in performance tables, such as school league tables. This is because they are financed by public money, raised by taxation.



### Did you know?

You can tell the ownership of a business from its website suffix: **.co.uk** and **.com** are for the private sector, **.gov** for the public sector and **.org** for the voluntary sector.

**Table 2.1:** Table showing how the purposes of businesses affect their aims and objectives

	Private sector	Government owned businesses	Public sector	Not-for-profit/ Voluntary sector
Business examples	Manufacturers, retailers, banks, architects, builders, private hospitals	BBC, Met Office, Royal Mint, Royal Mail	Government departments, local councils, NHS hospitals, state schools	Community groups, charities, e.g. Help the Aged Social enterprises, e.g. Big Issue
Purpose	To provide goods and/or services To make a profit		To provide a quality service to the community	To provide a free service to the needy To promote a particular cause
Examples of aims	Maximise profits by increasing sales and reducing costs Increase market share Expand the business		Improve service provision Operate within budget, i.e. breakeven	Increase surplus Increase range of services
Examples of objectives	Increase sales Increase number of customers Reduce costs Improve product quality		Meet customer targets, e.g. patient waiting times Keep costs low	Increase revenue from donations Reduce costs

## Just checking

1. Describe six possible business aims.
2. What factors affect the type of aims businesses have?
3. Explain the role of objectives in supporting business aims.
4. What does 'SMART' stand for?
5. Convert 'sell more' into a SMART objective.
6. For a business, what could be the consequences of failing to achieve its aims and objectives? What types of action can it take?

Two years ago, your friend's parents opened a sandwich shop near a local sixth form college. Their business has done quite well, but recently another shop opened in competition. A travelling snack van has also started parking near the college. As a result, trade has fallen.

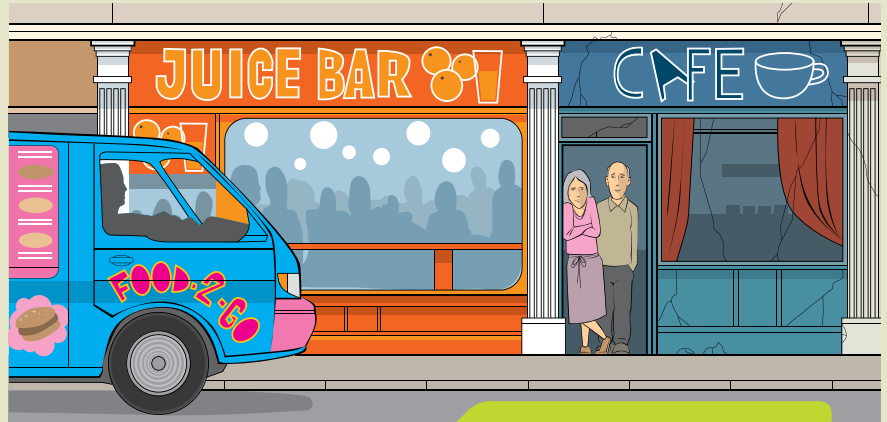
Your friend thinks there is a lot of potential for his parents' business if they appealed to a wider market, such as firms on the nearby industrial area. He looked at other types of food they could offer to entice students away from the competition. He reckons his parents have no focus and the best way to improve the business would be to set some aims and objectives.

Work in small groups for this activity.

1. Help your friend by preparing an explanation about aims and objectives for his parents that describes what these are. You need to relate these to different sectors to show how they are appropriate for all types of businesses, regardless of their size, activities or ownership. **P1**
2. Add a second section that identifies the purpose or reason for setting aims and objectives. This should include an explanation of the benefits for the business owners, particularly if they set SMART objectives. **P2**
3. Carefully consider aims that would be appropriate for the sandwich shop. Choose two or three, then write appropriate objectives for each one. **P3**

Present your ideas to the rest of the class. When each group has completed their presentation, take a vote on which aims and objectives would be the best to adopt.

4. a) As a class, identify three different organisations from each sector: private, public and not-for-profit/voluntary. Try to choose organisations that have a completely different purpose as well as different types of ownership. Then, divide into small groups to investigate the aims and objectives of each one on their websites. Summarise these on flip chart paper and pin them up around the room.
  - b) As a class, compare these aims and objectives by identifying the differences and similarities. Then, see how they relate to their sector,



What are the reasons for setting SMART objectives?

the size of the business, the purpose of the business and its ownership. Write a summary of what you have found. **M1**

5. a) Choose one organisation and check its performance over the last twelve months. This could be one of the businesses you investigated in task 4 or one of your own choice. It should be large enough so that you can find information about its aims and objectives on the website (often in the company report) as well as its current performance. You will also find press reports with useful information online if you use a good search engine like Google. Sometimes finding what you need may take a bit of detective work!
  - b) Use the information you found to assess the extent to which the business is meeting its aims and objectives. Identify any problems it is experiencing and the action it is taking to try to remedy these. **D1**

Keep your work safely as you may be able to use this same organisation for your Assessment activity 2.2 (see page 29).

### Grading tip

Making an assessment means making a judgement by looking at the evidence for and against something.

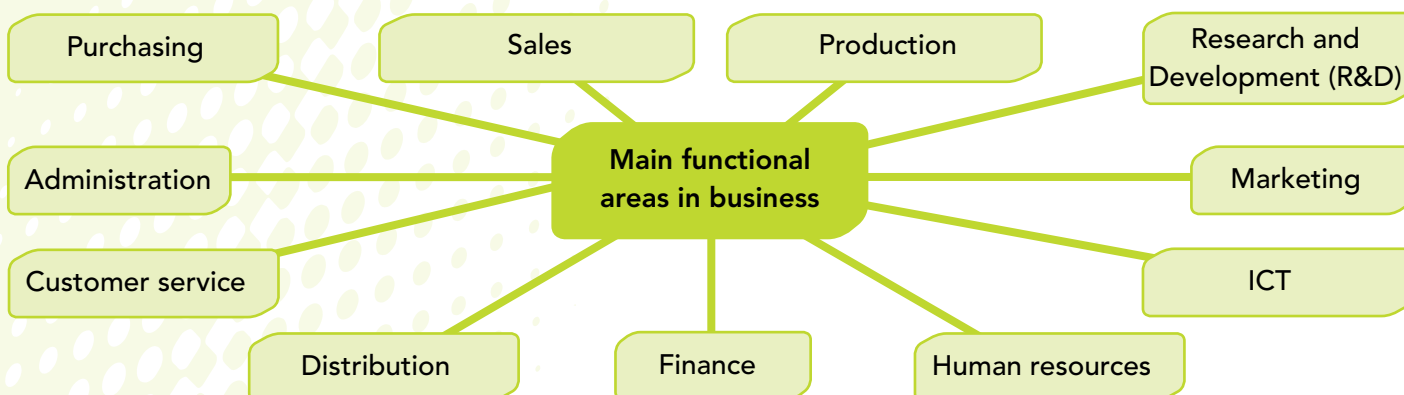
## 2. Main functional areas in business organisations

All businesses must carry out a number of functions to ensure the business runs smoothly. These functions also link to the aims and objectives of the business and what it wants to achieve. In a small business, all these jobs may be done by a few people. In a large organisation, people specialise in different tasks.

### 2.1 Functional areas in business

In a large organisation, the functional areas in which people work are divided into different departments. Each carries out the tasks that relate to its own area.

Figure 2.2: Main functional areas in business



### The purpose of functional areas

The purpose of functional areas is to ensure that the vital business activities are carried out promptly and efficiently. This is essential if the business is to achieve its aims and objectives. In addition, specific areas will support certain types of aims and objectives.

- Sales and marketing will be involved in achieving targets linked to **developing new markets** or increasing sales.
- R & D as well as production will be involved in **developing new products**. Some ideas and improvements may come from customer feedback received by sales or customer services, or from market research done by marketing.
- ICT will be responsible for the organisation's internal and external electronic communications including email, the organisation's website and the **intranet**. Good communications are vital so that **functional areas can work together effectively**.
- Finance will be expected to monitor and support aims and objectives linked to **keeping costs low** or reducing them, in order to improve or maximise profitability.



#### Remember

All large organisations have functional areas but they vary depending upon the work carried out.

#### Key term

**Intranet** – a private area on the network where information can be accessed only by authorised users.



## The sales function

Sales is a vital function in every business. Most businesses have sales targets as part of their aims and objectives. Meeting these targets is the responsibility of the sales staff or sales team.

The job of the sales staff varies depending upon the industry. Shops selling basic products, such as sweets or magazines, do not need to do much. Most customers just choose the goods they want, pay and leave.

Customers expect more assistance if they are buying a complex or expensive item, such as a laptop computer or a car. Stores that sell these products need knowledgeable sales staff, able to present their products and to link them to the customer's specific needs.

Business buyers expect a high-quality service as well as in-depth advice and information. They may be buying highly complex and expensive industrial equipment, and need to negotiate special finance arrangements – particularly if they are overseas buyers. Business buyers will also expect discounts for bulk purchases. Sales representatives often travel to meet potential customers, as well as routinely visit existing customers.

Employing a skilled sales force is expensive, especially if they are paid bonuses or commission. However, there are many benefits. An effective sales person can convert many enquiries into firm sales and build strong links with customers to encourage repeat business.

There are strong links between sales and marketing. In many businesses, this may be a 'joint' department. Sales can pass on important customer feedback to help marketing colleagues.

All sales staff should know there are a number of laws that protect customers, and understand which type of sales activities are legal and which are not. Find out more about selling in Option Unit 10 and about consumer rights in Option Unit 13.

Here is a summary of sales functions:

- organising sales promotions
- responding to customer enquiries
- selling the product or service to customers, either over the telephone or face-to-face
- preparing quotations or estimates for customers
- negotiating discounts or financial terms for business customers
- providing technical advice
- keeping customer records up-to-date.



Why do shops selling complex items need knowledgeable sales staff?

### Discussion point

Many firms employ sales representatives to visit customers, such as hairdressing suppliers GHD, Matrix and Paul Mitchell, who call on salons regularly. Identify the benefits and drawbacks of this method of selling, both for the supplier and the customer.

### Did you know?

Freshcook makes ready meals for Marks and Spencer. M&S sets down precise standards for all its suppliers. Freshcook has to balance the twin requirements of both quality and productivity to keep M&S satisfied.

### Did you know?

The term 'line' refers to the production line. Keeping the production line moving is so vital that if it stops warning lights may flash or sirens may sound.

## The production function

Production refers to the manufacture or assembly of goods. Production staff must ensure that goods are produced on time and are of the right quality. Today, quality is 'built-in' at every stage of the process, starting with the raw materials.

Stocks of raw materials are stored near to production. Storage can be expensive, particularly if a manufacturer uses a large number of parts, such as a car producer. Therefore, many operate a **just-in-time** (JIT) system. This involves having an agreement with specific suppliers to provide small quantities, quickly and when they are needed. This benefits both parties. The suppliers know that they have a regular buyer, and the manufacturer no longer needs to store large quantities of goods or worry about having sufficient stocks on the premises all the time.

Today, many production processes are automated. Machines or robots do all the routine or dangerous jobs. Many products are made in a continuous process by machines, from cling film to meat pies. Operators check that the 'line' is functioning correctly by checking consoles and computer screens, as well as by watching the work as it progresses. Some industries use Computer Integrated Manufacturing (CIM), where the control of the process is done by computer.

When a process cannot be automated, teams of operators may work together and take responsibility for a sequence of operations. This makes the job more interesting. It is easier to ensure high quality and to introduce changes quickly. This method is used by many car manufacturers who often want to vary certain models.

The production function also includes all the following aspects:

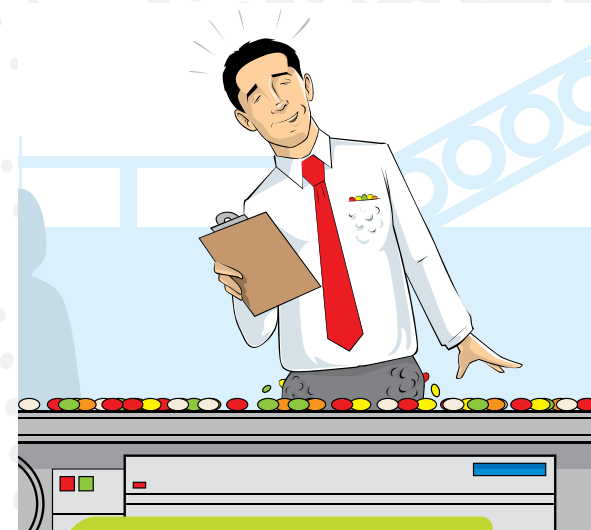
- **Production planning** involves deciding what will be made, when, and which machines and operators will be used. A realistic timescale must be predicted, bearing in mind other jobs in progress.
- **Production control** means constantly checking progress, to ensure production plans are met, and taking remedial action if problems occur. This could be because of machinery breakdown, substandard raw materials or labour shortages.
- **Machine utilisation control** aims to minimise problems by keeping all equipment and machinery in good working order. It involves checking to ensure none is overloaded or overused, without being routinely checked and maintained. If a machine malfunctions, it may produce damaged goods. If it breaks down, production will cease. Many organisations have a maintenance plan showing when machines will be out of operation for inspection and servicing. These dates are then taken into consideration when production plans are made.

- **Staff utilisation control** concentrates on making sure all staff are working effectively and efficiently, and are concentrating their efforts on key production areas and targets. This is very important in industries that are labour-intensive and use more people than machines, such as assembling circuit boards or sewing jeans.
- **Final quality checks** ensure the product is of the correct standard. This can be done by examining each item by hand, or passing each one through a machine checking that the size and tolerance is correct. Alternatively, items may be selected for inspection on a random sampling basis. This is the case when producing a large number of identical items.

Production also prepares items for dispatch. This may involve simply packing the finished items and transporting them to the dispatch section. It may also involve various finishing processes. For example, paper is produced in huge rolls. These may be transported intact but usually the paper is cut, boxed and packaged.

Here is a summary of production functions:

- storing and checking raw material stocks
- planning production schedules to maximise equipment use
- producing or assembling the finished product
- checking the quality of the product throughout the production process
- checking production is on schedule, and resolving delays or problems
- checking, packing and storing the final products before distribution
- scheduling routine machinery inspections and maintenance
- carrying out repairs to machinery and equipment as required.



During final quality checks, items may be selected on a random sampling basis. Can you tell why?

## Key term

**Lean production** – a method of manufacturing aiming for minimum waste, high-quality products and continuous improvement. It originated at the Toyota car plant in Japan.



## Activity: Investigate production

In groups, investigate manufacturing processes on YouTube. Find clips that show automated production, CIM, **lean production** and continuous production. Try to find interesting products, such as Porsche cars or the Nintendo Wii. Identify the best one(s) you think everyone should watch.



## Functional skills

Practise your speaking skills. Justify your choice to your group and explain your reasons as concisely and persuasively as you can.

## The purchasing function

All businesses need to buy a wide variety of items on a routine basis.

In a large organisation, buying consumable items like paper is undertaken by specialist buyers. Bulk purchasing normally saves money, therefore this is usually cheaper than each department buying its own paper. Purchasing staff may take out contracts with regular suppliers and ensure that the terms of the contract are met in relation to delivery, cost, quantity and quality. Major purchasing decisions, such as a new building or computer system, are only made after a thorough and rigorous process. It involves obtaining and comparing several **quotations** and requires the approval of the senior managers or directors.

### Key term

**Quotation** – In business, a quotation states the price a job would cost. It is issued by a potential supplier. It is usually itemised and more precise than an estimate.

Purchasing staff are responsible for ensuring that the company pays a competitive price for its supplies. This is not necessarily the cheapest price but takes account of other factors, such as the reliability of the supplier, the quality required and the delivery date.

Retail buyers must also take account of customer needs, alternative sources of supply, current fashions and trends, as well as the proposed selling price to the customer. Many businesses both purchase and pay for goods online. This speeds up the buying process and reduces the need to hold large stocks on the premises.

Here is a summary of purchasing functions:

- ordering raw materials, stock and consumable items from suppliers
- solving supply problems, e.g. changing supplier
- evaluating alternative sources of supply in relation to price, reliability, quality, payment terms, terms of delivery, etc.
- agreeing stock levels with managers and stock controllers, and reordering as necessary
- finding suppliers to meet new requirements or changes in demand
- monitoring new sources to achieve cost savings or other benefits
- referring problems on delivery, e.g. quality or quantity
- maintaining good relationships with suppliers
- (in a retail business) deciding the best lines to stock for the new season bearing in mind current sales levels and future trends.



### Did you know?

The difference between the cost of an item and its selling price is the **gross margin**.



Fashion shops take advantage of new trends to turn over stock quickly, but what if stock does not sell?



### Activity: Fashion shops

Top fashion shops such as TopShop or Zara aim to turn over stock quickly in order to take advantage of new fashion trends, but buyers do not always get it right. As a group, identify the implications for a retailer if stock fails to sell. What actions can the retailer take?



## The administration function

All businesses need administrators to carry out a variety of support activities in order to help business operations run smoothly. Routine administrative tasks include opening the mail, preparing documents and sending emails. Others require more creativity and flexibility, such as arranging travel or important events. Senior administrators may also monitor budgets and interview new staff for their departments.

Most administrators also deal with external customers who judge the business on the service they receive. Poor or sloppy administration can be disastrous for a company's image and reputation. A lost order, badly typed letter, important message not passed on or wrong date scheduled for a meeting, can cause problems and the company may lose customers. Efficient administration means that everything runs smoothly and managers can concentrate on the task of running the business.

In a small organisation, an administrator is often a 'jack-of-all-trades' who can turn a hand to anything, from checking and paying invoices to keeping the firm's website up to date. In a larger firm, administration may be carried out in every department, rather than just one. A sales administrator may make overseas travel arrangements whereas an administrator in human resources would arrange job interviews.

A summary of the range of tasks administrators carry out is given below. Learn more about administration in Option Unit 6.

Here is a summary of administration functions:

- distributing and dispatching mail
- organising, storing and retrieving paper and electronic records
- organising meetings and preparing meetings documents
- responding to customer enquiries and dealing with callers
- preparing documents using word processing, spreadsheet and presentation packages, such as PowerPoint
- researching information
- sending and receiving messages by telephone, fax and email
- making arrangements for visitors
- making travel arrangements
- purchasing office stationery and equipment supplies
- making arrangements for events, such as interviews or conferences.



### Did you know?

In many organisations, the purchasing and administration functions are done within other departments. They are not separate departments on their own.



### Activity: Interview

Arrange to interview an administrator at your school or college to find out about their job.



### PLTS

Develop your independent enquirer skills. Plan questions that will enable you to learn most about the job.

## The customer service function



### Did you know?

Technicians, engineers and consultants often undertake customer service functions when specialist knowledge is required.

All businesses must look after customers who have an enquiry, concern or complaint. Today, customer expectations are high. When people contact a business they expect a prompt, polite and knowledgeable response. For this reason, many businesses have customer service staff who handle enquiries and complaints positively and professionally. Organisations that manufacture and sell complex industrial products usually employ technical specialists to give detailed advice and information to customers. The company BAE Systems, for example, sells planes like the Eurofighter and Hawk jets. Replying to the queries of their customers requires specialist knowledge.

Customer service staff also deal with complaints and problems. To ensure customer complaints are dealt with quickly and consistently, most businesses have a special procedure. In some cases, action is needed to ensure the problem does not occur again. Customer service staff must also be aware of the customers' legal rights. You can learn more about customer service relations in Unit 11 and about consumer rights in Unit 13.

Here is a summary of customer service functions:

- answering enquiries of customers about products and services
- providing specialist information to meet the needs of customers
- solving customer problems
- providing after-sales service, including replacing damaged goods, arranging for repairs or for spare parts to be obtained and fitted
- dealing with customer complaints according to company procedures
- analysing records of customer complaints to resolve problem areas
- using feedback from customers to improve customer service.



### Activity: Rolls Royce

Rolls Royce has four business areas – civil aerospace, defence aerospace, marine and energy – and customises its customer services for each area. Divide into four groups, each researching one area. Find out about the products and the range of services provided to customers at:

**[www.rolls-royce.com](http://www.rolls-royce.com)**

Share your findings with the rest of the class.

## The distribution function

Distribution means ensuring that goods are delivered to the right place, on time and in the right condition. Some companies, such as Amazon and John Lewis, deliver direct to the customer, particularly when goods are bought online. Other businesses hold stocks in giant regional warehouses for delivery to stores around the area. Superstores may use special vehicles that can also carry chilled or frozen items. Other businesses have to move more difficult loads or hazardous substances, such as large engineering parts, cars or chemicals.

Distribution involves more than just arranging for goods to be collected. For



Why is planning vehicle routes important?

distribution to be cost-effective, costs must be kept as low as possible. This means, for example:

- Planning vehicle routes to avoid back-tracking. This keeps fuel costs down and saves time.
- Making sure vehicles do not return empty, which is only possible if goods are both delivered and collected. Vehicles that only deliver goods operate on a local basis to minimise 'empty journey' time.

Working out the routes of many vehicles, with different loads – some urgent and some not – can be very complicated. Computer programs are used by staff skilled in **logistics** to work out the best routes.

Many organisations **outsource** both storage and distribution to external contractors. This means paying a specialist firm to do the work. This is often cheaper than employing experts in the business.

Here is a summary of distribution functions:

- ensuring all goods are appropriately stored packed and labelled before dispatch
- checking vehicle loads are safe and secure
- ensuring goods are dispatched at the right time
- checking that all deliveries match orders precisely and notifying sales if there is a discrepancy
- completing the delivery documents
- planning and scheduling vehicle routes
- notifying staff of delivery schedules so customers can be informed
- dealing with distribution problems, e.g. vehicle breakdown.

## The finance function

Most entrepreneurs consider this the most important function in the business. All businesses need a regular stream of income to pay the bills. Finance staff record all the money earned and spent.

Large businesses often employ different types of financial experts:

- **Management accountants** monitor departmental budgets and current income from sales, prepare cash flow forecasts and specialise in analysing day-to-day financial information.
- **Financial accountants** prepare the **statutory accounts**. These relate to the Balance Sheet and Profit and Loss Account that all companies must produce each year for tax purposes. Most produce a cash flow statement as well. You will learn more about cash flow in Unit 3.
- **A credit controller** monitors overdue payments and takes action to recover bad debts. Find out about credit control in Unit 3.

## Key terms

**Logistics** – planning and controlling the movement of goods.

**Outsourcing** – hiring an outside firm to do a specific job, such as distribution, security, payroll, cleaning, marketing or PR (public relations).



## Did you know?

The term **supply chain** is sometimes used to describe each stage of the process from the goods leaving a factory to their arrival in a store.



## Activity: Potter Group

Investigate a national warehouse, distribution and logistics business online at: [www.pottergroup.co.uk](http://www.pottergroup.co.uk)

## Key term

**Statutory accounts** – the accounts every company must prepare each year to comply with the law.

## Key term

**Reserves** – profits kept back for later reinvestment in the business.

Finance staff support the accountants by keeping financial records, chasing up late payments and paying for items purchased. All businesses use computer accounting packages to record financial transactions and prepare their accounts, as well as spreadsheets to analyse financial data. Some finance departments prepare the payroll and pay staff salaries, but other businesses outsource this to a specialist bureau.

Finally, businesses often need money to fulfil specific aims and objectives linked to growth, expansion or simply updating their equipment or machinery. These items may be bought from money held back (called **reserves**) from past profits, but usually additional money will be needed. If the business needs to borrow money, it will want the lowest interest rates possible and good repayment terms. The senior financial manager often decides where to obtain these funds.

Here is a summary of finance functions:

- producing invoices, checking payments are received and chasing up overdue payments
- recording money received
- checking and paying invoices received
- preparing the payroll and paying staff salaries
- monitoring departmental budgets to avoid overspending
- issuing regular budget reports to all departmental managers
- producing cash flow forecasts and regular financial reports
- advising senior managers on sources of finance for capital expenditure
- producing the statutory accounts each year.



## Remember

An efficient finance function is crucial for businesses to achieve aims and objectives linked to improving profits and lowering costs.

## The human resources function

The human resources (HR) of a business are its employees. If staff are well trained and committed to the aims of the business, the organisation is more likely to be successful.

HR is responsible for recruiting new employees and ensuring that each vacancy is filled by the best person for the job. Hiring the wrong person can be costly and cause problems both for the individual and the firm.

Normally, new employees attend an **induction programme**. They are told about the business, their rights and responsibilities as employees, the company rules and the requirements of their new job. Arranging appropriate training and assisting with the continuous professional development of staff is another aspect of HR.



## Activity: Financial systems

What financial systems are in place in your centre to monitor spending against the budget? Arrange to interview someone who can tell you about this.



HR aims to help the business retain good, experienced staff. Analysing staff turnover figures shows the rate at which people leave the organisation. If these are high, it is important to identify and remedy any problem areas. Some reasons for leaving are justifiable, such as moving to another area or for promotion elsewhere, but dissatisfaction with the job or the company should be investigated.

Employees normally expect to be treated and paid fairly, to have appropriate working conditions, to have training opportunities and support if they are ill. They also want a varied and interesting job, and praise when they have worked particularly hard or well. These factors help **motivation**. HR can help this process by monitoring working conditions, having staff welfare policies and ensuring that company pay rates are fair and competitive.

Many organisations have staff associations that monitor the views and conditions of staff. In other businesses, trade unions may represent the workers, especially on pay and conditions. Senior HR staff liaise with these organisations, keep them informed of changes and developments, and are also involved in any negotiations with senior management.

All employees and employers have legal rights and responsibilities in relation to health and safety, employment and **data protection**. HR staff must make sure that the business complies with current laws and stays up to date with legal changes and developments. To find out more about this, study Option Unit 9.

Here is a summary of HR functions:

- advertising vacancies and notifying staff of promotion opportunities
- receiving and recording all job applications, arranging interviews and notifying candidates of the result
- sending a contract of employment and other information to new staff
- arranging staff training and encouraging continuous professional development
- monitoring the working conditions of staff
- checking health and safety, and keeping accident records
- recording sick leave and reasons for absence
- carrying out company welfare policies, e.g. long-service awards and company loans
- advising managers on the legal rights and responsibilities of the company and its employees
- recording of grievances and disciplinary actions, and their outcome
- monitoring the terms and conditions of employment
- maintaining staff records
- liaising with staff associations or trade unions representing.



What do new employees learn during an induction programme?

## Key terms

**Motivation** – means staff members are keen to work hard, which benefits everyone.

**Data protection** – laws restricting the type of information that can be held on employees and customers, and how it is used.



### Did you know?

In some companies, HR is called **personnel**.



### Activity: Investigate HR

In your centre, talk to someone responsible for recruiting new staff, arranging staff development and monitoring health and safety. Find out more about what tasks are involved.

## Key terms

**Network** – a system of linked computers that can communicate and share information.

**Server** – a computer that allows access to files and programs stored as shared resources on a computer network.

## The ICT function

The number of crucial business tasks carried out on computers and the importance of the data stored in the system mean that any system failure can be catastrophic.

Most organisations have a computer **network** where staff computers are linked through **servers**. Maintaining the servers, installing new (communal) software and additional hardware, such as printers and scanners, is all part of the ICT function. ICT staff may also be involved in the purchase or issue of computer supplies and consumables to ensure that they are compatible with the system. ICT specialists will be expected to update senior managers on technological developments that would benefit the company. In addition, current equipment will need replacing and software upgrading at regular intervals.

Above all, ICT specialists are responsible for system security. They must ensure that only authorised users have access to the system, protect the system against viruses and hackers, and make sure there is a full back-up system to restore critical data in an emergency.

Finally, ICT specialists help and assist other users, from solving problems to advising on the use of new software or updating the company's intranet. The website is likely to be technically maintained by the ICT staff, but the content will normally be devised by marketing staff, as you will see below. To learn more about this, study Option Unit 12.

Here is a summary of ICT functions:

- recommending new/updated systems and software to keep abreast of technological developments and of the needs of the business
- buying and installing new hardware and software, and providing information or training as appropriate
- assisting users who have computer problems
- repairing the computer system when required
- advising on/obtaining/issuing computer supplies and consumables
- connecting new or additional equipment to the system
- installing a security system that limits access to authorised users and protects against hackers and viruses
- technically maintaining the company's website
- monitoring computer use for compliance with the company IT policy
- operating a back-up system for critical data so this can be recovered quickly in an emergency.



### Activity: Security measures

Identify the security measures at your centre to safeguard the IT system. Then, decide what type of data is critical for a business to operate again quickly. Discuss your ideas with your tutor.

## The marketing function

Marketing is all about identifying and meeting customer needs. Many businesses consider this so important that they are said to be **marketing-led** so everyone puts the customer first.

Another way to understand marketing is through the **marketing mix**. This involves choosing the best options to successfully market the service or product. A well-known method consists in asking questions relating to the four Ps: product (or service), price, promotion and place.

Marketing staff start by identifying future customer needs. Products are then developed or services offered to meet these needs, using the four Ps (see table 2.2). If this is done well, it gives the company an edge over its competitors. This is what happened when Apple introduced the iPhone and when Nintendo brought out the Wii and DSi.

It is no use developing new products or services if no-one knows about them. Marketing is therefore responsible for the promotional activities that tell the customer what is available, by advertising, doing sales promotions or **publicity campaigns**.

The company's website is a major way of communicating with actual and prospective customers. Marketing staff usually look after the style and content of the website, ensuring it is kept up to date. They may also send regular newsletters by email to registered users. Monitoring the popularity of the website and obtaining information on the customers who use it may be undertaken by the company or outsourced to a specialist agency. Using electronic methods of marketing is known as **e-marketing**.

Here is a summary of marketing functions:

- carrying out market research to obtain feedback on existing and potential products and/or services
- analysing market research responses, and advising senior managers of the results and implications
- promoting products and services through a variety of advertising and promotional methods, e.g. press, TV, online, direct mail, sponsorship and trade shows or exhibitions
- obtaining and updating a profile of existing customers to target advertising and promotions appropriately
- producing and distributing publicity materials, such as catalogues
- designing, updating and promoting the company's website.



Why was the iPhone marketing campaign so successful?

## Key terms

**Publicity campaign** – a linked combination of marketing activities, often used for a new product launch.

**E-marketing** – relates to electronic and online promotions, such as email newsletters, website competitions or advertising on search engines like Google (often on a pay-per-click basis).



## Did you know?

Marketing is another activity that can be outsourced to a specialist agency. Some specialise in certain aspects of marketing, such as direct marketing and online marketing.



## Activity: New media

Many businesses now spend more on online marketing than on traditional methods. This is called **new media** because it uses SMS messages and podcasts, as well as the Internet. Check the Top 100 interactive agencies on the New Media Age's website at:  
<http://top100.nma.co.uk/index.php>

**Table 2.2:** The marketing mix

The 4 Ps	Questions to ask
<b>Product</b>	Who are our customers? What do they want to buy? Are their needs changing? What products are we offering and how many are we selling? What new products are we planning? In which areas are sales growing and how can we sustain this? For which products are sales static and how can we renew interest? Which sales are falling and what, if anything, can we do?
<b>Price</b>	How much should we charge? Should we reduce the price at the start, to attract more customers, or charge as much as we can, when we can? Can we charge different prices to different types of customers? What discounts can we give? What services or products should we give away or sell very cheaply, and what benefits would this bring?
<b>Promotion</b>	How can we tell people about our products? Should we have specialist sales staff? Where should we advertise to attract the attention of our key customers? How else can we promote the product – should we give free samples or run a competition? Where and how can we obtain free publicity? Should we send direct mail shots and, if so, what information should we include?
<b>Place</b>	How can we distribute our product(s)? Should we sell direct to the customer or through retailers? Do we need specialist wholesalers or overseas agents to sell for us? What can we sell over the telephone? How can the Internet help us to sell more?



### Did you know?

**Viral marketing** happens when people spread a message, forwarding emails or website links. It is very cost-effective. Success depends largely on the message being funny, appealing or controversial. One award winner is BlendTec's *Will it Blend* YouTube campaign. Watch some of their videos and check the number of other viewers they have had.



### Did you know?

At Google, about 36 per cent of staff work in R & D. In 2008, Google's budget for R & D was a massive \$2.79 billion.

## The research and development (R & D) function

This function involves new product developments as well as improvements to existing products. In many industries, it also includes product design. Improvements to existing products are often ongoing as a result of market research or customer feedback (see page 00).

New products, such as smart phones, new drugs, WiFi and high-definition televisions, may be developed thanks to scientific or technological scientific advances. Others, such as Google or the Nintendo Wii or DST, may occur simply because someone had a good idea.

Research can be divided into two types. **Pure research** aims to help us learn and understand more about a lot of things, from outer space to DNA. It is mainly carried out by universities and scientific establishments. **Applied research** focuses on investigating how new discoveries could be used to improve products. For example, non-stick pans were developed from space research. This is the type of research done in business organisations.

R & D staff work with designers to develop a usable product that can be manufactured at a reasonable cost, can be sold at a competitive price and is safe to use. The activities undertaken, however, vary considerably, depending upon the industry. R & D attracts staff very experienced in their own industry and their own field, from software developers to food technologists.

Many organisations aim to continually improve both product design and performance.

- **Industrial design** relates to the appearance of a product – from a computer to a car – or to the packaging of a standard product – from perfume to soap. Designers want their product to stand out



from its competitors and to look attractive. The Apple MacBook Air stands out because it is ultra thin. Today, most products are designed using Computer Aided Design (CAD) packages, which enable designers to sketch a basic shape and then vary the dimensions and sizes of certain parts.

- **Engineering design** relates to product performance. For a computer, this means more memory and greater operating speed.

Technological advances through R & D not only affect our lives but also the ways in which businesses operate. New developments in computer software and hardware have changed the way all departments create, store, share data, and communicate with their customers. New types of machinery and equipment have revolutionised production processes.

Here is a summary of R & D functions:

- In the pharmaceutical industry, scientists research and develop new medicines and drugs.
- In the food industry, technologists work with chefs to prepare new products such as ready meals, sauces or flavourings.
- Electronic and IT companies concentrate on new technology products and software, such as HD televisions, the X-box 360 and iPod accessories.
- In the aerospace and car industries, engineers focus on improving performance and safety whilst reducing emissions or noise. Designers concentrate on the shape and look, internally and externally.



### Did you know?

Apple encourages and supports independent software developers who want to design and submit new apps (applications) for the iPhone. They can put them in the App Store and get 70 per cent of the selling price for each one sold. Visit: [www.apple.com/iphone/appstore](http://www.apple.com/iphone/appstore)



### Remember

Functional areas support business aims and objectives by achieving targets appropriate to their own area of work. The exact activities will depend upon the industry.



## Case study: Digging the dirt!

In 1945, Joseph Cyril Bamford built a tipping trailer in his garage. He sold it for £45. Today, his business – JCB – is a global giant with over 7,000 employees. The world headquarters are located in the Midlands. A helicopter and a jet plane fly in customers. JCB has manufacturing facilities in several countries.

The strategy of JCB is: 'to deliver the best customer support in our industry – putting the customer at the very heart of our business.'

Work in pairs and find out more about JCB at: <http://www.jcb.com/home.aspx?usercountryid=1&langid=1>

Support all your answers with information from the website.

1. What is the company's mission statement?
2. The company says it practises 'lean manufacturing'. What does this mean?
3. How important are the following for JCB? a) quality, b) R & D. Explain why?



Joseph Cyril Bamford, founder of JCB. Visit JCB's website.

4. You work in purchasing. You have been asked to find out the benefits of buying from JCB. List at least six customer support features or activities that would impress you.
5. Find the qualities that JCB requires from its employees. Then, identify how many you currently have and how many you need to work on.
6. On JCB's website, identify three different features that you think are **marketing led** to promote the JCB brand.



## 2.2 Internal and external links

### Relationships and interactions with other functional areas

No functional area in a business organisation can work in isolation. In a small firm, people responsible for different functions usually interact informally and on a continuous basis. Sales people know which customers pay their bills promptly and which ones still owe money. Managers know without being told which members of staff are hardworking. A customer query can quickly be solved by asking everyone in the office for advice. In a larger organisation, people may work in separate departments and rarely meet each other. However, they still need information and support for the business to operate effectively. Good communication between departmental managers and staff is essential.

### External links

Most functional areas deal with external people or organisations.

- **Suppliers** will be contacted by purchasing (or by production if there is not a separate purchasing function) when orders are placed, amended or chased up. R & D may also be in touch with specialist suppliers. Finance will check suppliers' invoices before paying them to ensure there are no mistakes.
- **Customers** will be contacted by sales staff, customer service and finance for queries relating to payments.
- **The bank**, or banks, used by the business may be contacted by finance about issues relating to the company's bank accounts, its business loans or overdraft facilities, and the company payroll.
- **Government agencies** may be contacted by several functional areas. HR may be in touch with Job Centre Plus about job vacancies. If their staff frequently travel abroad, sales may contact the Identity and Passport Service. Finance and payroll staff will communicate with HMRC (the tax office).



#### Activity: Identify activities

A business aims to maximise its profits. Identify how this would affect the activities of the purchasing, HR, finance, sales and marketing functions. Compare your ideas as a group.

## Information flows

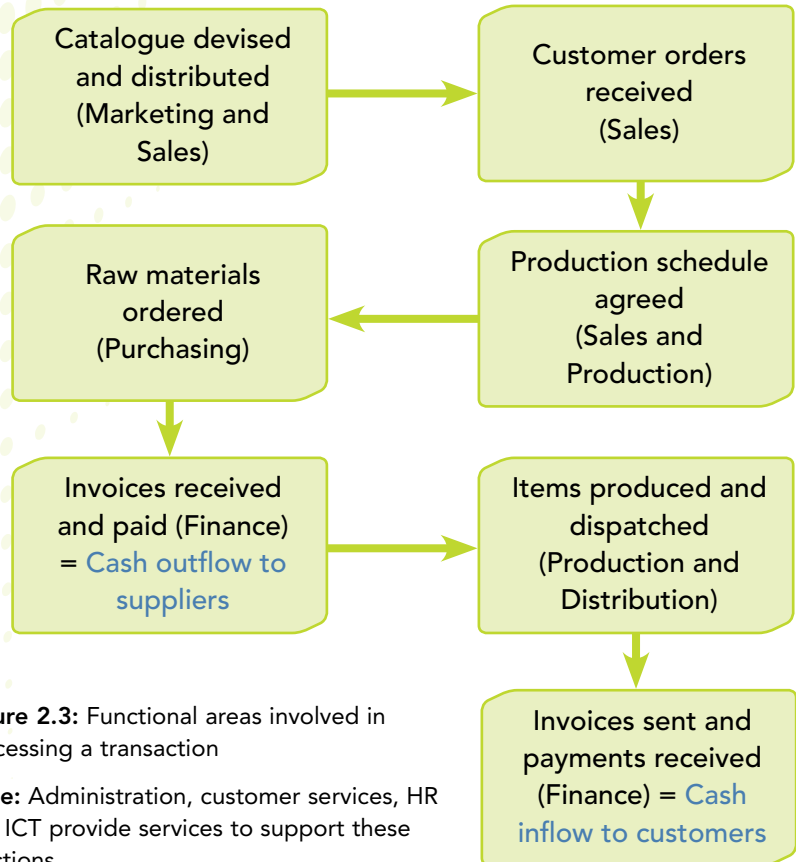
The table below shows some of the reasons why departmental interactions are essential.

**Table 2.3:** Information flows between functional areas

Functional areas	Information flows
Sales and production	Sales must know production schedules and agree delivery dates of orders with production so that customers are not expecting dates that cannot be met. Production must tell sales about production problems that will affect customers.
Sales, purchasing and production	Sales will tell purchasing what needs to be created and in what quantities. The raw materials should then be available when production needs them.
Sales and finance	Finance must know about customer enquiries in order to check their credit rating before sales are made. Finance will be involved when discounts are agreed, or when problems occur with customer payments.
Purchasing and finance	Orders produced by purchasing are matched against deliveries received and copied to finance. Finance matches these against the invoice before making any payments.
Distribution and finance	Finance must know when goods have been dispatched so that invoices can be sent out.
Distribution and sales	Sales must be able to inform customers when deliveries are due and must be aware of any problems.
Sales and marketing	Sales and marketing must liaise over sales promotions and adverts so that sales staff can expect/handle enquiries.
Finance and all other departments	Finance monitors departmental spending and the achievement of financial targets, which will include controlling costs.
HR and finance	HR and finance will liaise over salary increases and bonuses.
Customer service, sales and marketing	Customer service must pass on feedback from customer that could affect future product developments or future sales.
R & D and production	R & D and production liaise over new product developments and methods of production.
HR and other functional areas	HR handle job vacancies, promotion opportunities, training courses and CPD for all areas/staff.
ICT and other functional areas	Any changes, maintenance or security issues must be negotiated with and communicated to all staff.
Administration and all departments	Administrators are involved whenever information is required and organise meetings between departments.

## Flows of goods and services

The flow of information matches the flow of goods and services through the business.



**Figure 2.3:** Functional areas involved in processing a transaction

**Note:** Administration, customer services, HR and ICT provide services to support these functions.



### Activity: Launch a product

You work for a company that is developing and launching a new product. In small groups, decide which functional areas would be involved, what they would do and how they must link for the launch to be successful. Present your ideas to the rest of the class.



### PLTS

Practise your creative thinking by being imaginative with your ideas and suggestions.

## Just checking

1. Explain why large businesses need functional areas.
2. Identify six functional areas or departments found in many businesses.
3. Identify the difference between the sales and the marketing functions.
4. What is the role of R & D?
5. What does outsourcing mean? Why is it done? Give three examples of functions or tasks that might be outsourced.
6. Why is it important that information flows between functional areas?

## Assessment activity 2.2

1. As a class, investigate the functional areas of at least two completely different organisations. Divide into groups. Choose one business each to investigate. Find out the titles of the functional areas, the work they do and identify how they link together.

Below are the websites of four different types of businesses. They provide useful information. You can also use the business you investigated for Assessment activity 1 or one your group has visited.

- Barnado's, children's charity:  
**[www.barnardos.org.uk/work\\_with\\_us/jobs/jobs\\_areas.htm](http://www.barnardos.org.uk/work_with_us/jobs/jobs_areas.htm)**
  - Innocent Drinks, fresh fruit smoothie producer:  
**<http://www.innocentdrinks.co.uk/careers/business/teams/>**
  - Marks and Spencer, retailer:  
**<http://corporate.marksandspencer.com/mscareers/opportunities>**
  - Google, online search engine provider:  
**[www.google.co.uk/intl/en/jobs/index.html](http://www.google.co.uk/intl/en/jobs/index.html)**
- a) Prepare a short group presentation to the rest of the class. Describe the functional areas in your chosen business and explain how they link together. **P4** part, **P5**
  - b) On your own, describe the functional areas in a *contrasting* business organisation of your choice. This could be one of the businesses above, Chester Zoo (see Workspace case study, page 30), your centre or a business you know well yourself. **P4** part

2. In your group, identify how the functional areas relate to each other to support the business objectives. Identify how the functional areas work together to contribute to achieving the objectives.

If you know the objectives of the business or if these are given on the website, choose two or three and, in each case, identify how the functional areas will contribute to their achievement.

If you cannot find the objectives for a business you have investigated online, decide how the functional areas would need to work together in order to achieve the following objectives:

- a) increase revenue by 10 per cent in the next year
- b) improve customer satisfaction
- c) reduce costs by 5 per cent.

Present your findings to the rest of the class. **M1** part

3. Work with another group to identify the similarities and differences between the two organisations you have investigated. Look at the functional areas and the links between the organisations, and the way they support the business objectives **M2**

### Grading tip

To identify links between functional areas, look for the flows of information between them. You can use table 2.3.

## Top tips

- Choosing the right businesses to investigate is vital for this unit. Talk to your tutor. If you work part-time, you may want to use your employer as one organisation but only if you work for a relatively large company.
- Ideally, you will use the same businesses for both sections of the unit so you can relate the information you learn about their aims and objectives to their functional areas. This saves you work. It also enables you to link and develop your information more easily.
- Functional areas in organisations you investigate rarely match exactly those mentioned in textbooks and often have different titles. Some functions may be combined, such as sales and customer service.
- Remember that contrasting businesses should always be as different as possible.
- You can find information about functional areas in the careers section of many websites.





What functional areas do staff members work in?

Chester Zoo is one of the top zoos in the UK. Its mission is to be a major force in conserving biodiversity worldwide. Put simply, its key area of work is conserving plants, animals and habitats, and saving species from extinction all over the world. It aims to do this through sustainable commercial activities, including managing the zoo as a world-class visitor attraction. In 2008, over 1.3 million visitors a year went through its gates. This figure is expected to increase dramatically when the zoo's new £225 million project, to build a SuperZoo, is completed in 2018.

Looking after animals and visitors on a daily basis takes the combined efforts of over 500 staff in peak season. They work in four functional areas, each known as a Directorate.

**The Conservation and Education Directorate** focuses on achieving the mission of the zoo and concentrates on animal welfare. It is divided into four divisions: Zoo Programmes, Conservation Medicine; Field Programmes; Research, Discovery and Learning. Staff include vets, animal nutritionists and keepers.

**The Commercial Directorate** focuses on visitors and other income-generating aspects, including fundraising and sponsorship. There are three divisions: Catering, Retail and Events; Visitor Services; Marketing and Development. Staff range from sales assistants in the gift shops to a head chef and security manager.

**The Corporate Services Directorate** carries out all the business functions. It has three divisions: Estates; Finance and IT; HR, which includes personnel and wages. Staff include maintenance workers such as painters, cash office assistants and wages assistants.

**The fourth Directorate** is responsible for the SuperZoo expansion project, called Natural Vision. Find out more at: <http://www.chesterzoo.org>

### Think about it!

1. Identify two activities that are undertaken by each functional area that supports the mission and the main aim of the business.
2. Identify three issues over which functional areas would need to liaise. Explain which divisions would be involved.
3. Targets are set for increasing the number of visitors each year and achieving a minimum 'spend' per visitor. Suggest how each functional area can contribute to reaching these targets.
4. Compare the functional areas of Chester Zoo with those in your centre. Which are similar and which are totally different? What explanations can you give for your findings?