Unit 2: Understand Employer Organisations

Unit reference number: A/506/1964
QCF level: 2
Credit value: 4
Guided learning hours: 40
Unit type: Knowledge

Unit summary

Employer organisations have a wide range of purposes such as supplying goods and services, while others manufacture goods. Some organisations want to make profits to satisfy their shareholders, others do not. You will learn about the differences between the different types of organisations in the private sector, from the small to the large national and international organisations, those controlled by the Government in the public sector and those in the voluntary sector and how each type of organisation is set up against a specific legal structure.

The operational functions of organisations are different depending on their size and structure. The larger the organisation is, roles and responsibilities become specialised and you will gain an understanding of how functional activities interrelate.

There are various internal and external factors that influence how organisations operate and function, so it is important for you to understand how organisations deal with these. You will learn how the impact of political, economic, social, technological, legal and environmental change has on organisations. Different models of analysis are used by organisations to assess the impact and how they will be dealt with. No organisation can survive unless it fits into the environment in which it operates.
## Learning outcomes and assessment criteria

To pass this unit, the learner needs to demonstrate that they can meet all the learning outcomes for the unit. The assessment criteria outline the requirements the learner is expected to meet to achieve the unit.

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Unit amplification

This content has been written in an expanded format to facilitate both onscreen testing and portfolio assessment. Learners presenting work for portfolio assessment are not expected to evidence all of the amplification. Learners who are to be assessed by the onscreen test could be tested on any aspect of the amplification.

AC1.1: Explain the differences between the private sector, public sector and voluntary sector

- **Private Sector:** run by individuals and companies for profit
  - Sole trader
  - Partnership
  - Limited company
  - Public Limited Company

- **Public Sector:** managed by government ministries and departments and financed through public and business taxes; provide service to public
  - Education: schools; colleges
  - National Health Service: hospitals; nursing homes; GP practices
  - Local councils
  - Police

- **Voluntary Sector:** not for profit organisations; benefit the public
  - Charities: Oxfam; Red Cross
  - Trusts: Housing Associations
  - Local community interest organisations: Neighbourhood Watch Schemes
  - Societies: local sports club; uniformed organisations (scouts and guides, theatre groups)
AC1.2: Explain the functions of different organisational structures

- **Types of organisational structures:**
  - Flat hierarchical: few levels; wide areas of responsibility; short lines of communication
  - Tall hierarchical: many levels; narrow areas of responsibility; long lines of communication
  - Functional: employee has a single manager that they report to; areas are organised by functional areas; issues/queries will be directed to a single point of contact
  - Matrix: sub areas within a functional area (employee could work in Product A sales Department, Product B Operations department)

- **Organisational structure for small organisations:**
  - Flat hierarchical: few members of staff therefore more responsibility; flexible; more responsive to market needs
  - Functional: in-depth knowledge of a particular product/area of the company; know all employees; knowledge of who to speak to or escalate an issue/query to; issues/queries will be directed to a single point of contact; clear of own responsibility; clear of responsibility of other departments across the business

- **Organisational structure for large organisations on one-site:**
  - Tall hierarchical: more people; more focused area of responsibility; in-depth knowledge of the functional area; general knowledge of other areas of the company
  - Functional: in-depth knowledge of a particular product/area of the company; knowledge of who to speak to or escalate an issue/query to; clear of own responsibility; clear of responsibility of other departments across the business
  - Matrix: in-depth knowledge of a product within the functional area; general understanding/knowledge of other areas of the business; focused responsibilities; difficult to find a point of contact for other business areas; build relationships with colleagues across sites/business areas

- **Organisational structure for large organisations across sites or countries:**
  - Tall hierarchical: more people; more focused area of responsibility; in-depth knowledge of the functional area; general knowledge of other areas of the company
  - Matrix: in-depth knowledge of a product within the functional area; general understanding/knowledge of other areas of the business; focused responsibilities; difficult to find a point of contact for other business areas; build relationships with colleagues across sites/business areas
AC1.3: Describe the features of different types of legal structures for organisations

- **Private Sector:**
  - Sole Trader: one owner; sole responsibility; liability for all debts of business; risks to own property; keeps profits
  - Partnership: shared ownership; shared responsibility; joint liability for all debts of business; partners share profits or as agreed in deed or partnership; common in professional services (accountants, solicitors, veterinary surgery)
  - Limited Company: shared ownership through shareholding investment; liability limited to investment in business; need for company registration (Articles of Association, Memorandum of Association); on-going submission of accounting statements

- **Public Limited Company:** owned by shareholders; liability limited to investment in business; need for company registration (Articles of Association, Memorandum of Association); financial records published; annual general meetings held; Director reappointments or new appointments voted on

- **Public Sector:** set up and controlled by the Government; and financed through taxes by the public

- **Voluntary Sector:**
  - Unincorporated Association: don’t have to register with any regulatory body; not obliged to keep a membership list; if a charity and have an income above £5,000 required to register with the Charity Commission
  - Charitable Trust: run by a small group of people (trustees); trustees can be appointed for life or changed regularly; trustees don’t receive any personal benefit from its activities
  - A Charitable Incorporated Organisation: registered and regulated by the Charity Commission; annual accounts and trustees annual report must be submitted to Charity Commission
  - A Charitable Company: Limited Company with charitable aims; Directors are not personally liable for the company’s debts; membership organisation; has its own Memorandum & Articles of Association
AC2.1: Describe the internal and external influences on organisations

- **Internal influences:** within the organisation’s control
  - **Communication:**
    - Positive: good lines of communication; important information will be given and received; no confusion
    - Negative: bad lines of communication; important information may not be given or received; confusion about what needs to be done
  - **Manager motivation:**
    - Positive: staff will be recognised (staff will become motivated, work will be completed and completed well)
    - Negative: lack of recognition (staff will become demotivated, work not completed or completed badly)
  - **Company image or reputation:**
    - Positive: good image or reputation (people will continue to use the company, company will gain business, company may need to recruit to expand the business)
    - Negative: poor image or reputation (people will stop using the company, company will lose business, company may need to downsize and staff may lose their jobs)
  - **Policy making:**
    - Positive: staff will know how to carry out their work; will know the expectations
    - Negative: staff will not know how to carry out their work; will not know the expectations
  - **Recruitment processes:**
    - Positive: skilled and experienced staff; work completed appropriately
    - Negative: unskilled or inexperienced staff; work not completed appropriately; work re-done by more qualified/experienced person
  - **Management skills:**
    - Positive: staff/budget and work flow will be controlled; company will succeed
    - Negative: staff/budget and work flow will not be controlled; company will fail
  - **External influences: beyond the organisation’s control**
    - Good lending conditions: good investment opportunities for services/product development; choice of financial sources
    - Tight lending conditions: make investment opportunities for services/product development difficult; need to explore alternative financing sources
Decrease in interest rates: supports spending; loan repayments decreased  
Increase in interest rates: supports savings and investments; loan repayments increased  
Decrease in taxes: increases profits  
Increase in taxes: reduces profits  
Government regulations: develop plans for compliance with regulations  
Competition from similar providers: enhance innovation and service to stay ahead of the competition  

AC2.2: Explain the use of different models of analysis in understanding the organisational environment

- **SWOT Analysis**: supports business planning; understanding a situation and decision making  
  - Strengths: what the organisation is good at; what is going well (brand image, market growth, good customer service)  
  - Weaknesses: need to improve; changes  
  - Opportunities: new markets; new products; new customers; new technology  
  - Threats: new competitors; increase cost of raw materials; increase in energy costs; increase in taxes

- **PESTLE Analysis**: examines each factor to assess what the impact or potential impact will be on the organisation  
  - Political: taxes; VAT rates  
  - Economic: inflation rates; foreign exchange rates; interest rates; effect on supply and demand  
  - Social: high/low employment; culture; age demographics; gender  
  - Technological: be up-to-date; cost of new equipment/methods; staff training; web developments  
  - Legal: new sector legislation affecting manufacturing costs; meeting standards  
  - Environmental: recycling; ethical implications; carbon footprint; sources of timber; contribution of organisation to community; ecological influences; regulations
AC2.3:  **Explain why change in a business environment is important**

- To continue to be successful it is important for organisations to:
  - Keep up with competitors
  - Adapt to changes in the market
  - As the business grows, the environment should also adapt: structure change; recruitment; new departments/areas created or lost
  - Keep up with legislation and political decisions: employment law; health and safety; EU trading
  - Keep up with technology: help business become more productive; streamlined; efficient
Information for tutors

Suggested resources

Books

Websites
www.bbc.co.uk/news/business – The business pages of the BBC website
www.bized.co.uk – Business education: a business education resource site
www.thetimes100.co.uk – *The Times* 100 business studies resource centre

Other
TV programmes that have business items most frequently
*The Money Programme*, BBC2 (weekly)
*Working Lunch*, BBC2 (daily)

Assessment

This unit can be assessed internally through a Portfolio of Evidence, or it can be assessed externally through an onscreen test. More information about each method of assessment is given below. This should be read in conjunction with Section 8 Assessment.

External assessment

External assessment is through an onscreen test. Pearson will set and mark this test. The test lasts for 35 minutes and is worth 25 marks. The assessment is available on demand.

The test assesses all of the learning outcomes and uses each individual assessment criterion and the associated *Unit amplification* as a base for the questions.

Internal assessment

Internal assessment is through an internally and externally quality assured Portfolio of Evidence. To pass this unit the evidence that the learner presents for assessment must demonstrate that they have met the required standard specified in the learning outcomes and assessment criteria.

To ensure that the assessment tasks and activities enable learners to produce valid, sufficient, authentic and appropriate evidence that meets the assessment criteria, centres should follow the *Unit assessment guidance* given below.

There are no sector-related assessment requirements for this unit.
Unit assessment guidance

The following is the required assessment method for this unit.

All learning outcomes must only be assessed by structured written assessment to allow the learner to demonstrate the depth and breadth of evidence required to meet the assessment criteria. This could be one single project or a series of linked or separate tasks. While the learning outcomes mainly require the learner to demonstrate knowledge and understanding of general business concepts, there are some opportunities for learners to relate this to their working environment and working experiences and this should be utilised in the design of the assessment. Evidence could be presented in a range of formats such as written reports, presentation slides, workbooks and directed assignments, as long as they allow the learner to present the evidence required to meet the assessment.