

Use of the innovative technology on offer at the University of Birmingham and the Manufacturing Technology Centre in Coventry will help businesses save time and money with costly repeat experiments which normally go hand in hand with testing new ideas.

'In order for businesses to survive and thrive new ways of working that save time and money but still gain the results is key. This project offers businesses an exciting opportunity to try out and explore the innovative technology by putting their new products and ideas to the test in a cost effective, reliable and safe environment. I am pleased that we are able to provide support to a project that will be really beneficial to the future development of businesses in the West Midlands,' said Communities Minister Baroness Hanham CBE.

The project called CASim2 is supported by £2.6 million from the European Regional Development Fund, which is managed by the Department for

Communities and Local Government and matched through funding and staff skills by the University of Birmingham, the Manufacturing Technology Centre, Airbus and Rolls-Royce. 'We will engage SMEs in the West Midlands through demonstrating the commercial benefits of using innovative technologies to deliver step changes in their business offering.'

Check your knowledge

- 1 What types of communication is this project using?
- 2 In what ways is this project benefiting from communication?
- 3 Who are the stakeholders and how have they influenced the project?
- 4 Which sector does this business belong in and who are its owners?
- 5 What would you describe as related to its success so far?

II PAUSE POINT

Hint

Has your approach to exploring a case study changed since you started this unit? If so, why and how?

What examples can you find where social media has driven the success of a business either from micro to SME or larger, or in initiating a new business idea?

Tip

If you don't have a job, approach local businesses and ask if they would be willing to let you use them as a case study.

Research

If you have a job, what would happen if you were asked to propose a new way for the business to promote products or services? Talk to your employer or supervisor. Would they mentor you on this task or even through your qualification?

- 1 What else could you do to improve your communication skills?
- 2 Are there forms of communication where you would benefit from extra training (such as video conferencing)?

B Investigate how businesses are organised

Structure and organisation

Organisational structure

Organisations need a structure to enable the business to operate effectively. As a business grows, the structure will evolve but needs to be considered carefully so that:

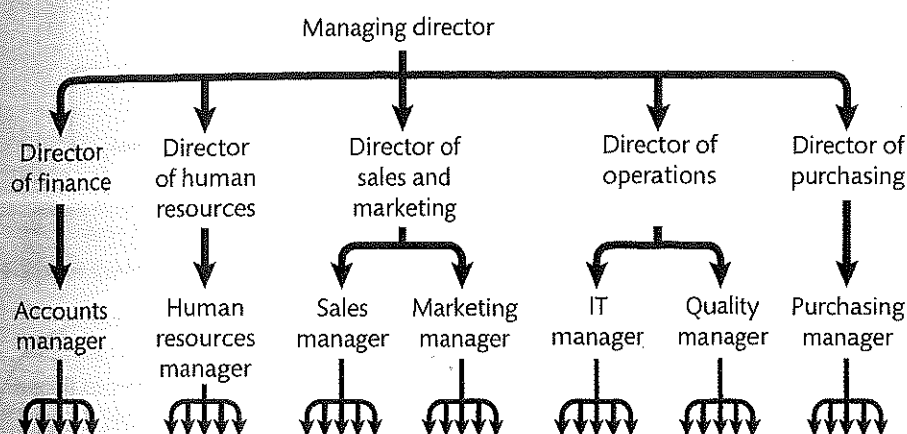
- ▶ all jobs that need doing are identified and allocated
- ▶ lines of communication are established
- ▶ levels of responsibility are identified and allocated
- ▶ levels of authority are attributed.

Although you probably think a sole trader will not have an organisational structure, the jobs still have to get done. Examples include keeping the accounts, ordering supplies, promoting the business, etc. Therefore some jobs are likely to be outsourced, meaning that someone else with the right expertise will be paid to do that aspect of the work. In a way, this 'expert' could be viewed as part of the organisational structure, as the sole trader will depend on them for the smooth operation of the business.

There are different types of organisational structure and these are explored below.

Hierarchical

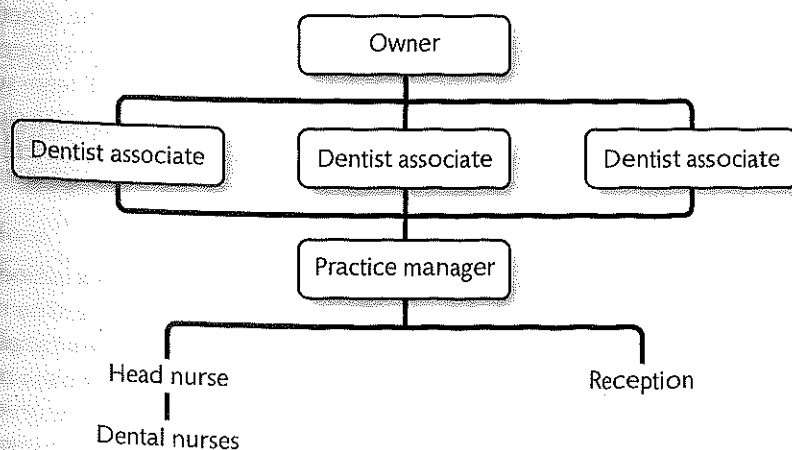
As the name suggests, this structure shows a hierarchy of responsibility and authority showing who is responsible for what and who has authority to make decisions regarding business operations. This type of structure is fairly easy to understand and, as Figure 1.1 shows, there is one person with overall responsibility and authority for the business and everyone else has a clear position in the organisation.



► **Figure 1.1:** Example of a hierarchical structure

As shown in Figure 1.1, it is clear who is responsible for their subordinates and that some employees have the same level of responsibility or authority as each other. Each manager leads a team of employees and in large organisations these teams might also have team leaders. This type of structure might apply to SMEs, although not exclusively. Some local authorities operate similar organisational structures.

Another example of a hierarchical structure is shown in Figure 1.2. This is a dental practice. In this example, one dentist owns the practice and associate self-employed dentists are contracted by the owner.



► **Figure 1.2:** An alternative example of a hierarchical structure

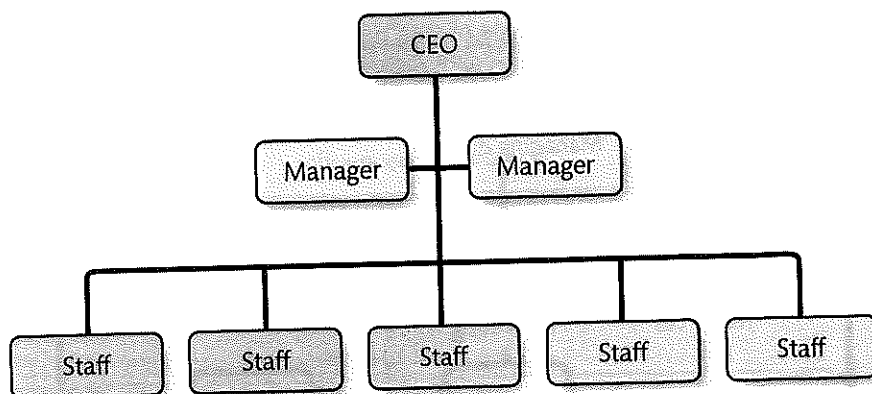
Discussion

Do you know of anyone who works for a business with a similar structure in a different sector?

Other examples of hierarchical structures include pubs with restaurants where the bar and restaurant are likely to be managed separately, for example by the bar manager and head chef, with staff reporting directly to the boss of their section. The owner has overall authority and responsibility and this can impact on the time it takes for decisions to be made.

Flat structure

A flat structure is a simple example of what might be a micro business. Larger businesses may also have this type of structure. Each structure has advantages and disadvantages, which you will explore later.



► **Figure 1.3:** Example of a flat structure

As Figure 1.3 shows, the lines of responsibility are very clear and the routes to those in authority are also clearly defined. However, as a business grows the number of subordinates (people who the managers are responsible for) can become unwieldy. Examples include:

- the amount of time it takes managers to deal with a large number of teams
- the impact on their workload.

Flat structures may operate with less **bureaucracy** and therefore decision making can be quicker. However, with one overall leader, they are likely to be more protective of their business and can be reluctant to change. There are also likely to be fewer opportunities for promotion or progression than in other structures. The structure and organisation of the business may need to be changed as it grows.

Matrix

The matrix type of structure is complex. It brings together teams of people depending on their abilities to work on specific projects. BT put together teams of employees to work on projects, as do Microsoft. Another example is a national football team such as England which is made up of English players drawn from individual football clubs around the world (for example Manchester United, Real Madrid, Bayern Munich) for the football World Cup.

Holocratic

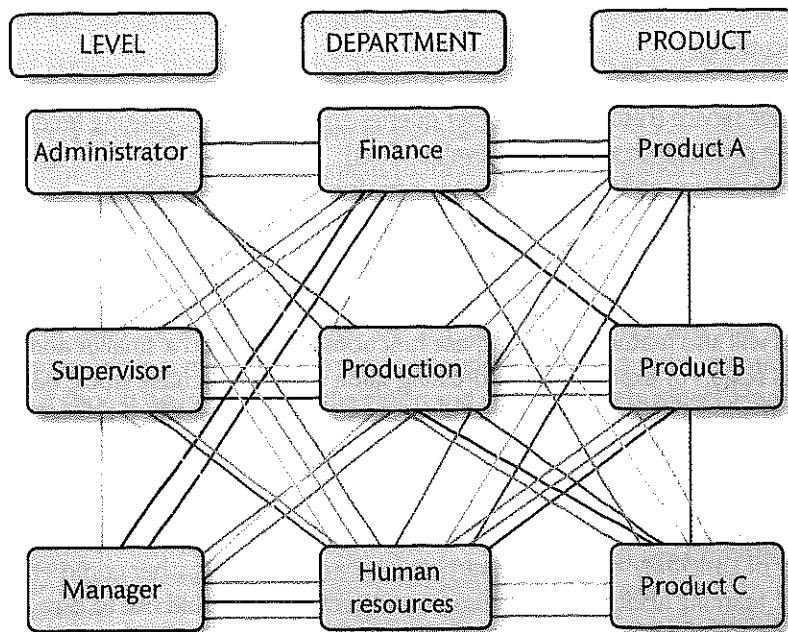
A holocratic organisation structure offers a holistic approach to running a business where responsibility and authority are distributed amongst the workforce. One disadvantage of other structures is the level of bureaucracy that can appear to get in the way of getting on with the job. Holocracy claims to remove this problem by devolving responsibility and relying on very clear roles, aims and objectives, which, in turn, rely on very clear communication and trust. Figure 1.5 shows how this structure can be associated with departments.

Key term

Bureaucracy – detailed procedures which have to be followed (sometimes known as 'red tape').

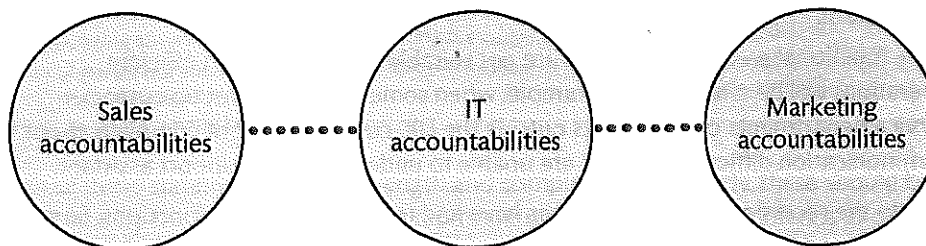
Research

If you have a business mentor, ask them about their experience of being in charge of others.



Each coloured line represents a team made up of members from one or more of the levels, departments and products

► **Figure 1.4:** An example of a matrix structure



► **Figure 1.5:** Concept of a holocratic structure

The advantage of this type of structure is the equal distribution of responsibility and authority. In other words, no single individual takes on the role of boss and everyone can operate autonomously. As you may imagine, this requires considerable trust due to the lack of bureaucracy. Employees need to understand their role without the constraints of job descriptions. This type of structure can help a business to adapt rapidly to change and could be viewed as generating greater job satisfaction and feeling part of the business. An example of a business using this type of structure could be Microsoft, whereby teams are put together to work on specialist projects.

Research

Explore how these organisations structure their businesses and list the similarities and differences between their organisational structures:

- Eddie Stobart
- Mercedes Benz
- Fitness First
- Whitbread.

Compare your findings with another learner.

Functional/operational areas

Businesses have several functions in order to operate efficiently.

Functions

A brief definition of each function is:

- human resources (HR) (responsible for managing the people in the organisation to include their welfare, job roles, progression opportunities)
- research and development (R&D) (of new products or concepts)
- sales (selling products or services)
- marketing (promotion of business)
- purchasing (supplies, products, stationery)

- ▶ production and quality (manufacturing, undertaking checks that products meet specifications)
- ▶ finance (accounting, raising invoices, paying bills, wages)
- ▶ customer service (resolving customer queries and complaints, seeking feedback to improve products or service, or develop ideas)
- ▶ IT (telecommunications and computer infrastructure such as website)
- ▶ administration (the ongoing support for the business to function, such as following processes, dealing with correspondence, organising meetings and any travel).

While this list may apply to large organisations such as BT, Microsoft and BMW, smaller businesses will also feature many of these functions although on a smaller and possibly less formal scale. For example, a hairdressing salon will still purchase stock, deal with finance and administration, and need HR for personnel matters, but it is less likely to undertake research and development functions in the way large businesses do.

Smaller businesses may contribute to R&D by giving feedback to suppliers or listen to customer feedback to pick up ways to improve their service or what they offer. The case study of Little Italy is a typical example where employees gather comments from customers, learning about what customers and commuters would like to buy.

While larger organisations such as Waitrose, Ryanair, Staysure and Wiltshire Farm Foods may have entire departments to manage customer service matters, smaller businesses rely on every member of staff to know how to resolve customer service issues, and employees are more likely to be in close contact with customers on a frequent basis.

Operations

If the functional areas of a business are not suitably structured, then efficient operations will be affected. For example, when some businesses set up customer service departments or help desks outside the UK, customers might complain about communication difficulties if they are unable to understand the support assistant.

Due to the recession, many businesses have had to streamline their functions. Some have reduced their workforce, leading to job cuts in marketing teams, administrative staff or sales assistants. You may be able to identify where staff shortages appear to be impacting on service.

Reducing the workforce does not automatically lead to a reduction in service quality. By taking advantage of technological advancements, businesses such as banks and manufacturing industries might feel the investment in expensive equipment has led to a reduction in staff but no reduction in the service offered to customers.

Research

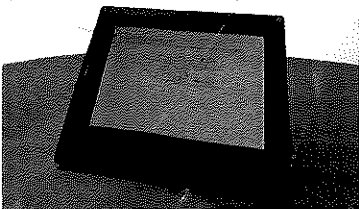
If you have a part-time job, find out about the business's organisational structure. Compare the structure with those you have explored already and consider why that structure was chosen for this business. If you don't have a part-time job or volunteer, perhaps ask family and friends about the businesses they work for.

Aims and objectives

Earlier in this unit, you reviewed your aims and objectives and were asked to put together a plan for achieving this qualification. The purpose for doing this is to focus on the main goal and break down what appears to be a large task into smaller bite-sized chunks. You may have created a Gantt chart or you may have preferred to use another method.

Link

You will explore customer service in more detail in *Unit 14: Investigating Customer Service*.



▶ Robotic 'barstaff' on new cruise ships

Aims of businesses in different sectors

The same applies to businesses needing to plan out their aims and objectives to strive for success. These are built around three key areas:

- ▶ mission (a promise of commitment to the business cause)
- ▶ vision (the direction the business aims to travel in the future, short or longer term)
- ▶ values (the philosophy and ethos of a business which underpin the vision).

Mission

You may have heard or seen the mission statement of the place where you are studying. Mission statements are often found at the front of any marketing materials and websites. While a mission statement is intended to represent the overall aim of the business, it should be informed by the vision and values of the business. Here are three examples from different business types.

Salon: Body Beautiful

Our team aims to provide excellent customer care in a friendly and professional environment. We pledge to deliver this care via a first class service.

We are sure of success when clients are delighted with the products and treatments we have supplied. We will continue to seek to improve the services we offer by continual staff training and by embracing all new technology.

Our aim for our clients is to achieve the salon's motto of 'Embrace your body beautiful!'

Carefree Coaches

Safety, security and comfort form the foundation of everything we aim to give our customers.

Our future success will build on these by focusing on both business and leisure markets and by ensuring the customer always comes first.

Ingleham Community Project

1. To represent all the residents and businesses of Ingleham, Benton and Clapdale.
2. To hear and respond to the needs of all residents and businesses.
3. To work in partnership with all stakeholders and interest groups within the area and their representatives.

Each of these statements varies in length and complexity. Ultimately, these should be supported by the business objectives representing how the business intends to deliver these promises. Analyse these three statements. These questions will help you.

- ▶ What are the main messages?
- ▶ Do they represent the company image to you as a customer?
- ▶ Are they understandable for a variety of audiences?
- ▶ What expectations do they give you?
- ▶ Do they communicate their vision and values to the customer?
- ▶ What changes would you recommend?
- ▶ How well do you think each mission statement reflects the overall business aim?

Business aims are not solely the intentions of owners as these will depend on the stakeholders of the business and which sector it belongs to.

Vision

A vision statement is easily confused with a mission statement. Its aim is to clearly communicate the future plans for the business, particularly to its employees. They can become involved in the plans for the business and their jobs and organisation structure will need to support this vision.

Values

Organisational values will vary across businesses depending on their overall aim. Businesses such as Sainsbury plc promote their eagerness for growth, while Coca-Cola are keen to promote their commitment to a sustainable environment. British Gas also promote their commitment to the environment.

Research

Look at the websites for Sainsbury plc, Coca Cola and British Gas. How prominent do they make their values on their website? Can you identify the key values for each business? How do you think each company chose their values?

Link

You will be introduced to business legislation in learning aim C later in this unit and taxes in *Unit 3: Personal and Business Finance*.

Private

The aims of businesses are likely to vary depending on whether or not the overall aim is:

- ▶ making profits – most multi-national businesses aim to make a profit
- ▶ profit maximisation, where efficiency and cost of supplies, service or production are streamlined to ensure a greater margin between those costs and the revenue received, therefore maximising profits; examples include some budget airlines which charge extra for in-flight meals, drinks and baggage
- ▶ breakeven – the critical measure identifying at what point a business will make a profit or become non-viable; the breakeven point is the basis of business plans and especially a new business, where a calculation identifies how many products or services are needed to generate sufficient income to cover all outgoing costs, such as buying supplies, premises, wages, paying taxes etc
- ▶ survival – such as the struggles reported over recent times being faced by Mulberry and Ladbroke's; other businesses such as Clinton Cards and Jessops have struggled to stay afloat – the former has sold off many of its stores and Jessops has closed almost 100 stores and reduced staff numbers by at least 550 in 2013; Clinton Cards may have overlooked the growth in sending e-cards
- ▶ growth – for example pound shops and pawn brokers which always do well in times of austerity (the number of UK pawn brokers was reported to have increased substantially during the recession)
- ▶ market leadership – Sainsbury plc is an example where the company's mission is to gain market leadership, while British Gas strives to retain its leadership in the utilities sector and BT to regain the lead across all its services.

The private sector also needs to take into account the expectations of stakeholders and that includes government. Business and personal taxes must be paid and businesses must comply with legislation and regulations.

Public

In the public sector, especially those companies which are not-for-profit, business aims are accountable to the government which may be a major stakeholder providing government funding from public taxes and other means. Therefore the organisation's mission, vision and values are influenced by government expectations as well as other stakeholders.

Service provision to government agencies is often contracted from profit making private sector businesses such as refuse collectors, building contractors, cleaners, etc. Each of these suppliers will undergo significant checks and be expected to comply with agency contracts, usually known as service level agreements.

Cost control is fundamental to the survival of any business. A public sector business is accountable to the public for how it spends money and controls costs. For example, households are informed about how their contributions from council taxes to local government will be spent and how well they performed to provide the service expected.

Value for money – the public and private sector is no different in wanting to provide value for money. Therefore when seeking a supplier, such as sourcing a contractor to repair roads, bids will be requested from several contractors and the following will be judged:

- ▶ cost (cheapest is not necessarily best or worst; fixed price or estimated; what is not included?)
- ▶ quality (workmanship, resources, customer satisfaction)
- ▶ timeframe (overall timeframe, impact on other services).

Each aspect is important and it is often difficult to compare like for like. You may be able to identify other factors which would influence you when making a choice.

Service quality

Everyone prefers quality service. For example, deliveries which turn up on time and shelf stackers who stand aside to let you reach a product, just as a bus driver appreciates a thank you from a departing passenger and the public values the bus driver who avoids splashing waiting passengers or passers-by.

One example of a business committed to quality is London-based Brompton Bikes. They manufacture bespoke bicycles to order and every part is traceable to the employee responsible for its manufacture. Their aim is for every customer to be confident of service quality because every employee takes responsibility.

Meeting government standards

Think back to the dental practice structure shown in Figure 1.2. That type of business aims to make a profit from private patients while also servicing patients through the NHS. However, not all dental practices provide government-funded dental treatment and you might be aware of examples in your local area.

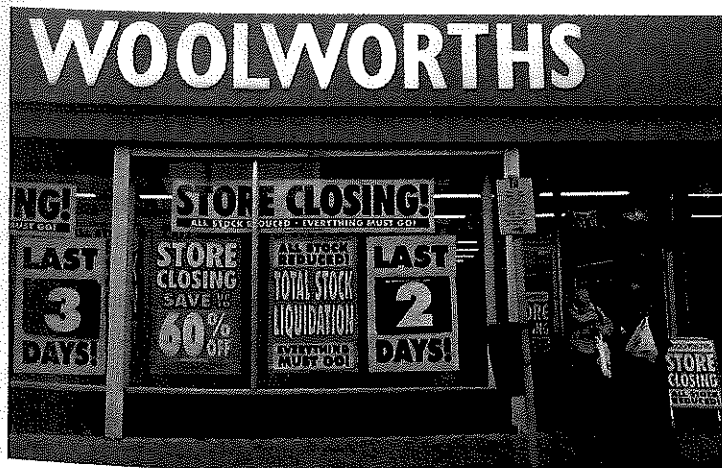
Service provision

Regardless of who is paying for the treatment, the patient should receive the same level of care and service. However, the type of treatment may vary because not all treatments are funded (or may only be partially funded) by the NHS, such as teeth whitening, white fillings and veneers.

Cost control

All businesses need to keep control of their outgoing costs and generate income, otherwise the business might close. Several businesses closed during the recession, some of which seemed to be part of the British heritage, such as Woolworths and MFI, along with Blockbusters, Comet and JJB Sports. This is not to suggest that these businesses lost control of their costs, but when demand drops (for whatever reason) profits fall to the point where they cannot continue to pay their way and businesses close.

Woolworths suffered from a lack of vision. It was hard to pinpoint what it offered that was unique. Low-cost products, especially those no longer sought by consumers, do not pay expensive rents in prime locations and customers' needs were being met by out-of-centre supermarkets which expanded their ranges.



► Woolworths was one of several large and well-known businesses to close down during the last recession

Key term

Austerity – the difficult economic conditions resulting from the government putting measures in place to reduce public spending.

Research

Explore the government's website for the responsibilities laid out by government departments and agencies. Think about how a local business or your school or college can meet these responsibilities.

Key term

Multi-collaborative – collaborating with multiple partners.

Value for money

Customers expect value for money, especially during times of **austerity** such as a recession. These customers include stakeholders such as the contractor purchasing bricks who will want to get the best deal on the bricks and other building supplies without compromising quality.

Service quality

Service quality is judged by the customer in relation to their expectations. This can be difficult as our expectations are very subjective and so they differ. Take, for example, a simple transaction in a shop. What factors shape your assessment of the experience? Can you find what you are looking for? How long do you wait to be served? Is the assistant courteous or over-friendly? Are you charged the correct amount? Are you given the right change, etc.? All these factors are influential regardless of cost.

Strangely, customers can get very agitated over very minor transactions while a major purchase or service might be overlooked, for example buying a holiday or a new home. People are becoming more critical about service quality and reports feature frequently about the NHS or how BT has fought to repair a failing reputation for its support services. It is now the norm to check review websites, such as TripAdvisor or Amazon reviews, before visiting a business or making a purchase. However, there is a danger that people are more likely to leave a review after a negative experience, rather than a positive one.

Meeting government standards

All businesses have to comply with rules laid out by the government. For example, all businesses must comply with legislation such as health and safety, which you will explore a little later in this unit and throughout this book. However, depending on the nature of the business, there are specific standards to meet such as:

- ▶ care standards for those working in the care sector
- ▶ food standards for any business providing food and drink to the public
- ▶ Ofsted regulating education and training, including schools, nurseries, child minders
- ▶ organic certification for those growing organic produce
- ▶ disease notification regulations for farmers.

Not-for-profit

While providers of education share the same overall goal, their objectives will vary depending on the type of education they supply and, especially, who they are educating.

The National Science Learning Centre is an education provider and therefore a not-for-profit organisation offering tutor education in the UK and Northern Ireland. As a **multi-collaborative** charity registered organisation, it operates as a joint venture between the Department for Education and the Wellcome Trust. It has multiple funding sources so has many stakeholders to satisfy.

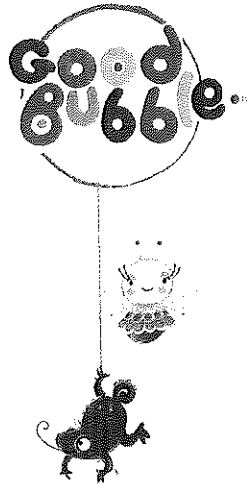
Housing associations, such as the Villages Housing Association situated in the north-west of England, also publish their mission statement: 'To Be More Than Just A Landlord. Working In Partnership To Create An Environment For Communities To Flourish'. Their aim is clear and succinct and their website describes how and why they work in partnership and lists their values in support of their vision.

Charitable organisations aimed at alleviating poverty at home and overseas, such as Oxfam, UNICEF and NSPCC, have clear mission statements, although their aims and objectives will also change according to a perceived area for need. One recent example of need is the Nepalese earthquake early in 2015, while others are longstanding, such as UNICEF's aim to improve sanitation in places such as Angola.

Shops to raise funds for charities such as these have appeared in many shopping centres and high streets during the recession, taking advantage of the opportunity of prime location premises paying lower rents. You may have seen some local authorities making temporary use of empty stores to promote community projects, such as mobility services or careers advice, occupying government owned empty space which might otherwise become derelict.

Research

Locate the mission statement of your place of study or work. Explore how their aims and objectives relate to the mission statement.

Case study**'Good Bubble'**

In the summer of 2015, Amy Wordsworth presented her company, Ella Banks Ltd, to the Channel 4 programme *Dragons' Den*. Her company produces 'natural superfruit' children's toiletries labelled 'Good Bubble' and she was seeking extra investment. Amy's business aim and values are evident in that, while striving to make a profit and grow the business, the intention is that the business stays true to its values.

Good Bubble aims to stay true to its values by being kind to skin and using 98 per cent natural ingredients in their products. Superfruit ingredients provide extra nourishment for hair and skin without the use of chemicals or irritants.

The business values also promote a commitment to reducing their carbon footprint by using and promoting recyclable packaging. Good Bubble also recognise hard economic times and aim to keep prices down, selling their products online with stockists based around the UK and Ireland.

Check your knowledge

- 1 Which sector is the Good Bubble business in?
- 2 What are Amy's business values?
- 3 What type of organisational structure is Good Bubble likely to be?
- 4 Why do you think Amy was seeking additional investment?
- 5 Who are her likely stakeholders?
- 6 If you were Amy, is there anything you would do differently?

Objectives: SMART

Putting together a plan, whether it is for a business or your personal use, requires frequent reviewing and updating. This process can be extremely rewarding when you can 'tick off' your achievements without getting downhearted if some of the targets set have not been achieved. It is possible that they were overly ambitious and more complex or time consuming than originally expected.

Managers of businesses will have similar experiences and will need to justify to others, such as their stakeholders, why some business objectives were not achieved. The key to a successful plan is to carefully consider each objective and ensure that it is SMART and that, ultimately, taken together, all the aims meet the overall aim.

A 'SMART' objective should be:

- ▶ Specific
- ▶ Measurable
- ▶ Achievable
- ▶ Relevant
- ▶ Time constrained.

Reflect

You'll recall that, earlier in the unit, you were encouraged to create a plan to help you to achieve the aims and objectives of this unit, and to think about your timeframe. Now that you have explored more about business aims and objectives, review your plan and adjust it where relevant. You might need to break down some of the objectives into smaller chunks with varying dates for completion. Ask yourself these questions about your objectives.

- Are my objectives specific and clear? Will I know what I mean next time I review my plan?
- How will I measure my progress and achievements?
- Are my objectives achievable, for example do I have the resources?
- Are my expectations realistic?

Am I confident I can achieve in the allocated time? What are the time constraints? Have I been unrealistic? Have I considered other factors and built in some flexibility (buffer time)?

Assessment practice 1.1

A.P1 A.P2 B.P3 B.M2 A.M1 AB.D1

You and a friend decide to set up a small business to help support your community. You want the business to be a non-profit, but your friend would like it to be profit-making.

To compare ideas and ensure that you are fully prepared for conversations with likely investors, you write a report exploring two contrasting businesses, one for-profit and one not-for-profit. You also want this report to help you decide how best to organise the business.

In your report you should:

- identify the features, organisation structure, aims and objectives of each business
- identify the stakeholders of each business.

Think about how the organisation's structure enables your chosen businesses to achieve their aims and objectives and how this contributes to the business' success.

Discuss how the businesses manage the relationship and communication with their stakeholders, and how they influence the business.

The report should include a detailed analysis of the reasons behind the success of each business, using the evidence you have gathered.

Plan

- How do I pick my chosen businesses? How do I find enough information out about each?
- What aspects of this task will I struggle with? How can I combat this?
- Is it clear what I need to do? Do I need any clarification?

Do

- Am I sticking to the timeframe and order of my plan – unless it doesn't work?
- Am I keeping details of my sources, together with dates I accessed each one?
- Am I using a variety of sources and not relying just on the internet, and making notes around which sources look trustworthy and which are dubious?
- As I work through the activity, am I ticking or highlighting the learning aims covered?

Review

- I can read through my work thoroughly, checking for mistakes and poor presentation.
- I can reflect on my work and my contribution. How did it go? Could I have done better?
- I can swap with my peers and critique each other's work. I can give considered feedback, which is constructive, developmental and most of all, honest.