

Cambridge **TECHNICALS LEVEL 3**

BUSINESS

Cambridge
TECHNICALS
2016

Unit 3

Business decisions

T/507/8150

Guided learning hours: 60

Version 2 - Revised content - March 2016

LEVEL 3

UNIT 3: Business decisions

T/507/8150

Guided learning hours: 60

Essential resources required for this unit: N/A

This unit is externally assessed by an OCR set and marked examination.

UNIT AIM

All businesses make decisions. Key decisions could include extending a product range, a business changing direction and targeting a new market, or whether it should expand. The decisions made could affect the day to day operational activities of the business and could also impact on their short and long term success.

The ability to make decisions depends on the effective collation, processing and analysis of relevant information. In this unit you will develop your skills of business decision-making using multiple sources of information. You will explore the criteria on which business decisions should be based, and the methods to interpret and analyse this information. In this unit you will learn to consider the many variables involved and encouraged to analyse possible solutions, investigating each for potential drawbacks and benefits, before you reach your preferred decision. The learning contained within this unit will provide a framework that you will be able to apply in a business setting.

You will have the opportunity to showcase your skills by making a business decision based on evidence and you will be required to justify the decision you make.

This unit provides significant opportunities for you to use the specialist knowledge, understanding and skills you have obtained from other units in your programme of study.

TEACHING CONTENT

The teaching content in every unit states what has to be taught to ensure that learners are able to access the highest grades. Anything which follows an i.e. details what must be taught as part of that area of content. Anything which follows an e.g. is illustrative.

For externally assessed units, where the content contains i.e. and e.g. under specific areas of content, the following rules will be adhered to when we set questions for an exam:

- a direct question may be asked about unit content which follows an i.e.
- where unit content is shown as an e.g. a direct question will not be asked about that example.

| Learning outcomes | Teaching content | Exemplification |
|---|---|---|
| The Learner will: | Learners must be taught: | |
| 1. Understand factors to be taken into account when making business decisions | <p>1.1 different types of business decision, i.e.</p> <ul style="list-style-type: none"> • strategic • tactical • operational <p>1.2 different criteria used when making business decisions, i.e.</p> <ul style="list-style-type: none"> • internal, i.e. <ul style="list-style-type: none"> ○ attitude to risk ○ organisational objectives ○ core competencies of a business ○ impact on internal stakeholders ○ business ethics ○ financial considerations ○ time ○ opportunity cost (e.g. consequences of decisions and alternatives) | <p>1.1 To include the meaning, key features and examples of each type of business decision.</p> <p>1.2 Different decisions require different priorities to be given to each criterion.</p> <p>Risk comes in various forms such as financial, effect on reputation, likelihood of success, familiarity and competence (Ansoff's Matrix).</p> <p>Core competencies to include an overview of the work of Hamel and Prahalad.</p> <p>Business ethics to include ethical objectives (of business and its stakeholders) and, where appropriate, corporate social responsibility.</p> |

| Learning outcomes | Teaching content | Exemplification |
|-------------------|--|--|
| The Learner will: | Learners must be taught: | |
| | <ul style="list-style-type: none"> external, i.e. <ul style="list-style-type: none"> level and nature of risk impacts on external stakeholders degree of uncertainty changes in market changes in external environment <p>1.3 the use of different types of information when making business decisions, i.e.</p> <ul style="list-style-type: none"> internal and external qualitative and quantitative historic and forecasted primary and secondary research <p>1.4 how to judge the validity of information used to make decisions, i.e.</p> <ul style="list-style-type: none"> reliability bias relevance complexity degree of detail currency (up to date) intended use quality <p>1.5 the purposes, benefits and importance of communication:</p> <ul style="list-style-type: none"> with internal stakeholders, external stakeholders, the media | <p>Financial considerations to include the availability of sources of finance.</p> <p>1.3 To include the meaning, strengths, weaknesses and examples of each type of information.</p> <p>1.4 To include numerical and non-numerical information.</p> <p>1.5 Especially communication with employees, local community, lenders and the media.</p> |

| Learning outcomes | Teaching content | Exemplification |
|--|---|---|
| The Learner will: | Learners must be taught: | |
| | <ul style="list-style-type: none"> • before, during and after decisions are made <p>1.6 factors affecting the quality of decision-making, i.e.</p> <ul style="list-style-type: none"> • access to relevant information • access to decision-making tools • availability of finance • key personnel (e.g. knowledge, skills and experience of who is making the decision, analytical skills, solution-focused approach, problem-solving abilities) • training of managers in decision-making skills • power differentials and potential for bias • consultation | <p>1.6 To include seeking advice and expertise from consultancies.</p> |
| <p>2. Be able to use financial data to inform business decisions</p> | <p>2.1 how to use profitability data, i.e.</p> <ul style="list-style-type: none"> • costs and revenues • gross and net profit/loss • profitability ratios, i.e. <ul style="list-style-type: none"> ○ net profit ratio ○ gross profit ratio • business performance data • the importance of profit/profitability <p>2.2 how to use break-even analysis, i.e.</p> <ul style="list-style-type: none"> • how to draw, label and interpret a break-even graph • how to calculate (by graph and formula) profit/loss at a given level of output, including margin of safety • the factors affecting the break-even level of output | <p>2.1 To include the calculation and/or interpretation of data. Interpretation must be in context.</p> <p>2.2 To include the calculation and/or interpretation of data. Interpretation must be in context. To include the usefulness of break-even analysis.</p> |

| Learning outcomes | Teaching content | Exemplification |
|--|---|---|
| The Learner will: | Learners must be taught: | |
| | <ul style="list-style-type: none"> ways to lower the break-even level of output <p>2.3 how to use contribution data, i.e.</p> <ul style="list-style-type: none"> how to calculate unit contribution the significance of contribution special order decisions <p>2.4 how to use cash-flow data, i.e.</p> <ul style="list-style-type: none"> how to interpret cash-flow position ways to improve cash-flow <p>2.5 how to use investment appraisal, i.e.</p> <ul style="list-style-type: none"> how to calculate and interpret data, i.e. payback period, average rate of return (ARR), Net present value (NPV) | <p>2.3 To include the calculation and/or interpretation of data. Interpretation must be in context</p> <p>2.4 To include the calculation and/or interpretation of data. Interpretation must be in context. To include the benefits of cash-flow management.</p> <p>2.5 To include the interpretation of data and the advantages and disadvantages of each method of investment appraisal. To include the usefulness of investment appraisal methods and data.</p> |
| <p>3. Understand how human resource information informs business decisions</p> | <p>3.1 factors involved in workforce planning, i.e.</p> <ul style="list-style-type: none"> size of workforce skills of workforce availability of workforce training requirements of workforce, i.e. <ul style="list-style-type: none"> induction on the job off the job internal external | <p>3.1 To include the purpose and importance of workforce planning.</p> <p>To include the importance of carrying out a skills audit.</p> |

| Learning outcomes | Teaching content | Exemplification |
|---|---|--|
| The Learner will: | Learners must be taught: | |
| | <p>3.2 how to use workforce performance data, i.e.</p> <ul style="list-style-type: none"> calculate and interpret measures of workforce performance, i.e. <ul style="list-style-type: none"> absenteeism labour turnover productivity wastage interpreting trends in workforce performance over time to use industrial averages to make comparisons with other businesses/industries the causes of, effects of, and solutions for poor workforce performance | <p>3.2 To include the explanation of terms and the use of formulae. To include the benefits of calculating measures of workforce performance. Consideration of the impact a decision would have on these measures.</p> |
| <p>4. Understand how marketing information informs business decisions</p> | <p>4.1 how to use market research information, i.e.</p> <ul style="list-style-type: none"> types of information, i.e. <ul style="list-style-type: none"> text data charts and tables graphs and pie charts identify data correlations make estimations, i.e. <ul style="list-style-type: none"> line of best fit graphical extrapolation data patterns use Time Series Analysis to calculate and interpret moving averages | <p>4.1 To include the strengths and weaknesses of different information types and the validity and usefulness of data/information.</p> <p>To include research information about customers, competitors and the wider business environment.</p> <p>Interpretation must be in context.</p> |

| Learning outcomes | Teaching content | Exemplification |
|---|---|--|
| The Learner will: | Learners must be taught: | |
| | <p>4.2 how to use marketing decision-making tools, i.e.</p> <ul style="list-style-type: none"> • the Boston Matrix • Porter's Five Forces model • Porter's Generic Competitive Strategies <p>4.3 considerations when making marketing decisions, i.e.</p> <ul style="list-style-type: none"> • target market • product/service features • place/channels of distribution • pricing • promotion • corporate image <p>4.4 how constraints on marketing impact business decisions, i.e.</p> <ul style="list-style-type: none"> • legal • ethical • social • financial • time available • corporate policy | <p>4.2 To include the practical application, meaning, benefits and weakness of each marketing decision-making tool.</p> <p>4.3 To include the perception of the product/service and its intended audience. To include how businesses create their market identity.</p> <p>4.4 To include internal and external constraints</p> |
| <p>5. Be able to use resource, project and change management information to inform business decisions</p> | <p>5.1 the issues and key tasks involved in resource management, i.e.</p> <ul style="list-style-type: none"> • the management of physical resources (e.g. rooms, furniture, equipment) • the management of IT resources (e.g. computers, projectors, printers) | <p>5.1 To include interpretation of data. Interpretation must be in context.</p> |

| Learning outcomes | Teaching content | Exemplification |
|-------------------|--|--|
| The Learner will: | Learners must be taught: | |
| | <ul style="list-style-type: none"> • inventory management, i.e. : <ul style="list-style-type: none"> ○ Stock control charts ○ Electronic Point of Sale (EPOS) data ○ Radio-frequency Identification (RFID) <p>5.2 how to use project management tools, i.e.</p> <ul style="list-style-type: none"> • Gantt charts • project plan • risk register <p>5.3 how to use and interpret critical path analysis (CPA)</p> <ul style="list-style-type: none"> • critical path network diagrams • earliest start times (EST) • latest finish times (LFT) • float time for an activity • how to identify a project's critical path <p>5.4 how change is managed, i.e.</p> <ul style="list-style-type: none"> • causes of change, i.e. <ul style="list-style-type: none"> ○ internal ○ external • resistors to change • the importance of encouraging a positive response from the workforce to change • the importance and impact of change | <p>5.2 To include the interpretation of data. Interpretation must be in context.</p> <p>5.3 To include why CPA is useful.</p> <p>5.4 To include examples of causes of change, resistors to change and responses to change.</p> |

| Learning outcomes | Teaching content | Exemplification |
|--|--|--|
| The Learner will: | Learners must be taught: | |
| | 5.5 the factors involved in contingency planning, i.e. <ul style="list-style-type: none"> the purpose, importance, benefits and drawbacks of contingency planning how to create contingency plans | 5.5 Learners should be able to suggest suitable contingencies that a business could make. |
| 6. Be able to use information to make and justify business decisions | <div> 6.1 how to use business decision-making tools, i.e. <ul style="list-style-type: none"> internal organisational audit external business environmental audit competitor analysis stakeholder analysis Ansoff's matrix </div> <div> 6.2 how different strategies are used to help a business achieve a competitive advantage in different circumstances (e.g. in emerging, maturing and declining positions) </div> <div> 6.3 how to make business decisions, i.e. <ul style="list-style-type: none"> the identification of issues/causes how to identify and prioritise decision-making criteria the analysis and synthesis of supporting information </div> | <div> 6.1 To be used in context. <p>Internal organisational audit includes all internal factors relevant to the decision to be made; including (but not limited to) attitude to risk, core competencies, portfolio analysis, market research, SWOT.</p> <p>To include limitations and strengths of decision-making tools</p> <p>External business environmental audit includes all external factors relevant to the decision to be made; including (but not limited to) financial, legal, ethical, economic, political, social, environmental and technological factors.</p> </div> <div> 6.2 To include (but not limited to) diversification, horizontal and vertical integration, retrenchment, change of strategic direction, market entry, change product or service provision, change market positioning, market growth, mergers and rebranding. </div> <div> 6.3 Learners should be encouraged to use a structured approach when making business decisions. </div> |

| Learning outcomes | Teaching content | Exemplification |
|-------------------|---|--|
| The Learner will: | Learners must be taught: | |
| | <ul style="list-style-type: none"> the use of decision-making tools to investigate solutions how to match solutions to decision-making criteria respect other people's contributions to the decision-making process present rationale and conclusions <p>6.4 how to justify a business decision</p> <ul style="list-style-type: none"> appropriateness (e.g. feasibility, desirability, chances of success) awareness of other perspectives evidence based | 6.4 Justification should be based on evidence from supporting information. |

LEARNING OUTCOME (LO) WEIGHTINGS

Each learning outcome in this unit has been given a percentage weighting. This reflects the size and demand of the content you need to cover and its contribution to the overall understanding of this unit. See table below:

| | |
|------------|--------|
| LO1 | 6-20% |
| LO2 | 6-20% |
| LO3 | 6-15% |
| LO4 | 8-25% |
| LO5 | 6-15% |
| LO6 | 20-40% |

ASSESSMENT GUIDANCE

All Learning Outcomes are assessed through an externally set written examination paper, worth a maximum of 60 marks and 1 hour 30 minutes in duration.

The assessment will be based on a pre-released business scenario and will comprise short answer and extended answer questions.

SYNOPTIC LEARNING AND ASSESSMENT

Ten per cent of the marks in the examination for this unit will be allocated to synoptic application of knowledge. There'll be questions that draw on knowledge and understanding from Unit 1 The business environment that then has to be applied in the context of this unit.

It will be possible for learners to make connections between other units over and above the unit containing the key tasks for synoptic assessment, please see section 6 of the centre handbook for more detail.

*OPPORTUNITIES FOR SYNOPTIC TEACHING AND LEARNING

This identifies opportunities for developing links between teaching and learning with other units in the business suite.

| Name of other unit and related LO | This unit and specified LO |
|---|---|
| Unit 1 The business environment LO6 Understand the external influences and constraints on businesses and how businesses could respond LO7 Understand why businesses plan LO8 Be able to assess the performance of businesses to inform future business activities | LO1 Understand factors to be taken into account when making business decisions LO2 Be able to use financial data to inform business decisions LO6 Be able to use information to make and justify business decisions |
| Unit 2 Working in business LO1 Understand protocols to be followed when working in business | LO1 Understand factors to be taken into account when making business decisions |
| Unit 4 Customers and communication LO1 Understand factors to be taken into account when making business decisions | LO1 Understand factors to be taken into account when making business decisions |
| Unit 5 Marketing and market research LO1 Understand the role of marketing in businesses | LO4 Understand how marketing information informs business decisions |

| Name of other unit and related LO | This unit and specified LO |
|--|---|
| Unit 6 Marketing strategy LO5 Be able to use business tools to propose marketing strategies | LO4 Understand how marketing information informs business decisions |
| Unit 7 Marketing campaign LO1 Understand the purpose of marketing campaigns | LO4 Understand how marketing information informs business decisions |
| Unit 8 Introduction to human resources LO1 Know the factors that are involved in human resources planning | LO3 Understand how human resources information informs business decisions |
| Unit 11 Accounting concepts LO1 Understand why businesses keep accurate accounting records | LO1 Understand factors to be taken into account when making business decisions |
| Unit 12 Financial accounting LO4 Use ratios to assess the performance of businesses | LO2 Be able to use financial data to inform business decisions |
| Unit 13 Management accounting LO1 Understand business costs and pricing methods used by businesses LO2 Be able to use break even analysis LO4 Be able to perform capital investment appraisals LO5 Be able to prepare and use cash flow forecasts | LO2 Be able to use financial data to inform business decisions |
| Unit 15 Change management LO5 Be able to use data to monitor change management in businesses LO1 Understand the drivers of change LO3 Be able to plan for change, manage change and overcome barriers | LO1 Understand factors to be taken into account when making business decisions LO5 Be able to use resource, project and change management information to inform business decisions |
| Unit 16 Principles of project management LO3 Understand how and why projects are monitored and factors that influence a project | LO1 Understand factors to be taken into account when making business decisions |
| Unit 17 Responsible business practices LO2 Understand the importance of adopting responsible businesses practices | LO1 Understand factors to be taken into account when making business decisions |
| Unit 19 International business LO4 Understand different international expansion strategies used by businesses | LO6 Be able to use information to make and justify business decisions |
| Unit 20 Business events LO1 Be able to prepare for a business event | LO1 Understand factors to be taken into account when making business decisions |

| Name of other unit and related LO | This unit and specified LO |
|--|--|
| Unit 21 Being entrepreneurial – evaluating viable opportunities LO4 Be able to evaluate the viability of opportunities | LO1 Understand factors to be taken into account when making business decisions |
| Unit 22 Delivering a business project LO1 Be able to scope a project | LO1 Understand factors to be taken into account when making business decisions |

To find out more

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