

# Unit 7: Business Decision Making

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## Delivery guidance

### Approaching the unit

This is a practical unit, which will allow your learners to understand the importance of planning and decision making in running a successful business. As this is a synoptic unit, the focus should be on consolidating the understanding and skills developed in previous units. Learners will then be able to make rational decisions based on information given relating to complex business problems.

The rationale behind this unit is to enable learners to 'think on their feet' which will benefit them when faced with real-life business decisions or in interview situations when learners are expected to demonstrate their ability to find solutions to given scenarios in a relatively short space of time.

You can use a range of delivery methods in this unit, such as:

- discussions, e.g. class and small group discussions on business ideas
- individual or group presentations, e.g. covering data analysis
- case studies illustrating competitor analysis.

Group work is an acceptable form of delivery, but you must ensure that each learner produces sufficient evidence on their own for assessment.

You can involve local employers in the delivery of this unit by inviting them as:

- guest speakers
- members of audience for learner presentations where they can give feedback
- providers of work experience for learners, and of business materials as exemplars
- mentors for learners.

### Delivering the topics

Introduce the unit and topic A on business plans by discussing learners' understanding of a 'start-up business' and a 'developing business'. Learners could give examples of businesses they know. What factors could affect a business just starting out, for example the current trends in the economic market? Why might an established business decide to change direction or diversify? One reason could be more competitors entering the market.

All successful businesses have an operational plan. They have clear aims and objectives and an organisational structure. The size and nature of the business will affect its location. Learners need to understand that the product or service being offered will also have an effect on the location: for example, a business may be relatively small but operate on an international basis through their website. Inviting local entrepreneurs to talk about their experiences would give



learners a real insight into the challenges faced by entrepreneurs in today's constantly changing market.

Topic B, on decision making in business, is all about using a number of different methods to aid decision making. Learners need to understand the importance of carrying out thorough research before either starting up a new business or developing an existing business. Using business models can also be a useful technique when deciding on an appropriate course of action.

Learners need to be able to analyse the information available in an appropriate format and demonstrate that they are able to use a number of different techniques to analyse data. Potential investors will want to see that the entrepreneur has used all the tools available, such as the use of investment appraisal methods to justify the viability of the new or developing business.

In topic C on using research to justify marketing, learners will further develop and utilise the knowledge and understanding developed in *Unit 2: Developing a Marketing Campaign*. They will look at types of research and establish how they could use effective research in the process of reaching an informed decision regarding a new business start-up or business development.

Learners will carry out competitor analysis for a particular market and will be required to explain the effects competitors can have on the business and its success. They will look at the effect changes in trends can have on the business.

Learners will draw on their understanding of the elements needed to create a marketing plan and will need to demonstrate their ability to develop a marketing plan for a specific target market.

All businesses are affected by legislation, whether it is consumer legislation or employment legislation. Industry-specific legislation will also have a major influence on the way in which a business can operate. For topic D, efficient operational management of the business, learners will need to understand the consequences of a business not complying with legislation, for example the result of not meeting the requirements of consumer protection legislation could be a poor reputation and loss of customers. You could ask your learners to give some other examples.

It would be helpful to discuss with your learners why they think it is so important for a business to ensure the quality of the product or service. Learners could also demonstrate, through discussion, their knowledge of different methods used by businesses to ensure quality. Learners also need to understand why some methods would not be appropriate for a small business, for example, total quality management (TQM).

For topic E, learners will need to understand the importance of managing resources. The level of resources required will depend on the size and structure of the business. For example, a small start-up business will often not need human resources other than the owner. However, a developing business may need to think about increasing its staffing levels. You could discuss with your learners their experiences of the recruitment process as many of them will have part-time jobs so will have direct experience. Learners will need to think about training and the cost of training. A small business may not have the funds to pay for external training so will have to tailor their training needs to suit the finance available.

The cost of buying physical resources will often be prohibitive, so a new start-up business may have to think about the minimum number of resources that it could operate with. Do they buy or rent premises? How could the business obtain major equipment or vehicles without paying upfront? Discuss with learners how finding the right suppliers could benefit the business.

The funds available to a start-up or a developing business will often be limited. Discuss with learners where the funds could come from. Learners will need to identify the difference between start-up costs and running costs. They will need to give examples.

In *Unit 3: Personal and Business Finance*, learners will have gained knowledge and understanding of business finance. In topic F, they will be required to put this to practical use in the creation and interpretation of financial forecasts. You will need to remind learners how to create and analyse a variety of financial documents such as cash flow forecasts, break-even charts, income statements and statements of financial position. Learners could be given examples and be asked to discuss the implications of the figures for the business.

For topic G, by analysing performance, liquidity and profitability ratio calculations, it is possible to gain a clear picture of the viability of a business. Your learners should be able to calculate a wide range of ratios from given data and should be given the opportunity to practise these in different scenarios.

SWOT and PESTLE analysis are also good methods of determining the viability of a business. Learners should have a clear understanding of both and be able to give solutions to a variety of threats and 'what if' scenarios and create a contingency plan.

Topic H, on demonstrating business skills/IT skills, focuses on the personal business skills that your learners should have developed over the course. Learners may benefit from visits from local entrepreneurs to discuss the skills they use in the running of their businesses. Learners could also be given case studies where they have to identify key factors and offer solutions to problems.

You will need access to computers/laptops and appropriate software for learners to be able to create reports, presentations etc. Learners will need to be shown how to set out formal business reports and executive summaries so they understand all the key elements that should be included. Although most learners will have had access to IT hardware and software throughout their educational career, it should not be assumed that all learners will have the skills and knowledge to create presentations and manipulate data to generate graphs etc. and therefore some time should be spent on these aspects.

## Assessment guidance

This unit is externally assessed and the assessment should be completed by your learners under examination conditions. Learners will have three hours to complete the assessment, which includes reading and planning time. Your learners will be given a set task based on an unseen case study/business scenario, together with additional supporting documents. Your learners will be expected to analyse the information given and produce a formal business plan. The business plan should include the aims and objectives of the plan, type of business, ownership, premises, legal implications, staffing, equipment required, target market and sources of finance.

For the second set task, learners will be required to produce a presentation, with speaker notes, summarising the viability of the business proposition. The purpose of the presentation will be to encourage potential investors or the owner to put money into the business.

The more practice learners have at producing business plans and presentations, the better prepared they will be for this time-controlled assessment. Once all the teaching and learning has been completed, it would be useful to set learners a series of timed mock assessments, using the Sample Assessment Material (SAM) and the centre's own test scenarios.



## Getting started

**This gives you a starting place for one way of delivering the unit. Activities are suggested in preparation for the external assessment.**

Unit 7: Business Decision Making
<p><b>Introduction</b></p> <p>Business planning and decision making are key skills needed by an entrepreneur to set up a new business or develop an existing business. Without these skills the enterprise is likely to fail. The aim of this unit is to allow learners to develop these skills to enable them to make rational decisions based on the scenario given in the timed assessment.</p>
<p><b>Topic A – Business plans</b></p> <p>You could begin by having a group discussion to establish learners' understanding of start-up businesses and developing businesses and the factors that may influence an entrepreneur to start a new business or develop an existing one.</p> <ul style="list-style-type: none"> <li>Learners could work in small groups to identify a list of start-up businesses in the local area. They could discuss whether the businesses are filling a gap in the market, what the current trends and demand are for the product/service, and who the competitors are. Learners could also consider the reasons why the businesses may or may not succeed.</li> <li>Once established, businesses may need to change direction and develop in order to survive. Learners will need to consider the factors that may influence a business to diversify.</li> <li>As this is a synoptic unit, learners will have already considered aims and objectives, business ownership and business structure in other units, but these topics should be developed here to include more detail. You will need to ensure that learners fully understand these aspects and their significance when starting up a new business or developing an existing one, and learners should also be able to explain the justification for different products, services, structures, locations, and types of ownership. Writing tasks based on carefully selected case studies are a good way of achieving this.</li> <li>Enlist the help of local business people to come in to speak to learners about their experiences – how they started up and developed their business, how it is structured, and its aims and objectives.</li> </ul>
<p><b>Topic B – Decision making in business</b></p> <p>To ensure making a correct decision, businesses have to have the right information. This is why one of the first steps in starting up a business is to carry out thorough research. Learners should be aware of different research methods from studying other units such as <i>Unit 2: Developing a Marketing Campaign</i>. They need to be able to use the data collected for the purposes of analysis, comparison and evaluation.</p> <ul style="list-style-type: none"> <li>In groups, learners could be given a specific market to research and prepare a short presentation for the rest of the group outlining the viability of setting up a new business within that market. Learners should use their market research to justify their decision and explain and justify the different sources of data they have used as a basis for their recommendations.</li> <li>Learners will require tutor input so that they have an understanding of how business models, such as Porter's five forces model, could be used to aid decision making. You could give your learners case studies that require analysis, covering all relevant business models. Learners could then select the business model for each study that they feel is going to be most appropriate to aid their decision-making process and use the business model to justify their decision.</li> </ul>

- Learners will require tutor input so that they have a clear understanding of how to calculate mean, median and mode, together with measures of dispersion, use of quartiles, percentiles, and correlation coefficient. This may be difficult for some learners and therefore they may require a great deal of practice in order to carry out calculations from raw data confidently and be able to use their results to draw conclusions.
- Learners will need to know how to interpret graphs and create graphs using spreadsheets. Again, individual practice will be helpful to ensure that learners are able to confidently create graphs and analyse data presented in the form of graphs. Learners should also develop an understanding of the role these graphs play in business contexts and the ways in which they can be used to put forward a business case. Asking learners to prepare and present a report that involves the use of graphs is a good way to achieve this.
- Learners need to be familiar with the main management information systems that businesses use, including computer-based information processing tools for operating, tactical and strategic levels of the business. Introducing them to examples of software and asking them to practise this is a good way to achieve this.
- Learners will require tutor input so that they understand the use of project management tools such as Gantt charts, networking and critical path analysis. Learners could individually practise creating such charts.
- Learners will also require tutor input to understand the financial tools used for investment appraisal, such as net present value, discounted cash flow and internal rates of return. You will need to make a number of case studies available for learners to ensure that they are able to carry out the calculations required for different investment appraisal methods with confidence.

### Topic C – Use of research to justify the marketing of a business

As part of the business plan, learners will need to consider how they would market the product or service identified in the scenario given in the external assessment and how they would use research to justify a marketing plan.

- You could lead a discussion to establish learners' knowledge and understanding of different types of research, both primary and secondary. Learners should have covered this topic in *Unit 2: Developing a Marketing Campaign*. Learners could produce a chart outlining the advantages and disadvantages of a range of research methods.
- Learners could be given a research task to look at the competitors of a specific business and use the information to analyse the effect the competitors have on the business in terms of the product/service offered, pricing strategies and location. Learners could then present their findings to the rest of the group.
- Learners will require tutor input to develop their understanding of how trends can affect the way in which a marketing plan is tailored for a particular product/service. Trends should include economic, market and social trends.
- You could discuss with learners the elements of a marketing plan (the 7Ps). Learners should be able to draw on the knowledge and understanding gained in the delivery of *Unit 2: Developing a Marketing Campaign*, so this should partly be revision. This should be extended to include a discussion of how these elements can be applied in different target markets.

### Topic D – Efficient operational management of the business

Legislation can have a great impact on the way in which a business operates; in particular, industry-specific legislation. Additionally the need to have quality



products/services that will attract and retain customers will affect the way in which a business operates. This topic considers both these areas.

- Learners will need tutor input regarding the main areas of legislation that will affect most businesses (e.g. employment legislation). Learners will also need to understand that some industries need to follow industry-specific legislation: for example, a restaurant will need to consider appropriate food legislation.
- Learners could work in small groups and research different types of legislation. They could then produce a presentation outlining the relevant points and feed these back to the rest of the group.
- Learners will require tutor input regarding methods of ensuring quality. Learners need to fully understand that not all methods are suitable for all types of business, for example, TQM would not be appropriate for a mobile hairdresser.
- Learners could work in small groups to research different methods and present their findings to the rest of the group. Each group could produce handouts for the whole group.

### **Topic E – Understand the importance of managing resources**

The resources required for a business will be an important consideration in business planning. Resources can be categorised into three main areas: human resources, physical resources and financial resources. Learners will need to consider how each area is managed.

- Learners will require tutor input regarding the recruitment process and staffing in general. Learners need to understand that most businesses operate with the minimum possible number of staff without compromising efficiency, and that very small businesses will have very few staff. Learners could discuss, in pairs, their own experiences of the recruitment process and employment.
- Learners will require tutor input regarding training and cost of training and will need to understand the differences between in-house and external training and the advantages and disadvantages of each type.
- In small groups, learners could investigate different types of training and the cost that might be appropriate for a given business. You could give each group a different case study and ask groups to present their findings to the whole group.
- You could lead a discussion regarding the types of physical resources that would be required by a given business and how these resources may be financed. Discussion could include a definition of start-up and running costs.
- In small groups, learners could be given a case study and asked to research the type of resources that would be required to set up and run the business. Learners should also consider how these could be financed. Groups should present their findings.

### **Topic F – Creation and interpretation of financial forecasts**

Potential investors will want to see financial forecasts before considering investing in a business. Topic F covers the creation and interpretation of a range of financial forecasts. Learners will have had the opportunity to develop their ability to create and analyse such documents within *Unit 3: Personal and Business Finance* so this section is to allow learners to further develop their skills in this area.

- You could lead a discussion to establish the learners' level of existing knowledge and understanding of financial forecasting documents.
- Learners could be given a number of exercises to create a range of financial documents from data given, including a sales forecast, cash flow forecast, break-even chart, income statement and balance sheet. Learners could then analyse the results, make recommendations and justify these. Results could be discussed as a group.

### Topic G – Viability of a business

There are a number of different methods available to test the viability of a business. These include ratio analysis, SWOT analysis and PESTLE analysis. Learners will need to be able to use these methods to justify any decisions made regarding the business identified in the assessment scenario.

- Learners will have studied liquidity, performance and profitability ratios in *Unit 3: Personal and Business Finance*. You will need to establish the level of learner competency in calculating and analysing ratios from given data. This could be achieved by giving learners a number of exercises to complete, with a greater emphasis on interpretation of results than in *Unit 3: Personal and Business Finance*.
- Learners will require tutor input to understand the benefits of carrying out a SWOT and PESTLE analysis. Learners could work in small groups on a given case study and produce a SWOT and PESTLE analysis. These could be discussed with the whole group.
- Once learners have a clear understanding of both SWOT and PESTLE analysis, they should practise applying this as a tool to find solutions to a variety of threats and 'what if' scenarios (these should be given by the tutor in the form of appropriate case studies/scenarios). Learners should also be given the opportunity to practise 'what if' scenarios using appropriate IT software.
- Learners will require tutor input on the subject of contingency planning. This topic will have been addressed in *Unit 4: Managing an Event*, so you will need to ensure that learners have understood the concept and not confused contingency planning with risk assessment as is often the case. Creating their own contingency plan as an extension to the previous activity is a good way of ensuring learners' understanding.

### Topic H – Demonstrate business skills/IT skills

This is a practical topic and learners should be given the opportunity to demonstrate these skills at various points in this unit. Giving learners the opportunity to produce a business report and executive summary and present their results will ensure this requirement is covered. Learners should also be introduced to appropriate programmes and software for the production and manipulation of financial information, generation of graphs and 'what if' scenarios. It is best to cover these topics as part of your coverage of topics B and G.

Learners should also be given the opportunity to demonstrate these skills through completing mock assessments, using the SAM and your centre's own assessment tasks. Learners will require tutor feedback on their performance.



## Details of links to other BTEC units and qualifications, and to other relevant units/qualifications

Pearson BTEC Level 3 Nationals in Business (NQF):

- All other units, as it is synoptic to the qualification.

## Resources

In addition to the resources listed below, publishers are likely to produce Pearson-endorsed textbooks that support this unit of the BTEC Nationals in Business. Check the Pearson website (<http://qualifications.pearson.com/endorsed-resources>) for more information as titles achieve endorsement.

### Textbooks

- Kourdi J – *Business Strategy: A Guide to Effective Decision-Making* (Economist Books, 2015) ISBN.9781610394765.  
This guide looks at the process of strategic decision making – from vision, forecasting and resource allocation, through to implementation and innovation.

### Journals

- *Businessweek* (BloombergBusiness)  
This delivers business and market news which is useful to help keep up-to-date with market trends.
- *The Economist* (The EconomistGroup)  
This offers insight and opinion on a range of business related topics.

### Websites

- [www.businesscasestudies.co.uk](http://www.businesscasestudies.co.uk)  
This site contains free materials and case studies.
- [www.ted.com/talks](http://www.ted.com/talks)  
This site contains short video clips of talks given by entrepreneurs.
- [www.videoarts.com](http://www.videoarts.com)  
This site contains training videos on a variety of topics.
- [www.speakers4schools.org](http://www.speakers4schools.org)  
A useful source for finding available speakers in your area.
- [www.schoolspeakers.co.uk](http://www.schoolspeakers.co.uk)  
A useful source for finding speakers on a range of topics.