

Higher National Unit Specification

General information for centres

Unit title: Functional Areas of Business

Unit code: DV6J 34

Unit purpose: This Unit enables candidates to recognise the main functional areas of business activity and that the context and structure within which functional activities are conducted can differ between organisations. It also makes candidates aware of the importance of relationships between functional areas within organisations and the impact that they can have on internal and external stakeholders such as internal service providers and customers. The Unit is intended for candidates who are taking courses where an awareness of the way businesses operate is important and where an overview of the main functional areas of business could help candidates to understand how the work they do fits in with the organisation as a whole.

On completion of the Unit the candidate should be able to:

- 1 Explain the nature and purpose of organisations.
- 2 Explain the main functional areas of business and the inter-relationships between them.

Credit points and level: 1 HN Credit at SCQF level 7: (8 SCQF credit points at SCQF level 7*).

**SCQF credit points are used to allocate credit to qualifications in the Scottish Credit and Qualifications Framework (SCQF). Each qualification in the Framework is allocated a number of SCQF credit points at an SCQF level. There are 12 SCQF levels, ranging from Access 1 to Doctorates.*

Recommended prior knowledge and skills: Access to this Unit is at the discretion of the centre but it would be beneficial if the candidate possesses good communication skills which may be evidenced by communication at Intermediate 2. Other skills, knowledge or experience relevant to the Unit would also be beneficial.

Core Skills: There are opportunities to develop the Core Skill of Communication at SCQF level 5 in this Unit, although there is no automatic certification of Core Skills or Core Skills components.

Context for delivery: If this Unit is delivered as part of a Group Award, it is recommended that it should be taught and assessed within the subject area of the Group Award to which it contributes.

Assessment: The Unit can be assessed using a case study of a hypothetical or an actual organisation. Candidates can be asked to provide a report on the functional areas of the organisation by responding to a brief based on the Evidence Requirements.

Higher National Unit specification: statement of standards

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The sections of the Unit stating the Outcomes, knowledge and/or skills, and Evidence Requirements are mandatory.

Where evidence for Outcomes is assessed on a sample basis, the whole of the content listed in the knowledge and/or skills section must be taught and available for assessment. Candidates should not know in advance the items on which they will be assessed and different items should be sampled on each assessment occasion.

Outcome 1

Explain the nature and purpose of organisations

Knowledge and/or skills

- ◆ Organisational goals
- ◆ Open systems approach
- ◆ Internal and external stakeholders
- ◆ Power, authority and responsibility
- ◆ Factors affecting organisational structure
- ◆ Forms of organisational structure
- ◆ Formal and informal organisation

Evidence Requirements

Candidates will need to provide evidence to demonstrate their knowledge and/or skills by showing that they can, with reference to a particular organisation:

- ◆ use an open systems approach to explain how the organisation interacts with its environment and how it is able to meet its organisational goals
- ◆ identify two factors which have affected the structure of the organisation and explain, and justify, the effect that they have had on the structure of the organisation
- ◆ make use of relevant organisational concepts to explain how the structure of the organisation takes account of the different functional areas of activity
- ◆ explain advantages and disadvantages of the way in which the structure of the organisation divides up the activities of the organisation
- ◆ explain, in terms of power, authority and responsibility, how one internal and one external stakeholder can each exert influence in the formal and the informal organisation

Assessment guidelines

This Outcome could be combined with Outcome 2 and assessed by a case study of an actual or hypothetical organisation. Further guidance on assessment is given after Outcome 2.

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Outcome 2

Explain the main functional areas of business and inter-relationships between them

Knowledge and/or skills

- ◆ Functional areas of activity
- ◆ Inter-relationships and conflict between functional areas
- ◆ Impact on stakeholders of relationships between functional areas
- ◆ Methods of co-ordination of organisational activity

Evidence Requirements

Candidates will need to provide evidence to demonstrate their knowledge and/or skills by showing that they can, with reference to a particular organisation:

- ◆ explain the main activities of four different functional areas of activity in the organisation and, in each case, give examples of its activities and explain how the functional area contributes to the achievement of organisational goals
- ◆ using four different illustrative examples explain how these functional areas of activity relate to each other
- ◆ using two different illustrative examples, explain, and justify, why different functional areas of activity may come into conflict with each other
- ◆ explain, and justify, the impact that the relationship between functional areas may have on one internal stakeholder and one external stakeholder
- ◆ making use of illustrative examples, explain two possible methods that the organisation could use to try to co-ordinate the work of different functional areas and assess the likely effectiveness of each one

Candidates must make use of relevant organisational concepts in their explanations and associated justification.

Assessment guidelines

The Unit can be assessed using a case study of a hypothetical or an actual organisation. Candidates could be given a suitable case study or asked to research a suitable organisation of their choice. Candidates who have access to a suitable organisation could base their work on that organisation. Assessment is likely to appear more meaningful and realistic if it is based on an actual organisation but it may not always be possible for candidates to gather sufficient suitable information.

Where assessment is based on an actual organisation, candidates could be given a brief based on the Evidence Requirements and asked to provide a report on the organisation. If all the Evidence Requirements are to be fully met, the report is likely to be approximately 2,500 words long.

Higher National Unit specification: statement of standards (cont)

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The report style format can also be used where candidates are presented with a case study (which could be hypothetical but could be based on an actual organisation). However, in this case, an alternative approach could be to construct a series of questions which elicit responses that meet the Evidence Requirements. Whichever approach is adopted the suggested word count above is likely to be appropriate. Where the same case study is given to all candidates suitable arrangements should be in place to ensure the authenticity of evidence provided.

Administrative Information

Unit code: DV6J 34

Unit title: Functional Areas of Business

Superclass category: AA

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Higher National Unit specification: support notes

Unit title: Functional Areas of Business

This part of the Unit specification is offered as guidance. The support notes are not mandatory.

While the exact time allocated to this Unit is at the discretion of the centre, the notional design length is 40 hours.

Guidance on the content and context for this Unit

This Unit is for candidates who are taking courses where an awareness of the way businesses operate is important. In particular, an overview of the main functional areas of business could help candidates to understand how the work they do fits in with the organisation as a whole. For example, providers of ICT services often have to deal with many different parts of organisations perhaps as internal service providers or as contract suppliers. It is intended for students taking non-business courses.

The Unit aims to help candidates understand what the main functional areas of business are. However, a significant aspect of it is to enable candidates to become aware that organisations are different. As a result, the way in which functional activities are conducted can vary between organisations. Organisations may, for example, adopt different structures. Even when structures appear to be similar, they may operate in different ways. The Unit also aims to make candidates aware that different functional areas are inter-related, but each functional area may have different requirements and operate in different ways. In addition, relationships between different functional areas may not always be smooth and the status of different functional areas may differ within and between organisations. Factors such as these can have an impact on both internal and external stakeholders, who will, in some capacity, include the occupational group of which candidates are, or hope to be, members. At the end of the Unit, therefore, candidates should be aware of how the work they do may be affected by organisational factors.

The following gives more detailed guidance on each of the two Outcomes.

Outcome 1

The purpose of this Outcome is to enable candidates to recognise what organisations are. It also aims to make candidates aware that organisations are dynamic and often 'messy'. For example, members of the organisation may not always interpret organisational goals in the same way; they may seek to pursue personal objectives as well as organisational aims; not all members may be equally committed to all organisational objectives and so on. Similarly, the way organisations work may be a mixture of formal and informal arrangements some of which may reflect the fact that some members of the organisation have more influence than others. This influence may stem from formal authority and responsibility but it may also be the result of power obtained from other sources or reflect aspects of organisational history and culture. The influential position of the janitor in schools is a common example.

It may help to begin by looking at the characteristics of organisations and highlight that, although organisations differ greatly, they all have in common people, objectives and structure. Mintzberg's organisational configurations model and the six basic parts of the organisation could be used as part of this introduction. The term 'organisational goals' is intended to cover the idea of objectives and could encompass mission statements and so on if desired.

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The open systems model is one of several ways of looking at organisations but its link to the transformation model means that it provides a good framework within which to look at stakeholders and the links between the organisation and its environment. The term, 'stakeholders', is taken to mean any one with an interest in the organisation. Internal stakeholders could include, for example, managers, other employees, groups of employees (eg in a functional area), project teams. External stakeholders may be shareholders, lenders, suppliers, customers, sub-contractors, partners (eg in a joint venture) and so on. The external/internal distinction is not hard and fast and candidates should recognise that an individual may be a stakeholder in more than one capacity and, as a result, may have different interests in what happens in an organisation.

Candidates should recognise that organisational structure is not a given but is the result of choices and decisions made by members of an organisation about how to divide up the various activities undertaken by the organisation. It also a balance between differentiation and co-ordination or, in Handy's terms, diversity and uniformity. Organisational structure can be affected by factors such as size, technology, changes in the environment, culture, history and ownership, interest groups such as stakeholders and so on. This could be linked with the contingency model of organisations.

Different forms of organisational structure can cover grouping of activities by various methods such as function, location, product, process, customers, nature of the work performed. It can also include tall and flat organisations, matrix organisations, project teams, entrepreneurial structure and hybrid structures. It may be helpful also to distinguish between structure and processes and how they may overlap. It is important that candidates recognise that, while grouping by functional areas is a very common approach, it is not the only option and functional activities can be organised in several different ways. The actual structural solution adopted may have advantages and disadvantages and candidates should be encouraged to consider these from the point of view of both the formal and informal organisation, while recognising that any solution is likely to bring both benefits and costs.

Candidates should also understand the way in which a formal organisational structure can underpin authority and responsibility but that organisations do not always operate in the way the formal structure implies. The informal organisation may reflect the power of interest groups which is not apparent from the formal structure of the organisation.

Outcome 2

This focuses directly on the functional areas of the organisation. It is likely that candidates will concentrate on the four areas of marketing, finance, human resources and operations. However, other functional areas such as research and development may also be important and, in some cases, sub-sections of the main categories may be treated as though they were separate functions e.g. purchasing, logistics. This may be particularly true in organisations where a significant functional activity such as manufacturing is outsourced. Candidates are expected to be aware of:

- ◆ the main activities which are undertaken in each functional area
- ◆ how the activities in each functional area contribute to achieving organisational goals eg marketing may through market research establish what customers want which enables the organisation to meet a goal of satisfying customers; similarly, operations may meet this goal by delivering goods and/or services on time and to specification

Higher National Unit specification: support notes (cont)

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- ◆ the relationships between different functional areas e.g. marketing campaign requires that appropriate goods and/or services are available for sale so functional activities have to be co-ordinated; the finance function sets budgets which other functional areas must adhere to; HR has the responsibility to provide suitable personnel to carry out other functional activities
- ◆ the possibility of conflict between different functional areas eg different areas may have different cultures: an R and D function may be much more laid back than an operations department and may have different attitudes to dress and time keeping which may cause resentment; an area like human resources may be seen as a poor relation as, historically it may have less influence in organisational decisions and, as a result, it may be less generously funded than other functional areas which again may lead to resentment

Candidates should also look at the impact that the relationship between functional areas may have on internal and external stakeholders. It would be quite acceptable to concentrate on areas of conflict when doing this but this is not necessary. One possible example may be setting priorities. If ICT support services are provided on contract the service provider can be seen as an external stakeholder. Faced with similar requests from two functional areas the service provider may choose to tackle one request first because that area is seen as having more influence within the organisation — its representatives, for example, may have a significant role to play in the process of awarding contracts. Alternatively, it may be valuable for a service provider to be aware that an issue in one functional area may well have knock-on effects in others. An ICT problem in operations may mean that the service provider has to deal with representatives from marketing which has customers who do not have deliveries and, perhaps, people from finance who are concerned about cost or other financial implications. It may be that work is asked for by operations, say, without them getting the requisite financial approval from the finance function, which subsequently quibbles about making any payment.

Methods of co-ordination such as rules and procedures, setting targets, referrals as well as standardisation of outputs, skills etc. have been included in Outcome 2 although they could be taught as part of the material in Outcome 1 if desired.

Guidance on the delivery and assessment of this Unit

The Unit can be delivered using examples of organisations familiar to candidates. Wherever possible, use should be made of the candidates' own experiences of organisations, including school and College, and those which they come into contact with as customers. They can also research organisations using the internet and other sources such as business and trade magazines. In this way, the Unit can be made practical. Candidates can be made aware that they themselves are members of, or potential members of, organisations. In this way they can become aware that they are, or will be, part of the situations which they are studying.

Candidates should be introduced to concepts and ideas relevant to the study of organisations and be encouraged to apply them to their study of what happens in organisations. At this level, candidates should have some theoretical background in which to base their explanations. They should also recognise that there are often several alternative ways to explain the same thing.

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Assessment can be based on a case study of a hypothetical or an actual organisation. There are considerable benefits in using an actual organisation if at all possible. A candidate who has access to a suitable organisation, perhaps as a current or former employee, could base her/his work on that organisation. In principle, it would be possible for candidates to research a suitable organisation of their choice. Another option is to build links with an appropriate organisation or organisations, something which several Colleges have successfully achieved. These connections often involve one or more visits to the organisation where the candidates participate in activities and exercises which enable them to gather information required for a report. Where links are well-established, members of the organisation can be briefed beforehand on the issues about which candidates are seeking information. For this Unit, it may be possible for example to hear presentations on each of our functional areas which could be accompanied by a question and answer session.

Opportunities for developing Core Skills

There are no Core Skills embedded in this Unit. However, it does offer opportunities for candidates to gather evidence which could help them demonstrate achievement for the following Core Skills. The following table gives further information on the Core Skills to which the Unit may contribute and on the opportunities which the Unit provides for Core Skills development.

Core Skill	SCQF level	Opportunities for development
Communication	level 6	Both Outcomes, and the Evidence Requirements associated with them, can contribute to aspects of this Core Skill as explained in more detail below. In all cases, the Core Skill could be developed without formal certification.
Written Communication (Reading)	level 6	Candidates taking this Unit are expected to read and understand complex written information - the general skill of this component. They should identify and summarise significant information, ideas and supporting detail about the functional areas of business. This information is conventionally available in textbook and similar sources which involve complex written information. Candidates are also expected to evaluate the effectiveness of this information in terms of how well it meets the purpose for which they require it. Consequently, candidates could demonstrate, through formative and summative assessment, that they have achieved this Core Skill component. They may be required during their study for the Unit to prepare notes from textbooks for example. The final summative report may include sections based on summaries of material obtained from reading complex written information.

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Core Skill	SCQF level	Opportunities for development
Written Communication (Writing)	level 6	Candidates can meet the Evidence Requirements for both Outcomes by producing a report. By doing this, they could provide evidence for the general skill of this component which is 'Produce well-structured written communication on complex topics'. The report could allow candidates to demonstrate that they can meet all the specific skills associated with this general skill. For example, a good report would present all essential ideas and information on the functional areas of business in a logical and effective order as well as providing suitable supporting detail. It would also have a structure which took account of the purpose of the report and the audience and linked major and minor points in ways which assisted the clarity of the report and the impact of the writing. The report would use a suitable structure, format and layout which employs effective conventions to achieve its purpose. Spelling and punctuation would be accurate.
Problem Solving		Both Outcomes, and the Evidence Requirements associated with them, can contribute to the critical thinking component of this Core Skill as explained below.
Critical Thinking	level 6	The general skill for this component is 'Analyse a complex situation or issue'. The summative assessment requires that candidates apply relevant concepts and approaches to explain what is taking place in a particular organisation. Candidates may also undertake formative assessment to help them prepare for the final assessment. Applying concepts and approaches effectively give candidates the opportunity to demonstrate this Core Skill component. For example, this can involve the identification of the factors involved in the organisational situation and an assessment of their relevance to particular concepts and approaches. It can also include a justification of why the concept or approach is a relevant way to explain the particular situation faced by the organisation. Candidates could be encouraged to adopt this approach to their assessment to aid the development of this Core Skill. It is possible also that this could yield evidence which candidates could use to demonstrate their achievement of this Core Skill component.

Higher National Unit specification: support notes (cont)

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Open learning

This Unit could be delivered by open or distance learning, if desired. If this is the case, appropriate arrangements would need to be made for assessment and quality assurance. For further information please refer to the SQA document *Assessment and Quality Assurance for Open and Distance Learning* (A1030, February 2001) which is available on the SQA website **www.sqa.org.uk**.

Candidates with additional support needs

This Unit specification is intended to ensure that there are no artificial barriers to learning or assessment. The additional support needs of individual candidates should be taken into account when planning learning experiences, selecting assessment instruments or considering alternative Outcomes for Units. For information on these, please refer to the SQA document *Guidance on Alternative Assessment Arrangements for Candidates with Disabilities and/or Additional Support Needs*, which is available on SQA's website: **www.sqa.org.uk**.

General information for candidates

Unit title: Functional Areas of Business

This Unit enables you to recognise the main functional areas of organisational activity such as marketing and finance and what each functional area involves. The Unit also enables you to understand where these functional areas fit into the structure of an organisation. It covers the importance of relationships between functional areas within an organisation and the impact that these relationships can have.

The Unit also looks at the organisational context within which functional activities take place. It introduces you to the open systems model of organisations and to the idea that there can be considerable differences between organisations in the way they structure their activities. All this should help you to understand what is happening when you become part of an organisation, as an employee, perhaps, or when you have to deal with an organisation, possibly as a supplier. For this reason, the emphasis in the Unit is how organisations actually behave. Although organisations have formal structures, things are often done informally. The Unit looks at why this happens and what effects it can have on people like employees and customers.

Normally, there will be one assessment for the Unit. It will be based on a case study of an organisation and you will be expected to produce a report of approximately 2,500 words on the organisation. You will be given a brief which will tell you what to include in your report. You will have succeeded in meeting all the requirements of this Unit if you pass this assessment.