Business and Technology (BT)
Diploma in business and technology
Pocket Notes
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Structure of the examination

Format of the examination:
- Two hour computer based assessment

The exam will be made up of:
- Thirty 2-mark questions
- Sixteen 1-mark questions
- Six 4-mark questions
- Questions may be based around short scenarios four or five lines long

Core areas of the syllabus:

(A) Understand the purpose and types of businesses and how they interact with key stakeholders and the external environment

(B) Understand business organisation structure, functions and the role of corporate governance

(C) Recognise the function of accountancy and audit in communicating, reporting and assuring financial information and in effective control and compliance

(D) Recognise the principles of authority and leadership and how teams and individuals are recruited, managed, motivated and developed.

(E) Understand the importance of personal effectiveness as the basis for effective team and organisational behaviour.

(F) Recognise that all aspects of business and finance should be conducted in a manner which complies with and is in the spirit of accepted professional ethics and professional values.

All areas are equally weighted, so expect to see 8 or 9 questions in each area.
**Keys to success**

**Your requirements:**

- You are expected to demonstrate knowledge and understanding of the relevant theory.
- You are expected to assimilate idea, understand them and apply them to the "real world" situations.
- You must be able to recognise the needs for, and the differences between, procedures, processes and wider issues of management.

**Preparation for the exam**

- Questions may combine or integrate more than one topic area, so revise thoroughly.
- All topics are equally important, make sure you have covered the entire syllabus. A shallow but broad knowledge is required rather than focussing on just a few areas.
- Read the question requirement carefully before selecting an answer.
- Answer all questions, this will maximise your chances of passing the exam.
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Our Quality Co-ordinator will work with our technical team to verify the error and take action to ensure it is corrected in future editions.
Business organisation, its structure and culture

In this chapter

• The need for organisation and its types.
• Different structural types.
• Boundaryless organisations.
• Mintzberg’s structural configurations.
• Planning levels – The Anthony Triangle.
• The roles of main organisational functions and co-ordinating mechanisms between them.
• Marketing.
• Organisational culture.
• The impact of the informal organisation.
You need to gain a general understanding of what types of organisations there are and how the activities of different departments are aligned.

You need to be able to recognise the advantages and disadvantages of each structural configuration.

Be aware of the links between organisational structure and culture. Some structures encourage a certain cultural stance, e.g. functional structure and role culture.
The need for organisation and its types

Organisations are social arrangements for the controlled performance of collective goals

- Two or more people working together in a structured way.
  Duties and responsibilities being assigned to each individual.

- Organisations use systems (e.g. swiping in when entering office) and procedures (e.g. cash handling rules) to regulate staff behaviour.

- All organisations pursue certain goals, these are considered to be over and above individual aspirations.
Organisations exist:
• to satisfy social needs
• to overcome the individuals’ limitations
• to enable individuals to specialise
• to save time through joint effort
• to pool knowledge and ideas
• to pool expertise
• to provide synergy.

Organisational types
Organisations can differ depending on their areas of activity, geographical spread of operations, size etc. However the two main types of the organisation can be classified:

1 by profit orientation
• profit-seeking organisations: seek to maximise the wealth of their owners (e.g. commercial companies)

2 by ownership/control
• public sector: provision of basic governmental services (e.g. police, education, healthcare)
• private sector limited liability (Ltds and plcs)
  – partnerships
  – clubs
• cooperatives owned by people who buy or use their services.

• not-for-profit organisations (NFPs): seek to satisfy the needs of their members, profit is no longer a primary objective (e.g. schools, hospitals).
**Different structural types**

Structure refers to the way jobs are grouped into different departments and are allocated responsibility and authority.

<table>
<thead>
<tr>
<th>Type</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurial</td>
<td>Typical in small, owner-managed companies. Allows for fast decision-making and high degree of control, however may restrict growth and success depends on manager’s capabilities.</td>
</tr>
<tr>
<td>Functional</td>
<td>Departments are based on common specialisation. Best suited to companies operating in a stable environment, dealing with few products, this structure often suffers from conflict between departments and slow decision-making.</td>
</tr>
<tr>
<td>Divisional</td>
<td>Functions are grouped in accordance with product lines or divisions. Gives more responsibility to general managers, allows senior staff to become more strategic, but functions are duplicated and divisions may lose sight of organisation-wide goals.</td>
</tr>
<tr>
<td>Geographical</td>
<td>Activities are grouped according to location. This gives a high degree of flexibility necessary to adjust for local customs, but may lead to sub-optimisation.</td>
</tr>
<tr>
<td>Matrix</td>
<td>A combination of functional and divisional structure which allows for better coordination of activities and more focus on operations. Can lead to dual reporting and excessive pressure on staff.</td>
</tr>
</tbody>
</table>
## Boundaryless Organisations

**Definition**

Boundaryless organisations are a modern model of organisational design which adopt a flexible, unstructured design.

<table>
<thead>
<tr>
<th>Type</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hollow organisations</td>
<td>All non-core (i.e. non-strategically important) functions are outsourced to third party organisations.</td>
</tr>
<tr>
<td>Virtual organisations</td>
<td>Any, and all, functions can be outsourced – whether core or non-core. All that is left is a small central staff who co-ordinate the outsourcing arrangements.</td>
</tr>
<tr>
<td>Modular organisations</td>
<td>Boundaryless manufacturing organisations. Rather than simply making their own product, they break the manufacturing process down into modules or components. Each component can then be either made by the company or outsourced.</td>
</tr>
</tbody>
</table>
Scalar chain – number of management levels
Span of control – number of subordinates under one manager’s control

**Span of control depends on:**
- managers capabilities (physical & mental limitations)
- nature of managers workload
- nature of work undertaken (how routine it is)
- geographical dispersion of subordinates
- level of cohesiveness within the team.

**All structures could be divided into two groups**
- By composition (in relation to its size)
  - Tall with many levels of hierarchy & narrow span of control (e.g. functional, divisional, geographic)
  - Flat with few levels of hierarchy & wide span of control (e.g. entrepreneurial, matrix).
- By level of decision-making:
  - Centralised – decisions are made by senior management (e.g. functional, entrepreneurial).
  - Decentralised – decision-making is delegated to lower levels (e.g. matrix, geographical).

**Offshoring**
This refers to the process of outsourcing or relocating some of an organisation’s functions from one country to another, usually in an effort to reduce costs.

**Shared services approach**
This involves centralising an internal function that is currently used throughout the organisation (i.e. centralisation of the IT department) and then running it like a separate business within the organisation. This often means that the rest of the organisation will be charged for use of this function.
Mintzberg’s Structural Configurations

Mintzberg suggested that an organisation could be broken into five building blocks:

- Strategic Apex
- Support Staff
- Middle Line
- Techno Structure
- Operating Core
<table>
<thead>
<tr>
<th>Building block</th>
<th>Who are they?</th>
<th>What if they dominate the company?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic apex</td>
<td>Senior levels of management</td>
<td>Simple structure</td>
</tr>
<tr>
<td>Middle line</td>
<td>Middle management</td>
<td>Divisionalised</td>
</tr>
<tr>
<td>Operating core</td>
<td>Workers</td>
<td>Professional bureaucracy</td>
</tr>
<tr>
<td>Technostructure</td>
<td>Analysts who plan and control the work of others</td>
<td>Machine bureaucracy</td>
</tr>
<tr>
<td>Support staff</td>
<td>Admin support and indirect services</td>
<td>Adhocracy</td>
</tr>
<tr>
<td>Ideology</td>
<td>Organisational beliefs and values</td>
<td>Missionary</td>
</tr>
</tbody>
</table>
Planning levels – The Anthony Triangle

- **Strategic**
  - long term
  - looks at the whole organisation
  - defines resource requirements

- **Tactical**
  - medium term
  - looks at the department / divisional level
  - specifies how to use resources

- **Operational**
  - short term
  - very detailed
  - concerned day-to-day running of the company
Strategy is a course of action, including the specification of resources required, to achieve a specific objective.

**Levels of strategy**

Corporate – directions for the whole of the organisation.

Business – how to approach a particular market.

Operational – specific to each department.
The roles of main organisational functions and co-ordinating mechanisms between them

Departments and their roles

- **R&D** – developing & improving products
- **Purchasing** – acquiring input materials, negotiating trading terms (e.g. quantity quality, price)
- **Production** – converting supplies into finished goods, adding value in the process
- **Marketing** – product design, pricing, distribution, promotion (4Ps of marketing mix)
- **Services** – customer services, dealing with complaints and enquiries
- **Admin** – back-office, supporting functions
- **Finance** – financial reporting, treasury, management accounting
- **HR** – dealing with staff issues

Coordination through:
- Standardised: Work processes (aiming for single best practice), Output (developing product/service specifications), Skills and knowledge (staff training)
- Direct supervision (managerial oversight)
- Mutual adjustment (via communication)
Marketing

Definition

Marketing is a management process that identifies, anticipates and satisfies customer needs efficiently and profitably.

The organisation could have different attitudes towards customers:
- **product orientation**: producing goods of optimum quality in hope they will be bought
- **sales orientation**: using aggressive sales techniques to persuade people to buy
- **marketing orientation**: putting customer at the centre of organisational activity and ensuring the product satisfies their needs.

Marketing mix allows the balance of organisational capacity and customer requirements and includes:
- **product** (e.g. design, features, packaging)
- **price** (e.g. discounts, credit policy, payment terms)
- **promotion** (e.g. advertising, personal selling, direct marketing)
- **place** (e.g. distribution channels, transportation, warehousing).

In the service sector marketing mix is extended to include:
- **people** (e.g. employee selection, training and motivation)
- **physical evidence** (e.g. layout, décor, presentation)
- **process management** (e.g. customer handling from the first to the last contact).
Organisational culture

- A set of norms of behaviour
- Formal rules (e.g. employment contract terms)
- Informal rules (e.g. tea breaks)

Symbols and symbolic actions
- Rituals (e.g. celebrations)
- Logos
- Slogans
- Badges

A set of shared values/dominant beliefs
- Underlying attitudes (e.g. to work, customers, mistakes)
- Beliefs (e.g. importance of people as individuals)
Organisational culture depends on:
• size – turnover, physical size, employee numbers
• technology – attitudes to innovation, adoption of new working methods
• diversity – product range, geographical spread, cultural make-up of stakeholders
• age – years in business, depth of managers’ experience
• history – what has worked in the past, previous successes and failures
• ownership – number and type of shareholders.

Schein argued that the first leaders of an organisation create its culture and described three levels of culture:
• artifacts – can be easily seen (e.g. office layout and environment, dress code)
• espoused values – play a supporting role in bringing people together (e.g. slogans)
• basic assumptions – difficult to identify, work at unconscious level (e.g. respect for management instructions)
Handy defined corporate culture as “the way we do things around here”.

He identified the following four cultural types:

<table>
<thead>
<tr>
<th>Power</th>
<th>Task</th>
</tr>
</thead>
<tbody>
<tr>
<td>Found in smaller, entrepreneurial organisations</td>
<td>Project-based, creative work</td>
</tr>
<tr>
<td>One major source of influence (e.g. founder)</td>
<td>Nothing is allowed to get in the way of achieving the goals</td>
</tr>
<tr>
<td>Few formal rules</td>
<td>Suitable in a rapidly changing environment</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Role</th>
<th>Person</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common in bureaucratic organisations (e.g. government)</td>
<td>Serves the interest of the individuals who make it up (e.g. solicitors firm)</td>
</tr>
<tr>
<td>People follow predetermined procedures without questioning their purpose</td>
<td>Is built around educated and articulate individuals – specialists with a common interest</td>
</tr>
<tr>
<td>Emphasis on the individual’s position in the hierarchy</td>
<td>Success of the organization depends on retaining the key personnel</td>
</tr>
</tbody>
</table>

Hofstede attempted to identify how national culture influences business behaviour:
<table>
<thead>
<tr>
<th>Trait</th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Individualism</strong> (vs. collectivism) – tendency for people to look after themselves and their immediate families</td>
<td>Staff expect to be assessed on their own merits</td>
<td>Staff expect to be assessed as groups</td>
</tr>
<tr>
<td><strong>Uncertainty avoidance</strong> (UA index) – extent to which people dislike risk</td>
<td>Staff expect to be given detailed guidelines and rules</td>
<td>Staff like taking their own initiative</td>
</tr>
<tr>
<td><strong>Power Distance</strong> (PD) – extent to which inequality in power is accepted</td>
<td>Managers are expected to be powerful</td>
<td>Staff expect to be involved in decision-making</td>
</tr>
<tr>
<td><strong>Masculinity</strong> (vs. femininity) – values based on competitiveness, ambition and monetary rewards</td>
<td>Large distinction between gender roles and staff are motivated by work, power and success</td>
<td>Little distinction between gender roles and staff are motivated by quality of life</td>
</tr>
<tr>
<td>Long-term orientation (vs. short term orientation)</td>
<td>Long term – focus is on future rewards, saving, persistence and ability to adapt.</td>
<td>Short-term – focus on respect for tradition, social obligations and ‘saving face’.</td>
</tr>
<tr>
<td>Indulgence vs. restraint</td>
<td>Indulgence – focus on enjoying life and having fun</td>
<td>Restraint – strict social norms</td>
</tr>
</tbody>
</table>
The impact of the informal organisation

In the organisation people often socialise across divisional boundaries. This is referred to as the informal organisation – it is a flexible arrangement with fluctuating membership.

Features of the informal organisation.

- People are joined by a common interest (network of relationships based on friendship).
- A separate set of procedures (people doing favours for each other).
- Grapevine communication network (circulating gossips and rumours).

Impact of the informal organisation

Positive

- Can be used by management to complement the existing structure and strengthen the bonds between staff
- Things can get done quicker.
- Monitoring the grapevine allows to resolve problems before they escalate.

Negative

- Being part of the informal organisation means that manager loses his/her impartial standing and becomes emotionally involved with staff.
- “Cutting corners” exposes the organisation to additional risks e.g. safety failures.