

# Understanding Business

## *1.2 - Influences on Business Activity*

**Learner's  
Questions**



**WHAT INFLUENCES BUSINESS ACTIVITY?**

- 1 Explain what a DECISION is 1
- 2 Identify 3 common business decisions. 3
- 3 Identify 2 factors what influence business decision making. 2
- 4 Explain what BUSINESS MANAGEMENT actually is. 1

**STAKEHOLDERS**

- 5 Describe what INTERNAL STAKEHOLDERS are. 1
- 6 Copy and complete the following style of table to identify at least 2 INTERNAL stakeholders, describe what they want, and explain how they can influence the business. 6

Stakeholder	Description	What they want	Method of Influence

- 7 Describe what EXTERNAL STAKEHOLDERS are. 1
- 8 Copy and complete the following style of table to identify at least 4 EXTERNAL stakeholders, describe what they want, and explain how they can influence the business. 12

Stakeholder	Description	What they want	Method of Influence

- 9 Explain the difference between INTERNAL and EXTERNAL stakeholders. 1
- 10 For each of the following situations, suggest stakeholders who would be interested, explain what they hope would happen and describe how they could try to make sure that it did.
  - a FALLING PROFITS
  - b FALL IN THE AMOUNT OF CASH AVAILABLE
  - c FALLING PRODUCT QUALITY
  - d INCREASING PRICES AND PROFITS

## INTERNAL ENVIRONMENTAL FACTORS

- |    |  |   |
|----|--|---|
| 11 | Explain what INTERNAL ENVIRONMENTAL FACTORS are.   | 1 |
| 12 | Explain how having LOTS of finance available can POSITIVELY affect business decisions and activities.                    | 3 |
| 13 | Explain how having a LACK of finance available can NEGATIVELY affect business decisions and activities.                  | 3 |
| 14 | Describe what LABOUR is.   | 1 |
| 15 | Explain how having SKILLED and COMMITTED labour available can POSITIVELY affect business decisions and activities.       | 3 |
| 16 | Explain how having UNSKILLED and NON COMMITTED labour available can NEGATIVELY affect business decisions and activities. | 3 |
| 17 | Describe what the purpose of INDUSTRIAL ACTION is, and explain why it might happen.                                      | 2 |
| 18 | Describe what CAPITALISATION is.   | 1 |
| 19 | Explain how having LOTS of effective capital available can POSITIVELY affect business decisions and activities.          | 3 |
| 20 | Explain how having a LACK of effective capital available can NEGATIVELY affect business decisions and activities.        | 3 |
| 21 | Suggest how the main internal environmental factors can be remembered.   | 1 |

## EXTERNAL ENVIRONMENTAL FACTORS

- 22 Explain what EXTERNAL ENVIRONMENTAL FACTORS are. 1
- 23 Describe what the POLITICAL external environmental factor is concerned with. 1
- 24 Explain what each of the following POLITICAL terms mean. 3
- a LEGISLATION
  - b TAXATION
  - c GOVERNMENT AGENCY
  - d GRANT 4
- 25 Discuss the BENEFITS and PROBLEMS that POLITICAL external environmental factors can create for businesses. 4
- 26 Describe what the ECONOMIC external environmental factor is concerned with. 1
- 27 Explain what each of the following terms mean. 3
- a LOCAL ECONOMY
  - b NATIONAL ECONOMY 2
- 28 Describe what the ECONOMIC CYCLE is. 1
- 29 Explain what happens when there is a BOOM in an economy. 3
- 30 Explain what happens when there is a RECESSION in an economy. 3
- 31 Draw a diagram to illustrate the patterns of boom and slump for many economies. 3
- 32 Describe what INFLATION is. 1
- 33 Explain how INFLATION leads an economy from BOOM to RECESSION. 3
- 34 Explain how INFLATION leads an economy from RECESSION to BOOM. 3
- 35 Describe at least 3 problems that INFLATION and RECESSION cause businesses. 3
- 36 Explain why, on the whole, BOOMS do not cause problems for businesses. 2

37	Describe what the SOCIAL external environmental factor is concerned with.	1
38	Explain the difference between SOCIO CULTURAL and DEMOGRAPHIC changes.	1
39	Identify whether each of the following issues are SOCIO CULTURAL and DEMOGRAPHIC changes.	
	a DECREASED SUPPORT FOR FUR COATS	
	b INCREASE IN AVERAGE AGE OF PEOPLE	
	c DECREASE IN THE BIRTHRATE	
	d INCREASE IN THE NUMBER OF SINGLE PEOPLE	
	e INCREASED DEMAND FOR CONVENIENCE FOODS	4
40	Suggest ways SOCIO CULTURAL and DEMOGRAPHIC changes can POSITIVELY influence business activity.	3
41	Suggest ways SOCIO CULTURAL and DEMOGRAPHIC changes can NEGATIVELY influence business activity.	3
42	Describe what the TECHNOLOGICAL external environmental factor is concerned with.	1
43	Discuss the BENEFITS and PROBLEMS that TECHNOLOGICAL external environmental factors can create for businesses.	4
44	Describe what the ENVIRONMENTAL external environmental factor is concerned with.	1
45	Discuss the BENEFITS and PROBLEMS that ENVIRONMENTAL external environmental factors can create for businesses.	4
46	Describe what the COMPETITIVE external environmental factor is concerned with.	1
47	Explain what a MARKET is.	1
48	Explain what the term COMPETITIVE means.	1
49	Explain what a COMPETITIVE ADVANTAGE is.	1
50	Identify at least 3 examples of COMPETITIVE ADVANTAGES.	3
51	Explain how the COMPETITIVE ADVANTAGES of one business can lead to the failure of other businesses in the same market.	2
52	Describe how the main external environmental factors can be remembered.	1
53	Explain why dealing with external environmental factors is so important to business activity.	1
54	Explain which external factor is likely to have the most influence on a day to day basis.	1

## DEALING WITH KEY FACTORS

- 55 For each of the following situations suggest an action that could be taken to address the situation.
- a COMPETITOR'S PRODUCTS ARE 20% CHEAPER THAN YOURS
  - b NEW LEGISLATION PREVENTS YOUR BUSINESS SELLING TO UNDER 16'S
  - c THE ECONOMY ENTERS A SLUMP
  - d PEOPLE START TO COMPLAIN ABOUT YOUR USE OF ANIMAL TESTING
  - e STAFF TRAINING FOR FACTORY MACHINE OPERATORS
  - f INCREASE IN PROFITS FROM LAUNCH OF NEW PRODUCT
  - g STAFF STRIKE
  - h PURCHASE OF NEW EQUIPMENT
  - i THE FINANCE MANAGER IS CONSTANTLY LATE WHEN PROVIDING INFORMATION.
  - j THE LAST 2 RECEPTIONISTS WERE NOT SKILLED ENOUGH TO DO THEIR JOB PROPERLY.
  - k CURRENT COMPUTERS ARE TOO OLD TO RUN NECESSARY SOFTWARE. 11
- 56 Explain how positively addressing key factors can benefit the following stakeholders.
- a OWNERS
  - b STAFF
  - c CONSUMERS
  - d SOCIETY
  - e GOVERNMENT 5
- 57 Explain why businesses fail. 1
- 58 Use resources to find out about how many businesses fail each year in the UK. 1
- 59 Describe what each of the following terms mean.
- a ADMINISTRATION
  - b ADMINISTRATOR
  - c GOING CONCERN
  - d LIQUIDATION 4

## BUSINESS INFLUENCES – SUMMARY TASK

Choose a (current or failed) business that you know about or can find out about. Prepare a business profile for them that highlights the following information.

- INTERNAL STAKEHOLDERS INTERESTS
- EXTERNAL STAKEHOLDERS INTERESTS
- INTERNAL ENVIRONMENTAL IMPACTS
- EXTERNAL ENVIRONMENTAL IMPACTS
- DECISIONS AND ACTIONS TAKEN TO DEAL WITH KEY FACTORS
- SUCCESS OR FAILURE OF BUSINESS FROM DEALING WITH KEY FACTORS

