

# 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
- 11 Describe what STAKEHOLDER CONFLICT is. 1
- 12 Describe examples of STAKEHOLDER CONFLICTS. 3
- 13 Explain how STAKEHOLDER CONFLICT is usually resolved. 2
- 14 Describe what STAKEHOLDER INTERDEPENDENCE is, and explain why it is important. 2
- 15 Suggest ways that STAKEHOLDER CONFLICT can be avoided or resolved. 3

## INTERNAL ENVIRONMENTAL FACTORS

16	Explain what INTERNAL ENVIRONMENTAL FACTORS are.	1
17	Explain how having LOTS of finance available can POSITIVELY affect a business.	3
18	Explain how having a LACK of finance available can NEGATIVELY affect a business.	3
19	Describe what EQUIPMENT is.	1
20	Explain how having LOTS of effective capital available can POSITIVELY affect a business.	3
21	Explain how having a LACK of effective capital available can NEGATIVELY affect a business.	3
22	Describe what HUMAN RESOURCES are.	1
23	Explain how having SKILLED and COMMITTED labour available can POSITIVELY affect a business.	3
24	Explain how having UNSKILLED and NON COMMITTED labour available can NEGATIVELY affect a business.	3
25	Describe what the purpose of INDUSTRIAL ACTION is, and explain why it might happen.	2
26	Describe the ROLE OF A MANAGER in a business.	3
27	Describe what a STRATEGIC decision is, and suggest at least 2 examples of one.	2
28	Describe what a TACTICAL decision is, and suggest at least 2 examples of one.	2
29	Describe what an OPERATIONAL decision is, and suggest at least 2 examples of one.	2
30	Compare STRATEGIC, TACTICAL and OPERATIONAL decisions.	4
31	Explain why all levels of decision must support each other.	1
32	For each of the following businesses, suggest one STRATEGIC decision that they may make and then outline the TACTICAL and OPERATIONAL decisions which would be required to implement it. a PRIVATE SECTOR BUSINESS b PUBLIC SECTOR BUSINESS c THIRD SECTOR BUSINESS	9
33	Describe what SWOT ANALYSIS is explain how it can improve the quality of decision making.	4
34	Describe what CORPORATE CULTURE is and explain how it is created.	4
35	Discuss the advantages and disadvantages of establishing an corporate culture.	4
36	Describe different “types” of corporate culture that can be formed.	2

## EXTERNAL ENVIRONMENTAL FACTORS

- 37 Explain what EXTERNAL ENVIRONMENTAL FACTORS are. 1
- 38 Describe what the POLITICAL external environmental factor is concerned with. 1
- 39 Explain how LEGISLATION can affect businesses in the following areas. 3
- a CONSUMER PROTECTION
  - b EMPLOYMENT
  - c HEALTH AND SAFETY
- 40 Explain what ECONOMIC POLICY is. 1
- 41 Explain what FISCAL POLICY is. 1
- 42 Describe the factors which affect FISCAL POLICY. 2
- 43 Explain how the following FISCAL STANCES can affect businesses. 3
- a NEUTRAL FISCAL POLICY
  - b EXPANSIONARY FISCAL POLICY
  - c CONTRACTIONARY FISCAL POLICY
- 44 Explain what MONETARY POLICY is. 1
- 45 Describe the factors which affect MONETARY POLICY. 1
- 46 Explain how the following MONETARY STANCES can affect businesses. 3
- a NEUTRAL MONETARY POLICY
  - b EXPANSIONARY MONETARY POLICY
  - d CONTRACTIONARY MONETARY POLICY
- 47 Explain what COMPETITION POLICY is. 1
- 48 Describe the ANTI COMPETITIVE actions that businesses can take. 3
- 49 Describe the role of the COMPETITION AND MARKETS AUTHORITY and EU COMPETITION COMMISSION. 2
- 50 Describe actions that can be taken to manage ANTI COMPETITIVE actions by businesses. 3

51	Describe what the ECONOMIC external environmental factor is concerned with.	1
52	Explain what each of the following terms mean.	3
	a LOCAL ECONOMY	
	b NATIONAL ECONOMY	2
53	Describe what the ECONOMIC CYCLE is.	1
54	Explain what happens when there is a BOOM in an economy.	3
55	Explain what happens when there is a RECESSION in an economy.	3
56	Draw a diagram to illustrate the patterns of boom and slump for many economies.	3
57	Describe what INFLATION is.	1
58	Explain how INFLATION leads an economy from BOOM to RECESSION.	3
59	Explain how INFLATION leads an economy from RECESSION to BOOM.	3
60	Describe at least 3 problems that INFLATION and RECESSION cause businesses.	3
61	Explain why, on the whole, BOOMS do not cause problems for businesses.	2
62	Describe what the SOCIAL external environmental factor is concerned with.	1
63	Explain the difference between SOCIO CULTURAL and DEMOGRAPHIC changes.	1
64	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
65	Suggest ways SOCIO CULTURAL and DEMOGRAPHIC changes can POSITIVELY influence business activity.	3
66	Suggest ways SOCIO CULTURAL and DEMOGRAPHIC changes can NEGATIVELY influence business activity.	3
67	Describe what the TECHNOLOGICAL external environmental factor is concerned with.	1
68	Discuss the BENEFITS and PROBLEMS that TECHNOLOGICAL external environmental factors can create for businesses.	4
69	Describe what the ENVIRONMENTAL external environmental factor is concerned with.	1

70	Discuss the BENEFITS and PROBLEMS that ENVIRONMENTAL external environmental factors can create for businesses.	4
71	Describe what the COMPETITIVE external environmental factor is concerned with.	1
72	Explain what a MARKET is.	1
73	Explain what the term COMPETITIVE means.	1
74	Explain what a COMPETITIVE ADVANTAGE is.	1
75	Identify at least 3 examples of COMPETITIVE ADVANTAGES.	3
76	Explain how the COMPETITIVE ADVANTAGES of one business can lead to the failure of other businesses in the same market.	2
77	Describe how the main external environmental factors can be remembered.	1
78	Explain why dealing with external environmental factors is so important to business activity.	1
79	Explain which external factor is likely to have the most influence on a day to day basis.	1

## DEALING WITH KEY FACTORS

- 80 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
- 81 Explain how positively addressing key factors can benefit the following stakeholders.
- a OWNERS
  - b STAFF
  - c CONSUMERS
  - d SOCIETY
  - e GOVERNMENT 5
- 82 Explain why businesses fail. 1
- 83 Use resources to find out about how many businesses fail each year in the UK. 1
- 84 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

