d. **Customers are a (or perhaps 'the') key stakeholder group in a business; unhappy customers can provide a source for improvement to ensure that the business survives and thrives.**

e. **Diseconomies of scale; Poor communications / communication breakdowns; Poor organizational structure; Stakeholder conflict**

f. **Strategic decisions, e.g. M&A, relocation decisions, expansion plans, how much to pay staff, the hiring of executive directors…**

Task 4 – Multiple Choice

1.	B.	**Individuals, groups or organizations that are affected by the behaviour of businesses**
2.	A.	**Stockholders**
3.	D.	**Creditors**
4.	A.	**Customers**
5.	C.	**Trade unions**
6.	D.	**For staff professional development**
7.	C.	**The Chinese government**
8.	D.	**They receive dividends each year based on the number of shares they hold**
9.	C.	**Pressure group**
10.	D.	**Deforestation**
11.	A.	**To change government economic objectives**
12.	A.	**By raising as much publicity and awareness of their cause as possible**
13.	A.	**Stakeholder conflict**
14.	C.	**Entrepreneurs**
15.	D.	**Create adverse publicity for a business by encouraging customers to shun (avoid or reject) the business**
16.	A.	**Conflict**
17.	B.	**Industry trade groups**
18.	D.	**They offer preferential credit terms to all their customers**
19.	A.	**The owners of limited liability companies**
20.	C.	**Stakeholder mapping**

Unit 1.5
External environment

Task 1 – Complete the missing words…

STEEPLE analysis stands for the S**ocial**, T**echnological**, E**conomic**, E**nvironmental**, P**olitical**, L**egal** and E**thical** factors that affect businesses, all of which are beyond an individual firm's control. STEEPLE analysis gives managers an overview of the **external** business environment.

STEEPLE analysis provides a simple brainstorming framework of the external opportunities and **threats** faced by a business. It promotes proactive and forward thinking, rather than static opinions based on **intuition** (gut feelings). Hence, STEEPLE analysis enables managers to be more informed and prepared to deal with external influences.

Task 2 – Explain why

a. **An increase in the exchange rate makes it more difficult to sell exports as the price will rise. However, a stronger currency presents an opportunity for firms that import raw materials and components, thereby lowering their production costs.**

b. **Inflation that is under control suggests that the economy is doing well and hence the inflation could have been caused by higher salaries, i.e. demand-pull inflation is not necessarily a bad thing).**

c. **Threat: higher production costs for many businesses; there could be some redundancies**
Opportunity: labourers have higher spending power, so this could lead to higher sales revenues in the medium to long term.

d. **The forces of change are still in force even if a business does not initiate change, e.g. oil crisis, economic recession, war, outbreak of infectious diseases, torrential weather, technological progress, financial crisis...**

Task 3 – STEEPLE Analysis

a. The table below shows examples of different external factors that affect businesses. In each case, identify the correct category of STEEPLE for each of the examples below. An example has been done for you.

External Factor	External Factor
Social	**Political**
Social	**Legal**
Economic	**Economic**
Technological	**Technological**
Legal	**Economic**
Economic	**Ethics**
Political	**Environmental**

b. Identify the **type** of external factors (i.e. the STEEPLE factors) that affect businesses from the clues below:

Type of external influence
Environmental
Political
Social
Economic
Technological
Legal
Ethical

Task 4 – True or False?

	True / False
a.	**T**
b.	**T**
c.	**F**
d.	**T**
e.	**T**
f.	**F**
g.	**T**
h.	**F**
i.	**F**
j.	**T**

Task 5 – Vocab Quiz

All the key terms below refer to external factors that present either threats or opportunities for businesses. Identify the key term from the given definitions. *Hint*: all key terms appear in reverse alphabetical order.

Key Term
Tariff
Recession
Protectionism
Monetary Policy
Interest rate
Inflation
Indirect Tax
Economic growth
Direct tax
Business cycle

Task 6 – The economic environment

a. **Higher interest rates increase the costs of loan repayments and loan interest. This therefore leads to lower levels of income available for expenditure, and hence less chance of any demand-pull inflation.**

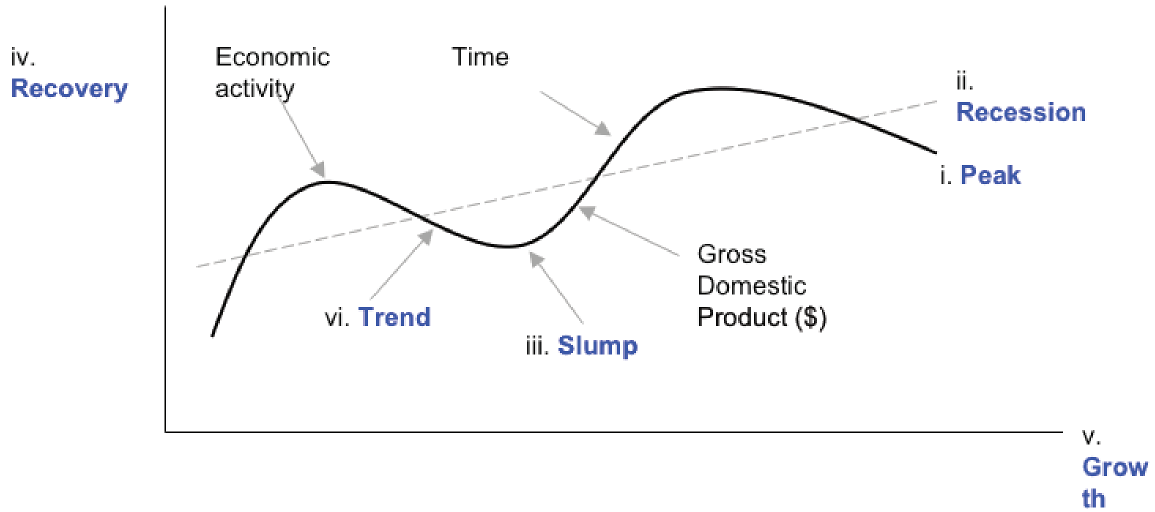
b. **A higher exchange rate can mean that exports become less price competitive (leading to a decline in export revenues) whilst imports become relatively cheaper (leading to greater import expenditure).**

c. Higher interest rates tend to attract greater demand (from savers and other investment funds) for the currency, thereby leading to a higher price for the currency, i.e. an increase in the exchange rate. By contrast, savers tend not to be so interested in saving in currencies that offer relatively lower interest rates (thereby having less impact on the exchange rate).

d. Higher prices in general mean that the country charges escalating prices for both domestic and overseas customers, thereby leading to lower price competitiveness on the international arena.

e. Higher income tax rates tend to deflate the economy by withdrawing money that is available for people to spend, thereby having less of an impact on demand-pull inflation.

f.



Task 7 – Multiple Choice

1. D. Floating exchange rates
2. C. Customs, habits and tastes
3. A. Education and training
4. C. Demography
5. C. Pay huge bonuses to its board of directors
6. D. Lowering prices to maintain sales revenue
7. C. The removal of controls in a particular industry
8. D. Taxes on income from interest and dividends
9. B. Direct tax
10. A. Excise duties
11. B. Strengthened
12. D. To supply services such as health care to compete with private sector providers
13. C. Taxation and government spending policies
14. D. The total value of a country's output during a year
15. C. Interest rates
16. A. A rise in the price of vital imported raw materials
17. D. Weakened consumer spending
18. B. $297 850 million
19. A. Government spending
20. B. Decline
21. B. Cash-flow problems harming international expansion plans
22. D. Social change
23. C. 6.25%

24. **C.** **32 million**
25. B. **Raising the minimum wage**
26. C. **Increased resource depletion**
27. D. **Raises revenue for the domestic government**
28. C. **Social**
29. D. **Environmental**
30. B. **Employee protection legislation**

Unit 1.6
Growth and evolution

Task 1 - Complete the missing words…

Internal growth refers to the increased size of a business by using its own resources, such as **retained** profit. It is also known as **organic** growth. External growth occurs when a firm expands by merging with or **acquiring** another firm. This method is also known as **inorganic** growth.

Firms looking for quick growth and expansion will tend to use **external** growth strategies such as purchasing a majority stake in another company. This strategy is known as a **takeover**. By contrast, a **joint venture** is where two or more companies share the financial risks and rewards of a business project. The firms jointly establish and own a new business.

One benefit of organizational growth is economies of scale. These are **cost** savings due to the large scale of business operations, i.e. **average** costs of production fall as the level of output increases. The main types of economies include financial, managerial, purchasing (or commercial) and marketing. The **optimum** (or best) size for a business depends on its aims, the structure of its costs and the size of the market.

Globalization refers to the growing degree of **integration** and interdependence of the world's economy. This means that decisions and actions taken in one part of the world will have a direct impact on those in other parts of the world. A key contributing factor of globalization is the growth and expansion of **multinational companies** (MNCs). There is increasing pressure for these global businesses to market their brands worldwide. **Technological** progress, such as e-commerce, has also contributed to globalization by improving consumer access to a huge range of markets.

Globalization has both positive and detrimental effects on business growth and evolution, e.g. it stimulates **competition** as there are more foreign businesses and products competing in the domestic market. At the same time, the **deregulation** of trade restrictions has allowed domestic businesses to enter overseas markets, thereby enabling these firms to benefit from **economies of scale** (lower average costs as a firm expands its operations) and a larger **customer** base.