

# **OTHER EXTERNAL INFLUENCES ON BUSINESS**

# TASK

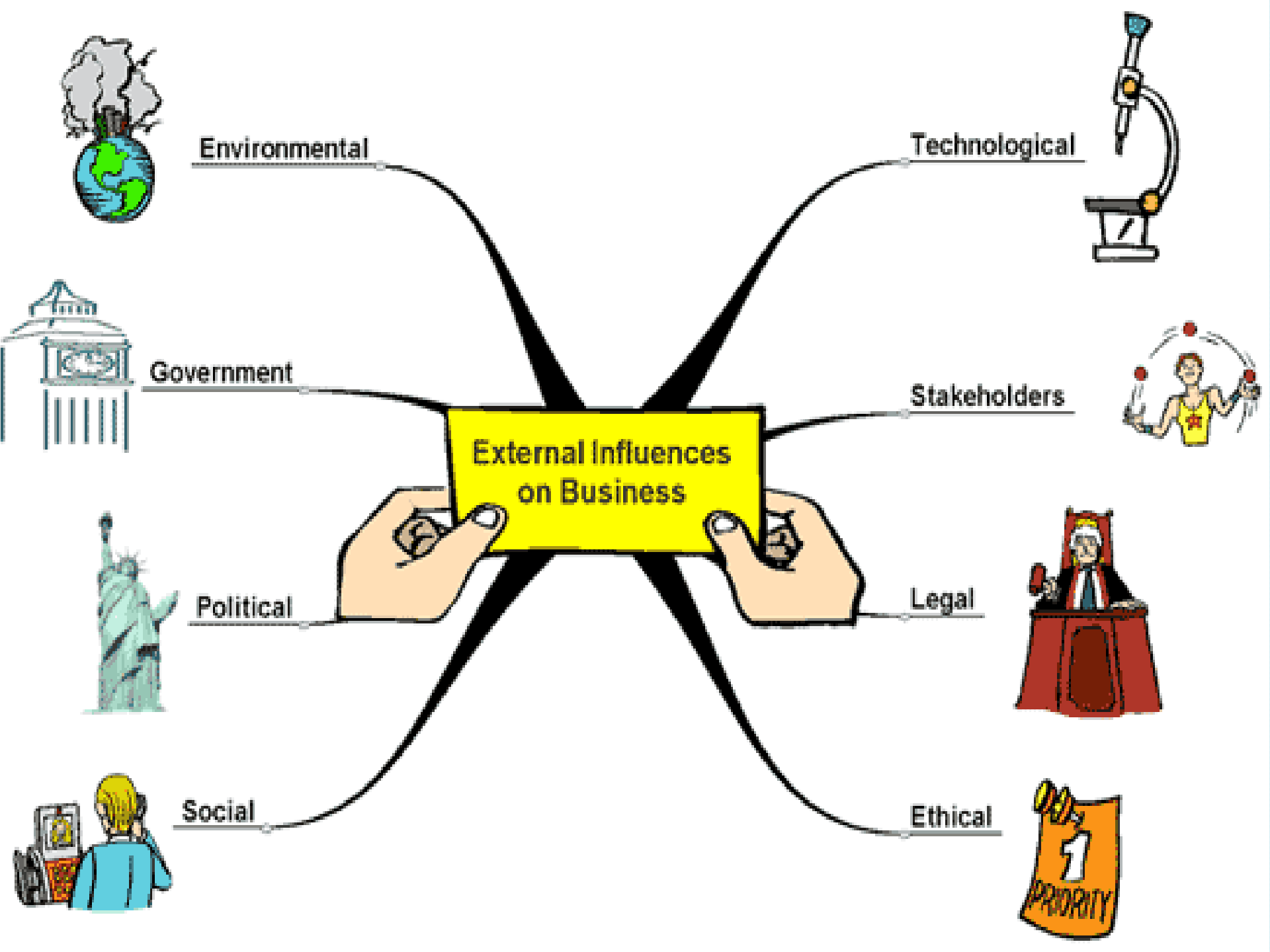
- Today.. You are about to go out with your friends shopping... Can you make a list of things that ***MIGHT GO WRONG?***



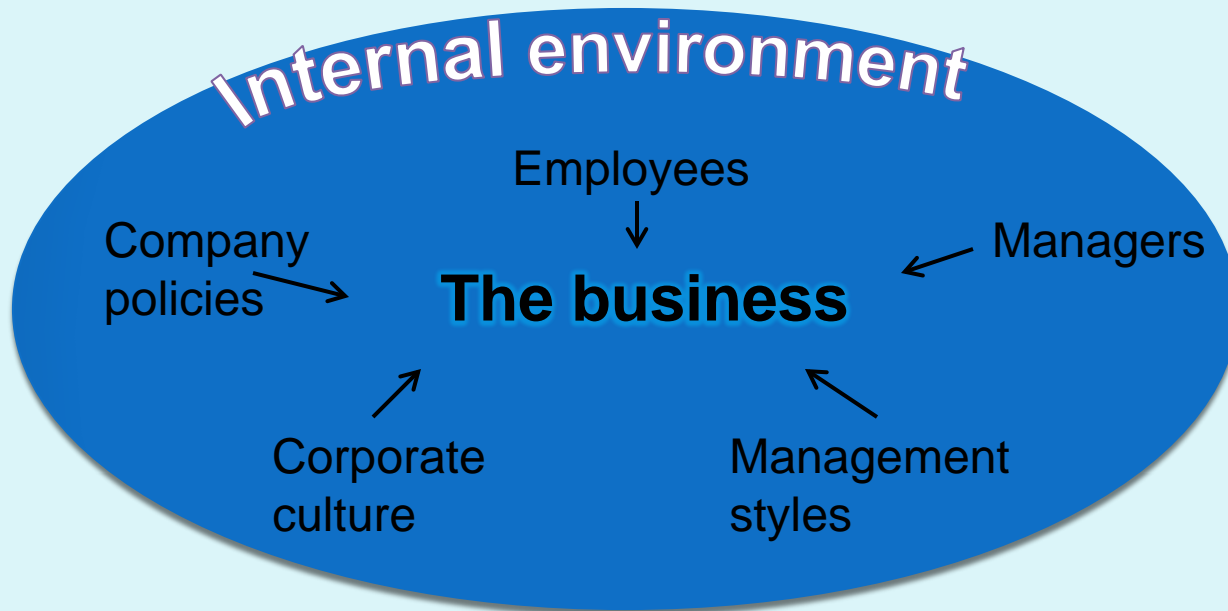
- Look at your list.. What are the things that you can control? What are the things that are out of your control?

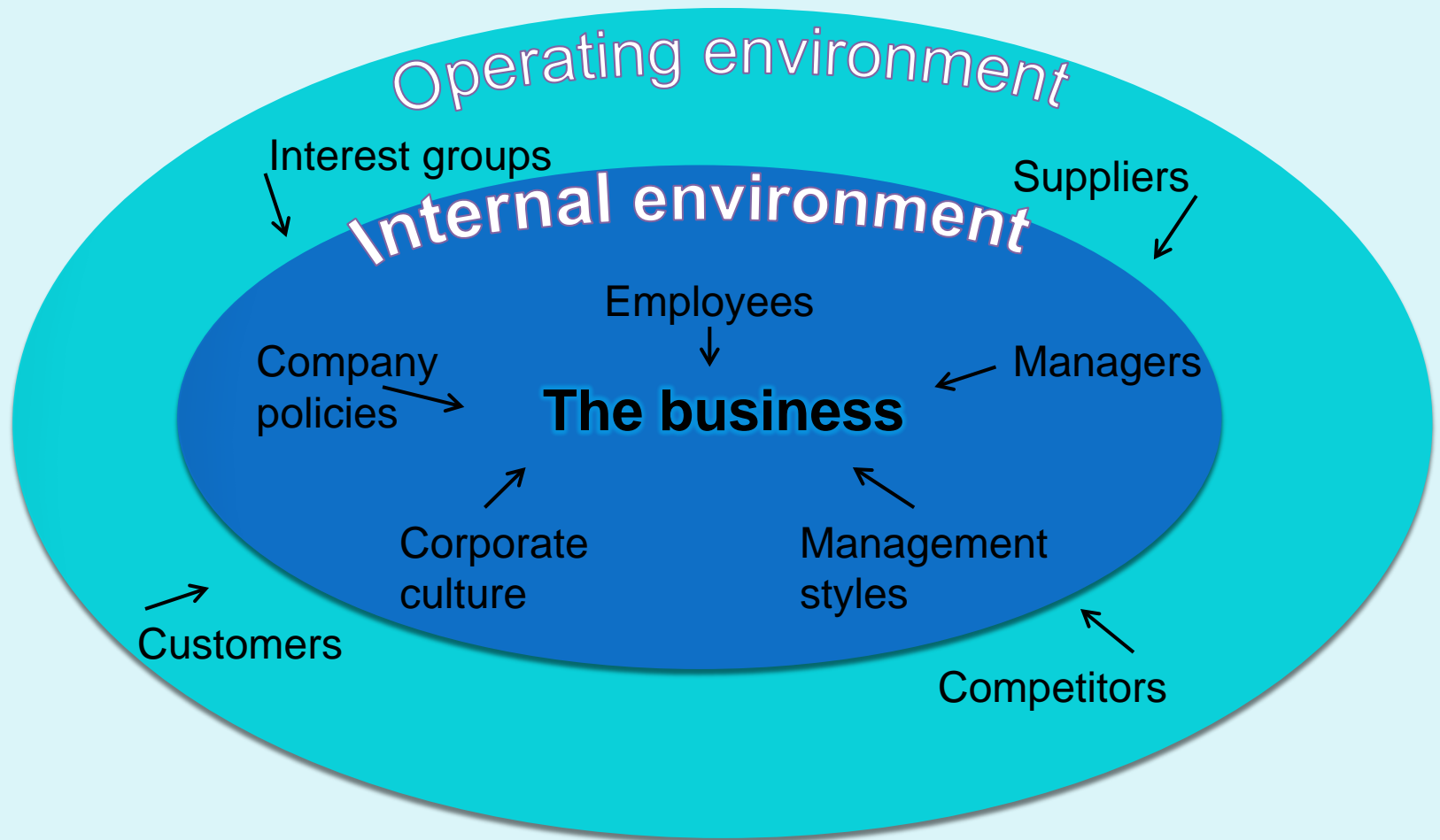
# EXTERNAL INFLUENCES AND CONSTRAINTS ON BUSINESS ACTIVITY

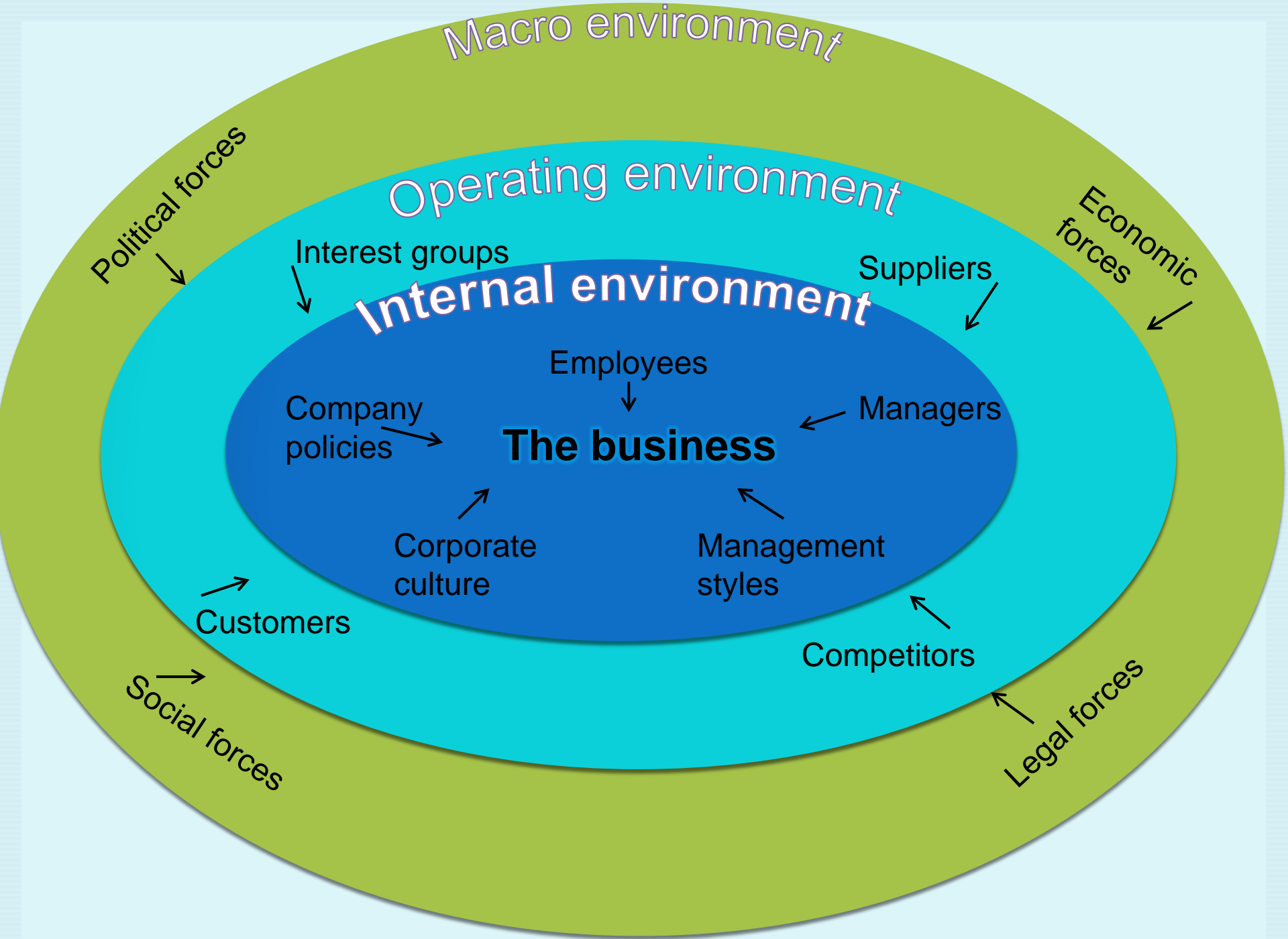
- **Businesses do not live in isolation.. The real world is constantly changing and there are too many factors that constantly force businesses to react to those changes..**

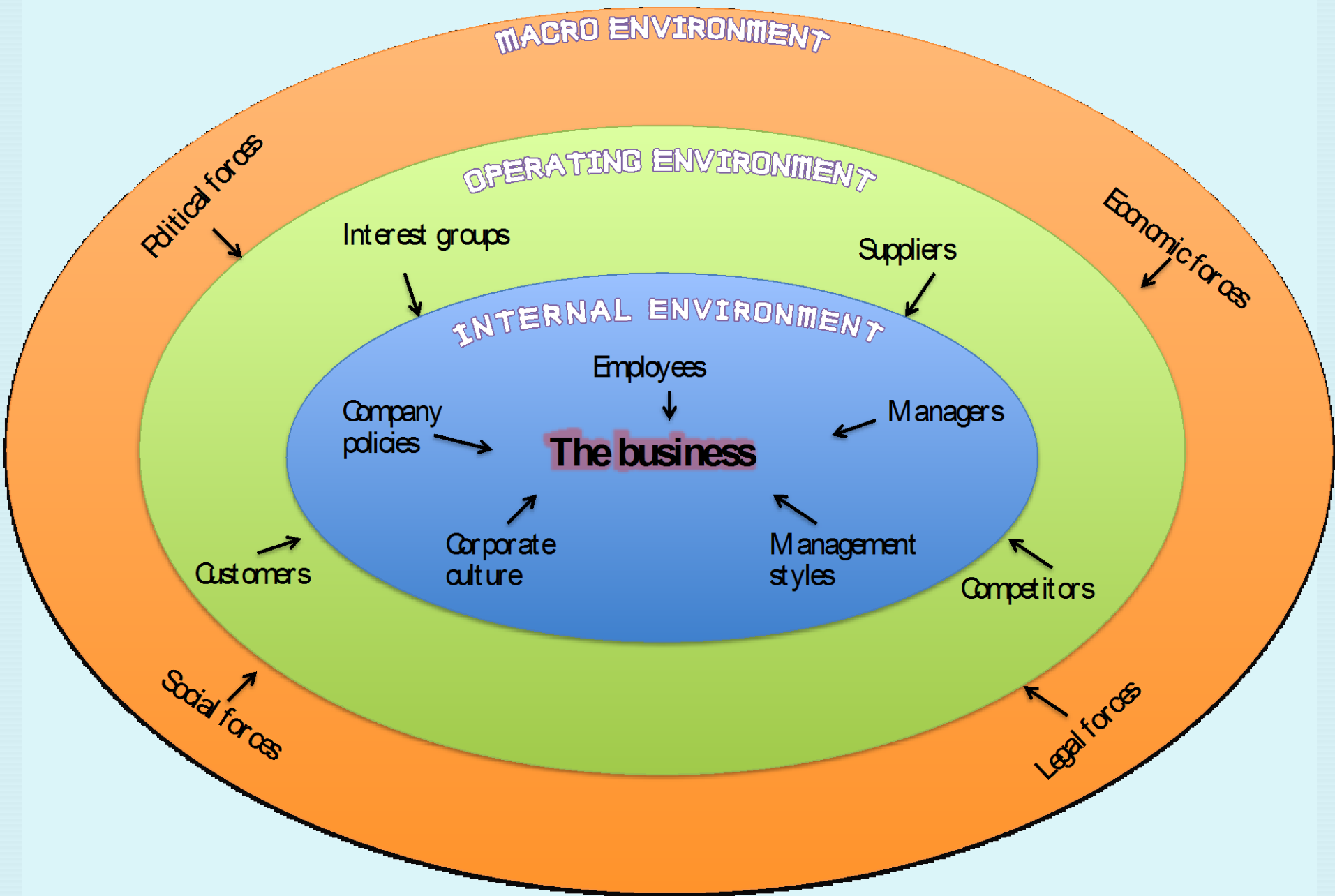


# Internal environment



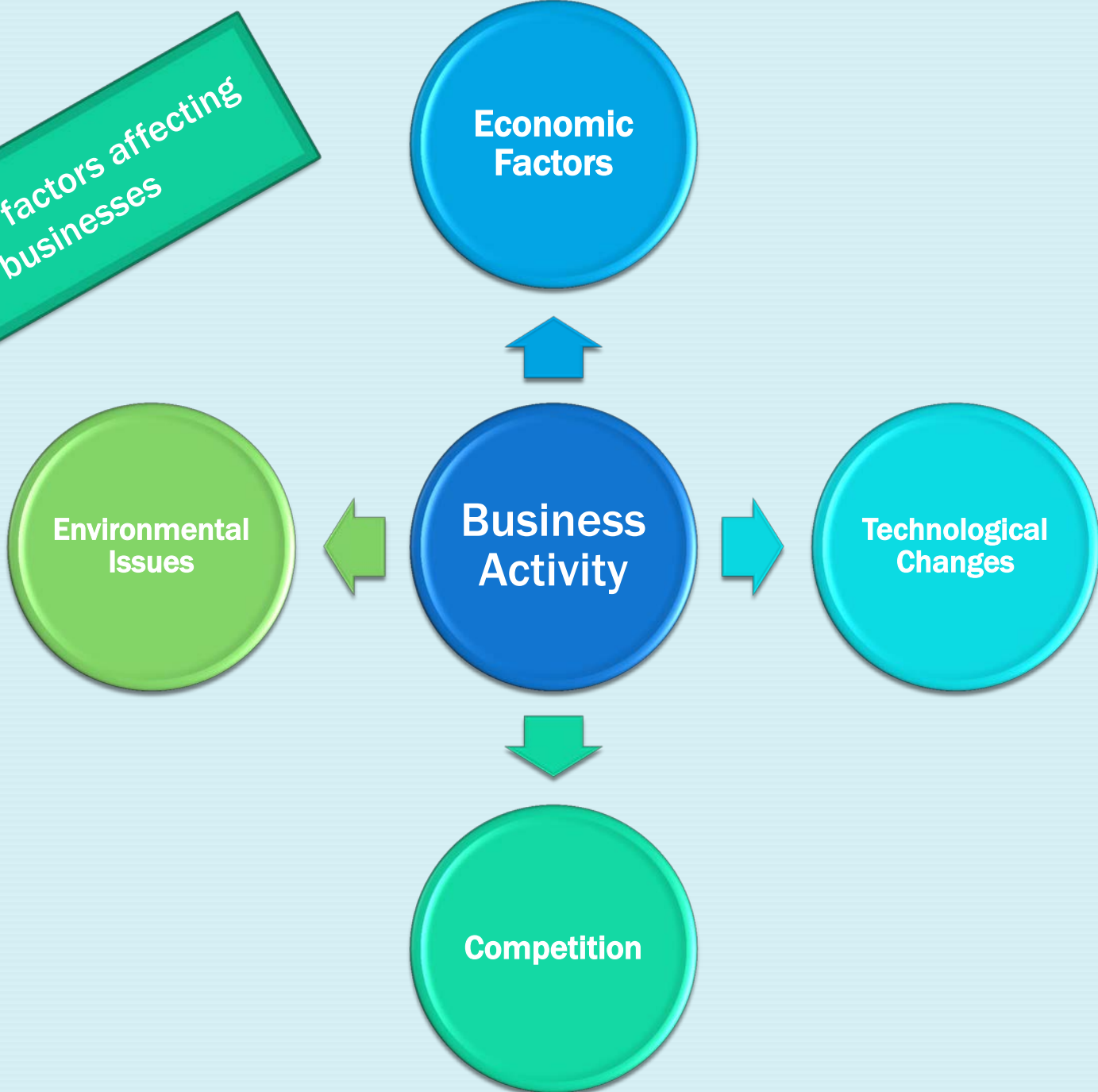








External factors affecting businesses



Economic Factors

Environmental Issues

Business Activity

Technological Changes

Competition

# EXTERNAL INFLUENCES AND CONSTRAINTS ON BUSINESS ACTIVITY



- A ***constraint*** is something that limits or controls actions.
- An ***external constraint*** is a limit that the business has no direct control over.

# EXTERNAL INFLUENCES AND CONSTRAINTS ON BUSINESS ACTIVITY

## *THINK-PAIR-SHARE Activity*

- **Situation of technological change leading to the development of new products:**
  - Example: Introduction of the first mobile phone with touch screens to the market
  - What is the impact on the business?
    - May make existing products appear old-fashioned and demand for them would fall.
    - Jobs will be lost in businesses that do not develop these products.
    - Huge competitive advantage to the market
    - **BUT** new product ideas create new market opportunities.

# EXTERNAL INFLUENCES AND CONSTRAINTS ON BUSINESS ACTIVITY

## *THINK-PAIR-SHARE Activity*

- **Situation of technological change leading to new production processes:**
  - Example: New machines to assemble cars and replaces workers.
  - What is the impact on the business?
    - May make existing production methods seem expensive and uncompetitive.
    - Workers may lose their jobs or, at least, will need restraining.
    - *BUT* average production costs could fall.

# EXTERNAL INFLUENCES AND CONSTRAINTS ON BUSINESS ACTIVITY

## *THINK-PAIR-SHARE Activity*

- **Situation of increased competition:**
  - Example: Newly formed company competing with national airlines
  - What is the impact on the business?
    - May reduce demand for business already in the industry
    - Workers jobs may be lost and profits may fall in the existing businesses.
    - **BUT** increased competition could force businesses to become more efficient – this could lead to higher profits in the long run.

# EXTERNAL INFLUENCES AND CONSTRAINTS ON BUSINESS ACTIVITY

## *THINK-PAIR-SHARE Activity*

### ■ **Situation of environmental issues:**

- Example: Pollution caused by factories and chemical plants
- What is the impact on the business?
  - Bad publicity caused by pollution could damage a firm's reputation
  - Using non-polluting methods may be expensive if the latest machinery has to be purchased
  - ***BUT*** businesses may create a unique image for themselves by adopting environment-friendly policies.

# SUSTAINABLE DEVELOPMENT

[http://greenliving.lovetoknow.com/Slideshow:Examples\\_of\\_Sustainable\\_Development#9](http://greenliving.lovetoknow.com/Slideshow:Examples_of_Sustainable_Development#9)

Use renewable  
energy

Recycle waste

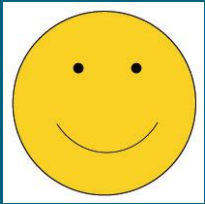
Use fewer resources

Develop new  
'environmentally  
friendly' products  
and production  
methods

# Three Dimensions

Sustainable development is the balancing of social, economic and environmental dimensions.

**Social**



**People**

**Environmental**



**Planet**

**Economic**



**Profits**

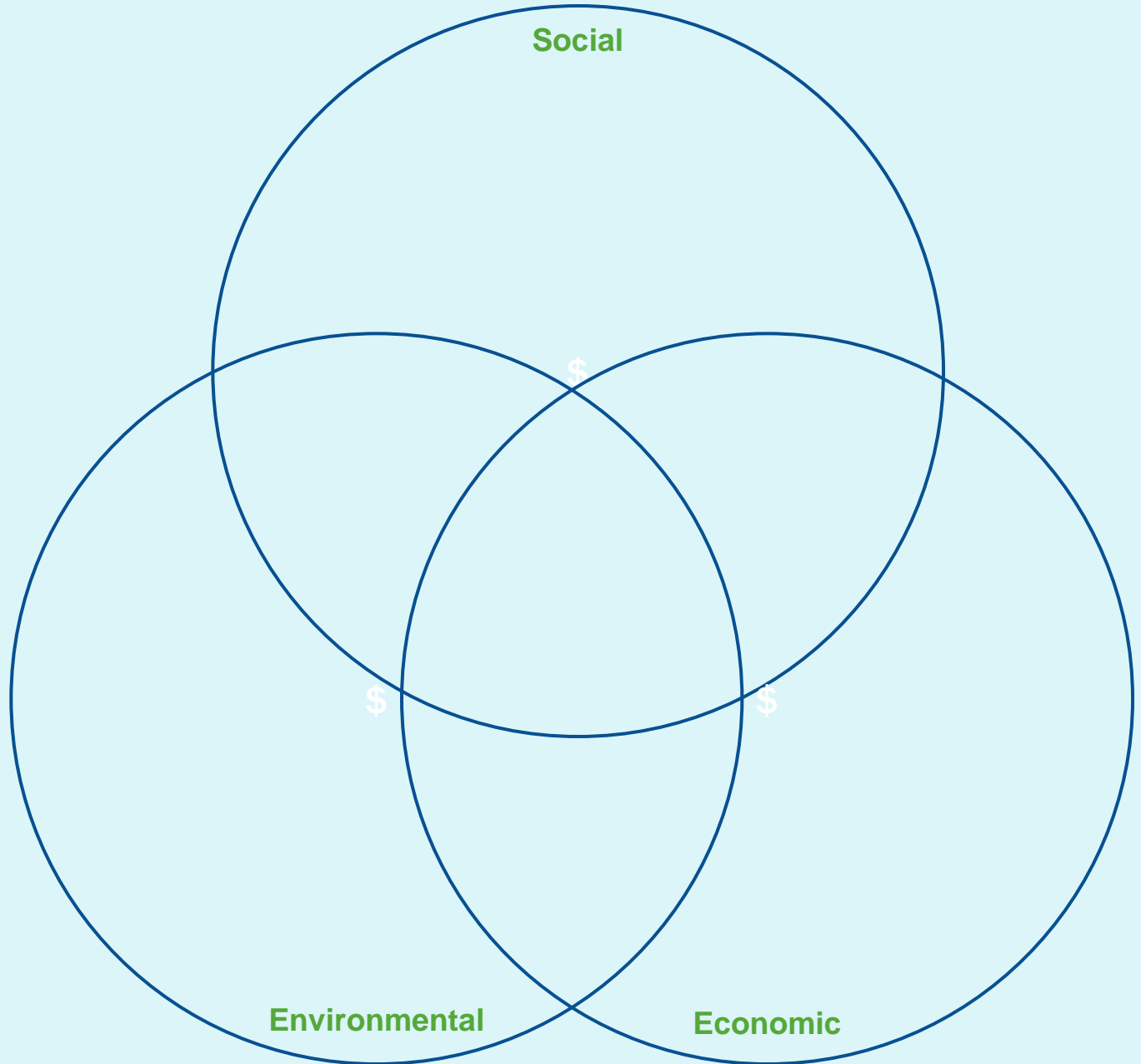


# Exercise

Sustainable development is relevant in your local area.

Think about a good and bad thing in your community.

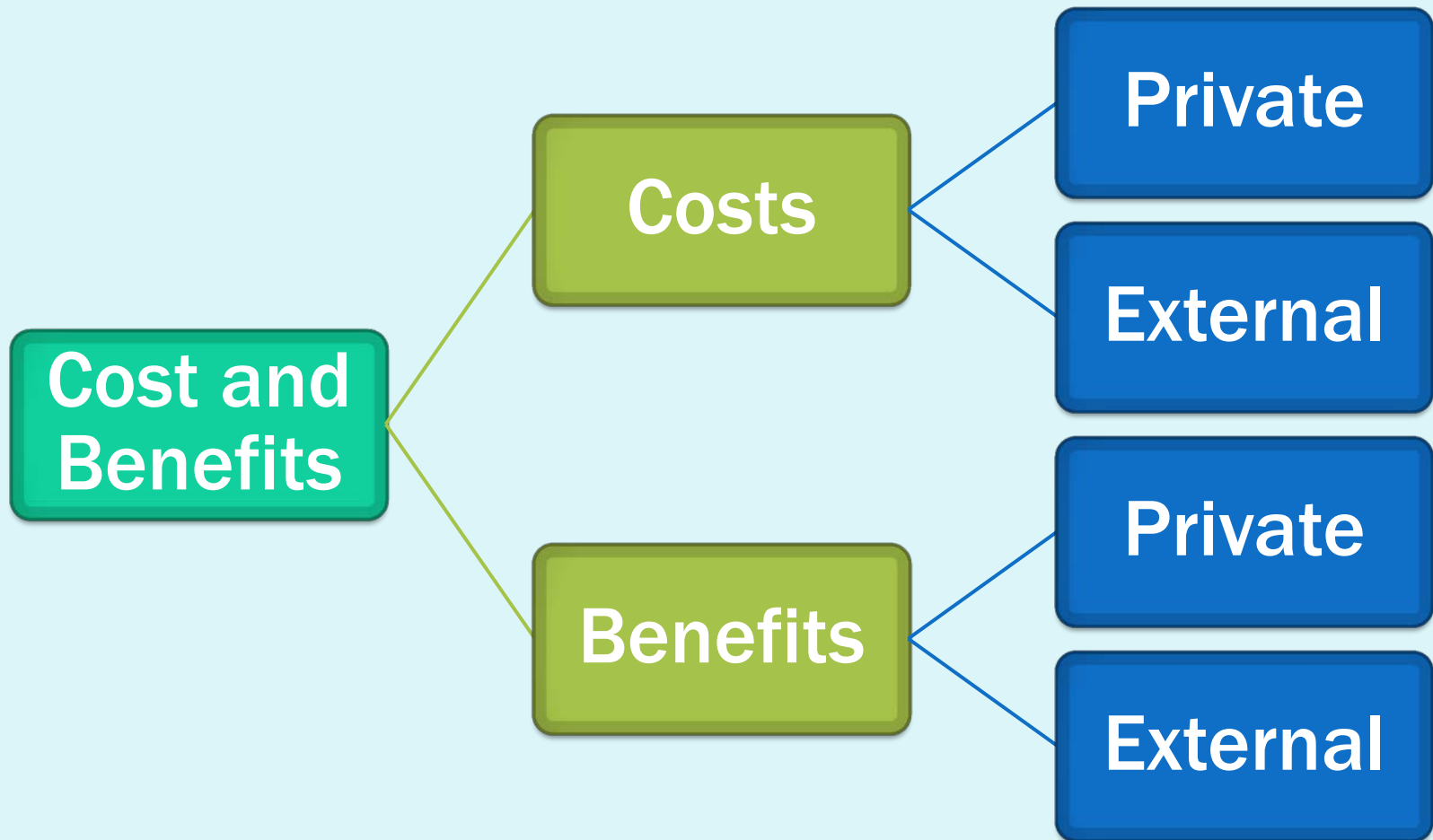
Write it on a red or green pen and place it where you think it fits: social, economic or environmental.



# RESPONDING TO ENVIRONMENTAL PRESSURES AND OPPORTUNITIES

- **Pressure groups**
- **Laws pressed by the government**
- **Financial penalties, including pollution permits**

# COST-BENEFIT ANALYSIS



# EXERCISE (PARTNER WORK)

Imagine that you are on the committee in Country X that will decide on whether or not Alpha Cosmetics will open up a factory in the country or not. The country is going through a recession and it has an industrial zone where factories set up their work. Unemployment rates are high.

- Alpha Cosmetics is a multinational company selling cosmetics. It has branches in many countries and is considered to be a successful business.
- The business has very popular products for women aged 15 to 35. It is well-known in the region and has a reputable brand name.
- The factory will be opened in an industrial zone.

**TASK:** Conduct a cost-benefit analysis to see whether or not Alpha Cosmetics should build its factory in Country X.

