Influences in the Business Environment
Businesses operate in a dynamic, often turbulent, environment. The business environment refers to anything that affects the operation of a business. Farmers have understood the impact of the environment for centuries. The farmer has no control over aspects of the environment such as drought. However, the farmer can prepare for possible adversity in the environment and quickly adapt to those changes.

Effective managers are constantly monitoring the business environment to pick up any change that may impact on their business. If they pick up a change quickly and respond before their competitors, it may lead to a significant advantage to their business. This is what happened when Woolworths’ managers picked up the trend to the healthy lifestyle before the managers of Coles.

The Woolworths’ managers immediately responded by developing a focus on fresh produce, delicatessens, bakeries and dairy. Customers responded by leaving Coles and shopping at Woolworths. Now that Wesfarmers Limited has purchased Coles its managers are quickly implementing strategies to regain their competitive advantage.

**External influences**

The external influences from the business environment are those outside the control of a business’s managers. The manager can only respond to external influences in ways that hopefully give the business an advantage over its competitors if the competitor is also slow to respond. Some of the most important external influences are economic, financial, geographic, social, legal and political.

**Economic**

The most important economic influence from the external environment can be attributed to the economic cycles. Economic cycles are a feature of the economies businesses operate in. Economic cycle refers to the predictable long-term pattern of changes in the national income.

In the traditional business cycle, there are four stages: expansion, prosperity, contraction and recession.

After a recessionary phase, spending gradually increases as people become more confident about the future. When people are confident that their income will be maintained or improved in the future, they spend more on things like cars, furniture and whitegoods. In turn, more people are employed to provide the extra goods and this leads to even more income. The pattern of spending continues to climb. This period of growth in spending can last for a considerable time. Indeed, Australia experienced sustained growth in spending for more than seventeen years, following the 1992 recession.
However, at some time there is a loss of confidence. In 2008/2009 there was a loss of confidence throughout the world following the global financial crisis. People became concerned about the future. Sometimes people are forced to focus on the future when the Reserve Bank increases interest rates to slow the increase in spending, but this time people were frightened they might lose their jobs as a result of the global financial crisis.

When people lose confidence, there is often an accompanying rapid decrease in spending. In 2008/2009 the Reserve Bank quickly slashed interest rates to record low levels and the Australian government implemented a massive stimulus package to boost spending. The government was very successful in limiting the impact of the recession. A recession occurs when unemployment rises and spending falls to the point where growth in the economy is negative.

The characteristics of the different phases in the cycle are typically changes in interest rates, changing employment and changes in industrial productivity. In other words, when demand starts to outstrip supply, there is a general increase in the level of prices. That is called inflation. Typically, the Reserve Bank acts to contain price rises by increasing interest rates. The higher interest rate acts as a brake on the economy and, typically, growth in national income contracts.
Governments are not prepared to accept the consequences of uncontrolled 'booms in spending' and severe recessions. This is because they cause too much disruption to economic activity. Monetary policy is used to control the level of economic activity in Australia.

**Monetary policy** refers to the actions taken by the Reserve Bank to stabilise economic activity. The Reserve Bank focuses its attention on controlling credit. They do this by increasing or decreasing the interest rate. An increase in interest rates slows spending on expensive products such as cars, housing and furniture, because, generally, these products are purchased with credit. The higher interest rate has the effect of increasing the price of the product and less is purchased.

### Think, Pair, Share

Imagine a situation where petrol prices suddenly increased from $1.20 a litre to $4 a litre. Can you think of businesses affected by changes in petrol prices? Jot down your ideas and discuss them with a friend.

### HomeThink

Research the role of the Reserve Bank at www.rba.gov.au. Discuss the effects of interest rate changes with your parents.

### Case Study

The Meriton Group is one of Australia’s largest property developers and apartment block builders. The Chief Executive Officer of the Meriton Group is Harry Triguboff. His wealth has been estimated at about $2 billion. Clearly, he has been highly successful. Triguboff estimates that about 85% of his apartments sell to investors for rentals.

Apartments are, like housing, highly sensitive to changes in interest rates. The business has experienced sustained growth over the last 15 years. This has also been a time of historically low interest rates. However, in 2006/2007, interest rates rose steadily. There was a corresponding fall-off in the demand for apartments.

However, in 2008/2009 the Reserve Bank slashed interest rates in response to the global financial crisis and the Australian government offered substantial financial incentives to first-time home owners. The demand for the Meriton Group’s houses and apartments increased strongly.
Influences in the Business Environment

Financial

Financial influences on many businesses became more significant as the financial markets became deregulated and globalised. Finance is a crucial element in the competitiveness of a business because business inputs such as raw materials and equipment must be financed. Businesses that manage their finances effectively will be more competitive compared to their competitors.

The most significant influences relate to a new range of financial products called derivatives. Derivatives are financial securities, such as a contract, which enable a business to manage its risks more effectively. For example, the risk for an apple grower is that the price of apples may fall in six months’ time when the crop is harvested. An apple pie manufacturer, on the other hand, is concerned about the risk of the price rising. Both the grower and manufacturer could get certainty by signing a contract now to provide the product in six months’ time at the current price. The contract is a derivative. The value of the contract is derived from the apples. Derivatives enable businesses to manage their business risks better.

In 2007 Qantas used a type of derivative called ‘hedging’ to transfer the risk of increases in fuel prices to a hedge fund - a business specialising in risk management. When fuel prices subsequently soared, it gave Qantas a tremendous competitive advantage over Virgin, whose managers had decided not to transfer the risk.

Geographic

The location of a business can be an important influence. This can be both general and specific. Australia’s location in the Asia Pacific region, for example, gives many Australian businesses access to rapidly growing markets in China and India. Australian mineral producers such as Woodside and BHP-Billiton have a competitive advantage over iron ore businesses in Brazil because transport costs are lower. These are all examples of the influence of geographic influences. Geographic influences refer to the impact of location on the business.
The 2008 Olympic Games in China was another important geographic influence. Australian businesses were able to compete successfully in providing a wide range of products for the games because they operated in the region. This gave them a better understanding of customer needs and cost advantages because they were so close to China.

There is also a range of businesses such as resorts in Northern Queensland, iron ore mines in Western Australia and offshore gas and oil rigs that are very specifically influenced by their location. Many of these businesses find it difficult to get the skilled labour they need because of the isolated location. Many of the companies have developed the ‘fly-in-fly-out’ strategy to deal with geographic isolation. Employees living in towns and cities as far away as Sydney fly into areas like the Pilbara in Western Australia for two weeks of work. The employees live in barracks for the two weeks and then fly home for two weeks’ leave. It suits many employees.

Social
Changes in social influences impact on a range of businesses.
Social influences refer to the attitudes, values and beliefs of society. Some businesses are very susceptible to rapid changes in social influences. Businesses involved in manufacturing or retailing clothing are, for example, very susceptible to changes in fashion. Some of the key social trends in Australia are that:

- the population is ageing. This trend provides opportunities, for example, for businesses meeting leisure and travel needs, and health and medical needs, to grow.
- increasingly families are relying on two incomes and more and more women are working full time. This trend provides opportunities, for example, for businesses providing prepared and takeaway meals.
- there is an increasing trend toward a healthy lifestyle. This trend is having an important influence, for example, on Coca-Cola. The 18-34 age group is increasingly rejecting sugar-based soft drinks for bottled water.
- immigration is contributing to an increasingly diverse Australian population.

This trend is strongly influencing businesses involved in food and fashion.

Think, Pair, Share
Think about the fashion changes you are aware of during your teenage years. Jot down your ideas and share them with your learning partner.
Using global business to illustrate the concept of social influences

Did you know that Nokia dominates the mobile phone market, despite the success of Apple’s iPhone, and supplies more than 50% of handsets? A Nielsen Media Research survey found that different lifestyle groups choose different mobiles.

Test your understanding of lifestyle characteristics by choosing the correct mobile associated with a particular lifestyle group.

1 This lifestyle group is under 24 years of age and very fashion-conscious.
Which of the following handsets is associated with this lifestyle group?
(a) LG handset
(b) Nokia handset
(c) Samsung handset
(d) Motorola handset
(e) Sony Ericsson handset

2 This lifestyle group is very family-oriented and usually a manager at both home and work.
Which of the following handsets is associated with this lifestyle group?
(a) LG handset
(b) Nokia handset
(c) Samsung handset
(d) Motorola handset
(e) Sony Ericsson handset

3 This lifestyle group consists of ambitious (career-hungry) young men.
Which of the following handsets is associated with this lifestyle group?
(a) LG handset
(b) Nokia handset
(c) Samsung handset
(d) Motorola handset
(e) Sony Ericsson handset

4 This lifestyle group is focused on career-minded young women.
Which of the following handsets is associated with this lifestyle group?
(a) LG handset
(b) Nokia handset
(c) Samsung handset
(d) Motorola handset
(e) Sony Ericsson handset

5 This lifestyle group consists of middle-aged women with children.
Which of the following handsets is associated with this lifestyle group?
(a) LG handset
(b) Nokia handset
(c) Samsung handset
(d) Motorola handset
(e) Sony Ericsson handset
**Legal**

Legal influences are some of the most important. Legal influences refer to the framework of laws and regulations that govern the operation of a business. Some of the most important influences are laws relating to the employment of people in the business, such as the *Fair Work Act 2009*. The Fair Work Act completely overhauled the industrial relations system throughout Australia. It created a much smaller number of modern awards and minimum employment conditions that all employers must obey.

Another piece of legislation that has a big influence on the operation of a business is the *Anti-Discrimination Act 1975* (Cth). This legislation protects employees against actions that might discriminate against them on the basis of things like age, gender and race.

The *Occupational Health and Safety Act 2000* (NSW) is a piece of legislation that is designed to protect the health and safety of employees. It is important to understand that each year a significant number of employees die because the work practices in some businesses are unsafe.

Other laws that have the potential to influence the way things are done in a business include:
- laws relating to consumer protection
- laws relating to location of the business
- laws relating to anti-competitive behaviour
- laws relating to the operation of companies - the corporation laws, and
- laws relating to the zoning of business activities.

**Research Task**

The Fair Work Act 2009 is important legislation that affects all businesses and all employees. Go to the Fair Work website at www.fwa.gov.au and choose one occupation to research. Jot down 5 things you consider to be relevant to the award for that occupation. Discuss your findings with your learning partner.

**Political**

Political influences refer to the ideas that come from the political parties. There is a number of political parties. They include the Liberal Party, Labor Party, National Party, Greens and Democrats. Each group has ideas on how best to regulate business, consumer protection and employee welfare. In the 2010 election campaign, for example, the Labor party proposed a resource rent tax that would impact on the way mining companies conduct their business. The Liberal-National Coalition opposed the tax.

Another example of a political influence that concerned many businesses was potential legislation on climate control. The Labor Party and the Green Party strongly advocated a carbon tax or an emissions trading scheme. The Liberal-National Coalition argued this would be a ‘great big new tax on everything.’
Political influences are important because they create uncertainty. It is very difficult to plan without certainty. Many aspects of the environment that might create uncertainty can be insured against. Insurance eliminates a whole range of risks but it is not possible to insure against the actions of political parties.

Influences in the Business Environment

Research the arguments for and against the resource rent tax and/or an emissions trading scheme (ETS). Jot down the arguments you think are the strongest. In your group share your views on these issues. If you disagree with others in the group, is it because you need more information? If so, where can you find that information? Or do you disagree because you are bringing different value systems to the issues?

Activities

Institutional influences may be very important for a range of businesses. Institutional influences refer not only to established organisations, such as unions or trade associations, but more importantly to established practices or customs in a business. Established practices or customs in a business can be very dangerous, because they inhibit change, or, at the least, make it very difficult to change things. Often people in a business say ‘but this is the way we have always done it’.

Change is essential in a business. Customer needs change and the products designed to meet those needs also need to change. Technology is always changing and the way the business operates also needs to change. Institutional influences have the potential to make change more difficult.

Think, Pair, Share

Individuals and institutions all experience inertia. Reflect on how you have changed your study habits since beginning your Preliminary HSC. Have you made necessary changes? If not what has stopped you? What changes do you need to make if you are to achieve your potential in the HSC?
Technological

Technological influences are important because of the rate of change in technology. Technology is about how things are done in a business. It usually has a software and hardware component. The integration of individual domestic markets into a single global market has encouraged many businesses to seek technological developments to remain competitive. The managers of the giant auto maker, General Motors, for example, have realised the business can only remain competitive against cheap labour manufacturers, such as Volkswagen in Slovakia, if the car-making process in the United States is completely automated.

Woolworths, the Australian supermarket chain, has also effectively used technological developments to overhaul its distribution system to minimise the labour component in distribution. In the last four years Woolworths saved over $4.5 billion using the new system.

HomeThink

Imagine your home is affected by an electricity black-out over the weekend. How would this change your family’s routine? Jot down your thoughts and share them with your learning partner.

competitive situation

The competitive situation is one of the most important of all the environmental influences. The competitive situation refers to the market where other businesses are providing products to meet the same customer need. You need only think, for example, of the competitive situation in

Influences in the Business Environment

The takeaway food section of a typical shopping mall. Often there is at least a Subway, KFC, McDonald’s, and a Chinese and Indian food outlet. The competition is intense.

The most important aspect of the competitive situation is for the manager of a business to be constantly scanning the external environment to monitor the actions of competitors. It is important to know any change in product characteristics, prices, promotion and even the technology used to manufacture the product or deliver the service.

Is your school experiencing competition for enrolments? Why? How is your school leadership team responding to this situation? Jot down your thoughts and share them with your learning partner.

Markets

The characteristics of the market in which the products are sold can be very important. A market is a place in the commercial world where goods and services are sold. It does not have to be a physical place. Many products are now sold over the internet; it is a place where buyers and sellers come together.

Again it is important to emphasise that the market is increasingly global. There are opportunities to increase sales by tapping into global markets and global suppliers. You need only check out eBay to see an increasing number of businesses importing manufactured goods such as electronics and using mail order through eBay to distribute the goods. There is no need to incur the high cost of a shop. The goods can be stored in a backyard shed until they are distributed.

Of course as high-speed broadband is achieved, the nature of markets will change further. A whole range of services, such as medical diagnoses for example, can be delivered from great distances. Already sheep are sold on Internet markets where the sheep never leave the paddock until they are sold.

What are the advantages and disadvantages of using eBay? How can any risks be minimised?
Worksheet 3.1

Multiple choice

1. Kevin is 18 and very conscious of the healthy lifestyle. There is a range of businesses responding to his needs.

Which of the following environmental influences is impacting on these businesses?
(a) Social
(b) Cultural
(c) Economic
(d) Consumer tastes

2. Which of the following institutions is concerned with looking after the interests of the businesses that make up its membership?
(a) Trade unions
(b) Reserve Bank
(c) Australian Stock Exchange
(d) Employer, trade and industry associations

3. Which of the following institutions is concerned with looking after the interests of the employees who make up its membership?
(a) Trade unions
(b) Reserve Bank
(c) Australian Stock Exchange
(d) Employer, trade and industry associations

4. Which of the following institutions is concerned with facilitating the raising of capital for listed companies?
(a) Trade unions
(b) Reserve Bank
(c) Australian Stock Exchange
(d) Employer, trade and industry associations

5. Woolworths have successfully developed the Select brand for a number of their products. The Select brand now makes up nearly 30% of their sales.

Which of the following factors has influenced the development of the Select brand?
(a) Marketing strategies
(b) Competitive position
(c) Number of competitors
(d) Availability of substitutes

6. Kevin bought a packet of chips. The packet was filled with air. There were no chips. The manufacturer and retailer refused to replace the chips.

Which of the following institutions is most likely to help Kevin?
(a) Reserve Bank
(b) Office of Fair Trading
(c) Australian Securities and Investment Commission
(d) Australian Competition and Consumer Commission
Internal influences

Internal influences are things that have the potential to affect business performance but that managers can influence. Managers can often determine the success or failure of a business through decisions to make a certain product, locate a business or the type of resources they will use in the business.

Products

The most important influence from the internal environment is the good the business is producing or the service it is delivering. A number of businesses will be competing to produce a product that meets the needs of its customers better than its competitors. The product may be more competitive because it is better quality, or in the opinion of the customer offers better value for money or possibly provides better customer service.

Managers need to be aware of all the things that contribute to the overall customer need and develop a product that meets that need. The managers of Easyfoods Limited, for example, could have developed products to compete with McCain Foods (NZ) Limited 'Healthy Choice' brand, or Heinz Wattie's Limited 'WeightWatchers' brand or Nestlé Australia's Limited 'Lean Cuisine' brand. It would be very difficult to compete with these global businesses in the supermarket freezers!

Instead, the managers of Easyfoods chose to develop products that used a different technology to provide quicker, more delicious, ready meals that better met the needs of specific groups of customers such as those with type 2 diabetes. The way the managers responded to the internal environmental influence of products is one of the main reasons the business is growing strongly.

Location

Managers of a business can also choose the location of the business. Location is an internal influence that will have a strong influence on the success of many businesses. The success of many of the food franchise businesses such as Gloria Jean's coffee, Subway, McDonalds or Kentucky Fried Chicken, for example, will depend very much on the location of the business. In fact, most retail businesses depend on location for their success. This is why the owners of many retail businesses are prepared to pay very large rents or leases in shopping centres. The shopping centre delivers the 'passing trade' essential for a retail business.
Think, Pair, Share

Imagine you have just purchased the franchise for a Subway restaurant in your local area. Where would you locate the business? Be very specific in your location. Jot down the reasons for your choice. Share your thoughts with your learning partner.

3.15

Resources

The manager of a business also has control over the resources needed to conduct the operations of the business. Resources refer to things like finance, employees, equipment and raw materials. The way the resources are acquired and used will affect things like the quality and value for money of the product and directly impact on the competitiveness of the product.

Activities

Imagine you have gained the lease over excellent premises in a popular shopping centre. Currently the shop space is bare. What type of business will your group establish? What resources will you need to establish the business? How will you ensure the resources contribute to the competitiveness of your business?

3.16

Management and business culture

Management and business culture refer to the attitudes and values of the managers and employees within the business. There is an important relationship between the way things are done in a business and profitability.

A business culture needs to be based on ‘best practice’ rather than the way things may have been done in the past. Best practice refers to the way the most competitive businesses in the industry do things and clearly involves ideas such as efficiency, quality production, and high levels of customer service. Failure to adopt ideas like these may lead to a gradual loss of customers as they switch to businesses that better meet their needs.

Managers need to make clear expectations when employees are first introduced to the business and reinforce those expectations through training and rewards. Bunnings Hardware, a Wesfarmers business, regularly rewards employees demonstrating the attitudes and values in the business culture with small rewards such as $50 vouchers, tickets to sporting and entertainment events and so on.

The most important aspect of an effective business culture is where employees and managers embrace change. Change provides the opportunities to meet customer needs better than competing businesses. Where this happens customers change to the business with better products.
Literacy Development

*Culture* has many meanings. List those that come to mind. Jot down 5 phrases that describe the culture of your school and discuss them with your learning partner.

What insights do you get from this photo of the culture of this business?
All businesses are affected by changes in the external environment. To remain profitable, businesses must respond to these changes or even anticipate them. Rank the following elements of the business environment according to the seriousness of their impact on Australian businesses. Circle number 1 as the most serious, number 2 as the second most serious and so on to number 10, as the least serious.

**Step 1**
You do your own ranking, without discussing it with anyone else at this stage. Make your judgement based on the big (macro) picture rather than on your personal or immediate needs and experiences.

**Step 2**
In teams of four, discuss your ranking of each role and your reasons for making that decision. Your team then needs to reach a consensus, to produce a ranking that reflects the team's opinion.

**Step 3**
Each team reports to the whole class on their three most important and their three least important impacts. All students discuss the findings.

<table>
<thead>
<tr>
<th>Element</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rise in inflation</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Increase in unemployment</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Removal of tariff barriers</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Competitor opens nearby</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Zoning regulations change</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Tighter EPA policing</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Increased union membership</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Subtle changes in consumer taste</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Investigation by ASIC</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Global warming</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>9</td>
<td>10</td>
</tr>
</tbody>
</table>

**Case Study**

Using Australian business to illustrate the concept of management and business culture

K-Mart is a business owned by Wesfarmers Limited. It was purchased when Wesfarmers bought the Coles Group in 2008. At the time the business was struggling. Sales were falling and profitability was poor. The culture throughout the Coles Group was very bureaucratic.
Following the sale to Wesfarmers Limited Guy Russo was appointed Chief Executive Officer of K-Mart. Russo had developed a strong understanding of the importance of customer service during his career at McDonald’s and immediately set about creating a management and business culture at K-Mart based on high levels of customer service.

Russo wants every K-Mart employee to be constantly looking for opportunities to assist customers. If a customer even looks as though they need assistance, any employee not actually dealing with another customer is expected to stop doing whatever they are working on, approach the customer and ask how they can help. If the customer is looking for something, the employee is expected to go with the customer to show the customer the location of whatever they are looking for.

Russo has established staff training programs that focus on a business culture based on high levels of customer service. Training is teaching employees the skills they need to do their current job really well. There are three parts to the K-Mart staff-training program. The first aspect is on-line training. Computers are used for instruction on such things as ‘how to lift items correctly’ and certificates are issued when employees successfully complete the courses. Videos are used to demonstrate how to interact successfully interact with customers and department managers are required to train their staff in basic selling within the department.

It is not easy to change the culture in a business. Russo has reinforced the changed behaviour with an in-store bonus system where all employees share the gains from the higher levels of sales that accompany the new culture.

In 2008/2009 K-Mart increased profitability by 105%. It was an outstanding achievement.

---

3.19

HomeThink

a) Research K-Mart’s latest annual report. Can you identify and explain the trend in profitability?

b) Ask your parents about their shopping experience at a K-Mart store. Do they agree there is, as the management claims, ‘change you can see’? Why do you think the managers of K-Mart would want to know about your family’s experience in their stores?
Stakeholders

In the past, economic textbooks focused on the shareholders of a business and the goal of maximising profits. Shareholders are the group of people who have purchased a piece of paper that entitles them to a ‘share’ of the ownership of a company.

The focus on shareholders and profit as the goal has changed to one where stakeholders and competitiveness are the focus. Stakeholders are any group or individual on whom the decisions or the actions of a business have an impact and who therefore have an interest in the things a business does.

Pollution of the environment has made the planet and all that depend on it stakeholders.
Whenever important decisions are made, effective managers always identify the stakeholders – the individuals or groups - that will be affected by that decision. The reason is to work out how these stakeholders will react to the decision. For example, when Rupert Murdoch decided to move the printing of his English newspapers from Fleet Street to Wapping in order to cut costs, he identified the Fleet Street printing unions as groups that would resist the change. He planned for this resistance and the change was effective.

There are both internal and external stakeholders in a business. Internal stakeholders are those within the business. They include shareholders, employees and managers. External stakeholders are those outside the business. They include investors, customers, suppliers, competitors, unions, government and the community.
Worksheet 3.2

Influences in the Business Environment

Comprehension

Identify the stakeholders in this scenario. Read the scenario and then link each person’s name to the generic stakeholder in the box below:

Andrew Coulter owns and manages a publishing company. Tuesday was a very busy day after his announcement on Monday that all future magazines and books would be printed in Hong Kong.

Jan, a graphic designer, was concerned about losing her job. Ray, from the Australian Printing Company, rang to ask Andrew to change his mind. Angus & Robertson, book retailers, rang because they were concerned about any change to the retailers’ discount and Alex, the manager of Moontrack Express, rang to express his concern about a potential loss of distribution business.

John, from the AMWU (Australian Manufacturing Workers’ Union), wanted an appointment to discuss his members’ future and Mary from Westpac wanted to know how he intended to fund the change. The Mayor rang to express his concern about loss of income in the town. Eloise from Rosebook Publishing, another publishing company, rang to say she had no alternative but to follow his action and also print overseas in future.

1. Complete the following table of influences that affect your learning and HSC results.

<table>
<thead>
<tr>
<th>External Influences (beyond your control)</th>
<th>Internal Influences (within your control)</th>
<th>Stakeholders (those interested in you)</th>
</tr>
</thead>
</table>

2. Draw and label the typical economic cycle and mark Australia’s present economic position on it. Explain why you have chosen this position.

3. Research and reflect on the initiatives taken by the Rudd Labor government during 2009/10 to stimulate the Australian economy. How did these strategies impact on Australian businesses?