Planning a business —
external environment

UNIT 1 AREA OF STUDY 2

OUTCOME 2
On completion of this topic you should be able to describe the external environment of a business and explain how the macro and operating factors within it may affect business planning.

LEARNING SEQUENCE
2.1 Overview
2.2 Business environments
2.3 Key legal and government regulations
2.4 Societal attitudes and behaviours
2.5 Extend your knowledge Societal attitudes and behaviours
2.6 Economic conditions
2.7 Technological issues
2.8 Global issues
2.9 Corporate social responsibility issues
2.10 Extend your knowledge Corporate social responsibility and the triple bottom line
2.11 Apply your skills Corporate social responsibility management practices
2.12 Customers and competitors
2.13 Suppliers and special interest groups
2.14 Apply your skills Effect of factors from the external environment
2.15 Review
2.1 Overview

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2.1.1 Why it is important

Climbing to the peak of a mountain requires thorough planning. The route needs to be carefully plotted, weather forecasts studied and essential equipment organised. It is the same in the world of business. Anybody who is starting a new business should spend time planning. Planning is the process of setting goals, or objectives, and deciding how they will be achieved. Significant amounts of time, energy and money will go into the business, and if an owner expects to make a profit, then they need to have a plan.

A business plan is a written summary and evaluation of the business idea. It shows the clear direction of the business, and how it will maintain its focus. It enables the owner to think through all the facets of a new business and to examine strategies relative to management, marketing, finance and resources. The business plan identifies areas of strength and weakness, opportunities and threats, and shows the owner the probability of success. Businesses operate within what is referred to as the internal environment and the external environment, and both have an effect on the planning of a business. In this topic, you’ll be studying how factors in the external environment affect business planning.

ATLASSIAN’S PLANS AND THE EXTERNAL ENVIRONMENT

Scott Farquhar and Mike Cannon-Brookes (pictured, standing left and right) started their enterprise software business in Sydney in 2002 as university drop-outs, working in a garage with some servers and $10 000 on a credit card. This young technology company now sells software to some of world’s largest companies, and has grown from two to more than 4000 employees.

Now with offices in seven countries, Atlassian is truly a business that has to deal with global issues. Not only does Atlassian need to manage the problems associated with being a global company, but it also needs to contend with large competitors such as Slack and GitHub.

Initially, Atlassian’s goal was to gain 50 000 customers. It has achieved this goal — more than 170 000 large and small businesses now use its products — but the company will not stop there. Atlassian has said that its objective is now 100 million monthly active users. Another of Atlassian’s goals is to ‘unleash the potential in every team’. Its products help teams to collaborate, build software and serve their customers better. Over time, the company’s customers have begun to use its software in ways that the founders never imagined and Atlassian has changed its products accordingly.

Atlassian makes its software free for use by not-for-profit organisations and charities. Another way the company fulfils its corporate responsibility obligations is by donating 1 per cent of profit, products and employee time to charity. It has donated $132 million in community licences while funding the education of thousands of children in developing nations.
2.1.2 What you will learn

**Key knowledge**

Use each of the points from the VCE Business Management Study Design below as a heading in your summary notes.

<table>
<thead>
<tr>
<th>Macro environment factors</th>
<th>Operating environment factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Key legal and government regulations affecting businesses in the planning stage</td>
<td>• Customer needs and expectations</td>
</tr>
<tr>
<td>• Societal attitudes and behaviour, such as values, beliefs and trends</td>
<td>• Competitors’ behaviour</td>
</tr>
<tr>
<td>• Economic conditions, such as how interest rates, tax rates, business and consumer confidence levels affect business planning</td>
<td>• Suppliers and the supply chain, such as the resources required for a business and considerations about where these resources are sourced and how they reach the business</td>
</tr>
<tr>
<td>• Technological issues, such as how the market may change in the future and developments in technology</td>
<td>• Special interest groups, such as environmental lobby groups, business associations and unions</td>
</tr>
<tr>
<td>• Global issues, such as overseas competitors, overseas markets, offshoring labour, exchange rates, patenting, copyrights, trademarks and online sales</td>
<td></td>
</tr>
<tr>
<td>• Corporate social responsibility issues, such as environmental considerations and planning the production of goods and services which are in society’s best interests</td>
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</tbody>
</table>

**Key skills**

These are the skills you need to demonstrate. Can you demonstrate these skills?

- Define, describe, and apply relevant business management concepts and terms
- Acquire, record, interpret and share business information and ideas
- Research and analyse case studies and current examples of business management applicable to planning a business
- Apply business management knowledge to practical and/or simulated business situations
- Explain the benefits and costs of corporate social responsibility management practices with respect to business planning


**Resources**

- **Digital documents** Key terms glossary (doc-29412)
- **Weblink** Atlassian

**studyON**

To access key concept summaries and practice exam questions, download and print the studyON: Revision and practice exam question booklet (sonr-xxxx).
2.2 Business environments

**KEY CONCEPTS**
- The internal environment refers to influences that come from within the business itself.
- The external environment consists of macro and operating factors and refers to influences that come from outside the business.
- The factors within the external environment and internal environment affect business planning.

The surrounding conditions in which the business operates are called the **business environment**. This can be divided into two broad categories: internal and external. These environments consist of various stakeholders. Each of these stakeholders has an interest in the business and places different demands on the business. Sometimes, their interests may be similar or in conflict. Management, therefore, must balance the interests of all stakeholders in its decision making and planning.

The **internal environment**, or the micro environment, includes those factors over which the business has some control, such as employees, managers, management style, corporate culture and company policies.

The **external environment** includes those factors over which the business has little control, such as economic conditions, government policy, competitors and technology. It may be further divided into the operating environment and the macro environment.

The factors that make up the business environment are continually undergoing change and act as pressures on the operations of a business. A business owner must consider these factors when planning. Let’s now take a closer look at each of the stakeholders in the internal and external environments.
2.2.1 The internal environment

The internal environment is made up of elements created by the people within the business. The internal environment of your classroom, for example, is determined by the interactions of the people within it. Teachers and students can shape and influence what occurs. Over time, these forces interact with each other to give each business its unique characteristics.

The following are among the main elements that make up the internal environment:

- **Employees.** These are the people working for a business who expect to be paid fairly, trained properly and treated ethically in return for their contribution to production. Employees are a business’s most important resource. Businesses that provide a work environment that maximises employee satisfaction achieve high levels of output.

- **Managers.** These are the people who have the responsibility for successfully achieving the objectives of the business. Every business, whether they be for-profit or not-for-profit, small, medium-sized or large, needs effective management to succeed. The skills and expertise of the management team in coordinating the business’s resources largely determine whether the objectives of the business are achieved.

- **Location.** The location of the business will determine whether or not the business is visible and accessible to potential customers. A good location is an asset to the business and can lead to high levels of sales and profits.

- **Legal business structure.** One of the main decisions that the business owner will need to make is the most appropriate legal structure to use. The four main structures include sole trader, partnership, private limited company or public listed company. Each structure has its own advantages and disadvantages.

We will explore the internal environment and all of the elements outlined above in more depth in topic 3.

2.2.2 The operating environment

A business’s operating environment, sometimes called the task environment, is made up of stakeholders external to the business which have a direct impact on the operation of the business. The business has less control over these factors than internal environment factors. The four main stakeholders are:

- customers — the people who purchase goods and services from the business, expecting high quality at competitive prices
- competitors — other businesses or individuals who produce and sell rival, or competing, goods or services to the ones offered by the business
• suppliers — the businesses or individuals that supply materials and other resources that the business needs to conduct its operations
• special interest groups — the groups of people who attempt to directly influence or persuade a business to adopt particular policies or procedures, including lobby groups, business associations and unions.

DID YOU KNOW?
Union membership in Australia more than halved between 1990 and 2015, from 40.5 per cent of the workforce to just 15 per cent, according to Australian Bureau of Statistics data.

2.2.3 The macro environment
Changes in the macro environment can affect all businesses. This environment comprises the broad forces, conditions and trends in the economy and society within which the business operates. The business has no control over these factors. Changes within the macro environment make it necessary for managers to make adjustments to the business’s planning. For example, new government regulations may require a business to plan to install pollution-control devices. Or, in response to changing social attitudes, businesses may plan to alter traditional work practices to accommodate more family-friendly policies and fewer discriminatory policies. The main factors that make up the macro environment are:

• political and legal influences — the laws or regulations made by parliaments and courts, which affect how businesses operate and behave
• societal attitudes — the factors relating to changes in the attitudes, behaviour, tastes and lifestyles of communities on a local, national and international scale
• economic conditions — the set of influences that relate to economic activity, including interest rates, wages, unemployment, exchange rates and inflation
• technological issues — the issues related to the growing use of tools, techniques or systems
• global issues — the pressures that arise as a result of businesses operating in worldwide markets and competing on a global scale
• corporate social responsibility issues — the pressures on a business to take into account in its operations the broader social welfare of the community.

KEY IDEAS
• The external environment is made up of the macro environment and the operating environment.
• The macro environment consists of factors outside the business, over which the business has no control, such as legal, political, social, economic, technological, global and corporate social responsibility factors.
• The operating environment consists of factors outside the business, over which the business has little control, including customers, competitors, suppliers and special interest groups.
• The internal environment consists of factors inside the business such as employees and managers, location and legal business structures.
• The internal environment to some extent is influenced by the external environment. Both will have an effect on the decisions made when planning a business.

2.2 Exercise
To answer questions online and to receive immediate feedback and sample responses for every question, go to your learnON title at www.jacplus.com.au.

TEST your understanding
1. What is meant by the term ‘business environment’?
2. Using an example, explain the difference between the internal and the external business environments.
3. Explain the relationship between the external environment and the internal environment.

4. Read the following scenarios and explain what factor in the internal environment is either likely or unlikely to lead to the business’s success.
   a. Employees at Southbound Logistics are encouraged to work in teams in order to brainstorm creative solutions. A person’s position within the business is not considered a barrier because everyone is asked to provide ideas about how to improve the business.
   b. At Lancowen Legal Practice they’ve been serving customers in the same way for years and the manager, Bill Beaumont, says there is no need to change the recipe. He regularly briefs his employees on the direction he thinks the business should take and demands that employees get on with their designated duties and leave the big ideas to him.
   c. At Edwards they have no stated position on equal opportunity in the workplace, or any other issue for that matter. The human resource manager says he makes it up as he goes along.
   d. When Kay started work at Bellgowan she felt ill at ease. There were so many rules and regulations to follow. Drinks were held every Friday night for employees, but it wasn’t a case of ‘come along if you would like’ — it was a case of ‘you must come’. The company has designated this hour as ‘fun time’ and everyone must be involved.
   e. Beth Harket has decided to locate her new café in a shopping centre.
   f. Gil is planning his new business and hopes to start an auto parts store. He intends to name the business ‘Gil’s Auto’.

5. What is meant by the term ‘operating environment’?

6. List the four main stakeholders in the operating environment.

7. Fill in the gaps in the following definitions.
   A _______ is any business or individual who purchases goods and services from the business, expecting high quality at competitive prices.
   A business’s _______ are those businesses and individuals that supply the materials and other resources that the business needs to conduct its operations. _______ _______ are groups of people who attempt to directly influence or persuade a business to adopt particular policies.

8. What is meant by the term ‘macro environment’?

9. Identify which macro force is affecting the business in each of the following cases.
   a. Julie runs a small busy restaurant. She recently introduced technology that allows wait staff to electronically send orders to the kitchen. This means better service for the customer because the order is taken more efficiently and more time can be devoted to other tasks such as the prompt delivery of food and drinks.
   b. John Anderson is the manager of a function centre that hosts large weddings and conferences. He makes sure to include an acknowledgement of the traditional owners of the land, the Wurunjeri people, in his opening remarks.
   c. Mia has to design and print new labels for the foods sold in her deli. This is because changes to the food labelling laws require that all foods list the ingredients by particular portion size. This allows customers to more easily compare different food items. She thinks that this may affect which foods customers choose.
   d. A local bottle shop is no longer allowed to sell imported premixed alcoholic drinks because of a government ban on food imports from particular countries.

APPLY your understanding

10. In a small group, brainstorm the elements that determine the environment of your Business Management class. Choose a speaker to share your comments with the other groups in your class.

11. Choose a business that you have heard about and use the internet to research the following:
   a. The internal environment of the business — for example, you could find out about the business’s ethical standards or equal opportunity policy. How many employees does the business have? Who are its managers?
   b. The operating factors that affect the business — for example, who are its competitors, customers and suppliers? Does it currently face pressure from interest groups such as environmental lobby groups or unions?
   c. The macro factors that affect the business — for example, does the business use technology? What laws must it comply with? Does it consider corporate social responsibility to be important?

12. Write a two-paragraph response to the following: ‘Large businesses have no control over the external environment in which they operate. They are at the mercy of any external change.’
2.3 Key legal and government regulations

**EXAM practice**

13. Compare the operating and macro environments of a business with the use of examples (include one similarity and one difference). (4 marks)

14. Explain what is meant by the internal environment and outline one stakeholder found in this environment. (3 marks)

15. Discuss the impact of a macro environment factor on a business that you are familiar with. (4 marks)

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### 2.3.1 Legislation and government regulation

Society expects business owners to abide by the laws made by parliaments and local councils and in rulings set down by the courts. In Australia, each level of government (federal, state and local) imposes its own direct and indirect regulations to which all businesses must adhere. Elected governments also attempt to make or change the laws that have an impact on businesses.

**KEY CONCEPTS** Business owners need to consider their responsibilities in regard to legal and government regulations when planning a business.

Some business laws relating to the levels of government

<table>
<thead>
<tr>
<th>Federal government</th>
<th>State government</th>
<th>Local government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal government obligations include:</td>
<td>State government obligations include:</td>
<td>Local governments (city, municipal and shire councils) have control over the following business activities:</td>
</tr>
<tr>
<td>• payment of taxes for employees (earning above the minimum taxable income level) and for businesses with company tax and GST</td>
<td>• provision of employee entitlements, including workers compensation, work health and safety (WHS) requirements, award rates of pay and entitlements</td>
<td>• approving new development and alteration (to an existing building) applications</td>
</tr>
<tr>
<td>• provision of employee superannuation</td>
<td>• payment of payroll taxes</td>
<td>• fire regulations</td>
</tr>
<tr>
<td>• observance of customs regulations</td>
<td>• abiding by relevant state legislation (e.g. health, trade practices, employment)</td>
<td>• parking regulations (e.g. provision of parking by new businesses)</td>
</tr>
<tr>
<td>• abiding by relevant legislation that would affect business operations.</td>
<td>• abiding by pollution controls.</td>
<td>• size, location and shape of business signs.</td>
</tr>
</tbody>
</table>

In the past two decades, significant changes have occurred in the legal framework within which businesses must operate. In addition to new interpretations of existing laws, a large number of new statutes have been introduced, which have a major impact on business planning. This new legislation includes laws on taxation, industrial relations, occupational health and safety, equal employment opportunity, anti-discrimination and protection of the environment. Some of the key legal and government regulations that businesses need to consider in the planning stage of a business are summarised in the figure that follows.

It is essential that business owners have a sound working knowledge of the laws that will affect their operations when they are planning their business. Businesses that do not obey the law risk losing customers and their reputation, being fined, or losing the right to continue trading.
2.3.2 Laws related to establishing a new business

When a business is first established, a business name must be registered with the Australian Securities and Investments Commission (ASIC) unless the owner is trading under their own name, in which case registration is optional. New business name registrations require an Australian business number (ABN), and a partnership or company requires its own tax file number. If the business is established as a company, it is required to register with ASIC to receive a Certificate of Registration and an Australian company number (ACN).

2.3.3 Laws related to location

The acquisition and development of business premises will be influenced by local government zoning and building regulations, as well as regulations relating to the position and size of signage. Fire regulations and parking regulations will also affect the layout and location of business premises.

2.3.4 Health regulations

Local government also imposes health regulations under the Food Act 1984 (Vic). Each local council supplies businesses (primarily those dealing with food, such as cafés, restaurants, butcher shops and bakeries) with the regulations and standards they have to meet in order to obtain a licence to operate. Some regulations relate to:

- temperature for food storage
- kitchen layout
- employee clothing requirements
- correct food handling.
A health inspector will assess premises regularly and often without warning to ensure the business owner maintains standards. If problems occur, the business is given a period of time to rectify the situation or it will be closed down.

2.3.5 Employment regulations

While the majority of businesses are owner-operated, many also employ casual, part-time or permanent staff. Business owners who are planning to employ staff will need to comply with a variety of employment laws and regulations. Legislation covers conditions of employment, unfair dismissal, dispute settling methods, protection of human rights in employment, and employer responsibilities for tax payments on behalf of employees. Employee welfare is provided for through occupational health and safety legislation. Business owners also need to be aware of their legal responsibilities when recruiting and selecting staff, especially in regard to discrimination and equal employment opportunities. Larger businesses will often employ human resource professionals whose responsibility, amongst others, is to ensure that the business is acting in accordance with all legislation related to employment.

Anti-discrimination regulations

Several federal and state laws aim to end discrimination in the workplace. Business owners will need to be aware of this during the planning stage. One of the most important pieces of legislation in this area is the Equal Opportunity Act 2010 (Vic). This Act makes it unlawful to discriminate against an employee on the basis of attributes such as age, impairment, marital status, physical features, political belief, race, religious belief, sex or sexual orientation.

Under this Act, an employer must take reasonable steps to eliminate discrimination, sexual harassment and victimisation from the workplace. An employer may be held liable if discrimination occurs in the workplace, or if the obligation to make any adjustments necessary is not met.

Work health and safety regulations

Each state and territory in Australia has its own health and safety laws (both acts and regulations). A business owner must plan to meet the requirements set out in the acts and regulations in their state or territory. In Victoria, the Occupational Health and Safety Act 2004 (Vic) is the main legislation covering occupational health and safety.
2.3.6 Taxation laws

Taxation laws apply to all businesses. All registered businesses are required to prepare a set of accounts — the business activity statement (BAS) — at regular intervals, either monthly or quarterly. The BAS details the collection and payment of the goods and services tax (GST), and payment of pay as you go (PAYG) income tax instalments on behalf of employees. The business may also have to pay state government payroll tax, as well as tax payable on its own earnings. A business owner will need to plan to comply with tax laws.

2.3.7 Trade practices and consumer protection

An area of law that has significantly altered business conduct is legislation that promotes fair trade and competition, and provides consumer protection. The legislation provides explicit guidelines for trade practices, fair trading, advertising and credit. Specifically, the Australian Consumer Law, set out in Schedule 2 of the Competition and Consumer Act 2010 (Cwlth), states that consumers have the right to purchase goods that are of good quality and fit for the purpose for which they were bought. These rights are part of the contract between the retailer and the consumer. If goods are faulty, then the retailer has breached the contract and the consumer is entitled to a replacement or a cash refund. The Competition and Consumer Act also covers product safety and labelling, unfair market practices, price monitoring and industry codes.

In 2020, the federal court ordered Sony to pay $3.5 million in fines for breaching Australian consumer law. It was ruled that the company had misled consumers to believe that they were not entitled to refunds on games that they purchased through the online PlayStation store. Chairman of the ACCC Rod Sims brought proceedings against the company in May 2019, claiming that consumers who buy digital products online have exactly the same rights as they would at a physical store, but that Sony’s conduct may have caused Australian consumers to not seek a refund.

DID YOU KNOW?
The Competition and Consumer Act 2010 (Cwlth) deals with anti-competitive and unfair market practices, mergers and takeovers that have the potential to decrease competition within a market, and product safety and liability.

2.3.8 Environmental protection legislation

Federal, state and local governments jointly administer environmental protection laws in Australia through bilateral agreements. A business owner will need to understand which laws apply to their business when they are in the planning stage. The Environment Protection and Biodiversity Conservation Act 1999 (Cwlth) covers the protection and management of matters of national environmental significance. In Victoria, the Environment Protection Act 1970 (Vic) applies to noise emissions as well as preventing pollution and environmental damage to the air, water and land.
KEY IDEAS

- There are many laws and regulations that business owners must ensure their business will comply with during the planning stage.
- Some important ones include business name registration, company registration, local government regulations (including zoning and health regulations), employment regulations (including anti-discrimination regulations and work health and safety regulations), trade practices and consumer protection laws, and environmental protection regulations.

If business owners plan to meet their legal responsibility to protect the environment, it is likely that the business will benefit in the long term through cost savings, competitive advantage and operational efficiencies. Minimising the environmental impact of the business will also be good for the health and safety of employees and customers.

2.3 Exercise

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**TEST your understanding**

1. Why is it important for business owners to have a good working knowledge of their legal rights and responsibilities?
2. Identify and describe three aspects of running a business that involve legal responsibilities.
3. List three business activities over which local government has control.
4. Outline the features of some of the other legal and government regulations by completing the table below.

<table>
<thead>
<tr>
<th>Regulation</th>
<th>Explanation</th>
<th>Application to business planning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anti-discrimination regulations</td>
<td></td>
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<td>Work health and safety regulations</td>
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<tr>
<td>Taxation regulations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade practices and consumer protection</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental protection legislation</td>
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</tr>
</tbody>
</table>
2.4 Societal attitudes and behaviours

KEY CONCEPTS When planning a business, the business owner will need to consider changing social values, beliefs and trends.

Another factor in the macro environment that businesses should consider is the societal attitudes and behaviours that may affect the planning stage of a business. Societal attitudes are the ideas, values and beliefs held by people in a particular society. These attitudes sometimes affect the way that people behave. Behaviour relates to the actions that express these ideas, values and beliefs. Societal attitudes and behaviours are constantly changing. This affects how individuals live, work and consume products, how businesses operate and how stakeholders view the business in which they have an interest.

2.4.1 Values and beliefs

Values and beliefs refer to the shared principles and morals of a group of people or society — ideals about what is good or bad and necessary or unnecessary. These are often a learned way of life and can be passed on to younger members of society by older members. Values and beliefs can be reflected in the way people behave, the way they treat each other and what they prioritise. Values and beliefs determine, for example, what people do, what they wear, what and how they eat, and where and how they live. People in a particular society may have certain attitudes towards work, leisure time and customer service based on their values and beliefs. These attitudes will need to be considered by the business owner during the planning stage.
Society’s attitudes about what is right and wrong are constantly changing and this affects the ways in which businesses plan and the way that they are managed. Increased access to rapid communications has made the world’s population acutely aware of what businesses are doing. Pressure from society has forced businesses to implement procedures to preserve and protect the natural environment. One recent example of this is the response of supermarkets, including Coles, Woolworths, IGA and Aldi, to customer pressure over sustainable seafood. They all now claim varying degrees of sustainable sourcing for their seafood. Marine Stewardship Council (MSC) is an independent non-profit organisation that offers certification for sustainable seafood to fisheries, seafood producers and brands. You may have seen the blue MSC label on seafood products — this assures customers that the seafood can be traced back to a sustainable source. Coles has full MSC certification and traceability in place for their fresh and packaged seafood, while Woolworths, IGA and ALDI all sell MSC-certified frozen and canned seafood.

Society requires that businesses sell acceptable products and treat staff with respect. Businesses today are also expected to contribute to society by giving something positive to the communities in which they operate. As part of their ‘Energy for Life’ community program, AGL Energy gives back to the community and supports families who are struggling to pay their energy bills. Under the program, employees are provided with the opportunity to be involved in giving to causes that they have an interest in, volunteering or participating in fundraising events.

### 2.4.2 Trends

A trend is the general direction in which people’s attitudes or behaviour in society is developing or changing. One trend businesses should consider when planning relates to demographics. Demographics are the characteristics of the human population. You may have heard of Australia’s ageing population. This means that the median age of the population is rising, and there are more elderly people living in the community than ever before. For a business, the effect of this social change might provide an opportunity when planning, particularly in the area of healthcare. On the other hand it could provide some challenges, such as labour shortages, in some areas. Businesses

Because many people value the preservation and protection of the natural environment, many supermarkets now sell seafood products with the MSC label — an assurance that sustainable fishing standards have been met.
Editors Note: The page contains a discussion on the importance of considering social values, beliefs, and trends when planning a business. It emphasizes the need to embrace diversity and manage a diverse range of employees effectively. The page also highlights the importance of providing family-friendly workplaces and catering to the changing demographics. The text mentions that businesses that embrace diversity are more innovative and open to change, and that a diverse workforce can lead to increased morale, creativity, and productivity.

KEY IDEAS
- When planning a business, changing social values, beliefs, and trends will need to be considered.
- Social values and beliefs are the shared principles and morals of a group of people or society, including the need to protect the environment and the expectation that businesses will contribute positively to society.
- A trend is the general direction in which people’s attitudes or behaviour in society is developing or changing. For example, trends can be seen in changing demographics and workplace culture.

2.4 Exercise
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TEST your understanding
1. Distinguish between ‘societal attitudes’ and ‘societal behaviours’.
2. In your own words, outline what values and beliefs are.
3. Using an example, explain the impact that changing values and beliefs have on the decisions made when planning a business.
4. What is a trend?
5. Outline two trends that have led to significant change and have the potential to influence business planning.
2.5 EXTEND YOUR KNOWLEDGE Societal attitudes and behaviours

THE RISE OF VEGANISM

While vegetarianism and veganism are far from being new concepts, there is a rapidly growing number of ethical consumers who refuse to use animal products. Their reasons for doing so vary but can generally be narrowed down to the following:

1. Animal cruelty. Many more people are becoming aware about the cruelty that is involved in the creation of animal-based products, such as fur, leather, meat and dairy. Numerous reports and documentaries have been released that expose the way in which many animals in commercial farms and abattoirs are raised and slaughtered.

2. Environmental impact. A growing amount of research is suggesting that the meat and dairy industry is environmentally unsustainable in a number of ways. The following facts and statistics highlight some of the issues associated with meat and dairy consumption:
   - 51 per cent of global greenhouse gas emissions are due to livestock and their byproducts.
   - Animal agriculture is responsible for 91 per cent of the destruction of the Amazon rainforest.
   - The meat and dairy industry use one-third of the Earth’s fresh water.

Serbian tennis great Novak Djokovic is among a growing number of athletes that have committed to a plant-based diet.
The amount of water that goes into producing one burger patty is approximately 2498 L, which is the equivalent of two months of shower water for the average person.

The land needed to feed a meat eater is approximately 18 times that needed to feed a vegan.

3. **Health benefits.** Many people are moving to a plant-based diet on the basis that it is healthier than consuming meat and dairy. While research by the World Health Organization has established red meat and processed meats as a cause of cancer, some nutritionists argue that a certain amount of meat and dairy is part of a healthy and balanced diet. Australian Dietary Guidelines state that ‘appropriately planned vegetarian diets, including total vegetarian or vegan diets, are healthy and nutritionally adequate’.

This growing trend has proven to be big business in Australia, the third fastest growing vegan market in the world. In 2016 the Australian packaged vegan food market was worth almost $136 million and is expected to reach $215 million by 2020.

Vegetarianism as a whole is drastically increasing with 2.5 million people (12.1% of the population) eating all or almost all vegetarian as at the beginning of 2020. This represents 800,000 new vegetarians since 2016. While this figure includes vegans and dairy consuming vegetarians alike, it is a clear indicator of how rapidly the population is changing its attitudes towards food. Vegan products that have increased in popularity include dairy alternatives such as almond, soy, coconut and oat milk, dairy-free sweets, tofu, meat imitations produced from vegetable proteins and, of course, fruit and vegetables. There is also a rise in the demand for vegan pet foods, clothing, accessories and restaurants which cater for vegan diets. Mainstream supermarkets such as Coles and Woolworths have increased the number of vegan products they stock on their shelves in recent years, with Aldi introducing a wide range of vegan products in 2018. Even fast-food outlets such as Hungry Jack’s and Subway now offer veggie patty burgers with the vegan option to exclude cheese.

**Lord of the Fries**

In 2004, Mandy Walker Koronczyk and Mark Koronczyk launched an unnamed mobile chip van that sold fries and sauces without many of the cheap and nasty ingredients seen in other fast-food outlets. It was the beginning of what has grown into a very successful Melbourne-based franchise ‘Lord of the Fries’ (named by Mark’s brother Sam).

Following the success of their mobile chip van, Lord of the Fries’ first permanent fast-food outlet was opened in Melbourne 2005. Through a franchising model, the company has since opened stores in Queensland, New South Wales, South Australia, Western Australia and New Zealand. The Flinders street and Swanston street outlets in particular have become an iconic late-night option for those who are out and about in the city, wanting to indulge in the extensive menu, which includes a variety of fries, burgers, onion rings, hot dogs and more.

What many people are not aware of until they enter Lord of the Fries is that despite its street-front appearance as a traditional fast-food outlet selling chips and beef-mince burgers, this franchise has at its core an entirely different philosophy on fast food. Lord of the Fries is above all committed to its ethical principles, which dictate the need for an entirely vegan menu. All sauces, hot dogs, burgers and other traditionally meat-heavy menu options are made entirely from plant-based ingredients, often mimicking the taste of meat and dairy.

Lord of the Fries is a business case study demonstrating how veganism has rapidly entered the mainstream fast-food industry. Its success can largely be attributed to its ability to attract not only the growing number of vegans and vegetarians in Melbourne, but also those who appreciate the taste of good food, regardless of the fact that it is plant based.
2.5 Exercise

To answer questions online and to receive immediate feedback and sample responses for every question, go to your learnON title at www.jacplus.com.au.

TEST your understanding

1. Distinguish between non-vegan vegetarians and vegans.
2. Outline the three main reasons why people embrace a vegan lifestyle.
3. Outline two facts that support the notion that veganism is a growing trend in Australia.
4. Read ‘Lord of the Fries’. How does this fast-food franchise differ from traditional fast-food burger franchises?

EXTEND your understanding

5. List the advantages and disadvantages of eating a vegetarian diet.
6. Explain why it might benefit Lord of the Fries to look like a traditional fast-food burger restaurant from the outside.
7. Explain how trends may affect business planning.
8. Construct a table with two columns labelled like the example below. Identify as many trends as you can that may affect business planning in the first column. In the second column, outline a possible effect that this trend might have on the planning of a business. Two examples have been completed for you.

<table>
<thead>
<tr>
<th>Trend</th>
<th>Possible effect on business planning</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is an increasing demand for live streaming.</td>
<td>A business will need to plan to incorporate live streaming into its marketing.</td>
</tr>
<tr>
<td>There is an increasing demand for food derived from sustainable sources.</td>
<td>The business will need to consider whether its suppliers use sustainable practices.</td>
</tr>
</tbody>
</table>

EXAM practice

9. Identify a business opportunity that arose as a result of changing societal values and describe how a business you are familiar with seized this opportunity. (4 marks)

2.6 Economic conditions

**KEY CONCEPTS** Business owners need to consider the state of the economy when planning a business. Interest rates, tax rates, business and consumer confidence levels have an effect on the decisions made during the planning stage.

2.6.1 Economic conditions and influences

**Economic conditions** refer to the many influences that relate to economic activity in a country, region or the world and include interest rates, wages, unemployment, exchange rates and inflation. Economic forces have an enormous impact on both business and customers. They influence a business’s capacity to compete and customers’ willingness and ability to spend. Economies do not always experience constant growth. Rather, the level of economic activity changes from periods of growth (‘boom’) to recession (‘bust’) and back to boom conditions. The following figure shows the impact of each phase of the business cycle on a business’s performance.
When an economy is in a downturn, it will most likely mean that customers are not spending as much. Reduced spending translates to reduced opportunities for business. When an economy is booming, lower levels of unemployment and rising incomes are likely to increase the overall level of spending in the economy. There are many opportunities for businesses to do well in this situation, and business owners may plan to expand as sales and profits increase.

Information on economic growth, inflation trends, average weekly earnings, consumer confidence, interest rates, consumer spending and unemployment provide businesses with insight into economic trends. This information on the level of economic activity allows businesses to predict possible threats to, and opportunities for, business activity during the planning stage.

**DID YOU KNOW?**

An Australian Bureau of Statistics survey of bankrupt businesses found that 35.2 per cent of owners blame ‘economic conditions’ as the reason for failure. Twenty-five years ago, the main reason for business failure was lack of business ability. Today only 10.1 per cent of businesses fail for this reason.
2.6.2 Interest rates

An interest rate is the price charged or paid for the use of money. It is used to calculate the proportion of a loan that is charged as interest to the borrower (or the proportion of a deposit paid to the depositor), and is typically expressed as an annual percentage of the total amount loaned or deposited. For a business, interest generally represents a cost involved in generating revenue. Typically, interest rates rise in periods of inflation and when there is more demand for credit. A rise in interest rates tends to stifle business activity because credit becomes more expensive.

Changing interest rates can significantly affect a business’s planning. Any loan repayments that the business has will be affected by falling or increasing interest rates, as will the opportunities to obtain finance. A high interest rate will reduce the likelihood of a business making a large profit, which will undoubtedly influence the business owner’s planning. Prospects for expanding or growing the business will also be reduced. Falling interest rates, however, may result in business loans becoming more affordable. Consequently, a business owner may plan to expand their business under these circumstances.

Interest rates can also have a significant effect on consumer spending. Lower interest rates mean that consumers have more money to spend after making repayments on their loans. This extra money to spend on goods and services generally results in increased sales and, hence, profitability for businesses. A business owner may plan to expand their business under these circumstances because of the potential for increasing profits.

2.6.3 Tax rates

Taxes also represent a cost for businesses. A tax rate is the percentage of income or value of a good, service or asset paid as tax. In Australia, for example, income tax and company tax is imposed as a percentage of a business’s net income. Some taxes, such as land tax, are levied on the value of an asset. The tax rates on certain activities may affect the decisions that the business owner makes when planning the business. For example, an activity that offers tax deductions may prove to be an attractive option when in the planning stage.

**DID YOU KNOW?**

Tax rates can be classified as progressive, proportional or regressive.

- A progressive tax is one where the rate of tax rises as the taxable amount increases (for example, income tax).
- A proportional tax is one where the rate of tax stays the same as the amount rises (for example, company tax).
- A regressive tax is one where low income earners pay the same rate of tax as high income earners. Effectively, this means that the relative tax rate increases as a person’s ability to pay it decreases.

2.6.4 Business and consumer confidence levels

Business and consumer confidence levels refer to how businesses and customers are feeling about the economy. When consumer confidence is high, for example, consumers will generally be optimistic about their financial condition, particularly their ability to find and maintain employment, and they are more likely to make purchases. If a business owner is feeling positive about the future, or if they sense that consumer confidence is high, then this is likely to be reflected in the decisions that they make during the planning stages of a business. For example, if business and consumer confidence levels are high, it is possible that a business owner will plan to expand the business, take on more debt or employ more workers.
The recessionary and boom cycles. The government uses its economic policies to stabilise the economy and reduce the fluctuations in the business cycle. It can do this by using monetary and fixed policies.

Recessionary cycle
- Evidence of a contracting economy is seen with rising unemployment, decreased economic growth and stabilising or falling inflation.
  - Cost cutting must occur. Workers may be retrenched, adding to the economic problems.
  - Consumers become more cautious. Spending and consumer confidence fall.
  - Reduced spending by consumers affects business as profits fall.

Boom cycle
- Evidence of an expanding economy is seen with falling unemployment, increased economic growth and rising inflation.
  - Business can increase production and will require workers.
  - Consumer confidence returns and spending increases.
  - Increased spending will increase business profits.

When an economy is booming, the level of consumer confidence is likely to be rising. This means that consumers are generally feeling positive, especially in their ability to obtain and hold onto employment. Consumers will therefore be likely to increase the amount of money that they spend. This may lead to businesses expanding and increasing the number of people they employ.

KEY IDEAS
- The state of the economy needs to be considered when planning a business.
- Economic factors such as interest rates, tax rates, business and consumer confidence levels all have an effect on decisions made by business owners during the planning stage.
2.6 Exercise

To answer questions online and to receive immediate feedback and sample responses for every question, go to your learnON title at www.jacplus.com.au.

TEST your understanding

1. Explain what is meant by the term ‘economic conditions’.
2. Outline the difference between an economic downturn and a boom.
3. In what way can economic forces influence the actions of customers?
4. What are interest rates, and how do they affect the decisions made when planning a business?
5. Explain why tax rates are a cost for businesses.
6. Outline how business and consumer confidence levels affect the decisions made when planning a business.

APPLY your understanding

7. Form a small group and choose one of the phases in the business cycle diagram. Consider each bullet point from that phase and suggest what impact each issue could have on a business’s planning. Choose a presenter to report your findings to the whole class.
8. Use the Monetary policy weblink in the Resources tab to find the Reserve Bank’s most recent interest rate decision.
   a. What is meant by the term ‘cash rate’?
   b. At its most recent Board meeting, what did the Reserve Bank decide to do about its target for the cash rate?
   c. Summarise the reasons given for the Board’s decision.
   d. In your opinion, how will the decision impact on business owners’ planning?
9. The Westpac Melbourne Institute Index of Consumer Sentiment rose 3.9 per cent in July 2018, its most positive reading since November 2013. For eight consecutive months, the Index has been above 100, which means that optimists outnumber pessimists.
   a. Explain in your own words what this means.
   b. What do you think it means for businesses when the index is above 100, with optimists outnumbering pessimists?
   c. Why would a business owner be concerned if the index that measures confidence was falling?

EXAM practice

10. Identify and explain each phase of the business cycle. (4 marks)
11. Using examples, distinguish between tax rates and business confidence levels. (4 marks)
12. Explain two ways in which lowering interest rates may affect business planning. (4 marks)
13. Analyse the effects of the economic conditions on business created by the COVID-19 pandemic. (6 marks)

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Westpac Melbourne Institute Index of Consumer Sentiment
An index that measures changes in the level of consumer confidence in economic activity. It is based on consumers’ responses to a survey regarding their sentiments about their own current and anticipated financial situation, anticipated economic conditions, buying conditions and other factors relating to their consumption.
2.7 Technological issues

**KEY CONCEPTS**
- Business owners need to consider technological issues when planning a business.
- These issues relate to markets changing in the future and technological development.

Technological issues relate to the growing use of tools, techniques or systems by businesses to solve problems or to serve a purpose in operations. Innovation in technology has increased at a remarkable pace, revolutionising the workplace and every aspect of daily life. With appropriate technology, businesses can increase efficiency and productivity, create new products and improve the quality and range of goods and services. For survival, businesses must monitor and adapt rapidly to technological innovations. Failure to detect and adopt new technology could result in products and businesses becoming rapidly obsolete.

The International Federation of Robotics found that since 2016, the number of operational industrial robot jobs has been increasing annually by 14%. The World Economic Forum has predicted that the number of total task hours completed by humans will drop from 78% in 2018 to 58% in 2022, representing a 13% decrease.

**DID YOU KNOW?**
A Price Waterhouse Cooper study found that 70% of people would be willing to augment their bodies and brains in order to improve their employment prospects.

**2.7.1 Developments in technology**
The use of hi-tech robotics in many manufacturing industries is improving productivity, reducing operating costs and eliminating many boring and repetitive tasks. The cost of global communications is declining and the tools of information technology are becoming easier to use. New communication technologies allow information to be transmitted rapidly to an ever-increasing number of customers, with a speed that now makes communication almost instantaneous. Global communications systems make it possible for businesses to coordinate design, production and distribution worldwide. The internet, mobile phones, interactive video and electronic funds transfer, for example, are helping to open up the global marketplace at an unprecedented rate. ABS statistics reveal that there are 14.7 million subscribers to the internet in Australia.

Cloud technology stores valuable data and files on the internet, allowing them to be accessed from anywhere in the world. Microsoft is just one of many companies that have integrated cloud technology into their new products.
While the development of new technology brings many benefits to a business, it does have shortcomings. Technological change has led to a decrease in the number of employees required by many businesses as they have been replaced by the technologies that reduce costs, improve quality and delivery speed. The speed of change has resulted in product life cycles becoming shorter, which means that products do not last for a long time and constantly need to be updated. A consequence is that businesses need to spend more time and money on research and development to remain competitive. On the other hand, changing technology opens up new markets, which can present opportunities for businesses.

When a business owner is planning a business, they will need to consider the benefits and limitations of technology. The planning stage must incorporate the opportunities that developments in technology provide.

**DID YOU KNOW?**

'It's pretty incredible to look back... to when Microsoft was starting and realise how work has been transformed. We are finally getting close to what I call the digital workstyle.'

—Bill Gates, founder of Microsoft

### 2.7.2 The future of business technology

It is impossible to predict the future, but it is expected that over the next five to ten years we will live with more internet-connected devices, including computers, phones, appliances, vehicles and robots. This will generate huge amounts of data, presenting a challenge to businesses — what data is useful and what is not? The ability to analyse this big data will also present opportunities for businesses. There is no doubt that technology will become smarter, meaning that robots and computers will replace more workers completing dangerous, repetitive or mundane jobs. Many businesses will take advantage of 3D printing and wearable technology. Driverless vehicles are already in use in industries such as agriculture and mining. More people will be using autonomous vehicles.

Ride-sharing company Uber has transformed the taxi industry through its innovative use of technology. Uber's mobile app connects customers who need to travel with nearby drivers who are willing to transport them. Uber was founded in 2009 and has grown rapidly. It now operates in hundreds of cities in over 60 countries around the world. In many countries, other taxi companies have responded to Uber by implementing their own technologies, such as hailing apps, and challenging the legality of some of Uber's services.

Technology will undoubtedly change at an ever-increasing pace. Australia Post is already trialling small parcel deliveries by drone and expects that the device will revolutionise the way parcels are delivered within the next five to ten years. A human using a video system currently operates a drone, but how long will it be before they are fully autonomous?
vehicles, and it is likely that pay-per-use will gradually replace car ownership. This provides opportunities for more people to work creatively while they are being driven to their destination.

TECHNOLOGY SET TO CHANGE THE WAY WE LIVE AND WORK

Automation and other technological advancements have made great changes to the way we live and work. There is great speculation as to what specific changes will take place and when, but one thing is certain — technological advancements will continue to change all industries to a greater or smaller degree. The ability to work remotely allowed many businesses to continue operating during the pandemic of 2020 while quarantine measures were in place. Improving technology continues to allow flexible working arrangements for those who need or prefer to work away from the traditional office.

A 2020 report tips health, education and retail as the industries that will benefit most from automation and robotics in Australia over the next fifteen years. Technology has the potential to greatly improve economic efficiency, make our lives easier and create jobs. It will also replace existing jobs and make it difficult for many workers to find employment. It is estimated that 2.7 million employees are at risk of losing their jobs to automation in that same period. In fact, many factory workers, bank tellers and supermarket checkout operators have already lost their jobs to automation. In the immediate future, it is expected that repetitive tasks that can be performed using unskilled labour are most likely to be replaced. On the other hand, it is expected that many technology related jobs such as those in social media marketing and machine learning will be created. Traditional office-based jobs are more and more frequently being replaced by flexible jobs and it is predicted that workers in the future will derive their income from a variety of different streams.

While increases in productivity brought about by technological improvement hypothetically have the capacity to reduce working hours, this has not been the case historically and is unlikely to be the case in the future. Business futurist Morris Miselowski has predicted that in two decades time we will be working longer hours than now, with technology making it even harder to ‘switch off’ after the end of the traditional working day. This is proving to be a problem with many employees suffering from stress and anxiety due to the expectation of being in contact at all times. Many companies and nations have recognised this problem and introduced ‘right to disconnect’ types of policies and laws, making rules against contacting employees after set working hours. In the early 2000s, France had already established that employees are under no obligation to be contactable after work hours.

While technological development is a certainty, how proactive nations, businesses and individuals are in preparing for the change will be a determining factor in the success of their adaptation. The Australian Computer Society (ACS) and AI work analytics platform Faethm predict 5.3 million jobs could be created in Australia by 2034 if the government invests in appropriate training and development of the workforce. Similarly, upskilling of workers in projected growth areas should be a priority of businesses and individuals who wish to come out on top of the expected changes.

DID YOU KNOW?

The most famous rule for predicting the rate of technology advancement was developed in 1965 and is known as Moore’s law. Moore’s law was used to describe the rate of improvement in the power of computer chips. It predicts a doubling in the power of computer chips every 18 months and has been touted as being one of the most accurate predictors of technological progress ever since.
KEY IDEAS

- Technological issues refer to the issues relating to the growing use of tools, techniques or systems by businesses to solve problems or serve a purpose.
- Technological issues, including changing markets and technological development, need to be considered when planning a business.

2.7 Exercise

To answer questions online and to receive immediate feedback and sample responses for every question, go to your learnON title at www.jacplus.com.au.

TEST your understanding

1. What is technology?
2. Make a list of technologies currently used by businesses.
3. Explain the benefits of technological development.
4. Outline the limitations or costs of new technology.
5. In your opinion, what developments in technology will we see in five to ten years’ time?

APPLY your understanding

7. There are many new applications of technology. For example, many supermarkets have equipment that allows you to scan your own groceries and pay for them using a debit or credit card. QR codes can allow you to easily access complicated URLs by scanning with a mobile phone. Can you think of any ways that the technology you use might affect the planning of businesses with which you interact?
8. Research the latest trends in technology. Suggest any technological developments that will be applicable to businesses in the near future.

EXAM practice

9. Explain two effects of introducing new technology on the planning stages of a business you are familiar with.
(4 marks)

10. Explain whether you believe developments in technology, such as automation and artificial intelligence (AI), will benefit the planning of businesses in the future. Justify your response.
(4 marks)

11. Explain two ways in which advances in technology are predicted to affect the workforce and how businesses should adapt to these changes.
(4 marks)

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2.8 Global issues

- KEY CONCEPTS When planning a business, business owners need to consider global issues. These issues include overseas competitors and markets, offshoring labour, exchange rates, protection of intellectual property at a global level and online sales.

Elements within the macro environment can combine and operate at a global level. Globalisation means that businesses now operate in a worldwide market. Better technologies, methods of transportation and unrestricted trade have allowed the
whole world to become a single market. This presents both challenges and opportunities for businesses. The major challenge that many businesses face is that they now find themselves competing on a global scale. Globalisation also allows businesses to buy and sell goods and services internationally, opening the door to increased profits and a level playing field.

Successful business owners understand the necessity to adapt to the constant and rapid changes in the global environment. When planning a business, the business owner needs to consider many global issues including overseas competitors and markets, offshoring labour, exchange rates, protection of intellectual property at a global level and online sales.

### 2.8.1 Overseas competitors and markets

When undertaking business planning, a business owner must take into account the possibility that they will face competitors from overseas. Global competition exists because of rival, or competing, businesses that serve customers internationally. Business owners planning to compete against overseas competitors know that they must build a competitive advantage based on the strengths of the business, as well as by reducing costs and improving the quality of the product. It is also important to have knowledge of all competitors — whether they are found in a local market, nationally or overseas. Business owners who are aware that they will face overseas competition must stay informed of their rivals’ strategies, and their strengths and weaknesses. Businesses may plan to differentiate their goods and services from other businesses in order to be competitive. A possible source of this differentiation is innovation.

Just as overseas competitors can sell their goods and services in Australia, local businesses can also sell their products in overseas markets. Selling goods and services to overseas markets spreads the business’s risk and allows it to grow. However, there are unique issues for the business owner to consider, such as transportation and distribution, conversion of currency, taxes and duties, marketing and packaging requirements. When planning to sell to overseas markets, business owners need to consider the different requirements of these markets, such as customs and cultures. The product that they sell locally may need to be modified or tailored to suit the needs of an overseas market. It is always a good idea for the business owner to speak to someone who has experience in exporting to overseas countries. The Australian Trade Commission (Austrade) supports businesses in growing overseas markets, and can provide information, assistance and advice about exporting, understanding foreign regulations and best business practices.

#### WESTFIELD EXPANDS ACROSS EUROPE

When Frank Lowy and John Saunders opened the first ‘Westfield Palace’ in Sydney’s Blacktown in 1959, it was impossible to imagine that 60 years later Westfield would be a global shopping centre chain worth tens of billions of dollars. Recently, Westfield has begun a rapid expansion into the European market, adding France, Poland, the Czech Republic and Sweden to the list of nations in which it operates. Westfield is becoming a global brand known for housing high-end brands, entertainment facilities and dining options. This global expansion of the once humble Australian brand comes after a 2014 split into two firms. Scentre Group runs the Westfield centres in Australia and New Zealand while a foreign company, now owned by French Unibail-Rodamco, acquired the international shopping centres and Westfield brand name. The transaction leaves Frank Lowy as the sixth richest Australian with an estimated worth of $6.5 billion.
2.8.2 Offshoring labour

The opportunity to use labour in overseas countries is something that the business owner needs to consider when in the planning stage. Offshoring refers to the practice of moving some of a business’s processes or services to the same or another business located in an overseas country. Businesses usually do this to take advantage of lower costs, including labour and transportation, as well as more favourable economic conditions in other countries. Many businesses choose to offshore their labour-intensive stages of production (e.g. the assembly of car engines) or complex services (e.g. using call centres in overseas countries to assist Australian customers). Telstra uses offshore labour in the Philippines and India in its call centres and for other support roles. Qantas uses offshore maintenance facilities to perform maintenance checks on many of its aeroplanes.

Offshoring has historically been a contentious issue because it has resulted in the loss of local jobs. Groups such as workers’ unions argue that offshoring labour to nations with lower wages and working conditions often leads to the exploitation of foreign workers, as well as local unemployment.

2.8.3 Exchange rates

An exchange rate is the price of one country’s currency expressed in terms of another country’s currency. Essentially, the exchange rate determines how much of one currency has to be given up in order to buy a given amount of a different currency. Australia’s exchange rate is commonly measured using the US dollar. For example, in the media you will often hear Australia’s exchange rate quoted in Australian dollars per US dollar (AUD/USD). In this case, if the AUD/USD is $0.77, this means that one Australian dollar is worth 77 US cents.

Exchange rates are affected by many factors such as:
- interest rates
- the rate of inflation
- the balance of trade
- political stability
- the general state of the economy
- the quality of a country’s governance.

The exchange rate plays an important part in the planning of businesses that intend to export goods and services or import materials. Any changes in exchange rates will affect businesses. Basically, a depreciation (a fall in the value of a country’s currency in relation to another currency) will usually make exports cheaper and imports more expensive. This means that exporting businesses will benefit while manufacturers or retailers importing materials or goods will face increasing costs. Conversely, an appreciation (an increase in the value of a country’s currency in relation to another currency) makes exports more expensive and imports cheaper, and reduces the competitiveness of businesses that export.

Exchange rates affect any financial transactions that a business may make, as well as demand for its products and the price of imported materials. Foreign Exchange traders often make a profit on the difference between the buying and selling price of a particular currency.
Business owners also need to be aware of exchange rates because they may pay overseas suppliers for materials. The supplier is likely to invoice the business in the currency of the supplier’s country. Furthermore, businesses may need to locate or develop a method for converting payments they have received from overseas customers.

2.8.4 Protection of intellectual property at a global level

In topic 1 we examined the range of options available to the business owner for protecting intellectual property (IP). It is important to ensure that competitors do not copy any creations of the mind that a business has developed, such as new inventions, brands, designs or artistic creations, as these can provide a competitive advantage. As it is likely that businesses will face overseas competitors, it is essential to protect intellectual property at a global or international level. This can be done through the use of:

- **patents.** A patent is an exclusive right granted for any device, substance, method or process that is new, inventive and useful. This is legally enforceable and gives the owner exclusive rights to use the invention for commercial purposes for the life of the patent. However, an Australian patent will generally only protect the rights of the patent owner in Australia. At present there is no ‘international patent’. A patent must be obtained in each country in which the business seeks protection for its invention, in accordance with the laws of that country. A second option for businesses seeking patent protection in several countries is to file an international application under the Patent Cooperation Treaty (PCT), administered by the World Intellectual Property Organization (WIPO). IP Australia supports businesses in making this application.

- **trademarks.** A trademark is a right granted over a letter, word, phrase, number, sound, smell, shape, logo, picture or aspect of packaging that a business will use to represent its products and services. However, an Australian trademark only provides protection within Australia. Similarly to patenting, trademark owners can seek trademark protection overseas by applying for protection in each separate country. Another option is to make a single international application filed through IP Australia nominating the Madrid Protocol countries in which protection is required. The Madrid Protocol is a treaty that provides a solution for registering and managing trademarks worldwide.

- **copyright.** Copyright is a free and automatic protection of original works such as writing, music, art, films, sound recording, broadcasts and computer programs. Copyright is generally obtained automatically without the need for registration or other formalities. Although it is not necessary to do so in Australia, and in a majority of countries, placing a copyright notice in a prominent place on any work can act as a reminder to competitors. To date, 179 out of 190 countries have ratified the Berne Convention — an international treaty that sets a minimum set of standards for the protection of the rights of creators of copyrighted works around the world. However, some countries have not signed the treaty, so a business owner must be aware that it can be a requirement in some countries to establish copyright.

Mars Incorporated fiercely protects its intellectual property including the Mars brand and other brands including Snickers, M&Ms and Dove. The company closely monitors its global markets for any misuse of its IP, including similar product names and packaging designs. Before it launches a new product, Mars carries out trademark searches to ensure that the name of the new product is not the same as, or similar to, something that is already available in the market.
2.8.5 Online sales

Large numbers of businesses now sell products to consumers directly over the internet. When planning, a business owner will need to consider the options of selling through a physical store, an online store or both. Online sales present many opportunities for businesses. Firstly, long-term costs will be reduced as the business is not required to pay for premises and expenses such as electricity and water. In addition, the business will reach a wider market, as customers can purchase the business’s products from around the world. However, the business owner needs to realise that setting up and maintaining a professional-looking website or mobile app can be expensive, and some expertise may be required. Websites crash, and when the site is down customers will not be able to make purchases. Nevertheless, when planning the business, a business owner needs to be aware that failing to go online could result in the business being uncompetitive.

Resources

Weblinks
Austrade
Intellectual property

KEY IDEAS

- Globalisation is the effect of hi-tech communications, lower transport costs and unrestricted trade and financial flows, which have transformed the world into a single market, producing a more integrated global economic system. Globalisation means businesses now operate in a worldwide market.
- During the planning stage of a business, global issues including overseas competitors and markets, offshoring labour, exchange rates, protection of intellectual property (patenting, copyrights and trademarks) at a global level and online sales must be considered.

2.8 Exercise

To answer questions online and to receive immediate feedback and sample responses for every question, go to your learnON title at www.jacplus.com.au.

TEST your understanding

1. Define the term ‘globalisation’.
2. Explain why overseas competitors need to be considered by business owners during the planning stage.
3. How can a business compete against overseas competitors?
4. Outline the benefits and costs involved in selling products in overseas markets.
5. Explain what offshoring is and why businesses offshore their labour.
6. Define the term ‘exchange rate’.
7. What effect do exchange rates have on business planning?
8. Briefly explain the methods for protecting intellectual property at a global level.
9. Identify the benefits and costs of online sales.

APPLY your understanding

10. Use the Austrade weblink in the Resources tab to find a video featuring a business that sells its products to overseas markets. Once you have selected a video, work in a group to answer the following questions.

a. What is the name of the business, and what product does it sell?
b. Name the overseas market or markets that the business sells to.
c. What advice does the video provide for business owners planning to export to overseas markets?

11. Identify the global issue or issues that the following businesses are dealing with:

a. Vic Gas uses a call centre in India to aid and assist its customers.
b. My Electronics, which sells consumer electronics, video games and Blu-ray discs through its stores in Australia, is planning to set up an online store. It will need to install a currency converter on its website.
c. Jan has had problems with other businesses and individuals copying her products and selling them on the market.
2.9 Corporate social responsibility issues

**KEY CONCEPTS**
- A business must plan to operate in a socially responsible manner.
- Corporate social responsibility management practices have benefits and costs.

### 2.9.1 Corporate social responsibility

The traditional view of business is that it exists to create products, earn a profit and provide employment. As society’s expectations of acceptable business behaviour change, socially aware business owners recognise the importance and necessity of planning business objectives that incorporate corporate social responsibility. Businesses today are very much concerned with planning for the triple bottom line. This means that they are no longer simply focused on making a profit at all costs — the business’s financial or economic performance — but rather, they recognise that environmental and social performance are also important.

Businesses that take their social responsibilities seriously are often rewarded with improved business performance. Customers will purchase products from socially responsible businesses. Planning to incorporate socially responsible practices can result in the business becoming more competitive. The relationships that the business has with stakeholders such as other businesses, governments, the media, suppliers, specific interest groups and the community are also much more likely to be positive. Obviously, socially responsible behaviour costs money in the short term, and it can be very time consuming to introduce policies and

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<th>StudyON: Practice exam questions online only</th>
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practices that are socially responsible, but in the long run, corporate social responsibility does turn out to be in the business’s, and society’s, best interests.

There are many ways in which a business can be socially responsible. Some of these are summarised in the diagram below.

### 2.9.2 Environmental considerations

A business owner will need to address environmental considerations when planning their business. It is important to ensure that the business’s production process will not have a serious or negative impact on the environment. For example, a business could plan to incorporate renewable energy initiatives, such as solar or wind power into its operations; source sustainable ingredients; implement waste-reduction strategies, such as recycling; or support suppliers who use environmentally friendly methods of production.

### 2.9.3 Planning the production of goods and services that are in society’s best interests

In addition to environmental considerations, when planning a business, the business owner should also ensure that the production process does not have serious or negative impacts on community health and social conditions. A business could plan to purchase materials and other resources from local suppliers (rather than from overseas) to demonstrate support for the local community by providing employment. Furthermore, an owner could ensure that the suppliers the business will deal with operate workplaces that are free from exploitation. The business owner must also ensure that the business’s facilities and technology will contribute to the health and welfare of staff (above and beyond what is required by legislation and regulations).
How the product will be packaged and marketed should also be considered. In addition, the business owner will need to make sure that the product is of the required quality — that it is safe and reliable. A dangerously defective or harmful good could result in the injury or death of consumers. The product delivery can also raise issues around the socially responsible behaviour of managers, such as fair and equitable treatment of customers.

**ETIKO PLANS FOR CORPORATE SOCIAL RESPONSIBILITY**

The founder of Etiko, Nick Savaidis, believes that businesses should make a positive contribution to society. Etiko is a small business based in the outer south-eastern suburbs of Melbourne that planned for corporate social responsibility from the outset. Mr Savaidis started the business when he realised that it was impossible to purchase sports products that came with full guarantees that no employee exploitation was involved in production.

Etiko sells fashion, footwear and sports equipment that are made using offshore labour in a carefully chosen factory in Sri Lanka. Etiko fully integrates the principles of sustainability from all perspectives: economic, environmental and social. The company combines socially responsible production practices with environmentally sound materials to produce a range of products that are Fairtrade certified and sweatshop free. However, purchasing products that are manufactured in a socially responsible manner means that Etiko must pay up to three to four times the price that other fashion brands pay for their products.

Mr Savaidis wants Australians to know that they can buy a range of socially responsible fashion items from t-shirts to underwear and even footwear. He says, ‘No-one likes the idea of wearing clothing that is potentially made with child, sweatshop or slave labour. However, the reality is that most people in Australia have got wardrobes full of items made by people, young and old, who have been exploited ... simply because we as consumers want cheap fashion. Our brand proves that it is possible to put social and sustainable values into the market and succeed.’

It is no coincidence that Etiko has won many awards in the area of corporate social responsibility, including an Australian and New Zealand Fairtrade Product of the Year award in 2013 and 2014. From 2013 to 2017, Etiko was ranked Australia’s most ethical fashion brand in the EthicalFashion Report, which assesses measurements such as the supply chain, worker pay and welfare. From the sales of its products, Etiko also helps to fund community development, microcredit and healthcare programs in many developing countries.

In 2017, Etiko became a Certified B corporation, recognizing the company as one of over 1400 other leaders in the global movement of people using business as a force for good. Etiko received a $75000 Impact Investment Readiness Fund grant from NAB at the end of 2015, which supported the further growth of the business. The company has ambitions to expand its production in India and Sri Lanka, while establishing new production facilities throughout Asia.

**DID YOU KNOW?**

According to research undertaken by Global Business Responsibility Centre, businesses that plan for and implement a policy of caring for the triple bottom line outperform other businesses in the market.
KEY IDEAS

- Corporate social responsibility refers to managing a business in such a way that the broader social welfare of the community, including its employees, customers, suppliers and the environment, is taken into consideration when making business decisions.
- When planning a business, corporate social responsibility issues will need to be considered. These issues include environmental considerations and planning the production of goods and services that are in society’s best interests.
- Corporate social responsibility management practices have benefits and costs.

2.9 Exercise

To answer questions online and to receive immediate feedback and sample responses for every question, go to your learnON title at www.jacplus.com.au.

TEST your understanding

1. Define the term ‘corporate social responsibility’.
2. Name the three aspects of the triple bottom line.
3. Why do many businesses plan for the triple bottom line?
4. Describe the possible implications of planning for the triple bottom line on:  
   - the business
   - employees
   - competitors.
5. Outline what Etiko does that makes it socially responsible.
6. What are the benefits of managing a business in a socially responsible manner?
7. What are the costs of managing a business in a socially responsible manner?
8. Explain one way in which a business owner can plan to:  
   - address environmental considerations
   - produce goods and services that are in society’s best interests.

APPLY your understanding

9. In groups of three or four, research the arguments for and against corporate social responsibility. Which set of arguments do you support? Provide reasons for your answer.
10. A business decides to undervalue its inventories and debtors to indicate favourable liquidity and thus better short-term financial stability of the business. In groups of three or four, record the advantages and disadvantages of this decision and its corporate social responsibility implications. Choose a spokesperson to share the group’s comments with the rest of the class.
11. Use the ISO weblink in the Resources tab to find out what the International Organization for Standardization (ISO) is and what standards the organisation offers in the areas of environmental management, energy management, sustainable events and social responsibility. Choose one of the standards and record its ISO number. Take thorough notes explaining what the standard covers.
12. Use the Etiko weblink in the Resources tab to read or watch an interview with Nick Savaidis. Summarise what Mr Savaidis has to say about corporate social responsibility.
13. Consider the following statement: ‘A business must be socially responsible in order to succeed’. Explain whether you agree or disagree with this statement and justify your response.
14. Do you think it would be more difficult to plan for positive social and environmental performance rather than successful economic performance? Explain your answer.
2.10 EXTEND YOUR KNOWLEDGE Corporate social responsibility and the triple bottom line

KEY CONCEPTS Practices which contribute to corporate social responsibility

UNDERSTANDING THE TRIPLE BOTTOM LINE

Being sustainable means taking into account the impact your business has on the environment and communities in which it operates. By paying attention to the social and environmental bottom line, you can run your business in a more efficient and effective way. This can have a positive impact on your financial bottom line, and it makes good business sense.

Sustainability expert John Elkington coined the term ‘triple bottom line’ and argued that there should be three bottom lines:

1. the ‘profit’ bottom line, which is a measure of the traditional ‘profit and loss’ financial bottom line
2. the ‘people’ bottom line, which is a measure of how socially responsible a business has been
3. the ‘planet’ bottom line, which is a measure of how sustainable and environmentally responsible the business has been.

All of us understand the basic concept of living within our means. If we spend more than we earn, then at some point we hit the wall financially. However, when it comes to the environment and our use of its resources, the people of the world are not living within their means.
According to the Global Footprint Network, we currently use the equivalent of 1.4 planets to provide the resources we use and to absorb the waste we produce. This is not sustainable. Based on estimates from the United Nations on resource use and population, the Global Footprint Network predicts that between 2035 and 2050 we will reach the point where we need the equivalent of two planets to support us.

The fundamental issue is that as the world’s population increases and consumerism continues to grow, the demand for the planet’s limited resources will also increase. In 1950, global population stood at 2.55 billion people. In 2010 it was more than 6.8 billion, and by 2020 it is estimated that it will exceed 7.6 billion.

The 1950s signalled the beginning of a consumer spending boom that started in the United States and quickly spread across the globe. This consumer-led boom generated major improvements in the quality of people’s lives, but it also changed the way we interacted with, and impacted on, the environment.

Today, it means that the world is living on ‘environmental credit’. At some point, future generations are going to have to pay a price for the over use of our natural resources.

The number of vehicles purchased each year has increased from less than 10 million in the 1950s to more than 86 million in 2017. At the same time, oil consumption has increased by tens of millions of barrels per day. In addition to using up the world’s limited supply of oil, this has led to increased exhaust emissions that harm humans and contribute to global warming.

**Sustainability and your business**

Managing your business sustainably means managing it in a way that maximises the bottom line but optimises environmental, economic and social benefits for society as a whole. The initiatives that sit under such a sustainability strategy are what many large businesses call ‘corporate responsibility’, ‘corporate social responsibility’ or ‘corporate citizenship’.

**Business is changing**

A survey conducted by Lloyd Banks in 2020 highlighted the desire of most businesses to go green, or at least greener. According to the study, nearly two thirds of small- and medium-sized business owners wanted to improve their environmental sustainability, motivated primarily by the economic savings that it brings. 44% of business owners believe that sustainability is an important aspect of the future of their business with 24% having taken steps to make their buildings more energy efficient. Nearly two-thirds have taken other steps to becoming more sustainable.

**What do Australians think about businesses and sustainability?**

A 2018 study from HP Australia and Planet Ark found that 90% of Australians are concerned about environmental sustainability. Only half however, believe they are doing their bit to protect the planet.

The report found that both consumers (71%) and businesses (77%) generally believe that businesses should be most responsible for their impact on the environment, above individuals and the government.

The majority of the workforce also expressed a preference to work for a company that promotes environmental sustainability.

The greatest environmental concerns related to marine plastic pollution, landfill waste and impact on the natural environment.

**How will sustainability benefit my business?**

It is reasonable for Australians to want the same lifestyle and opportunities they have right now, but, as the research reveals, they want business to fix the problems caused by their current lifestyles. This is where the opportunity lies. Businesses that respond to this concern with a price-sensitive quality product or service that makes a difference will stand a better chance of getting a sale.
**DID YOU KNOW?**

The Australian Bureau of Statistics defines SMEs as:
- micro businesses, employing fewer than five people
- other small businesses, employing five or more but fewer than 20 people
- medium businesses, employing 20 or more but fewer than 200 people.

SMEs employ more than four million people in Australia, and contribute 46 per cent of the value of Australia’s GDP.

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**2.10 Exercise**

To answer questions online and to receive immediate feedback and sample responses for every question, go to your learnON title at www.jacplus.com.au.

**TEST your understanding**

1. Read ‘Understanding the triple bottom line’. What does being sustainable mean?
2. Why is sustainability important?
3. List some of the expected benefits of implementing a sustainability strategy.
4. Read ‘CSR Matters’. Describe the growing trend in terms of societal beliefs.

**EXTEND your understanding**

5. Do you think that sustainability is something that needs to be added to the list of things to do, or should it be something that business owners do naturally?
6. Using the articles, suggest strategies that business owners can use to meet the following socially responsible expectations.

<table>
<thead>
<tr>
<th>Corporate social responsibility expectations</th>
<th>Strategy that a business can use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers demand healthy lifestyle products.</td>
<td></td>
</tr>
<tr>
<td>Society wants a clean environment.</td>
<td></td>
</tr>
<tr>
<td>Society expects businesses to treat employees appropriately.</td>
<td></td>
</tr>
<tr>
<td>Customers expect businesses to understand their needs.</td>
<td></td>
</tr>
</tbody>
</table>

**EXAM practice**

7. Describe how societal attitudes are changing towards corporate social responsibility. Explain two possible impacts of these changes on businesses. (5 marks)

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**2.11 APPLY YOUR SKILLS Corporate social responsibility management practices**

**Practise your skills**

- Define, describe, and apply relevant business management concepts and terms
- Acquire, record, interpret and share business information and ideas
- Research and analyse case studies and current examples of business management applicable to planning a business
- Apply business management knowledge to practical and/or simulated business situations
- Explain the benefits and costs of corporate social responsibility management practices with respect to business planning
Social responsibility for a business includes obligations to the community, above and beyond making a profit, obeying laws or honouring contracts. It is the awareness of a business’s management of the social, environmental, political and human consequences of its actions. A socially responsible business will attempt to achieve two goals simultaneously: (1) expanding the business and (2) providing for the greater good of society. It recognises that business activities have an impact on society globally and, as such, that it needs to give careful consideration to its actions. The central theme is ‘above and beyond’ making a profit and obeying the law.

It is important to note that social responsibility is not just about helping the local community. A business that is truly socially responsible will be mindful of the welfare of its employees through providing benefits such as childcare or flexible working arrangements.

**PENICOTT WILDERNESS JOURNEYS**

Pennicott Wilderness Journeys was planned with the intention of operating sustainably, in harmony with the environment and the local community. The company offers six experiences in Tasmania: cruises along the coast of Bruny Island and Tasman Island, both of which are located on the south-eastern coast of Tasmania; a land-based day tour of Bruny Island; two cruises that depart from Hobart; and the new Three Capes Track, a multi-day walking experience. The ultimate goal of this business is to use its financial success ‘to reinvest into the local community and the environment that we live and work in’.

The company, which was founded in 1999 and is operated by Robert Pennicott and his family, has a very strong focus on sustainability. It attempts to employ members of the local community and source services from local businesses. Twenty-five per cent of the profits from the business are donated to local, national and international conservation, community fundraising and humanitarian projects. All of the tours are 100 per cent carbon offset and its energy use, water consumption and waste output are assessed through the EarthCheck system. All of the business’s products have achieved Advanced Ecotourism certification.

It is no coincidence that the business has won many awards, including the Skal International Sustainable Tourism Award in 2016, the Tasmanian tourism award for major tour and transport operator in 2018 and 2019 and countless other accolades. Perhaps the greatest recognition Pennicott Wilderness Journeys received was in 2014 when it was inducted into the Australian Tourism Awards Hall of Fame for Sustainable Tourism & Ecotourism.

Pennicott Wilderness Journeys continues to expand the business, adding to the experiences on offer. A Wilsons Promontory Cruise,
departing from Tidal River, is the newest journey on offer. The venture cost approximately $3.5 million and produce many times that in economic benefits for the local community each year as well as creating 16 jobs in the region. The expansion was made possible with a $650 000 federal government grant.

Mr Pennicott says that Wilsons Promontory is well known from the land but few people have experienced the same beauty from the sea. ‘We’re honoured to have the opportunity to operate cruises that showcase Wilsons Promontory. We understand how important it is to work with the community and together help protect it for future generations. Sustainability is at the heart of everything we do and we will work hard to ensure this venture operates with environmental best practice,’ he says.

### CSR MATTERS

A 2019 research report by Price Waterhouse Cooper and Attlassian titled ‘Return on Action’ highlighted the importance for a more socially responsible approach by businesses. As people around the world become increasingly concerned about social and environmental problems, there is greater pressure on businesses to reflect these concerns in their practices.

The report surveyed over a thousand Australian employees and found that only a third of employees were satisfied with their employer’s commitment to social responsibility. This is spurred by the fear of the progressive impact of climate change held by two-thirds of employees, with 70% believing that businesses have the ability to slow the effects of climate change with immediate action. This leaves businesses who do not respond in an appropriate manner with problems relating to staff morale and employee retention.

This trend is likely to progressively gain momentum given that the younger generations are most concerned with issues relating to sustainability with 72% of youth recognising the efforts of businesses who act in a socially responsible manner.

Use the Plantic Technologies weblink to watch video clips of some innovative ways Plantic Technologies is helping companies to achieve the ‘triple bottom line’.

### Resources

- **Weblink**
  - Plantic Technologies

### 2.11 Exercise

To answer questions online and to receive immediate feedback and sample responses for every question, go to your learnON title at www.jacplus.com.au.

**TEST your skills**

1. What effect have corporate social responsibility issues had on Pennicott Wilderness Journeys’ planning?
2. Outline what Pennicott Wilderness Journeys does that makes it socially responsible.
3. Identify any other macro or operating factors that have affected Pennicott Wilderness Journeys’ planning.
4. In your own words, what do you think is meant by the term ‘corporate social responsibility’?
5. Do you consider Plantic Technologies Limited to be a socially responsible business? Give reasons for your answer.

6. Explain why it was important for Brendan Morris to plan a socially responsible business.

7. Explain the benefits and costs of corporate social responsibility management practices.

**APPLY your skills**

8. a. Find two businesses that you consider are known for their socially responsible actions. Name them and explain why you think they are socially responsible.

b. How might their actions in turn assist the business?

9. Working in a small group, copy the following table. In the first column, list examples of actions taken by businesses that you consider to be socially irresponsible. Complete the second column with a list of the affected stakeholders. In the third column list the possible consequences for that business. One example has been completed for you.

<table>
<thead>
<tr>
<th>Socially irresponsible action</th>
<th>Stakeholders</th>
<th>Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soft drink manufacturer produces an energy drink with excessive sugar and caffeine content</td>
<td>Retail outlets, Consumers, Health authorities, Employees</td>
<td>Decreased orders for that manufacturer's products, Negative media image, Consumers will not buy products from that manufacturer, Loss of customers and profit, Employee dissatisfaction</td>
</tr>
</tbody>
</table>

10. Choose one of the examples from your table for question 9. Form a small group to role-play what you imagine would happen if the business was considering taking the socially irresponsible action. Ensure that each of the stakeholders is represented by one or more members of your group.

**EXAM practice**

11. Please allow two lines for the new exam practice questions which will be marked up at first pages.

12. Please allow two lines for the new exam practice questions which will be marked up at first pages.

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**2.12 Customers and competitors**

**KEY CONCEPTS**
- All business owners need to consider customer needs and expectations when planning a business.
- All business owners need to consider competitors’ behaviour when planning a business.

**2.12.1 Customers**

Customers are the reason that businesses exist. They buy a business’s goods or use its services, expecting high quality at competitive prices. Businesses must respond to the needs of customers, making sure that the right product is delivered at the right time. High levels of customer service result in improved customer satisfaction.

Successful business owners are aware that the consumer is a powerful stakeholder in the external environment. They will take this into account when planning their business. Today’s consumers are astute, better educated and informed. They are increasingly prepared to seek compensation if they believe they have either been unfairly treated or purchased a product that did not perform as promised. For these
reasons, business owners need to plan to produce high quality products. Businesses that sell products that do not live up to customer expectations are not likely to continue running for long. To ensure its future viability and profitability, a business needs to recognise and assess changes in consumer tastes so it can constantly satisfy consumers’ needs and wants.

Consumers are increasingly putting pressure on businesses (through their spending decisions) to be environmentally aware, demanding products that are ‘clean, green and safe’. Examples include recycling, environmentally friendly packaging, reduced packaging and lower factory emissions. An example of consumer power was the pressure put on supermarkets to replace plastic bags with reusable bags. Consumer groups are also prepared to mount publicity campaigns aimed at embarrassing those businesses that do not act ethically or responsibly. One recent example was the consumer backlash against a manufacturer of sports shoes that was perceived to be exploiting cheap labour in a developing country.

Customers have become more health conscious and this has also forced some businesses to change their products or practices. Today, customers expect to be able to buy products that are low in salt and fat, are free of gluten, nuts, eggs, dairy and other allergens, are GMO free, and have no artificial colouring or flavours. For example, many restaurants and cafes today offer healthy food and provide options for people with a variety of dietary requirements.

Because of customer pressure, fast-food restaurants such as McDonald’s have been forced to offer customers healthier options. Many customers now demand fresh, natural and organic products. Oliver’s Real Food is a growing health food chain that was started by founder Jason Gun in response to not being able to find any healthy food to eat while driving. He thought that others, like him, might be wanting a healthy alternative, and located the first Oliver’s store next to McDonald’s in Wyong, New South Wales. There are now more than 20 stores located at highway roadhouse stops in New South Wales, Victoria and Queensland, with more under development.
2.12.2 Competitors

Competitors are the businesses or individuals that offer rival goods or services. Not only do businesses need to be aware of existing competitors, but they also have to monitor the environment for potential newcomers. Businesses must respond to any change in the actions of competitors. For example, the launch of new airline Virgin Blue (later Virgin Australia) caused Qantas to significantly alter the operation of its business — new marketing approaches were adopted, discount airline Jetstar was established, cost-cutting measures were implemented, discount fares and travel packages were redesigned, and customer loyalty was rewarded with frequent flyer points. The actions of competitors have been crucial in driving change in the airline industry, as the newer airlines attempt to take a profitable market share from the existing airlines.

The free-to-air commercial television networks have also faced increasing competition from pay television, which took away some of the networks’ market share. As a result, the networks’ advertising revenue has fallen. In response, the networks needed to modify their business practices in relation to their clients: the advertisers. Now, providers of streaming movies and TV series, such as Netflix, threaten both the television networks and pay television companies. In response to this new threat, Foxtel launched an online streaming platform Presto, which has now ceased operations, while Nine Entertainment Co. partnered with Fairfax Media to introduce Stan.

Occasionally, competition can be reduced through the takeover of a competitor. For example, in 2020, multinational telecommunications company Liberty Global (Virgin Media) purchased one of the largest telephone and mobile network providers in the world, Telefonica. The transaction amounted to approximately $55 billion.

From a planning point of view, the awareness of competition can stimulate the necessity for efficiency in production. To achieve a sustainable competitive advantage over competitors the business owner will need to plan to produce a high-quality good or service at the lowest cost.

Netflix has disrupted the media industry, resulting in the demise of competitors such as Blockbuster. However, by providing customers with the convenience of a wide selection of high-quality streamed media at a low price, the company appealed to a mass market. Netflix now serves over 190 countries, with more than an estimated 150 million subscribers, and earns billions of dollars in revenue.
DID YOU KNOW?
Blockbuster was once offered the opportunity to buy Netflix, but blew it. Netflix was offered for acquisition to Blockbuster in 2000 for a mere $50 million. Blockbuster CEO John Antioco, thinking that Netflix was a small niche business, declined the offer.

KEY IDEAS

Customer needs and expectations
• Customers are the people who purchase goods and services from the business, expecting high quality at competitive prices.
• The needs and expectations of customers, including that businesses be socially responsible, must be considered when planning a business.

Competitors’ behaviour
• Competitors are other businesses or individuals that offer rival, or competing, goods or services to the ones offered by the business.
• During the planning stage, business owners need to be aware of existing competitors, and also monitor the environment for potential newcomers.

2.12 Exercise
To answer questions online and to receive immediate feedback and sample responses for every question, go to your learnON title at www.jacplus.com.au.

TEST your understanding
1. Distinguish between customers and competitors.
2. Outline the influence that customers have on a business.
3. In what ways do customers affect business planning?
4. Describe how a business can deal with the actions of competitors.
5. Why should businesses aim to achieve a sustainable competitive advantage over their competitors?

APPLY your understanding
7. a. List the main competitors of the following well-known companies:
   • Coles
   • BHP
   • National Australia Bank
   • Qantas
   • Optus.
   b. How will the competitors that you have listed affect the planning of the business?
8. Write a two-paragraph response to the following: ‘Businesses have no control over customers and competitors. They are at the mercy of these two operating factors.’
9. ‘Competitors can be a threat to a business but they can also ultimately lead to business success.’ Explain how competition may in fact be good for a business.

EXAM practice
10. Provide a definition for ‘customers’ and ‘competitors’. Explain which business environment (internal, operating or macro) these groups belong to and why they should be considered a part of that environment. (4 marks)
11. Define the term ‘competitive advantage’ and explain how a business may plan to develop a competitive advantage. (4 marks)
Suppliers and special interest groups

2.13.1 Suppliers

A business’s suppliers provide the resources that are needed for use in the production process. Examples of such resources are raw materials, equipment, machinery, finance and information. Suppliers may be individuals or other businesses. Good relations with suppliers are important to guarantee the efficient running of the business, so it is important for any business to develop a reliable supplier network. Having a number of suppliers means a business is less vulnerable to supply difficulties and the impact of price rises. For a business to rely on just one supplier puts it at a distinct disadvantage.

The supply chain

A supply chain is the network of suppliers from which the business purchases resources. It typically starts with the sourcing of natural resources, followed by manufacturing activities such as component construction and assembly. The supply chain moves on to storage facilities before finally reaching the consumer. The supply chain needs to be well managed because production of the business’s good or service depends on resources. Supply chain management is critical for the following reasons:

- If resources required are not on hand, then nothing can be produced.
- If resources are of inferior quality, it is difficult or costly to produce quality products.
- If the right quantities of resources are not available, the business cannot meet demand for its products.

Sustainability and the supply chain

During the planning stage, a business must consider where the resources it obtains for production are sourced and how they reach the business. In doing so, the business owner must not only assess the location of the business in terms of distance to suppliers, but also consider the efficiency of delivery, the rate that stock is used, consistency in quality, and pricing and comparisons with other suppliers of similar products, to identify whether they can better meet the business’s needs. In recent years, many businesses have had to come to terms with developing more sustainable supply chains or ‘greener’ supply chains. Businesses today expect their suppliers to behave in a socially responsible manner, and believe that their relationships with suppliers also need to meet corporate social responsibility considerations.
2.13.2 Special interest groups

The operating environment is affected and influenced by a number of associations, organisations and interest groups. These special interest groups are groups of people who attempt to convince a business to change or adopt particular policies or procedures. Some common groups that attempt to influence business decision-making and planning are:

- **specific issue groups.** These are formed to focus on one specific area, such as youth unemployment, civil liberties, anti-globalisation or environmental protection. Miners such as Rio Tinto and BHP Billiton, for example, often receive criticism from environmental lobby groups over their mining activities. The companies respond by undertaking environmental impact studies and rehabilitation works, which affects their business planning.

- **business associations.** These are organisations that support businesses through the provision of training and education programs, advice and promotion of business interests to the public and government. For example, the nation’s largest and most representative business association, the Australian Chamber of Commerce and Industry (ACCI), speaks on behalf of Australian businesses at both national and international levels. The ACCI publishes and distributes research and reports on a range of issues that may be relevant to planning a business. Family Business Australia represents family businesses and the Small Business Association of Australia speaks for small businesses; both provide resources and professional development for member businesses.

- **unions.** Employees may choose to join a union in an attempt to improve their pay and working conditions. Unions represent employees in many workplaces and negotiate with employers over pay and conditions.

Gloria Jean’s Coffees ensures that it purchases resources from suppliers that look after their employees and the environment. Its coffees contain a percentage of beans from farms that have been certified by the Rainforest Alliance. The company’s coffee beans are sourced from all over the world and from farms of a variety of types and sizes — large plantations, cooperative groups and tiny family farms.

**DID YOU KNOW?**

Many businesses today realise that their supply chain contributes to their social and environmental performance. Westpac asks its suppliers to comply with its Responsible Sourcing Code of Conduct.

**special interest groups** the groups of people who attempt to directly influence or persuade a business to adopt particular policies or procedures

**environmental lobby groups** special interest groups that promote environmental issues to the public, government and businesses

**business associations** organisations that support businesses through the provision of training and education programs, advice and information

**unions** organisations formed by employees in an industry, trade or occupation to represent them in efforts to improve wages and working conditions
in Australia. They will often be called to represent their members in the development of new or changed employee agreements, with the aim of getting the best possible deal for their employees. Unions work to prevent anything that diminishes employee rights, safety or conditions. Business planning may be affected by these considerations.

- **consumer groups.** These are lobby groups that monitor a business’s performance in terms of its product safety, packaging, pricing and advertising. Australia’s leading consumer advocacy group is CHOICE.

Special interest groups such as unions can force a business to change its operations or adjust its planning. This photograph shows protestors calling for building company Grocon to improve its safety standards.

### KEY IDEAS

#### Suppliers and the supply chain
- Suppliers are the businesses or individuals that provide the materials and other resources that the business needs to conduct its operations.
- A supply chain is the range of suppliers from which the business purchases materials and resources.
- During the planning stage, the resources required for a business, where these resources are sourced and how they reach the business need to be considered.

#### Special interest groups
- Special interest groups attempt to directly influence or persuade a business to adopt particular policies or procedures.
- Special interest groups include specific issue groups (such as youth unemployment, civil liberties, anti-globalisation or environmental lobby groups), business associations, unions and consumer groups.

### 2.13 Exercise

To answer questions online and to receive immediate feedback and sample responses for every question, go to your learnON title at www.jacplus.com.au.

**TEST your understanding**

1. Explain why businesses need suppliers.
2. Define the term ‘supply chain’.
3. Why is it vital that the supply chain is well coordinated?
4. Explain what a special interest group is.
5. Summarise the types of special interest groups and their influence on business planning by completing the table below.

<table>
<thead>
<tr>
<th>Special interest group</th>
<th>Interest</th>
<th>Effect on business planning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specific issue groups, such as environmental lobby groups</td>
<td></td>
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<td>Business associations</td>
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<td>Unions</td>
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<tr>
<td>Consumer groups</td>
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</tbody>
</table>

**APPLY your understanding**

6. Josie is planning a new business that will sell a range of clothing online as well as to several large retailers in Australia. She intends for the clothing to be manufactured in China. Make some suggestions regarding what she will need to consider in relation to her suppliers and the supply chain.

7. Use the Woolworths supply chain weblink in the Resources tab to find out how a large business deals with supply chain management and answer the following questions.
   a. From how many countries does Woolworths buy resources?
   b. How does the company ensure that its suppliers uphold human rights, labour standards, conservation of the environment and anti-corruption compliance?

8. Form a group and use the internet to research a special interest group of your choice. Find out who or what the group represents and how it influences business planning. Report your findings back to the class.

**EXAM practice**

9. Explain what a union is and why unions play an important role in the workplace. (3 marks)

10. Describe how suppliers and the supply chain may affect business planning. (3 marks)

11. Explain with reference to an Australian business association the role that business associations play (3 marks)

**studyON**

To answer practice exam questions online and to receive immediate feedback and sample responses for every question, go to your learnON title at www.jacplus.com.au.

**studyON: Practice exam questions**

Fully worked solutions and sample responses are available in your digital formats.

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**2.14 APPLY YOUR SKILLS Effect of factors from the external environment**

**PRACTISE YOUR SKILLS**

- Define, describe and apply relevant business management concepts and terms
- Acquire, record, interpret and share business information and ideas
- Research and analyse case studies and current examples of business management applicable to planning a business
- Apply business management knowledge to practical and/or simulated business situations
THE END OF AN AUSSIE ICON

On 17 February 2020, General Motors announced the permanent retirement of the Holden brand. Despite the predictable nature of the announcement given the steady decline of Holden over the past decades, it marked a sad day for many. Holden was an Australian icon that had operated for 164 years, pre-dating Australian federation by nearly half a century. Many Australians were employed by Holden, with a majority of Generation X and Baby Boomer Australians having driven a Holden at some stage of their lives. It leaves many wondering what caused the demise of this great Australian brand.

The main causes of Holden’s failure came as a result of external factors over which it had little to no control. The biggest factor was a result of globalisation. For decades the Australian automotive industry received protection from competition in the form of tariffs (as much as 50%). As the tariffs were progressively slashed in line with a global shift away from economic protectionism, the manufacturer still relied on government subsidies, which were eventually also cut. A 5% tariff on automotive imports still remains, but was not enough to protect Holden from the onslaught of cheap imports from Asia, where the majority of automotive workers receive an hourly wage of $2.

Holden’s flagship model was the Commodore, a large sedan that defined the brand. Racing variations represented Holden on the track for decades. However, changing consumer tastes that likely resulted from rising fuel prices and greater urbanisation meant that the Commodore fell out of favour with consumers who were increasingly gravitating towards small cars or SUVs.

Globalisation has seen many winners and losers, with many economists attributing much of Australia’s economic growth in recent decades to its liberal trade policies. This, however, will be little consolation to those who grew up with the iconic Australian brand as it retires into the annals of history.

DID YOU KNOW?

Dr Cyril P Callister invented Vegemite in the 1920s, after he was employed by the Fred Walker Company and given the task of developing a yeast extract. The spreadable paste was called Vegemite after a national competition asked the Australian public to officially name the product. Poor sales and competition from Marmite, a thick, dark English spread, resulted in a name change to Parwill. The name did not take off and the original Vegemite name eventually returned. The Fred Walker Company later became the Kraft Food Company. The Vegemite brand was owned by US confectionery, food and beverage company Mondelez International until early in 2017, when it was acquired by Australian dairy company Bega Cheese Ltd.

2.14 Exercise

To answer questions online and to receive immediate feedback and sample responses for every question, go to your learnON title at www.jacplus.com.au.

TEST your skills

1. How long did Holden operate and when was it finally retired?
2. What are tariffs and how did they protect Holden in previous decades?
3. What change in consumer tastes was partly responsible for Holden’s decline?
4. How did globalisation contribute to the death of Holden?
APPLY your skills

5. Use the Coca-Cola weblink in the Resources tab to find out about New Coke, which Coca-Cola introduced in 1985. Answer the following questions.
   a. What was New Coke?
   b. In response to what pressure did Coca-Cola introduce New Coke?
   c. Outline why Coca-Cola thought New Coke would be successful.
   d. What did customers think about the new product when they heard about New Coke?
   e. Explain how Coca-Cola reacted to consumer pressure.

6. 'Customers are the most important external influence on a business'. What do you think? Discuss this statement, keeping in mind that there are other external factors, including competitors, suppliers, technology, legal, political and economic.

EXAM practice

7. Australia has seen both winners and losers as a result of globalisation. Explain how one Australian business has benefited from globalisation and how another has suffered.

8. To what degree do businesses such as Holden influence external factors such as globalisation? (5 marks)

Resources

Weblink Coca-Cola
2.15 Review

2.15.1 Summary

Factors within the external (macro and operating) environment and internal environment that affect business planning

- The external environment is made up of the macro environment and the operating environment.
- The macro environment consists of factors outside the business, over which the business has no control, such as legal, political, social, economic, technological, global and corporate social responsibility factors.
- The operating environment consists of factors outside the business, over which the business has little control, including customers, competitors, suppliers and special interest groups.
- The internal environment consists of factors inside the business such as employees and managers, location and legal business structures.
- The internal environment to some extent is influenced by the external environment. Both will have an effect on the decisions made when planning a business.

Macro factors affecting business planning

Key legal and government regulations

- There are many laws and regulations that, during the planning stage, business owners need to ensure their business will comply with. Some important ones include business name registration, company registration, local government regulations (including zoning and health regulations), employment regulations (including anti-discrimination regulations and work health and safety regulations), trade practices and consumer protection laws, and environmental protection regulations.

Societal attitudes and behaviour

- When planning a business, changing social values, beliefs and trends will need to be considered.
- Social values and beliefs are the shared principles and morals of a group of people or society, including the need to protect the environment and the expectation that businesses will contribute positively to society.
- A trend is the general direction in which people’s attitudes or behaviour in society is developing or changing. For example, trends can be seen in changing demographics and workplace culture.

Economic conditions

- The state of the economy needs to be considered when planning a business.
- Economic factors such as interest rates, tax rates, business and consumer confidence levels all have an effect on decisions made by business owners during the planning stage.

Technological issues

- Technological issues refer to the issues relating to the growing use of tools, techniques or systems by businesses to solve problems or serve a purpose.
- Technological issues, including changing markets and technological development, need to be considered when planning a business.

Global issues

- Globalisation is the effect of hi-tech communications, lower transport costs and unrestricted trade and financial flows, which have transformed the world into a single market, producing a more integrated global economic system. Globalisation means businesses now operate in a worldwide market.
- During the planning stage of a business, global issues including overseas competitors and markets, offshoring labour, exchange rates, protection of intellectual property (patenting, copyrights and trademarks) at a global level and online sales must be considered.
**Corporate social responsibility issues**

- Corporate social responsibility refers to managing a business in such a way that the broader social welfare of the community, including its employees, customers, suppliers and the environment, is taken into consideration when making business decisions.
- When planning a business, corporate social responsibility issues will need to be considered. These issues include environmental considerations and planning the production of goods and services that are in society’s best interests.
- Corporate social responsibility management practices have benefits and costs.

**study on**

To access key concept summaries and practice exam questions, download and print the *studyON: Revision and practice exam question booklet* (sonr-xxxx).

**Operating factors that affect business planning**

**Customer needs and expectations**

- Customers are the people who purchase goods and services from the business, expecting high quality at competitive prices.
- The needs and expectations of customers, including that businesses be socially responsible, must be considered when planning a business.

**Competitors’ behaviour**

- Competitors are other businesses or individuals that offer rival, or competing, goods or services to the ones offered by the business.
- During the planning stage, business owners need to be aware of existing competitors, and also monitor the environment for potential newcomers.

**Suppliers and the supply chain**

- Suppliers are the businesses or individuals that provide the materials and other resources that the business needs to conduct its operations.
- A supply chain is the range of suppliers from which the business purchases materials and resources.
- During the planning stage, the resources required for a business, where these resources are sourced and how they reach the business need to be considered.

**Special interest groups**

- Special interest groups attempt to directly influence or persuade a business to adopt particular policies or procedures.
- Special interest groups include specific issue groups (such as youth unemployment, civil liberties, anti-globalisation or environmental lobby groups), business associations, unions and consumer groups.

**2.15.2 Key terms**

- **Business Activity Statement (BAS)** records of a business’s claims for input tax credits and accounts for GST payable
- **business associations** organisations that support businesses through the provision of training and education programs, advice and information
- **business environment** the surrounding conditions in which the business operates. It can be divided into two broad categories: internal and external.
- **competitive advantage** the ability of a business to develop strategies that ensure it has an ‘edge’ over competitors
- **competitors** other businesses or individuals who offer rival, or competing, goods or services to the ones offered by the business
- **corporate social responsibility** managing a business in such a way that the broader social welfare of the community, including its employees, customers, suppliers and the environment, is taken into consideration when making business decisions
- **customers** the people who purchase goods and services from a business, expecting high quality at competitive prices
economic conditions the set of influences that relate to economic activity, including interest rates, wages, unemployment, exchange rates and inflation
environmental lobby groups special interest groups that promote environmental issues to the public, government and businesses
exchange rate the price of one country’s currency expressed in terms of another country’s currency
external environment those factors over which the business has little control. It may be further divided into two categories: operating and macro.
globalisation the effect of hi-tech communications, lower transport costs and unrestricted trade and financial flows turning the whole world into a single market, producing a more integrated global economic system
Goods and Services Tax (GST) a broad-based tax of 10 per cent on the supply of most goods and services consumed in Australia
interest rate the price charged or paid for the use of money that has been deposited or borrowed
internal environment, sometimes called the micro environment, includes those factors over which the business has some degree of control
macro environment the broad conditions and trends in the economy and society within which a business operates
offshoring the practice of moving some of a business’s processes or services to the same or another business located overseas
operating environment, sometimes called the task environment, refers to the specific outside stakeholders with whom the business interacts in conducting its business
special interest groups the groups of people who attempt to directly influence or persuade a business to adopt particular policies or procedures
suppliers those businesses or individuals that supply the materials and other resources that the business needs to conduct its operations
supply chain the range of suppliers from which the business purchases materials and resources
tax rate the percentage of income or the value of a good, service or asset paid as tax
technological issues refers to the issues relating to the growing use of tools, techniques or systems by businesses to solve problems or serve a purpose
triple bottom line the economic, environmental and social performance of a business
unions organisations formed by employees in an industry, trade or occupation to represent them in efforts to improve wages and working conditions
Westpac Melbourne Institute Index of Consumer Sentiment an index that measures changes in the level of consumer confidence in economic activity. It is based on consumers’ responses to a survey regarding their sentiments about their own current and anticipated financial situation, anticipated economic conditions, buying conditions and other factors relating to their consumption.
workplace diversity the multitude of individual differences that exist among people in the workplace

on Resources

Digital documents Key terms glossary (doc-29412)

2.15.3 Practice school-assessed coursework

OUTCOME 2
Describe the external environment of a business and explain how the macro and operating factors within it may affect business planning.

ASSESSMENT task — case study analysis
Read the following case study and then complete the questions below.

How GEO adapted to COVID
Coach Adam Brown addresses his clients
It has been a couple of months since GEO was forced to close its doors due to the COVID-19 isolation restrictions. I don’t think many people envisaged the gym would be closed for this long. And we are unsure as to
when it will reopen. There has been unofficial chatter that it may occur after the next school holidays, which will put the date at around July 20, or, if we are to believe the Federal Government, Stage 2 will roll out in early June if the NSW Government agrees.

So, what has GEO done to ensure it members, young and old, have had an avenue available to them to continue training?

Well, even before the official gym closure happened, we were proactive in running classes online. We could see the writing on the wall, so we started running some online classes to iron out any creases and get the coaches and members used to this new format of training, before having to throw all of our eggs into the one basket.

It paid off. We had a good system established, and we very quickly expanded our online timetable to provide 6 classes per day from Monday to Friday, 2 classes on Saturday, and we even put on a class on Sunday (traditionally a day of rest).

For our Young Guns (GEO’s youngest members aged 8-15), we could no longer coach them at the gym also, so we offered 2 online classes a week on Tuesday and Thursday afternoon so that they too could continue to pursue their health and fitness goals. This proved to be highly successful – so much so that we had a heap of new kids sign onto the program. They love it!

For our Personal Training clients, nothing much changed other than their sessions going online. The same care and attention to their own personal goals and needs were still met. In recent times, where isolation restrictions have been eased to allow visitors to homes, some of our PT clients have had their sessions run face to face with their coach at their home. From all accounts, our PT clients are kicking goals and not skipping a beat.

With further easing of restrictions this week, we are now able to run outdoor bootcamps for up to 9 people (10, including the coach).

Today was the first dip of our toe back into the ocean of social training sessions. Apart from having to do burpees on a dewy park surface, everyone was over the moon to be able to train together again with their friends, chew the fat, and chase some fitness……...all the while observing social distancing protocols, of course.

As we keep navigating our way through the ever-changing landscape, we will take on board feedback from our members and do our best to offer all of them not necessarily what they want, but certainly, what they need, from a training standpoint.

In the coming weeks, there will be some changes as we transition from a purely online format to a mix of online and outdoor sessions.
Some of you will go with the flow, whilst others may resist. It’s human nature. I’ve been running this gym for nearly 10 years and whilst I know we have one of the most authentic and genuinely supportive communities around, I also acknowledge that everyone is different and everyone deals with challenges and change in various ways.

One of the things this crisis has forced us to do is adapt. Adapt the way we work. Adapt the way we look after our kids. Adapt the way we shop. Adapt the way we exercise.

We don’t know what the future holds so that ability to adapt must be held onto. The way out of this may be long and slow, with a few twists and turns yet to come.

Do what you can with what you have.

Take advantage of what we are offering to you. It might not be exactly what you like, but remember, the initial reason you started at CrossFit GEO was to train so that you could improve your health and fitness.

The program we are currently supplying is the best you will find. We will continue to do what we can to get you closer to how things were. Just jump on board and join us for this ride.

And watch this space.

~ Coach AB


1. Explain the difference between the operating environment and the macro environment.
2. Explain whether CrossFit GEO’s planning was affected by an operating or macro environment factor in this instance.
3. Describe two legal and government regulations that might affect CrossFit GEO’s planning.
4. Explain how CrossFit GEO used technology to its advantage.
5. Coach Adam Brown refers to the human need to adapt to adversity. Evaluate CrossFit GEO’s ability to adapt to the restrictions that were put in place.
6. Discuss the importance of businesses being able to adapt to unforeseen changes such as the COVID-19 restrictions.
7. Describe the effect CrossFit GEO’s adaptive measures might have on their clients.

2.15.4 Exercise

To answer questions online and to receive immediate feedback and sample responses for every question, go to your learnON title at www.jacplus.com.au.

2.15 Exercise 1: Test and apply

TEST your understanding

1. What is meant by the term ‘planning’?
2. Distinguish between the internal environment and the external environment.
3. Identify one similarity and one difference between the operating environment and the macro environment.
4. In what way does the external environment influence the internal environment?
5. Identify and explain three areas of legislation or government regulation that the business owner must consider when planning a business.
6. Why do businesses need to comply with legislation and government regulations?
7. Explain why businesses need to consider societal attitudes and behaviours during the planning stage.
8. Describe two societal attitudes or behaviours that have changed in recent times and affect business planning.
10. Explain the difference between interest rates and tax rates.
11. Define the term ‘technology’.
12. Identify two ways in which technology will change the market in the future.
13. Explain the influence of overseas competitors and overseas markets on business planning.
14. What is offshoring labour, and how does it affect business planning?
15. Why do business owners need to consider exchange rates when planning a business?
16. Describe the methods for protecting intellectual property at a global level.
17. Discuss the use of online sales by a business.
18. Explain why corporate social responsibility is an important consideration during the planning stage.
19. Outline the benefits and costs of managing a business in a socially responsible manner.
20. In regard to customers, what do businesses need to consider when planning?
22. Why is it important that the business owner be aware of where supplies are sourced and how they reach the business?
23. Identify and explain two special interest groups that must be considered by the business owner when planning a business.

APPLY your understanding

24. A student has prepared the following notes on the internal and external environments. After reading the notes carefully, identify three errors. Rewrite the notes correctly.

*The internal and operating environments are found inside the business and the macro environment is found outside the business.* Operating factors include management, employees, customers and competitors, and the business has little control over these factors. Macro factors include suppliers, specific interest groups, societal attitudes, economic conditions, legal and government regulations, and technological issues. The business has no control over these factors.

25. Complete the table below to compare the effects that each factor from the external environment has on decisions made when planning a business. The first answer has been completed for you.

<table>
<thead>
<tr>
<th>External factor</th>
<th>Effect on planning</th>
<th>Business example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal and government regulations</td>
<td>Businesses must plan to comply with legislation and government regulations, otherwise they may lose customers and their reputation, they may be fined, or lose the right to continue trading.</td>
<td>A business must plan to meet local government zoning and building regulations.</td>
</tr>
<tr>
<td>Societal attitudes and behaviour</td>
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<td>Economic conditions</td>
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<td>Technological issues</td>
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<td>Global issues</td>
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<td>Corporate social responsibility</td>
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<td>Customers</td>
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<td>Competitors</td>
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<td>Suppliers</td>
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<td>Special interest groups</td>
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</table>
26. Analyse the key aspects of corporate social responsibility by completing the following table.

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<thead>
<tr>
<th>Arguments for</th>
<th>Arguments against</th>
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<tr>
<td>Benefits</td>
<td>Costs</td>
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a. Ritva and Lisa are interested in establishing a new horticulture business. Advise them on the macro factors that may affect their business planning.
b. Ramanan is planning a business that will supply toy trains to retailers. Advise him on the operating factors that may affect the planning stages of his business.

2.15 Exercise 2: Exam practice

1. Identify two factors from the macro environment and explain how they may affect the planning of a business. (4 marks)
2. Describe three legal and government regulations that a fast-food business would likely have to deal with in the planning stages. (3 marks)
3. Identify and explain how two changes in economic conditions would affect the planning of a business. (4 marks)
4. Identify the business environment to which technological advances belong and explain two effects that technological advances can have on the planning of a business. (3 marks)
5. Identify the business environment to which special interest groups belong and describe a specific special interest group’s effect on the planning stages of a business. (3 marks)
6. Describe the external environment of a business. (2 marks)
7. Please allow two lines for the new exam practice questions which will be marked up at first pages. (marks)
8. Please allow two lines for the new exam practice questions which will be marked up at first pages. (marks)
9. Please allow two lines for the new exam practice questions which will be marked up at first pages. (marks)
10. Please allow two lines for the new exam practice questions which will be marked up at first pages. (marks)

2.15 Exercise 3: studyON topic test only

Fully worked solutions and sample responses are available in your digital formats.

**teach on**

Test maker
Create unique tests and exams from our extensive range of questions, including practice exam questions. Access the Assignments section in learnON to begin creating and assigning assessments to students.

**Resources**

- Digital documents Missing word glossary quiz (doc-29413)
- Crossword (doc-29414)
### RESOURCES SUMMARY

Below is a full list of rich resources available online for this topic. These resources are designed to bring ideas to life, to promote deep and lasting learning and to support the different learning needs of each individual.

#### 3.1 Index notation

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#### 3.2 Prime numbers and composite numbers

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#### 3.3 Squares and square roots

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<th>Google Earth</th>
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<td>• Skeleton (doc-1099)</td>
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<td>• Body parts (doc-3567)</td>
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