

Explain how internal and external business essay



Business is an organization or company that provides goods and services to the community. The general aim of a business is to satisfy the needs and wants of the community whilst also making a profit. In Australia business has a major impact on our everyday lives. Business provides people with employment, it boosts our economy and also it allows us to have a greater quality of life. This means it provides us with the benefits needed to lead a simple and convenient life. There are several factors that can influence a business, these factors include Internal and External influences. Internal influences include factors the business itself may have some control over, whilst on the other hand factors that the business can not control such as laws and regulations are External influences.

Importance of business

Business is like the blood that flows through our bodies, with out business our lives would be almost impossible. Business plays many different roles in our everyday lives. Most people either own or work for a particular business. Businesses make it possible for the community and even further places such as overseas countries to receive and sell goods and services. A business can be anything that provides goods and services to the community such as corner shops providing customers with goods and sweets and they can also be larger companies such as Nike selling shoes and clothing all over the world. Businesses allow for our economy to grow and become stronger, with out a strong economy a country can not run as smoothly as preferred. One of the main reasons why businesses are so important in our everyday life is due to the fact that businesses provide millions and millions of people with job opportunities. If businesses did not exist people will not be able to work and

earn money for everyday living. There are certain factors that can influence a business. These factors include internal and external influences.

Internal influence

Internal influences are influences that a business has some control over, such influences include product, location, management, resource management and business culture.

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Product influences:

These influences affect a large majority of the internal structures and operations of a business.

Depending on the types of goods and services the business produces will depend on the internal structure.

If the goods being produced require certain equipment, these needs must be catered to so that the business may go on with its production.

Each type of business has a different set of product influence, for example a service provider will require less preparation, whilst on the other hand a manufacturer will need more services to produce the goods sold.

The size of a business can be determined by the different types of goods and services produced and also the availability of technology. So from this we understand that the amount of goods and services produced by a business depends on the size of the business.

Poor productivity can be seen in the article ' Anger at Vodafone' Sydney morning herald, this impacts on the business because Vodafone is providing very poor services to their customers, therefore tempting the customers to switch to another network, taking business away from Vodafone.

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Location influences:

One of the most important factors of a business is the location in which that business is positioned in. The location can either make or break the business.

Location is especially important for retail and service oriented businesses, as they need to be seen and recognized by customers. The business owner must take into consideration of where he/she chooses to locate their business

The business must be in area with a good image, for eg not a poor suburb, they business must be located in a place were customers are consistently walking past and spotting the shop, for eg in the city.

Another important thing is that the business must be convenient towards the customers, so that they may take the time and effort to check the place out, if the business is located in a area which is not convenient the customers may loose interest and go somewhere else.

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Resource influences:

-Basically there are 4 main types of resources available to a business, these include:

Human resources

Information Resources

Physical resources

Financial resources

Human resources may be considered as the most important resource, for they are the employees that allow for the business to run. Information resources are all the actions in which the business takes to research and learn more about their situation for eg sales reports. Physical resources include all the equipment and tools necessary for running the business. Financial resources are basically what the business depends on to buy and help support their business, for example to buy new machines.

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Management influences:

There is no doubt that over time businesses and the way in which businesses are run have dramatically changed. Management has been a part of business that has been changed in an effective way. In the past there were many levels of management and hierarchy in a business that new ideas and issues had to go through, but now due to many factors such as the pressure of competitiveness from globalisation the way in which businesses are run have been altered. These days there are much fewer levels that new ideas and

issues have to go through, this will result in quicker and more efficient decisions that in the long run will allow the business to focus on the way it runs. This allows businesses to adapt quicker and more efficiently to the ever changing needs and wants of consumers because there are fewer managers in which the process of decision making must go through.

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Business culture:

In reality every business has its own type of business culture, these are all the values, beliefs and ideas that are agreed upon by all employees and managers of the business. The culture of a business is shown in the way in which the business acts and performs. Business culture is usually shown in the rules and regulations of a business such as the way staff are expected to dress and behave. Culture has been proven to be a necessary tool that must be used by businesses to achieve the best out of its staff members and customers. Business culture is proven to be important in the video Australia's food fight: west farmer's vs. Woolworths. Coles have changed their business culture by undergoing management change, which has allowed for a different culture to be applied, and this has proven to be successful as they are now basically ahead of Woolworths.

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Internal influences have an extraordinary impact on business in Australia. They include every thing from were the business is located to how the business is run. The location of a business basically is essential for the success of the business, depending on were it is located, it must be

convenient and visible to customers. If it is not located in a convenient area customers may not be able to get to the business and purchase from it. The management of a business is the way in which the business is run, in order to have a successful business it must be under good management and the necessary actions must be taken when they are called for, for eg if employees are needed to be cut off, due to lack of financial sustainability. So basically it is essential for businesses to be affected by internal influences in a positive way.

External influences

External influences are factors that a business may have little or no control over, such factors include: Economic, financial, geographical, social, legal, political, institutional, technological, competitive situation and markets influences.

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Economical influences

In Australia and the rest of the world, the economy experiences economic cycles. These cycles include booms and busts (recession). Basically during an economic boom the economy experiences higher levels of employment, they may be so confident in their sales that they may increase the price of items to gain higher profits. Also during booms wages of employees tend to increase as more profit is being made by the business. However the economic cycle does have its down side, such as when the economy is experiencing a recession period. An unfortunate reality of recessions is that employment rates decrease due to the fact that the business is not making

enough sale profits to keep their employees. Another effect of recession is that business may not be able to raise the price of their products because people are not purchasing so they may have to even lower prices to continue to compete in the market. The influences of economical factors are shown in the article Petrol price's soar and no relief in site. Due to the poor economical status prices are raised and customers may not be able to purchase petrol at this price. Another economical influence can be seen in the radio article ' impact of floods on grocery prices' 2GB, Sydney, this impacts on the business because all the crops are being destroyed making it impossible to make a profit, with farmers not making profits the economy will suffer and be under pressure.

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Financial influences

Financial influences impact a business in several ways. due to deregulation which is basically the extermination of government regulation in an business, Businesses are now able to improve competitiveness with each other. Even better, now due to globalisation, Australia is now able to trade goods overseas, further more improving the financial sustainability of the country.

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Geographical influences

Geographical influences impact businesses in many ways. Australia is located in the Asia-pacific region, the economical status's in these surrounding countries are very important in the interest of Australia.

Basically if china is doing well, it may be able to trade goods and services

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with Australia creating an advantage for both countries. Another thing is that a lot of Australian companies are located in the Asia-Pacific region, so the countries must be economically doing well for the Australian companies to survive. Also the demography of the country has a significant influence on businesses, for eg Australia must be run to suit people of all different cultures, ages and sexes. One major demographic impact on Australia is the ageing population, with an ageing population there must be centres and facilities created for elders. Also with people retiring, their jobs will need to be completed by younger people, who may not be as experienced as the retired worker. Globalisation is also an important fact of geographical issues, due to globalisation Australia is not tied down just to trade goods and services throughout Australia, but how ever to do so around the entire world. The impact of globalisation can be seen in the video ' picking up an Aussie apple', we see that Australia is beginning to import overseas apples to Australia.

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Social influences

Social influences have an sever impact on the success of a business. For eg as time goes on peoples taste in fashion and trends will change. If businesses do not adapt to these changes they may be affected in a very negative way. In order for a business to make a profit they must take into consideration all the new fashions and trends going around. One other major social influence is the influence of of our environment which is basically wearing away day by day, businesses must always consider what is in the best interest of the environment, for eg not giving out plastic bags after a

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sale. One final issue is the issue of family-work practices, as women give birth they must leave work, and this may result in the business losing an employee, affecting in the production of the business. An example of social influences can be seen in the article ' Petrol price soars and no relief in site', With the rise of petrol, the people in society may decide that instead of using cars, they can probably save money by using public transport or riding a bike to work.

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Legal influences

Businesses can not just do as they please. There are many legal actions that influence businesses and basically tell them what they can or can't do. With more and more laws being passed onto businesses, the business must adapt their company to what the law is telling them to do. Generally the people of a society expect that businesses may run under the rules and guidelines provided by the law. Businesses must be aware of all the laws so that they may not breach them and pay the penalties.

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Political influences

Even though political influences may not be the most affective factors onto a business, they still have a pretty heavy impact. For eg whenever a new election is held, the new government may introduce new policies. A policy that was introduced in 2000 was the goods and services tax, this was a 10 percent tax on the supply of most goods and services used in Australia, this affected businesses in a way that they had to collect taxes basically on

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behalf of the government. However deregulation has also been introduced in the picture in the past few decades, this is the removal of government regulation in industry, and this takes pressure off businesses and allows for a greater range of competitiveness.

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Institutional influences

Three institutional influences on business are government, regulatory bodies and trade unions and employer associations.

Government:

Three levels which are federal, state and local.

Federal government deals mainly with issues such as tax, making sure that the taxes are being paid and also things such as how the businesses are running in according to the customs regulations.

State governments deal with lower case issues such as workers rights and responsibilities such as OHS requirements and making sure businesses are abiding by the state laws and trade practices

Local government deals with issues such the condition of building and making sure of improvements, parking rules and fire regulations

Regulatory bodies;

These bodies observe and understand the way that businesses deal with certain issues and how the business treats its community and consumers.

Examples of regulatory bodies include: the Office of fair trading and the Australian competition and consumer commission. (ACCC)

Other institutional influences are Trade unions and Australian stock exchanges, these groups have aims such as improving working conditions and pay rates.

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Technological influences

Technology without a doubt has had probably one of the most affects on businesses. With new technologies being invented and discovered every day this can only help improve productivity and efficiency for businesses.

Technology has allowed for robotic machinery to be used in productivity which in the long run cheapens the cost of productivity as no employee or has to be paid. Robots also help to reduce the amount of boring and repetitive jobs that some humans may have to do. Also communication technology has been improving rapidly over the past few years making it even easier to communicate with suppliers and consumers, with out them actually being there. Businesses must strive to use the available technology to the best of their ability so that they may keep up or even be ahead of competitors.

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Competitive situation influences

These influences may be very helpful and useful to both consumers and producers, for eg when two businesses are competing to be the market

leader, they will lower costs of their stock to attract customers. As a result they will be making more sales and more importantly a profit. These competitive situations also benefit consumers because with competition in a market there will be a greater range of goods available for consumption, this allows the consumer to get a wider variety of choice when considering the good or service they want. Competitive situations are shown in the video Australia's food fight: west farmers VS Woolworths as these companies are competing with each other to get the most customer satisfaction, It also discuss how the affects of globalisation such as Aldi here in Australia also competing amongst the big guns.

Another example of competitive situation is shown in the article Anger at Vodafone, with Vodafone giving such poor services, customers will want to change to another network providing greater coverage.

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External influences have a major impact on our every day lives in Australia, with all the different types of factors such as social and technological influences our lives are affected on a day to day basis. If external influences did not exist we would not be living in a society were goods and services from all around the world are accessible to us for our own usage. External influences can be both positive and /or negative for example, competitiveness in the market allows for a variety of options for consumers to choose from but contrasting the effects of external factors such as geographical issues involving the weather can have a negative affect, for eg flooding in farms or drought seasons.

Conclusion

As mentioned in the executive summary above, business can be compared to the blood in a living organism, it is essential for our everyday survival and living. Business allows us to live the pleasure's and entertaining lives that we live each day. Internal influences summed up can be recognized as influences that a business can control whilst external influences are those factors that the business can not control. Internal influences for eg can be explained as factors that a business can use and apply to help determine the success of their business, such as the location in which they choose to place their business. External can be explained by using the example of a economic recession, this can affect the business in many negative ways such as letting employers go. So summed up we can say that business is essential for everyday living and it can be broken down into two different types, Internal and external, and it can be concluded that they basically determine how the business is run and how successful it will be.

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