



Business Management Toolkit

3. STEEPLE (SL&HL)

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3. STEEPLE - Objectives - Syllabus links

- It is recommended that it is introduced and taught to the students in Unit 1 (Recommended chapter 1.5. or 1.6.)
- STEEPLE analysis can be integrated mainly in Unit 1, Unit 2 (how the external environment affects HR), Unit 4 (External factors and Marketing), Unit 5 (Location in a new country)
- STEEPLE has to do with external factors that affect business decisions

3. STEEPLE

It stands for:

- Social
- Technological
- Economic
- Ecological
- Political
- Legal
- Ethical



3. External influences on business

Businesses are influenced by a range of **factors** over which they have little control – these are called **external influences**

3. Main characteristics and usefulness

- STEEPLE describes a framework of **macro-environmental factors** used in strategic management.
- It is a part of the **external analysis** when conducting a strategic analysis or doing market research, and gives an overview of the different factors that the company has to take into consideration.
- It is a useful strategic tool for understanding **market growth or decline**, potential and direction for operations.
- It supports a business to **assess the external influences** on a business's performance and future decisions.
- External factors are **beyond the control of a business** but they affect its survival and growth
- External influences can either be opportunities or threats to the business (link with SWOT)



3.1 Social factors

Social influences include factors relating to both workers and consumers such as:

- Demographics
- Changing trends and tastes
- Changing working patterns
- Ethical issues
- Environmental concern



3.1 Social Influences - Examples

- Dietary trends are changing and may be different between different countries (cultural and religious factors).
- More married couples both work – less time to prepare meals.
- Growing health consciousness – demand for healthy foods might be increasing.
- Is the population ageing? Do the elderly buy more or fewer fastfood meals than the young?
- Is the population growing?

3.2 Technological factors

New technologies can prove to be both opportunities or threats to organisations in terms of, for example:

- Marketing
- New employment opportunities or unemployment in other industries
- Production methods
- New product development
- Communication
- Artificial Intelligence



3.2 Technological Factors - Examples

- Can the food production process be automated? Is technical support available?
- Online selling – is full internet coverage available? Will customers order online?
- Environment – is environmentally friendly packaging technically possible and available in this country?
- Artificial Intelligence - how will intelligent machines affect the products and efficiency of a business?



3.3 Economic factors

The current or expected economic climate will affect businesses. Every government has macro-economic objectives, which affect businesses.

Factors include:

- The business cycle - Economic Growth
- Interest rates
- Exchange rates
- Inflation
- Unemployment
- Globalisation
- Emerging markets



3.3 Economic factors - Economic growth

Economic Growth:

- Measured by **Gross Domestic Product** (GDP) – the value of output of goods and services in the economy over a period of a year
- Measured by adding up total incomes or total expenditure or total output of industry.



Activity: Explore the growth per country in the following site for some countries you select and discuss the possible impact on a local business.

<http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>



3.3 Economic factors - Economic growth

Economic Growth – The Effects on Business:

- **Low growth** – business sales low, profit margins tight, excess capacity, orders reduced, excess stock, redundancies
- **High growth** – business sales rising quickly, profits rising, skill shortages, inflationary pressure on prices, capacity squeezed, stocks running down



3.3 Economic Factors - The business cycle

The Business Cycle:

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The Business Cycle:

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The Business Cycle:

Output



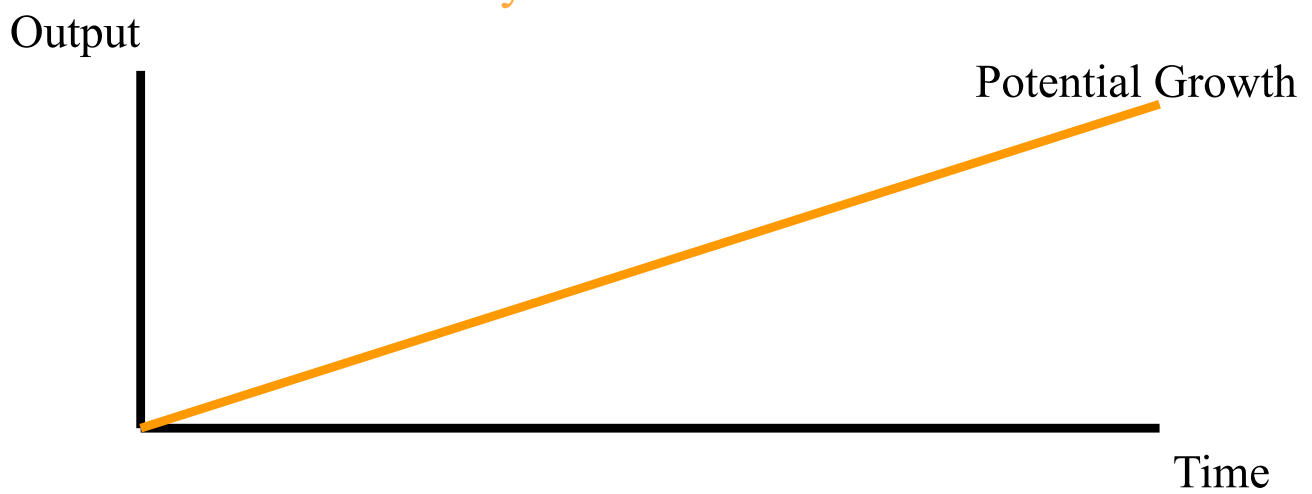
3.3 Economic Factors - The business cycle

The Business Cycle:



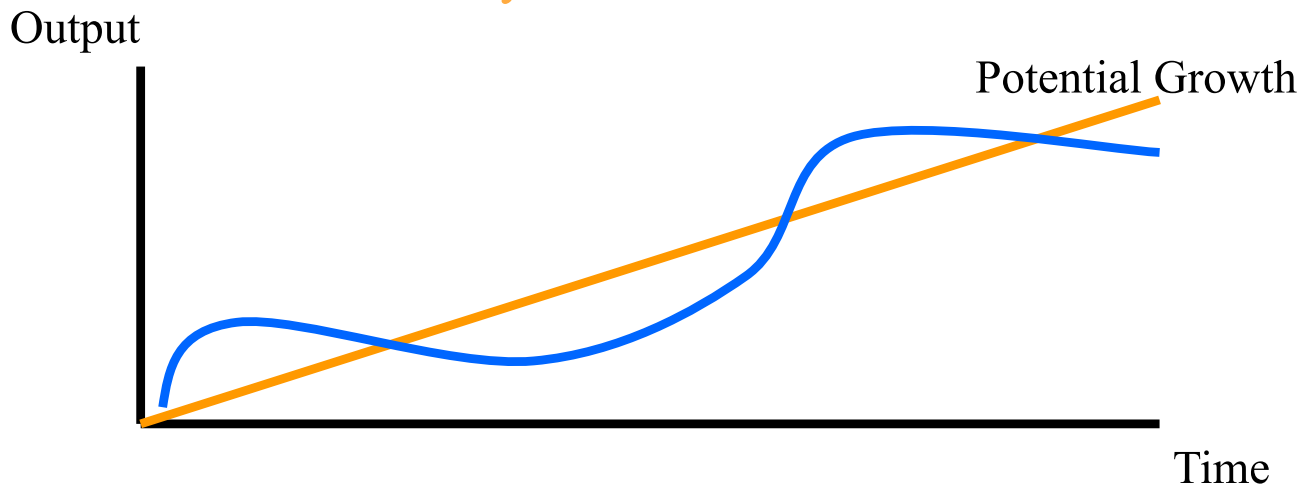
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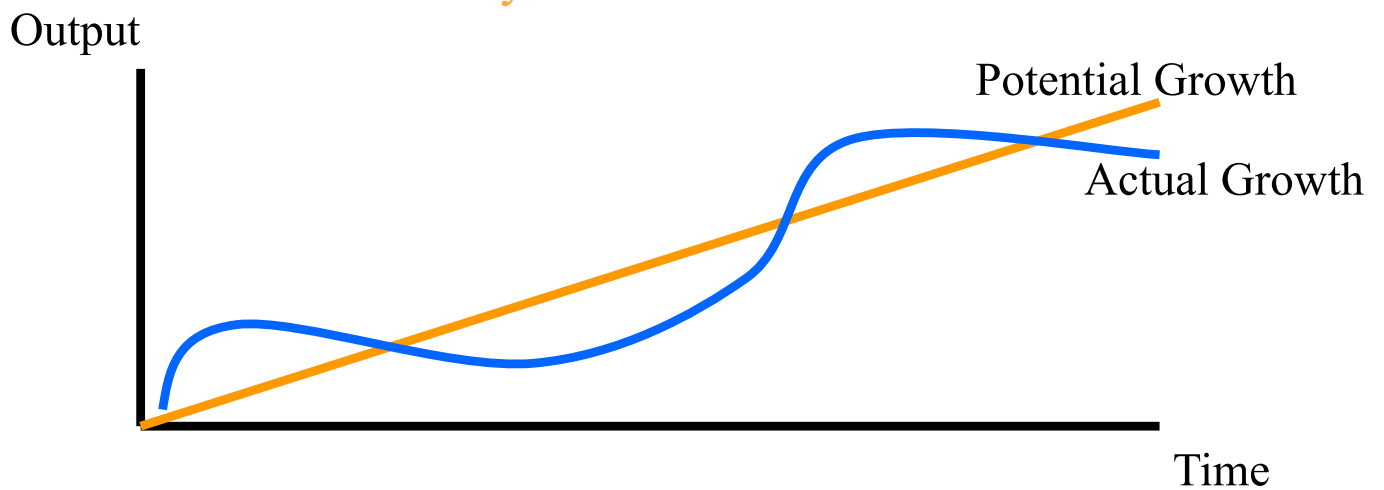
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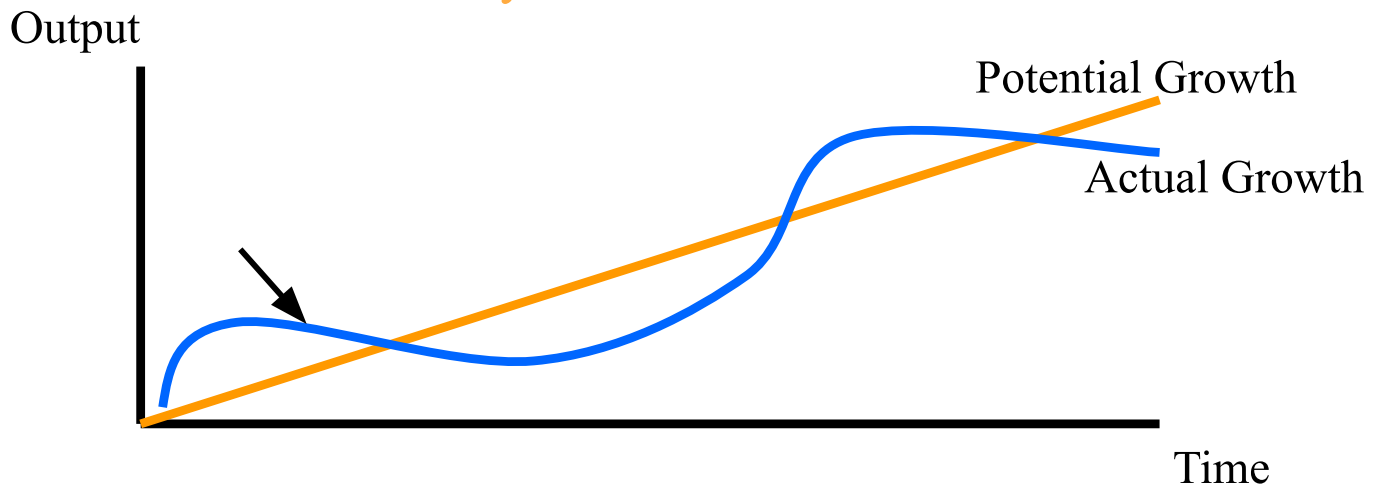
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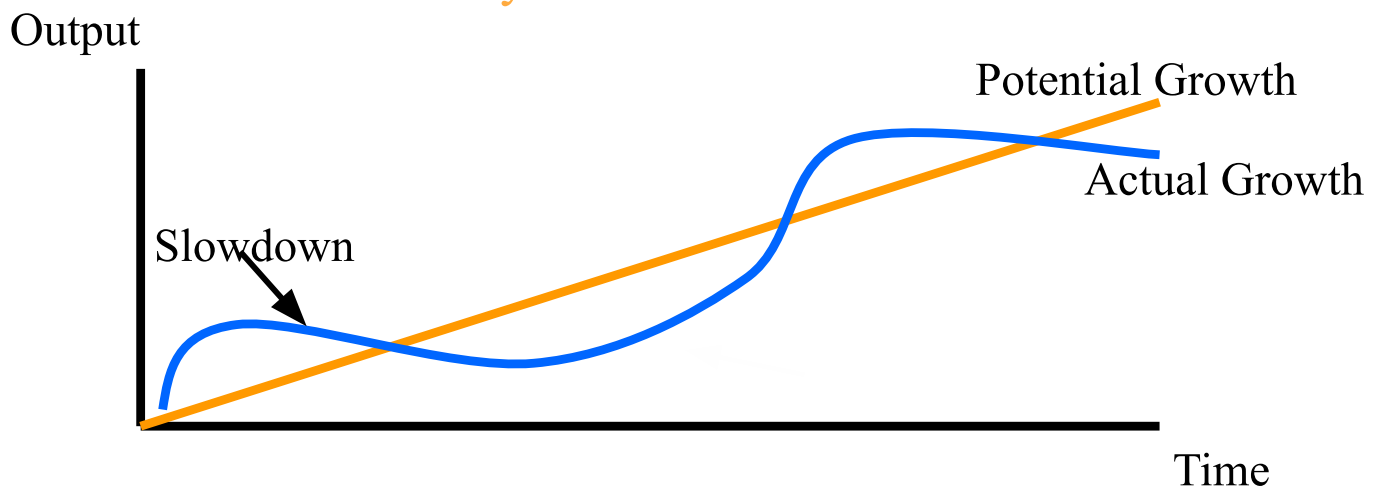
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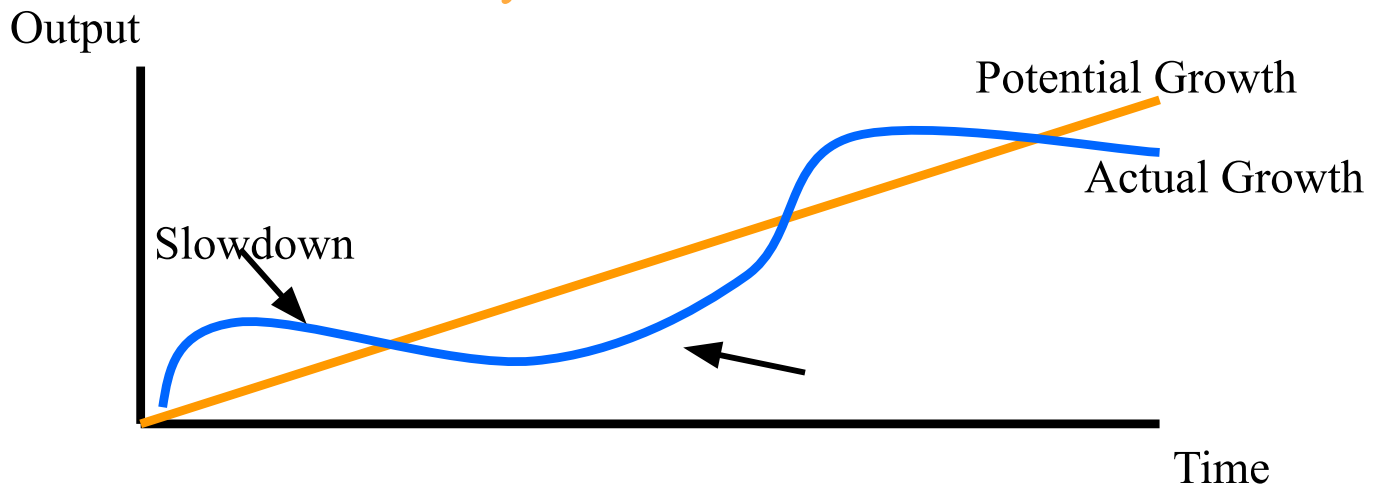
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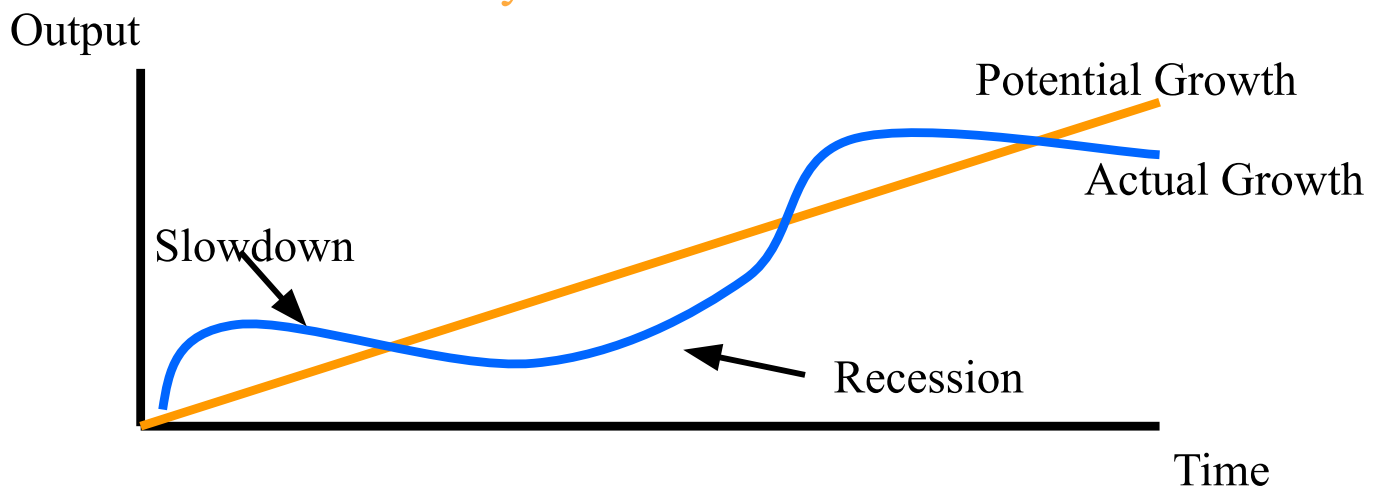
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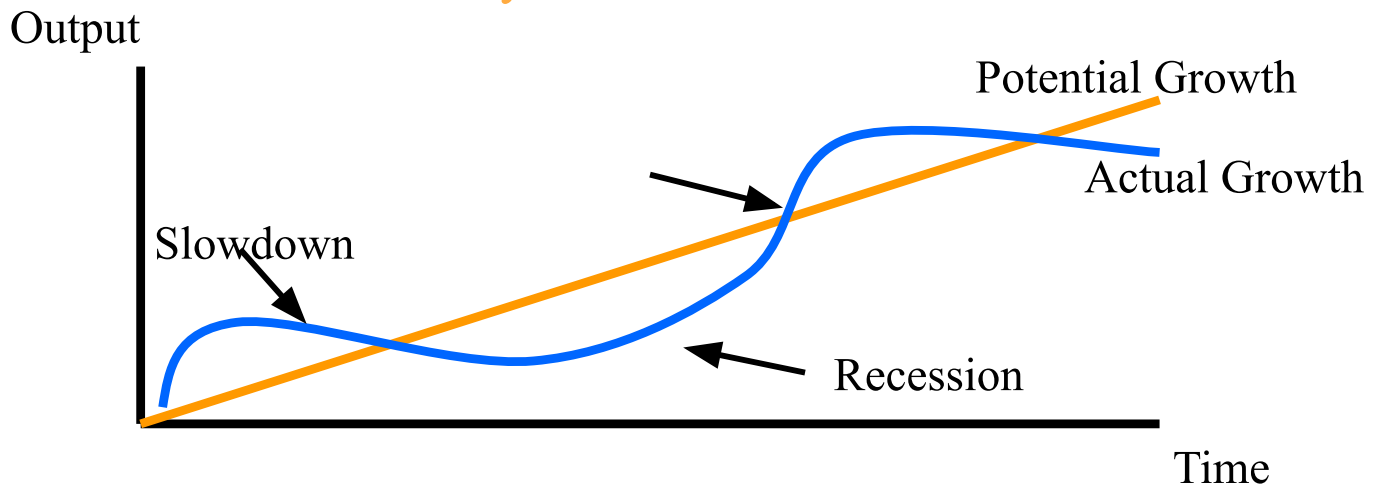
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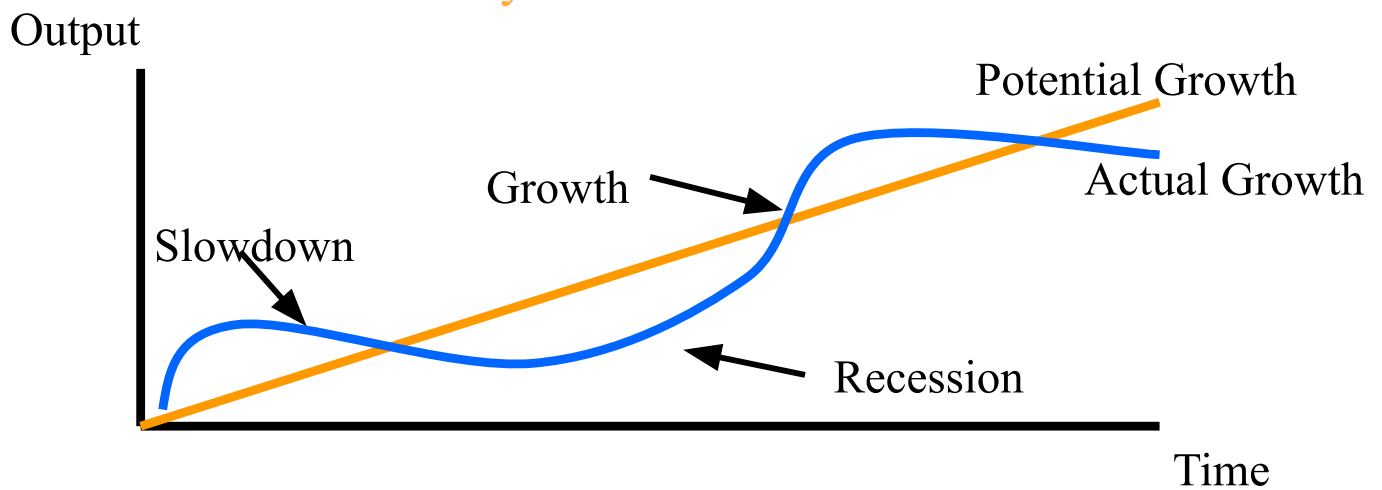
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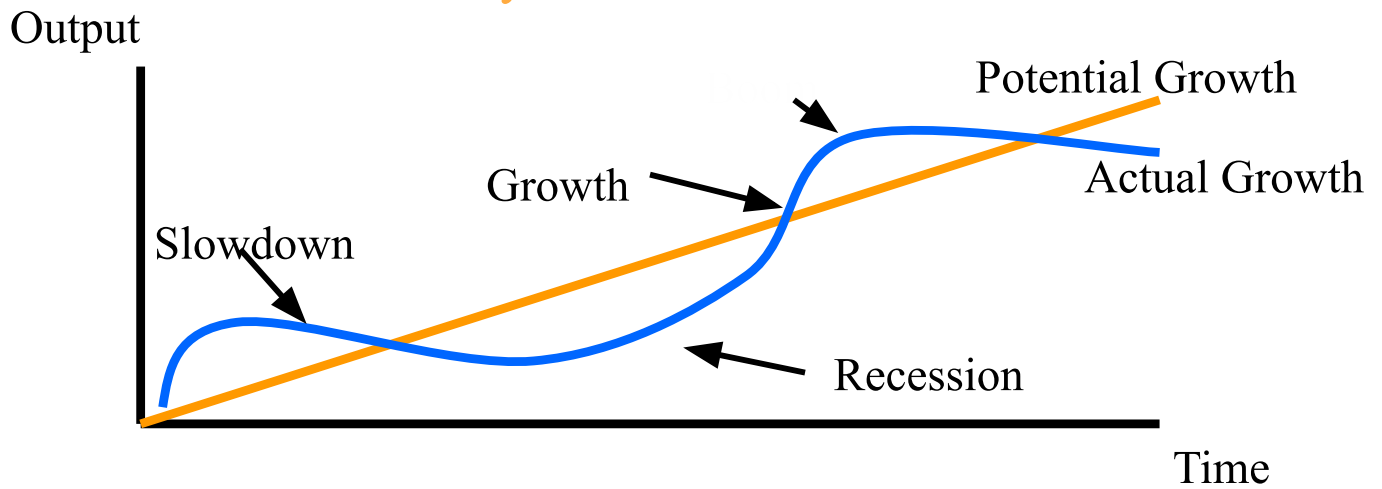
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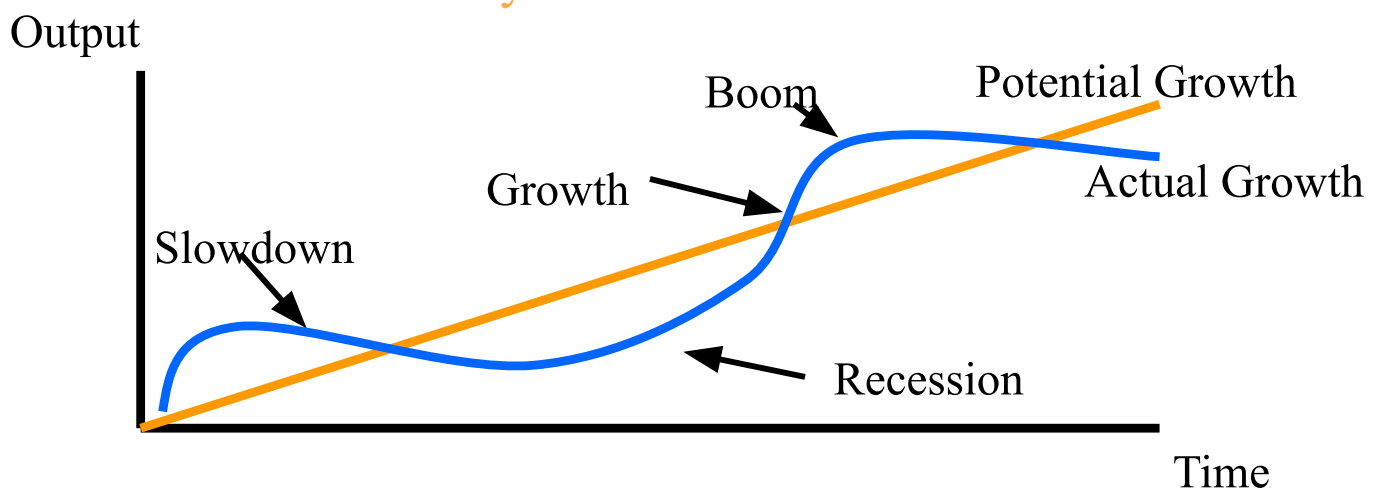
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The Business Cycle:



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The Business Cycle:



3.3 Economic Factors - Inflation

Inflation: a general rise in the price level over a period of time

- What is inflation?

https://www.youtube.com/watch?v=HQ-Kg_xgdhE



3.3 Economic Factors - Inflation

Effects of increasing Inflation:

- Erodes purchasing power
- Reduces employment
- Reduces Growth
- Causes More Inflation
- Raises the Cost of Borrowing
- Weakens the Currency

Low inflation rates have the opposite effects.



Activity: Explore the inflation rate over time per country in the following site for some countries you select and discuss the possible impact on a local business.

<https://data.worldbank.org/indicator/FP.CPI.TOTL.ZG>



3.3 Economic Factors - Employment

Full Employment:

- Policies designed to help those who want to work get work:
 - Strong economy
 - National Minimum Wage and changes to welfare benefits
 - Investing in education and training
 - Challenges for the business:
 - Difficulty in finding employees with the right skills and experience
 - Possibly the business has to pay higher salaries
- BUT
- Disposable income to spend (increase in sales except inferior goods)



3.3 Economic Factors - Balance of payments

Balance of Payments:

- **A record of the trade between country X and other countries**
 - Imports – visible and invisible – the purchase of goods and services from other countries which result in payments being made abroad
 - Exports – visible and invisible – the sale of goods and services to other countries which results in payments being received from those countries.



3.3 Economic Factors - Exchange rates

Exchange Rates = The rate at which one currency can be exchanged for another

- Influences the perceived prices of imports and exports and therefore costs and competitiveness.
- **Appreciation** – increase in value of a currency (e.g., £) against other currencies
 - Exports harder to sell abroad (foreign traders have to give up more of their currency to get same amount of £ - export prices appear to rise
 - Imports appear to be cheaper – buyer in UK gets more foreign currency for every £
- **Depreciation** – decrease in value of a currency (e.g., £) against other currencies
 - Exporters benefit – foreign traders get more £ for their currency – export prices appear to fall
 - Importers – have to give up more £ to get same amount of foreign currency – appears import prices have risen

Factors that affect exchange rates: [5 Factors That Influence Exchange Rates](#)



3.3 Economic Factors - Government policies

Government Policies:

- **Fiscal Policy** – influencing economic and non-economic objectives through variations in public income and expenditure (tax revenue, borrowing and government spending).
- Affects all aspects of business activity – regulations, infrastructure – roads, transport etc, health and safety, support for industry, business taxation, employment laws etc.



3.3 Economic Factors - Monetary policy



Monetary Policy:

- Changes in the rate of interest to help control the level of expenditure in the economy and therefore the level of inflation
- Usually in the hands of central banks eg, ECB, Federal Reserve, Bank of England
- Significant effects on business activity

3.3 Economic Factors - Interest rates

Rising Interest Rates:

- Likely to depress consumer spending
- Increases the cost of borrowing – impacts on investment decisions
- Increases existing loan costs – the more highly geared the greater the impact
- Affects exchange rate – could impact on sales abroad (exports) or cost of imported resources

Exam tip! Falling rates have the opposite effect

3.4 Ecological factors

Ecological factors influencing business are connected to actions and processes necessary to protect natural environment and in the same time maintain or increase efficiency of the corporation.

Examples of factors:

- Renewable resources
- Global warming
- Organic farming
- Carbon footprints
- Environmental protection
- Ecological laws and regulations



Activity: Choose one of the above examples and explore their impact on the strategy followed by a company of your choice.



3.5 Political factors

Political and legal factors can have significant impacts on businesses. Government policies affect business activities through:

- Taxation
- Subsidies
- Regulation & competition policies
- Legislation
- Political stability



3.5 Political factors - Examples

- Political stability of the country – is civil unrest likely?
- Trade restrictions or membership of free trade bloc – can food be imported without tariffs?
- Environmental regulations – what forms of packaging of fast food are allowed?
- Health concerns about fast food – could the government pass new laws about the contents of fast-food products?



3.6 Legal factors

Government legislation affecting businesses includes:

- Health and safety laws
- Employment laws
- Consumer protection
- Environmental protection
- Competition laws

Legal factors are linked to political factors.



3.7 Ethical factors

Ethics is a system of accepted beliefs that control behaviour of an individual or a group of people.

Ethical factors are affected by the country's culture and affect a business in ways such as:

- Values and attitudes
- Codes of business behaviour
- Corruption
- Transparency
- Fair trade



STEEPLE Summary

Social	Lifestyles, social mobility, demographics, education, fashions or tastes
Technological	Technological improvements, new technologies, research & development costs, infrastructure, ICT
Economic	Economic/business cycle, rate of unemployment, interest rates, exchange rates, inflation, rate of economic growth
Ecological	Renewable resources, global warming, organic farming, carbon footprints, environmental protection
Political	Political stability, trade policies, regional policies, lobbying or electioneering
Legal	Regulations, health and safety legislation, competition laws, employment laws
Ethical	Values and attitudes, codes of business behaviour, corruption, transparency, fair trade





3. STEEPLE - Project

- In groups choose a country that you can find information about online as if you were the managers of a business that would like to expand to this country. Create a STEEPLE analysis for the selected country.
- Use a table and bullet points for each category
- Each bullet point should be referenced (link of the source you found the information from)
- Present your STEEPLE to the rest of the class. Is the environment favorable to expand the business?



Are you ready for the quizz?

- **Do the quiz in the ibGenius platform**
- **You need 70% to pass!**
- **Then you are ready to move on to the next Business Management Tool!**



References

Books

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Links

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[Images: pexels.com](https://www.pexels.com/)

