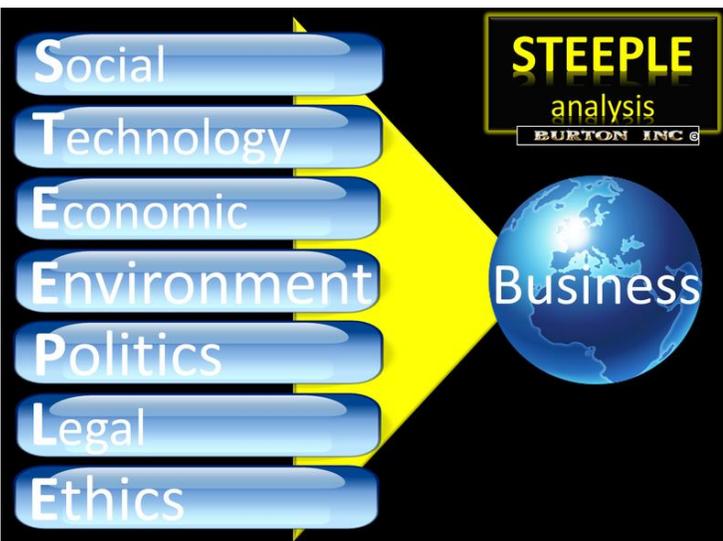




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THE EXTERNAL ENVIRONMENT



The **external environment** are those conditions and events outside a company that affects the way it operates: As the organisation's external environment evolves, its objectives must evolve to reflect this changing environment.

One of the ways in which the external environment can be analysed is by assessing the impact of **social, technological, economic, environmental, political, legal** and **ethical** factors. An **S.T.E.E.P.L.E. analysis** can be conducted to assess the opportunities and threats such changes in the external environment could present to a business, or a business proposal. For example, an aging population (**social**) may lead to an eventual increase in demand for smaller houses,

apartments or communal living which a property investment firm may develop a business strategy around. Another example, is that a STEEPLE analysis may be used to assess the external environment that could affect a specific business proposal such as a multinational corporation assessing the feasibility of a Chinese investment project such as offshoring manufacturing to China.

Changes in any of the STEEPLE factors may have an effect on a business's objectives and strategies. IB Business Management asks you to both **conduct a STEEPLE analysis** for any given organisation and consider the strategic possibilities of a business to such opportunities and threats evident in the case study material. It is a logical starting point for the Paper 1 pre-released case study.

STEEPLE analysis is an analytical framework used to examine the opportunities and threats that are actually present or could be foreseen in the external environment that may impact on business activity.

Opportunities are the external possibilities and prospects for future development; for example, establishing a low cost manufacturing base in China.

Threats are the external factors that could hinder the prospects for a business; for example, political instability and corruption in China.

1.5 External Environment – Summary Notes

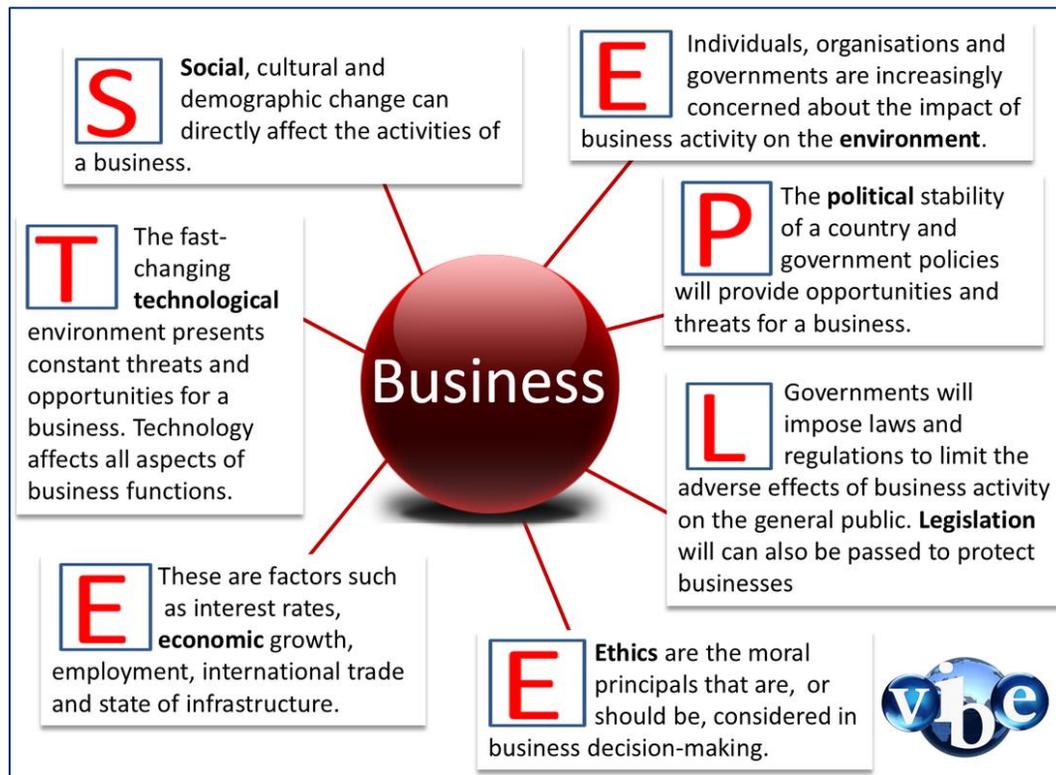


Figure 1: STEEPLE analysis of the external environment