

1.5 External Environment: Assessment



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1.5 EXTERNAL ENVIRONMENT: ASSESSMENT

Read the case study below and answer the questions that follow.

A CRACK IN THE GREAT WALL



Over the past two decades China has seen a rapid rise in incomes and a large accumulation of wealth amongst its population. The rapid increase in economic growth was based largely on huge amounts of investment as new factories opened and expanded, and a massive construction boom in the cities to cater

for urbanisation on a scale the world had never previously seen. The investment in infrastructure from bridges, dams, airports, roads and high speed rail networks, ultrafast internet, and solar and nuclear energy technology has been unprecedented.

In 2014 the new president of China, Xi Jinping, has unveiled a number of plans to shift the Chinese economy away from its reliance on investment as an engine of economic growth to encouraging its rapidly aging population to save less and consume more. Part of this strategy is to relax the very stringent One Child Policy to now allow some couples in certain circumstances to have more than one child. He has introduced new rules and regulations forcing businesses and local government to comply with new environmental regulations as the air in Chinese cities goes from bad to worse and water and soil pollution reaches record levels. Even though corruption and a vast bureaucracy is entrenched, the one party system of government appears stable.

The economy is slowly 'opening up' to the outside world, and foreign business investment into China is now welcomed if Chinese business partners have at least an equal stake in any new

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venture. The Chinese currency (the RMB) is being allowed to appreciate slowly against the US dollar and high rates of inflation are being targeted through higher interest rates.

The Chinese have always invested heavily in the education of their children. The number of local private and international schools that accept domestic students, as well as the number of families prepared to send their sons and daughters overseas for their education have all increased at a very rapidly. This is the external environment that Kate Kenna and Jessica Yule, directors of the Victoria Academy chain of international schools, find themselves contemplating as they assess a joint venture with a Chinese group in establishing the first Chinese international school under their successful and well-regarded brand.

Source: BusinessManagementIB.com

25 marks, 45 minutes

1. Regarding Victoria Academy's possible move into the Chinese education market, discuss the following statement: *To survive and prosper businesses must understand and respond to external factors that are beyond their control.* **[8 marks]**
2. Use **four** different STEEPLE analysis categories to explain relevant factors that may impact on Victoria Academy if they were to establish an international school in one of China's main cities. **[8 marks]**
3. Discuss the significance of the specified external forces in **Question 2** and the responses of Victoria Academy to such forces. **[9 marks]**