Exercise walk-through

1.3

External and Internal Sources of Change

GAC Business

You must be able to

- classify a change as external or internal
- trace cause, effect, and response
- explain why innovation or a budget decision matters

1 The method

Method — Cause → effect → response

Interest rates rise. This is external because it begins outside the business. Loan repayments become more expensive, so a firm may delay opening a new branch.

Method — Internal change

A shop loses an experienced worker. This is internal. The manager can train another worker or change the rota to reduce the effect on service.

2 Practice

Practice 2.1 ▪ 1 mark

State whether a new competitor is an external or internal change.

Solution 2.1

Method: Internal change — p.5

Worked steps

- The competitor begins outside the firm.
- **External change** B1

Practice 2.2 ▪ 1 mark

State whether a manager resigning is an external or internal change.

Solution 2.2

Method: Internal change — p.5

Worked steps

- The manager belongs to the firm.
- **Internal change** B1

Practice 2.3 ▪ 2 marks

Explain one likely effect of higher interest rates on a business that plans to borrow money.

Solution 2.3

Method: Cause $\rightarrow$ effect $\rightarrow$ response — p.4

Worked steps

- Loan repayments may rise. **B1**
- Borrowing becomes less affordable, so the firm may delay expansion. **A1**

3 Exam-style

Exam-style 3.1 ▪ 4 marks

A phone-repair shop learns that a competitor will open nearby.
Explain two internal responses the owner could make.

Solution 3.1

Method: Internal change — p.5

Worked steps

- Improve repair speed or customer service to make the offer more valuable. **B1** **A1**
- Train staff to explain repairs clearly or add a same-day option. **B1** **A1**

Exam-style 3.2 ▪ 5 marks

A business wants to cut its training budget. Analyse one short-term benefit and one longer-term risk.

Solution 3.2

Worked steps

- Cutting training can reduce spending immediately. **B1** **A1**
- Staff may be less skilled, so mistakes or poor service may rise later. **B1** **A1**
- A balanced judgement recognises that the saving may cost more than it gains if quality falls. (E1)