1.3 External and internal business change

Name: ____________ Class: ________ Date: __________ **Total: 13 marks**

KEY WORDS external change 外部变化 • internal change 内部变化 • interest rate 利率 • innovation 创新

Objective

Explain how an **external change 外部变化** or **internal change 内部变化** affects a business and what it should do next.

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 Worked examples

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.

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

2.1 State whether a new competitor is an external or internal change. [1]

2.2 State whether a manager resigning is an external or internal change. [1]

2.3 Explain one likely effect of higher interest rates on a business that plans to borrow money. [2]

3 Exam-style questions

3.1 A phone-repair shop learns that a competitor will open nearby. Explain two internal responses the owner could make. [4]

3.2 A business wants to cut its training budget. Analyse one short-term benefit and one longer-term risk. [5]

Solutions

2.1

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

2.2

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

2.3

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

3.1

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

3.2

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