IB Business Management – Pre-Released Case Study May 2017

Key Terms: Activity II

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IB BUSINESS MANAGEMENT – CASE STUDY MAY 2017: KEY TERMS AND DEFINITIONS

Below are the definitions for all key terms as they appear in the IB Business Management 2017 pre-released case study for SL and HL Paper 1 examinations.

Match these definitions with the key terms as they appear in Activity I.

KEY TERMS AND DEFINITIONS

Preparing the immediate steps to be taken by an organisation in the event of a crisis or emergency

Money raised from individuals and/or groups of sources outside the business; e.g., angel investors and venture capital.

The income that a business has from its normal business activities, usually from the sale of goods and services to customers. It is calculated by price x quantity sold. It is also referred to as sales or turnover.

The process of improving some measure of an enterprise's success. Business growth can be achieved either by boosting the revenue of the business with greater product sales or service income, or by increasing the profitability of the operation by minimising costs.

The total amount of a product (good or service) available for purchase at any specified price.

The management function of using and developing people within a business in order to meet the objectives of the organisation.

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An individual in the firm responsible for the organisation and coordination of the activities of a business in order to achieve defined objectives.

The business function which is concerned with the acquisition and conservation of capital funds in meeting financial needs and overall objectives of business enterprises.

A business function concerned with the supervising, designing and controlling the procedures of the production process. It is closely involved in all aspects of the production process which is why the term is used interchangeably with that of 'production'.

A personality characteristic typified by the taking of financial risks in the hope of profit; enterprising.

The process of selling more of the same products, adding new products to the product line, and /or acquiring new businesses.

The amount paid by consumers for a product. It is a vital component of the marketing mix as it impacts on the consumer demand for a product.

The goals set by an organisation that fall within an established set of moral guidelines or fair business practices.

Fairtrade is an ethical movement regarding stable prices, decent working conditions and the empowerment of farmers and workers around the world. Fairtrade advocates for better working conditions and improved terms of trade for farmers and workers in developing countries.

A person or entity that is the source for goods or services. A company that provides microprocessors to a major computer business is an example.

A market that trades in primary economic sector rather than manufactured products. 'Soft' commodities are agricultural products such as wheat, coffee, cocoa and sugar.

Expansion of a business by means of selling more product and/or becoming more profitable by successful marketing, developing new products, opening new branches, shops or factories (also known as organic growth).

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Internal money raised from the businesses own assets or from profits left in the business (retained profits).

A physical or virtual medium that allows buyers and sellers of a specific good or service to interact in order to facilitate an exchange.

A brand is a product, service, or concept that is publicly distinguished from other products, services, or concepts so that it can be easily communicated and usually marketed. A brand name is the name of the distinctive product, service, or concept. Branding is the process of creating and disseminating the brand name.

A type of fatherly managerial style typically employed by dominant males where their organizational power is used to control and protect subordinate staff that are expected to be loyal and obedient.

The art of motivating a group of people towards achieving a common objective.

A person trading on their own, who controls, manages and owns the business. They are personally entitled to all profits and are personally liable for all business taxes and debts.

Any good or service that serves to satisfy the needs or wants of customers.

An approach in which the firm has its primary focus on its product and on the skills, knowledge and systems that support that product.

The movement of goods and services from the source through a distribution channel, right up to the final customer, consumer, or user, and the movement of payment in the opposite direction, right up to the original producer or supplier.

Someone who takes the financial risk (and reaps the rewards!) of starting and managing a new venture. They

Any of the equal parts into which a company's capital is divided, entitling the holder to a proportion of the profits.

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A small to medium sized business that is owned by shareholders who are often members of the same family. This company cannot sell shares to the general public.

A marketing strategy that aims to make a brand occupy a distinct position, relative to competing brands, in the mind of the customer. Companies apply this strategy either by emphasising the distinguishing features of their brand (what it is, what it does and how, etc.) or they may try to create a suitable image (inexpensive or premium, utilitarian or luxurious, entry-level or high-end, etc.) through advertising.

Real or perceived benefit of a good or service that differentiates it from the competing brands and gives its buyer a logical reason to prefer it over other brands. USP is often a critical component of a promotional theme around which a promotional campaign is built.

Oral or written recommendation by a satisfied customer – often friends, families and acquaintances – to the prospective customers of a good or service. Considered to be the most effective form of promotion

The methods of communicating messages to the market with the intention of selling a firm's products. There are three key objectives to any promotional campaign:

- Inform: The aims is to alert the market to a firm's products, especially new ones or used to raise awareness of the business itself
- Persuade: encourage customers to make a purchase, to switch from rival brands and to create brand loyalty
- Remind: Retain customer awareness and interest in an established product

A marketing technique whereby information about a company's goods or services is passed electronically from one Internet user to another.

A business entity created by two or more parties, generally characterised by shared ownership, shared returns and risks, and shared governance. Most joint ventures are incorporated, although some, as in the oil and gas industry, are "unincorporated" joint ventures that mimic a corporate entity.

A written document that describes a business, its objectives and its strategies, the market it is in and its financial forecasts.

People or groups of people who can be affected by, and therefore have an interest in, any action by an organisation.

These stakeholders do NOT form part of the organisation but have a direct interest or involvement in the actions of the organisation. Examples include:

- Customers
- Suppliers
- The government
- Competitors
- Special interest groups

The maximum output that could currently be achieved using existing resources.

A system of stock management which requires that no buffer stocks are held, components arrive just as they are needed on the production line and finished goods are delivered to customers as soon as they are completed.

Any organisation that uses resources to meet the needs of customers by providing a product or service that they demand.

A business or person that sells goods to the consumer, as opposed to a wholesaler or supplier, who normally sell their goods to another business.

The management task that links the business to the customer by identifying and meeting the needs of customers profitably. It does this by getting the right product at the right price at the right place with the right promotion.

The creation of products with new or different characteristics that offer new or additional benefits to the customer. This may involve modification of an existing product or its presentation, or formulation of an entirely new product that satisfies a newly defined customer want or market niche.

The tendency of some consumers to continue buying the same brand of goods rather than competing brands.

Extracting less money from a transaction than one put into it. For example, a business' expenses may be $1 million for a year but it may only take in $800,000 in revenue. In such a case, the business has suffered a $200,000 loss.

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The income that organisations receive from a particular business activity. Most businesses will have more than one revenue stream. For example, Apple® has multiple revenue streams from a wide range of goods (iPhones, iMacs, iPads, Apple TV, etc.), services (iTunes, MobileMe, Apple Care), software (including Apps) and investment income (interest on vast cash holdings, dividends and profits from equity holdings and subsidiaries).

An ethical framework and suggests that an entity, be it an organisation or individual, has an obligation to act for the benefit of society at large.

To modify a product according to individual or personal specifications or preference of the customer.

A company's total revenue (equivalent to total sales) minus the cost of goods sold.

An agreement between two or more organisations to pursue a set of agreed upon objectives needed while remaining independent organisations. This type of growth strategy will usually fall short of a legal partnership entity, agency, or corporate affiliate relationship.

A financial metric used to assess a company's financial health and business model by revealing the proportion of money left over from revenues after accounting for the cost of goods sold (COGS). It is calculated by dividing gross profit by revenues.

A business expense that does not vary in the short term, irrespective of changes in production or sales levels, or other measures of activity. This type of cost is a basic operating expense of a business that cannot be avoided, such as a rent payment.

Funds used by a company to acquire or upgrade physical assets such as property, industrial buildings or equipment. This type of outlay is made by companies to maintain or increase the scope of their operations. These expenditures can include everything from replacing a roof to building a brand new factory.

This draws a sample from a specified sub-group or segment of the population and uses random sampling to select an appropriate number from each stratum.

The process of gathering, analysing and interpreting information about a market, about a product or service to be offered for sale in that market, and about the past, present and potential customers for the product or service; research into the characteristics, spending habits, location and needs of a business's target market, the industry as a whole, and the particular competitors operating in an industry.

A financial gain, especially the difference between the amount earned and the amount spent in buying, operating, or producing something. The surplus remaining after total costs are deducted from total revenue, and the basis on which tax is computed and dividends are paid. It is the best known measure of success in an enterprise.

(SWOT – opportunities and threats.) OPPORTUNITIES: These are external factors about a business that can be seen as advantageous possibilities that have been identified from an external audit that examines the market a firm operates in and the major competitors within (e.g. a PEST analysis). Examples include new technologies, export markets expanding faster than domestic markets and lower interest rates stimulating consumer spending.

THREATS: These are external factors gained from an external audit (e.g. PEST analysis). Examples of threats are new competitors entering the market, globalisation driving down prices, changes in regulations or economic policy.

An arrangement where one party (the franchiser) grants another party (the franchisee) the right to use its trademark or trade-name as well as certain business systems and processes, to produce and market a good or service according to certain specifications. The franchisee usually pays a one-time franchise fee plus a percentage of sales revenue as royalty, and gains (1) immediate name recognition, (2) tried and tested products, (3) standard building design and décor, (4) detailed techniques in running and promoting the business, (5) training of employees, and (6) ongoing help in promoting and upgrading of the products.

The franchiser gains rapid expansion of business and earnings at minimum capital outlay.

The internal formal framework of a business that shows the way in which management is organised and linked together and how authority is passed through an organisation.

Steps taken by an organisation to limit the damage from a crisis by handling, retaining and resolving it

The different ways that businesses and organisations can legally structure themselves, including:

- Sole trader: a business in which one person provides the permanent finance and, in return, has full control of the business and is able to keep all of the profits.
- Partnership: a business formed by two or more people to carry on a business together, with shared capital investment and, usually, shared responsibilities.

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- Private limited company: a small to medium sized business that is owned by shareholders who are often members of the same family. This company cannot sell shares to the general public.
- Public limited company: a limited company, often a large business, with the legal rights to sell shares to the general public. Its share price is quoted on the national stock exchange.

The diagrammatic representation of a firm's formal organisation structure. The organisational chart shows:

- Who has overall responsibility for decision-making
- The formal relationships between people and departments.
- The chain of command
- The span of control
- Formal channels of communication
- Identity of the supervisor or manager to who each worker is answerable and should report to

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