IB Business Management – Pre-Released Case Study Nov 2018

Key Terms: Activity II

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IB BUSINESS MANAGEMENT – CASE STUDY NOV 2018: KEY TERMS AND DEFINITIONS

Below are the definitions for all key terms as they appear in the IB Business Management Nov 2018 pre-released case study for SL and HL Paper 1 examinations.

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

DEFINITIONS OF THE KEY TERMS

1. A business that sells goods to the public in relatively small quantities for use or consumption rather than for resale.
2. A company that sells goods in large quantities at low prices, typically to retailers.
3. A fixed regular payment, typically paid on a monthly basis but often expressed as an annual sum, made by an employer to an employee, especially a professional or white-collar worker.
4. A good, idea, method, information, object or service created as a result of a process and serves a need or satisfies a want. It has a combination of tangible and intangible attributes (benefits, features, functions, uses) that a seller offers a buyer for purchase.
5. A large self-service retailer selling foods and household goods.
6. A legally constituted body with no participation or representation of any government.
7. A low-income agricultural country that is seeking to industrialise and become more advanced economically and socially.
8. A party that receives or consumes products (goods or services) and has the ability to choose between different products and suppliers.
9. A permit issued by a government agency that allow individuals or companies to conduct business within the government's geographical jurisdiction. It is the authorisation to start a business issued by the local government.

Key Terms: Activity II

10. A person employed to visit a shop or restaurant incognito in order to assess the quality of the goods or services.

11. A person responsible for controlling or administering an organisation or group of staff.

12. A person who, along with another person, plays a significant role in owning, managing, or creating a company.

13. A person with limited or subordinate membership of an organisation.

14. A person, company, or organisation that sells or supplies something such as goods or equipment to customers.

15. A profitability ratio 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. It is calculated by dividing gross profit by revenues.

16. A relatively small number of subordinates reporting directly to a manager.

17. A systematic process of envisioning a desired future and translating this vision into broadly defined goals or objectives and a sequence of steps to achieve them.

18. An amount that has to be paid or given up in order to get something. In business, this is usually a monetary valuation of (1) effort, (2) material, (3) resources, (4) time and utilities consumed, (5) risks incurred, and (6) opportunity forgone in production and delivery of a good or service.

19. An entrepreneur is someone who takes the financial risk (and reaps the rewards!) of starting and managing a new venture. These people have:
    - Had an idea for a new business
    - Invested some of their own savings and capital
    - Accepted the responsibility of managing the business
    - Accepted the possible risks of failure

20. An organisation set up to provide help and raise money for those in need.

21. An organisation which is owned and run jointly by its members, who share the profits or benefits. Each member contributes equity capital, and shares in the control of the firm on the basis of one-member, one-vote principle (and not in proportion to his or her equity contribution).

22. Any organisation that uses resources to meet the needs of customers by providing a product or service that they demand. They identify the needs of consumers or other firms. They then purchase resources, which are the inputs of the business or factors of production, to produce output. The 'outputs' of a business are the goods and services that satisfy consumers' needs, usually with the aim of making a profit.

23. Before targeting a niche market, businesses often analyse consumers' perceptions of existing brands. This is called positioning the product by using a technique such as market mapping.

24. Bring goods or services into a country from abroad for sale.

25. Collectively, the products manufactured or sold by a company.

26. Commercial transactions conducted electronically on the Internet.

27. Coordination of projected requirement, procurement, physical movement, and storage of components, parts, raw materials, and semi-finished and finished goods, to achieve optimum demand-service level at minimal cost. It includes both inbound and outbound movements and is a larger concept than distribution management which does not include activities such as forecasting and procurement.

28. Cost-plus pricing: cost-plus pricing is adding a fixed mark-up for profit to the unit price of a product.

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30. Daniel Pink's Drive Theory of motivation suggests that, for any work task that involves more than the most basic cognitive challenge, basic financial reward systems simply do not work. In fact, they can lead to worse performance. Motivation is intrinsic and based on autonomy, mastery and purpose.

31. Equals to sales revenue less costs of sales.

32. Equitable, fair, and just dealing with people that, although pragmatically flexible according to the situation and times, conforms to self-imposed high standards of public conduct.

33. Fair trade advocates for better working conditions and improved terms of trade for farmers and workers in developing countries. It supports marginalised farmers and workers, enabling them to build a better and more secure life for themselves, their co-workers and their families.

34. Gross profit minus overhead expenses.

35. Having no established sources of finances for initial business funding.

36. Incorporation is the legal process used to form a corporate entity or company. A corporation is a separate legal entity from its owners.

37. Keeping all of the important decision-making powers within head office or the centre of the organisation.

38. Part of the planning process, these describe what a company expects to accomplish over a specific period of time. Businesses usually outline their goals and objectives in their business

plans. Goals might pertain to the company as a whole, departments, employees, customers, or any other area of the business.

39. Selling of goods and services directly to final customers as orders are placed online through the company website

40. Short-term or medium-term goals or targets which must be achieved for an organisation to attain its corporate objectives. Divisional operational objectives are set by senior managers to ensure:

    - Co-ordination between all divisions
    - Consistency with corporate objectives
    - Adequate resources are provided

    Once divisional objectives have been established, these can be further divided into departmental objectives and finally budgets and targets for individual employees.

41. Short-term, temporary retail venues.

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

43. Stakeholders are people or groups of people who can be affected by, and therefore have an interest in, any action by an organisation. These stakeholders are members of the organisation; i.e.:

    - The employees
    - The shareholders (who own the business)
    - Managers and directors of a business

44. Stakeholders are 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

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

46. The act of reorganising the legal, ownership, operational, or other structures of a company for the purpose of making it more profitable, or better organised for its present needs.

47. The amount of income that a business receives from the sale of products or services in a particular period of time.

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

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

50. The business's core aims, often articulated in a mission statement: A statement of the business's core aims, phrased in a way to motivate employees and to stimulate interest by outside groups.

51. The collection of data from second-hand sources. Secondary data can be obtained from the following well-known sources:
    - Government publications
    - Local libraries and local government offices
    - Trade organisations
    - Market intelligence reports
    - Newspaper reports and specialist publications
    - Internal company records
    - The internet

52. The cost disadvantages that businesses accrue due to increase in firm size or output, resulting in production of goods and services at increased per-unit costs.

53. The four business operations are finance, marketing, human resource management and operations.

54. The intrinsic and extrinsic factors that stimulate people to take actions that lead to achieving a goal.
    - Intrinsic motivation: Comes from the satisfaction derived from working on and completing a task.
    - Extrinsic motivation: Comes from external rewards associated with working on a task, for example pay and other benefits.

55. The management of a business. It includes all aspects of overseeing and supervising business operations and related fields which include accounting, finance and marketing.

56. The manufacturing, service or technically productive enterprises in a particular field, country, region, or economy viewed collectively, or one of these individually. A single industry is often named after its principal product; for example, the auto industry.

57. The market segment that a particular product is aimed at.

58. The method businesses use to price their products or services.

59. The money required to establish and run a business day-to-day and to fund future growth.

60. The number of units or quantity (e.g. units) ordered each time; e.g., the number of packets of coffee that AFA initially orders and then reorders from its suppliers.

61. The overall process of attracting, shortlisting, selecting and appointing suitable candidates for jobs (either permanent or temporary) within an organisation.

62. The particular manner of providing direction, implementing plans, and motivating people. In Business Management these styles are:
    - Autocratic
    - Paternalistic
    - Democratic
    - Laissez faire
    - Situational

63. The presence and movement of a relatively large number of people walking around in a particular space.

64. The process of collecting, recording and analysing data about customers, competitors and the market. This is a broad and far-reaching process. It is concerned not just with finding out, as accurately as possible, whether consumers will buy a particular product or not, but also with trying to analyse their reaction to:
    - Different price levels
    - Alternative forms of promotion
    - New types of packaging
    - Different methods of distribution (place).

65. The process of improving some measure of an enterprise's success. This can be achieved either by boosting the top line or revenue of the business with greater product sales, or by increasing the bottom line or profitability of the operation by minimising costs.

66. The senior manager in a company that has primary responsibility for managing the company's finances, including financial planning, management of financial risks, record-keeping, and financial reporting.

67. The senior manager who is responsible for the daily operation of the company, and routinely reports to the highest-ranking executive, usually the chief executive officer (CEO). This individual is usually the second in command at the firm, especially if the highest-ranking executive is the Chairman and CEO.

68. The systematic process of identifying, recording, measuring, classifying, verifying, summarizing, interpreting and communicating financial information. It reveals profit or loss for a given period, and the value and nature of a firm's assets, liabilities and owners' equity.

69. The total amount of money being transferred into and out of a business, especially as affecting liquidity.

70. The vertical movement of an employee within the organisation. In other words, this refers to the upward movement of an employee from one job to another higher one, with increase in wages or salary, status and responsibilities.

71. This form of communication within an organisation emphasises managerial hierarchy and the methodical transfer of information from the highest levels in the organisation to company's staff.

72. This is a business approach that contributes to sustainable development by delivering economic, social and environmental benefits for all stakeholders.

73. This is a form of management that has a pyramidal command structure. This organisation is very organised with a high degree of formality in the way it operates. Organisational charts generally exist for every department, and decisions are made through an organised process.

74. This is a profitability ratio that measures the amount of net income earned with each dollar of sales generated by comparing the net income and net sales of a company. In other words, the profit margin ratio shows what percentage of sales are left over after all expenses are paid by the business.

75. This is often a formal written document which outlines in detail how the business unit intends to achieve the marketing objectives derived from the corporate objectives.

76. This is the business's core aims, phrased in a way to motivate employees and to stimulate interest by outside groups.

77. This typically refers to one's immediate superior in the workplace, that is, the person whom one reports directly to in the organisation.

78. To employ someone for wages or salary.

79. Total revenues less expenses (if positive; i.e., not less than zero – a loss).

80. What the organisation would like to achieve or accomplish in the long term.

*Source: **Business**Management**IB**.com*