

Key Terms: Activity II



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

Below are the definitions for all key terms as they appear in the IB Business Management May 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.

KEY TERMS AND DEFINITIONS

Ordinary employees or those with less important jobs in an organisation, rather than managers or high-level specialist staff.

Bringing the different elements of a complex activity or organisation into a harmonious or efficient relationship.

These are medium term, less complex decisions made by middle managers. They follow on from strategic decisions and aim to meet the objectives stated in any strategic decision. For example, to become the market leader, a firm may have to launch new products/services or open new branches.

The combined action of a group, especially when effective and efficient.

A practice used by different companies to reduce costs by transferring portions of work to outside suppliers rather than completing it internally.

In the staff recruitment process, this involves carefully choosing the best or most suitable candidate.

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A factory or manufacturing plant is that is an industrial site, usually consisting of buildings and machinery, or more commonly a complex having several buildings, where workers manufacture goods or operate machines processing one product into another.

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.

A resource (factor of production) used in the production process (e.g., labour, raw materials, etc.) to produce an output – a good or a service.

The decision-making of senior management about setting and achieving strategic objectives – broadly defined targets that a business must reach to achieve its overall aim.

COMMON OBJECTIVES:

- Profit maximisation
- Profit satisficing
- Growth
- Increasing market share
- Survival
- Corporate social responsibility (CSR)
- Maximising short-term sales revenue
- Maximising shareholder value

To order or authorise the production of (something).

To make (something) on a large scale using machinery, along with other inputs.

An organisation that applies commercial strategies to maximise improvements in financial, social and environmental well-being – this may include maximising social impact alongside profits for external shareholders.

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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 public.

A person(s) who freely offers to take part in an enterprise or undertake a task.

A person(s) employed for wages or salary, especially at non-executive level.

The process or set of processes that links the producers, customers, and end users to the marketer through information used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process. Marketing research specifies the information required to address these issues, designs the method for collecting information, manages and implements the data collection process, analyses the results, and communicates the findings and their implications.

Any good or service that serves to satisfy the needs or wants of customers. Some products are tangible (e.g., a physical product such as a magazine), others are intangible (e.g., a service such as a haircut).

To make or manufacture from components or raw materials.

A person or firm authorised to act on behalf of an organisation in a particular community and usually paid by commission.

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 using subcontractors hailing from the general area.

The part of the capital of a company that comes from the issue of shares.

A borrowed sum of money, specifically intended for business purposes that is expected to be paid back with interest. As with all such finance, it involves the creation of a debt, which will be repaid with added interest.

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

A form of flow production, but instead of each worker performing a single task, the production line is split into several self-contained, mini-production units - known as cells. Each individual cell produces a complete unit of work, such as a complete washing machine motor and not just a small part of it.

Each cell has a team leader and below that a single level of hierarchy made up of multi-skilled workers. The performance of each cell is measured against pre-set targets (output levels, quality and lead times, etc).

A group of people with a full set of complementary skills required to complete a task, job, or project.

These members (1) operate with a high degree of interdependence, (2) share authority and responsibility for self-management, (3) are accountable for the collective performance, and (4) work toward a common goal and shared rewards(s). A team becomes more than just a collection of people when a strong sense of mutual commitment creates synergy, thus generating performance greater than the sum of the performance of its individual members.

Acquire (something) by paying for it; buy.

The basic material from which a product is made; e.g., the silicone needed to manufacture solar cells.

The factors of production used in the production process (i.e. land, labour, capital and enterprise).

Greatest output per unit of input.

The amount paid by consumers for a product.

An individual good or service produced for sale.

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An organisation that provides something needed such as a product or service.

A relationship between two commercial enterprises, usually formalised by one or more business contracts, but this will usually fall short of a legal partnership entity, agency, or corporate affiliate relationship.

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

The leadership function assumed, or part played by a person in a particular situation.

To give someone the authority or power to do something.

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

A key management task that involves assembling required resources to attain organisational objectives.

Giving employees) an official order or authoritative instruction in line with achieving an objective.

The way that work is usually done in a company or organisation.

An important problem with the standard of something as measured against other things of a similar kind; the degree of excellence of something is lacking.

The state or fact of having a duty to deal with something or of having control over someone.

Enthusiastic and determined to achieve success.

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A state of opposition between ideas, interests, etc; disagreement or controversy.

An organisation's core purpose and focus that normally remains unchanged over time.

Seeking to generate financial support for a charity, cause, or other enterprise.

A state agency, often an appointed commission, which is a permanent or semi-permanent organisation in the machinery of government that is responsible for the oversight and administration of specific functions, such as the oversight of microfinance providers.

Any non-profit, voluntary citizens' group which is organised on a local, national or international level.

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.

An individual or collaborative enterprise that is carefully planned to achieve an aim.

An organisation operated to make a profit, where profit is the positive residual value of sales and other income less expenses incurred in the operating and marketing/sales expenses.

A type of financial or banking service targeted at individuals and groups that would otherwise have no means of accessing credit. The aim of microfinance is to allow impoverished groups and individuals the opportunity to become self-sufficient.

It is believed small amounts of microcredit will facilitate large improvements in the standard of living of those most in need.

An organisation that enables qualifying individuals to borrow small amounts money to finance self-sufficiency, for example: a very basic business (e.g. to purchase a sewing machine or a goat), provide health treatment facilitating a return to work or a cheap motorcycle enabling transport to a job.

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To provide funding for (a person or enterprise).

The functional business unit that has responsibility for the activities of a company associated with buying and selling a product or service. It includes advertising, selling and delivering products to customers and potential customers.

Making (something) on a large scale using machinery, along with other inputs.

A person from a group of managers who leads or supervises the operations of a company, program, or project. Companies that use this term often have many directors spread throughout different business functions or roles.

A team of individuals at the highest level of management of an organisation who have the day-to-day tasks of managing that organisation.

The geographical position of a business; i.e., where it is sited.

A sovereign state that has a highly developed economy and advanced technological infrastructure relative to other less industrialized nations.

A nation or a sovereign state with a less developed industrial base and a low Human Development Index (HDI) relative to other countries.

The level of human capital development in a country or geographic region.

Any centrally or federally administered programme, project, service, or activity provided by the government that directly assists domestic governments, organisations, or individuals in the areas of education, health, public safety, public welfare, and public works, among others.

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An economic system where the government does not interfere in business activity in any way. The forces of supply and demand determine what goods and services are produced, in what quantities and at which price.

To allocate money in the expectation of some benefit in the future – for example, investment in factories for manufacturing, in product development, and in research and development.

A sum of money given by a government or other organisation for a particular purpose.

The sum of all wages paid to employees, as well as the cost of employee benefits and payroll taxes paid by an employer. This cost is broken into direct and indirect (overhead) costs.

A system of money which successfully performs its functions as a means of exchange, unit of account and a store of value because its purchasing power is stable.

The loss of value of a country's currency with respect to one or more foreign reference currencies, typically in a floating exchange rate system in which no official currency value is maintained.

A factory or manufacturing plant is that is an industrial site, usually consisting of buildings and machinery, or more commonly a complex having several buildings, where workers manufacture goods or operate machines processing one product into another.

A tenant's regular payment to a landlord for the use of property or land that is relatively expensive.

A tenant's regular payment to a landlord for the use of property or land that is relatively inexpensive.

How people or goods are moved from one place to another; e.g., rail and sea.

Where people or goods are moved with considerable difficulty and increased planning from one place to another; e.g., rail and sea.

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Where people or goods are moved with considerable ease and reduced planning from one place to another; e.g., rail and sea.

Government actions which affects the operations of a company or business. These actions may be on local, regional, national or international level. Business owners and managers pay close attention to this to gauge how government actions will affect their company.

A political environment that, in general:

- The members of the government can change without violence, either by democratic election or some other means of succession.
- Policies don't change radically between successive governments.
- Institutions like the legal system, the public service, the police force, and the judiciary don't change (much) when the government changes.
- Sections of the population don't may not like a change of government, but they don't fear they will be shot, jailed or lose their jobs or property if it happens. Life and economic activity can continue normally for most people.

A form of government where the country is ruled by a single political party, meaning only one political party exists and the forming of other political parties is forbidden.

The exchange of capital, goods, and services across international borders or territories.

The product of negotiations between two or more sovereign nations that dictate the terms of the acceptable exchange of goods and services between the parties.

People or groups that 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 total amount of money being transferred into and out of a business, especially as affecting liquidity.

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A plan that predicts the net cash flows of the business over a future period. It estimates what the cash inflows into the bank account and outflows out of the bank account will be.

The result is an estimate of the bank balance at the end of each period covered (normally this is for each month).

Money spent by a business or organisation on acquiring or maintaining fixed assets, such as land, buildings, and equipment.

Expenses directly related to creating the goods or services being sold (like the cost of raw materials, salaries of persons turning raw materials into sellable goods, depreciation of equipment); but these costs exclude other important expenses, like R&D, marketing, and interest payments on debt.

The basic physical and organisational structures and facilities (e.g. buildings, roads, power supplies) needed for the operation of a society or enterprise.

Members of the organisation who can be affected by, and therefore have an interest in, any action by an organisation; i.e.:

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

Likely to be classified as overheads. Overheads are those expenses associated with running a business that can't be linked to producing a product or service and getting that product to market. Rent, managers salaries and R&D expenses are all examples.

A probability or threat of damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities, and that may be avoided through pre-emptive action.

A plan designed to take account of a possible future event or circumstance.

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This is composed of all the outside factors or influences that impact the operation of business. The business must act or react to keep up its flow of operations.

The systematic process of devising marketing objectives and appropriate marketing strategies to achieve these goals. It requires the collection and analysis of information about a particular market, such as market research data on existing and potential consumers. The typical marketing process involves a marketing audit, marketing research and marketing objectives.

The process of analysing and forecasting the number of workers and the skills of those workers that will be required by the organisation to achieve its objectives (Workforce Planning). The people a business employs and how it invests in them are some of the most important decisions an organisation can make.

The process of creating, communicating, and delivering value to the customers to retain the benefit of the organisation and stakeholders.

Seeks to develop and integrate marketing concepts with other approaches to social change. Social marketing aims to influence behaviours that benefit individuals and communities for the greater social good.

A business that has its primary focus on its product and on the skills, knowledge and systems that support that product.

A business that organises its activities, products and services around the wants and needs of its customers.

A party that receives or consumes products (goods or services) and can choose between different products and suppliers.

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.

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A place that is located far away from populated areas; for example, an Afghan village that is a five-hour drive from the nearest township.



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