

Key Terms and Definitions



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IB BUSINESS MANAGEMENT – CASE STUDY MAY 2019: KEY TERMS AND DEFINITIONS

Below is a list of all key terms as they appear in the IB Business Management May 2019 pre-released case study for SL and HL Paper 1 examinations.

The terms and concepts are **defined**.

KEY TERMS AND DEFINITIONS



Key Terms and Definitions

Term	Line	Definition
Business	2	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.
Management	4	The act of getting people together to accomplish desired goals and objectives using available resources efficiently and effectively. Senior management is generally a team of individuals at the highest level of management of an organisation who have the day-to-day tasks of managing that organisation.
Product life cycle	4	Describes the period of time over which an item is developed, brought to market and eventually removed from the market. The cycle is broken into four stages: introduction, growth, maturity and decline.
Manufacture	5	To make (something) on a large-scale using machinery, along with other inputs.
Private sector	6	The part of the economy which is run by private individuals or groups, usually as a means of enterprise for profit, and is not controlled by the State.
Nationalized	7	The process of transforming private assets into public assets by bringing them under the public ownership of a national government or state.
Companies	8	Legal entities made up of an association of people, be they natural, legal, or a mixture of both, for carrying on a commercial or industrial enterprise. The members of which share a common purpose and unite to focus their various talents and organise their collectively available skills or resources to achieve specific, declared goals.
State-owned company	8	A legal entity that is created by a government in order to partake in commercial activities on the government's behalf. It can be either wholly or partially owned by a government and is typically earmarked to participate in specific commercial activities.
Privately-owned company	8	A business company owned either by non-governmental organisations or by a relatively small number of shareholders or company members which does not offer or trade its company

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		stock (shares) to the general public on the stock market exchanges, but rather the company's stock is offered, owned and traded or exchanged privately or over-the-counter.
Chief executive officer (CEO)	9	The highest-ranking executive in a company, and their primary responsibilities include making major corporate decisions, managing the overall operations and resources of a company, and acting as the main point of communication between the board of directors and corporate operations.
Demand	10	The quantity of a good or service that consumers in a market are willing and able to buy.
Product portfolio	11	The collection of all the products or services offered by a company.
Manufacturing	12	The production of merchandise for use or sale using labour and machines, tools, chemical and biological processing, or formulation.
Goods	13	A product that you can touch (tangible) – you can take them home and use them. An example of a good is a pen or a packet of crisps.
Services	13	A product that someone provides for you; you cannot touch it (intangible). Examples include tourism and banking.
Industry	13	The aggregate of manufacturing or technically productive enterprises in a particular field, often named after its principal product; e.g. the automobile industry, the steel industry, the Italian tourist industry.
Economic trends	15	The overall direction in which a nation's economy is moving.
Economy	16	The state of a country or region in terms of the production and consumption of goods and services and the supply of money.
Market economy	17	An economic system in which production and prices are determined by unrestricted competition between privately owned businesses.
Trade (international)	20	The exchange of capital, goods, and services across international borders or territories. In most countries, such trade represents a significant share of gross domestic product (GDP).

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Infrastructure	22	The basic physical and organisational structures and facilities (e.g. buildings, roads, power supplies) needed for the operation of a society or enterprise.
Family business	28	A commercial organisation in which decision-making is influenced by multiple generations of a family — related by blood or marriage or adoption — who has both the ability to influence the vision of the business and the willingness to use this ability to pursue distinctive goals. They are closely identified with the firm through leadership or ownership.
Manufacturing process	34	The steps through which raw materials are transformed into a final product. The manufacturing process begins with the product design, and materials specification from which the product is made. These materials are then modified through manufacturing processes to become the required part.
Automated manufacturing process	34	The total integration of software and machinery used to create a system that performs manufacturing processes autonomously through computer programming.
Customers	35	A party that receives or consumes products (goods or services) and has the ability to choose between different products and suppliers.
Design	38	The intentional creation of a plan or specification for the construction of an object or system or for the implementation of an activity or process.
Accounting	40	The management process of systematically recording, measuring, and communicating information about financial transactions.
Marketing	40	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.
Price	40	The amount paid by consumers for a product.
Order	41	A confirmed request by one party to another to buy, sell, deliver, or receive goods or services under specified terms and conditions. When accepted by the receiving party, an order becomes a legally binding contract.
Tooling	44	Working or manufacturing aids such as cutting tools, dies, fixtures, gauges, jigs, moulds, and patterns of a specialised nature which

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		(unless substantially altered or modified) are limited in use to a specific production line or the performance of a specific contract or job.
Raw material	44	Basic substance in its natural, modified, or semi-processed state, used as an input to a production process for subsequent modification or transformation into a finished good.
Costing	47	System of computing cost of production or of running a business, by allocating expenditure to various stages of production or to different operations of a firm.
Products	47	Any goods or services that serve 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).
Accountants	48	Qualified persons trained in bookkeeping and in preparation, auditing and analysis of accounts. These employees prepare annual reports and financial statements for planning and decision making and advise on tax laws and investment opportunities.
Delivery	48	The conveying of goods or services from the organisation to the customer.
Unionized	51	Characterised by the presence of labour unions.
Unionized labour force	51	An organisation of workers formed for the purpose of advancing its members' interests in respect to wages, benefits, and working conditions members of a labour union with job protection under a collective bargaining agreement with the employer
Mass produced	51	Manufactured in large quantities by an automated mechanical process.
Wholesalers	52	Businesses that purchase large quantities of products from a manufacturer and then separate or 'break' the bulk purchase into smaller units for resale to retailers. They profit from buying cheaply in bulk – purchasing economies of scale – and on selling smaller units at a large mark-up.
Globalization	52	The process by which businesses or other organisations develop international influence or start operating on an international scale.

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Competition	52	Rivalry in which every seller tries to get what other sellers are seeking at the same time: sales, profit, and market share by offering the best practicable combination of price, quality, and service.
Cost structures	53	A method to determine how much it will cost a company to manufacture a product and how much profit will be recognised from manufacturing the product.
Costs	54	An amount that must be paid or given up in order to get something.
Capital expenditures	54	An amount spent to acquire or upgrade productive assets (such as buildings, machinery and equipment, vehicles) in order to increase the capacity or efficiency of a business for more than one accounting period.
Cloud computing	57	The practice of using a network of remote servers hosted on the Internet to store, manage, and process data, rather than a local server or a personal computer.
Mobile devices	57	Portable computing devices such as smartphones or tablet computers.
Big data	57	Extremely large data sets that may be analysed computationally to reveal patterns, trends, and associations, especially relating to human behaviour and interactions.
Artificial intelligence	57	Software technologies that make a computer or robot perform equal to or better than normal human computational ability in accuracy, capacity, and speed. Two very different approaches rule-based systems (expert system) and neural networks have produced increasingly powerful applications that make complex decisions, evaluate investment opportunities, and help in developing new products. Other uses include robotics, human-language understanding, and computer vision.
Three-dimensional (3D) printing	58	Any of various processes in which material is joined or solidified under computer control to create a three-dimensional object, with material being added together (such as liquid molecules or powder grains being fused together), typically layer by layer.
Customize	58	To make or change something according to a customer's or user's particular needs

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Customization	64	To make or change something according to a customer's or user's particular needs
Employee	69	A person employed for wages or salary, especially at non-executive level.
Division	71	A discrete part of a company that may operate under the same name and legal responsibility or as a separate corporate and legal entity under another business name.
Stakeholders	73	People or groups of people who can be affected by, and therefore have an interest in, any action by an organisation.
Recruits (recruitment)	83	This process includes analysing the requirements of a job, attracting employees to that job, screening and selecting applicants, hiring, and integrating the new employee to the organisation.
Organization (organisational structure)	84	The typically hierarchical arrangement of lines of authority, communications, rights and duties of an organisation. Organisational structure determines how the roles, power and responsibilities are assigned, controlled, and coordinated, and how information flows between the different levels of management. An organisational chart illustrates the organisational structure.
Hierarchical	85	Common, pyramid-like organisation where one person is in charge of a functional area (engineering, finance, marketing) with one or more subordinates handling the sub-functions. In a hierarchical organisation (whether business, military, political, or religious) higher levels imply greater superiority and domination than the lower ones, and the chain of command extends straight from the top to the bottom. Level of hierarchy: A stage of the organisational structure at which the personnel on it have equal status and authority.
Teams	87	A group of people with a full set of complementary skills required to complete a task, job, or project.
Business functions	88	Most businesses have four functional departments (marketing, human resources, finance and operations). These will be staffed

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		by people with specific qualifications skills and experience in the work of the functional areas. A small business entrepreneur may have to cover all of these functions by themselves or outsource these functions to specialist firms.
Democratic leadership style	89	A leadership style where: <ul style="list-style-type: none"> ▪ Participation is encouraged ▪ Two-way communication is used, which allows feedback from staff ▪ Employees are given information about the business to allow full staff involvement
Paternalistic leadership style	89	A leadership approach that involves a dominant authority figure who acts as a patriarch or matriarch and treats employees and partners as though they are members of a large, extended family. In exchange, the leader expects loyalty and trust from employees, as well as obedience.
Innovation	92	The practical application of new inventions into marketable products. Product innovation: New, marketable products such as the Apple iPad. Process innovation: New methods of manufacturing or service provision that offers important benefits.
Product innovation	94	New, marketable products such as the Apple iPad.
Process innovation	94	New methods of manufacturing or service provision that offers important benefits.
Teamwork	95	Production is organised so that groups of workers undertake complete units of work.
Corporate social responsibility (CSR)	99	The consideration of ethical and environmental issues relating to business activity. A business that adopts CSR will normally act morally towards its various stakeholder groups. Key point: CSR is about how a business makes a profit and not about how they spend it.
Factory	102	A building or group of buildings where goods are manufactured or assembled chiefly by machine.
Sourcing	103	The process of finding suppliers of goods (e.g., component parts) or services.

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Components	103	Uniquely identifiable input, part, piece, assembly or subassembly, system or subsystem, that (1) is required to complete or finish an activity, item, or job, (2) performs a distinctive and necessary function in the operation of a system, or (3) is intended to be included as a part of a finished, packaged, and labelled item. Components are usually removable in one piece and are considered indivisible for a particular purpose or use.
Wages	104	Monetary remuneration computed on hourly, daily, weekly, or piece work basis. A fixed weekly or monthly wage is usually called a salary.
Fair wage	104	An equitable rate of remuneration paid to employees for work performed. Living wage: a wage sufficient to provide the necessities and comforts essential to an acceptable standard of living.
Delivery costs	105	The expenditure associated with transporting goods or services to the customer.
Price competitive	108	Setting the price at the same level as one's competitors in the market. Competitive pricing: The process of selecting strategic price points to best take advantage of a product or service based market relative to competition.
Markets	111	An actual (e.g., retail shop) or nominal place (e.g., an online shop) where forces of demand and supply operate, and where buyers and sellers interact (directly or through intermediaries) to trade goods, services.
Chief financial officer (CFO)	111	Senior-most executive responsible for financial control and planning of a firm or project. He or she is in charge of all accounting functions including (1) credit control, (2) preparing budgets and financial statements, (3) coordinating financing and fund raising, (4) monitoring expenditure and liquidity, (5) managing investment and taxation issues, (6) reporting financial performance to the board, and (7) providing timely financial data to the CEO.
Production facility	112	A building or area where goods are made. Factory or manufacturing plant: an industrial site, usually consisting of buildings and machinery, or more commonly a

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		complex having several buildings, where workers manufacture goods or operate machines processing one product into another.
Market area	113	A geographic zone containing the people who are likely to purchase a firm's goods or services.
Finance	115	The management of money, credit, banking and investments. Corporate finance: managing assets, liabilities, revenues, expenditures, cash flow and debts for a business.
Share capital	115	All funds raised by a company in exchange for shares of either common or preferred shares of stock.
Loan capital	116	Money required to run a business and/or finance capital expenditure which is raised from loans rather than shares.
Relocation	116	The movement of a business from one region or location to another.
Private limited company	117	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.
Go public	117	To form a public limited company. Public 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.
Marketing strategy	119	A long-term plan established for achieving marketing objectives. Marketing objectives: the goals set for the marketing department to help the business achieve an overall result that the firm aims to achieve within a time frame and with available resources. For example: To build brand awareness or grow market share.
Corporate strategy	121	Hierarchically, the highest strategic plan of the organisation. This is based on the business's central aim or mission, but they are expressed in terms that provide a much clearer guide for management action or strategy. These will be important, broadly defined targets that a business must reach to achieve its overall aim.
Vision	122	The ability to think about or plan the future with imagination and/or wisdom.

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Communicates	122	The effective exchange of information between people or groups, with feedback. Vision statement: A statement of what the organisation would like to achieve or accomplish in the long term.
Corporate strategic plan	122	A document that describes the steps necessary for an organisation to grow and become more profitable. The benefits of strategic planning include making sure all members of an organisation are working toward common objectives, and that the corporation's resources – financial and human – are allocated as efficiently as possible.
Brand	123	An exclusive name, symbol or design used to identify a specific product or business.
Brand identity	123	How a business presents itself to, and wants to be perceived by, its consumers. This corresponds to the intent behind the branding: the way a company chooses its name; designs its logo; uses colours, shapes and other visual elements in its products and promotions; crafts the language in its advertisements and trains employees to interact with customers – all with the goal of cultivating a certain image in consumers' minds. Brand identity is distinct from brand image. Brand image: the actual result of efforts to establish a brand identity, successful or unsuccessful.
Mission statement	123	A statement of the business's core aims, phrased in a way to motivate employees and to stimulate interest by outside groups.
Operations management	124	The management task that is concerned with supervising, designing and controlling the procedures of the production process. It is closely involved in all aspects of the production process.
Operations management strategy	124	A plan specifying how an organisation will allocate resources in order to support infrastructure and production. This is typically driven by the overall business strategy of the organisation and is designed to maximise the effectiveness of production and support elements while minimizing costs.
Human resources	124	The personnel of a business or organisation, regarded as a significant asset in terms of skills and abilities

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Human resources plan	124	The strategic approach to the effective management of an organisation's workers so that they help the business gain a competitive advantage.
Profits	126	A financial gain, especially the difference between the amount earned and the amount spent in buying, operating, or producing something. Total revenues – total costs = profits (if positive; losses if negative).



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