

## Key Terms: Activity II



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

Below are the definitions for all key terms as they appear in the IB Business Management May 2019 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

- 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 complex having several buildings, where workers manufacture goods or operate machines processing one product into another.
- A building or group of buildings where goods are manufactured or assembled chiefly by machine.
- 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 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.
- 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.
- 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.
- 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.
- 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.

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- 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).
- A geographic zone containing the people who are likely to purchase a firm's goods or services.
- A group of people with a full set of complementary skills required to complete a task, job, or project.
- 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.
- A leadership style where participation is encouraged, two-way communication is used, which allows feedback from staff, and employees are given information about the business to allow full staff involvement
- 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.
- 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.
- 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.
- A party that receives or consumes products (goods or services) and has the ability to choose between different products and suppliers.
- A person employed for wages or salary, especially at non-executive level.
- 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.
- A product that someone provides for you; you cannot touch it (intangible). Examples include tourism and banking.
- 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.
- 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 statement of the business's core aims, phrased in a way to motivate employees and to stimulate interest by outside groups.
- All funds raised by a company in exchange for shares of either common or preferred shares of stock.
- 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.

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- 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.
- An amount that must be paid or given up in order to get something.
- An economic system in which production and prices are determined by unrestricted competition between privately owned businesses.
- 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.
- An exclusive name, symbol or design used to identify a specific product or business.
- 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
- 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).
- 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.
- 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.
- 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.
- 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.
- Characterised by the presence of labour unions.
- 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.
- 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.
- Extremely large data sets that may be analysed computationally to reveal patterns, trends, and associations, especially relating to human behaviour and interactions.

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- 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.
- 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.
- 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.
- Manufactured in large quantities by an automated mechanical process.
- Monetary remuneration computed on hourly, daily, weekly, or piece work basis. A fixed weekly or monthly wage is usually called a salary.
- Money required to run a business and/or finance capital expenditure which is raised from loans rather than shares.
- Most businesses have four functional departments (marketing, human resources, finance and operations). These will be staffed 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.
- New methods of manufacturing or service provision that offers important benefits.
- New, marketable products such as the Apple iPad.
- People or groups of people who can be affected by, and therefore have an interest in, any action by an organisation.
- Portable computing devices such as smartphones or tablet computers.
- Production is organised so that groups of workers undertake complete units of work.
- 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.
- 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.
- 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.

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- 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.
- 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.
- 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.
- The ability to think about or plan the future with imagination and/or wisdom.
- 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.
- 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.
- The amount paid by consumers for a product.
- The basic physical and organisational structures and facilities (e.g. buildings, roads, power supplies) needed for the operation of a society or enterprise.
- The collection of all the products or services offered by a company.
- 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.
- The conveying of goods or services from the organisation to the customer.
- 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.
- 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).
- The expenditure associated with transporting goods or services to the customer.
- 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.
- 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.

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- The management of money, credit, banking and investments. Corporate finance: managing assets, liabilities, revenues, expenditures, cash flow and debts for a business.
- The management process of systematically recording, measuring, and communicating information about financial transactions.
- 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.
- 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 movement of a business from one region or location to another.
- The overall direction in which a nation's economy is moving.
- 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.
- The personnel of a business or organisation, regarded as a significant asset in terms of skills and abilities
- 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.
- 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.
- The process by which businesses or other organisations develop international influence or start operating on an international scale.
- The process of finding suppliers of goods (e.g., component parts) or services.
- The process of transforming private assets into public assets by bringing them under the public ownership of a national government or state.
- The production of merchandise for use or sale using labour and machines, tools, chemical and biological processing, or formulation.
- The quantity of a good or service that consumers in a market are willing and able to buy.
- The state of a country or region in terms of the production and consumption of goods and services and the supply of money.
- 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.
- The strategic approach to the effective management of an organisation's workers so that they help the business gain a competitive advantage.
- The total integration of software and machinery used to create a system that performs manufacturing processes autonomously through computer programming.

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- 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.
- 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.
- 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.
- To make (something) on a large-scale using machinery, along with other inputs.
- To make or change something according to a customer's or user's particular needs
- To make or change something according to a customer's or user's particular needs
- 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.
- Working or manufacturing aids such as cutting tools, dies, fixtures, gauges, jigs, moulds, and patterns of a specialised nature which (unless substantially altered or modified) are limited in use to a specific production line or the performance of a specific contract or job.

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