

## Key terms and definitions



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

Below is a list of all key terms as they appear in the IB Business Management November 2018 pre-released case study for SL and HL Paper 1 examinations.

- The terms and concepts are **defined**

Term	Line	Definition
<b>Developing country</b>	1	A low-income agricultural country that is seeking to industrialise and become more advanced economically and socially.
<b>Entrepreneur</b>	3	An entrepreneur is someone who takes the financial risk (and reaps the rewards!) of starting and managing a new venture. These people have: <ul style="list-style-type: none"> <li>▪ Had an idea for a new business</li> <li>▪ Invested some of their own savings and capital</li> <li>▪ Accepted the responsibility of managing the business</li> <li>▪ Accepted the possible risks of failure</li> </ul>
<b>Business</b>	4	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

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		and services that satisfy consumers' needs, usually with the aim of making a profit.
<b>Mark-up</b>	5	Cost-plus pricing: cost-plus pricing is adding a fixed mark-up for profit to the unit price of a product.
<b>Cost-plus pricing</b>	6	Cost-plus pricing: cost-plus pricing is adding a fixed mark-up for profit to the unit price of a product.
<b>Pricing strategy</b>	6	The method businesses use to price their products or services.
<b>Target market</b>	7	The market segment that a particular product is aimed at.
<b>Profit</b>	9	Total revenues less expenses (if positive; i.e., not less than zero – a loss).
<b>Motivation</b>	12	<p>The intrinsic and extrinsic factors that stimulate people to take actions that lead to achieving a goal.</p> <ul style="list-style-type: none"> <li>▪ Intrinsic motivation: Comes from the satisfaction derived from working on and completing a task.</li> <li>▪ Extrinsic motivation: Comes from external rewards associated with working on a task, for example pay and other benefits.</li> </ul>
<b>Daniel Pink</b>	13	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.
<b>Stakeholders</b>	14	Stakeholders are people or groups of people who can be affected by, and therefore have an interest in, any action by an organisation.
<b>Fair trade</b>	15	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



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		secure life for themselves, their co-workers and their families.
<b>Market research</b>	15	<p>The process of collecting, recording and analysing data about customers, competitors and the market.</p> <p>Market research 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 <b>product</b> or not, but also with trying to analyse their reaction to:</p> <ul style="list-style-type: none"> <li>▪ Different <b>price</b> levels</li> <li>▪ Alternative forms of <b>promotion</b></li> <li>▪ New types of <b>packaging</b></li> <li>▪ Different methods of distribution (<b>place</b>).</li> </ul>
<b>Secondary market research</b>	15	<p>The collection of data from second-hand sources.</p> <p>Secondary data can be obtained from the following well-known sources:</p> <ul style="list-style-type: none"> <li>▪ Government publications</li> <li>▪ Local libraries and local government offices</li> <li>▪ Trade organisations</li> <li>▪ Market intelligence reports</li> <li>▪ Newspaper reports and specialist publications</li> <li>▪ Internal company records</li> <li>▪ The internet</li> </ul>
<b>Non-governmental organisation (NGO)</b>	16	A legally constituted body with no participation or representation of any government.
<b>Product</b>	17	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.
<b>Supermarkets</b>	17	A large self-service retailer selling foods and household goods.
<b>Corporate social responsibility (CSR)</b>	18	This is a business approach that contributes to sustainable development by delivering economic, social and environmental benefits for all stakeholders.



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<b>Business operations</b>	19	The four business operations are finance, marketing, human resource management and operations.
<b>Retail store</b>	20	A business that sells goods to the public in relatively small quantities for use or consumption rather than for resale.
<b>Insufficient funds</b>	20	Having no established sources of finances for initial business funding.
<b>Marketing plan</b>	21	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.
<b>Finance</b>	22	The money required to establish and run a business day-to-day and to fund future growth.
<b>Accounting</b>	24	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.
<b>Cash flow</b>	25	The total amount of money being transferred into and out of a business, especially as affecting liquidity.
<b>Pop-up stalls</b>	27	Short-term, temporary retail venues.
<b>Business plan</b>	29	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.
<b>Licence</b>	31	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.
<b>Business goals</b>	31	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,



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		departments, employees, customers, or any other area of the business.
<b>Ethical</b>	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.
<b>Hired</b>	33	To employ someone for wages or salary.
<b>Registered</b>	34	Incorporation is the legal process used to form a corporate entity or company. A corporation is a separate legal entity from its owners.
<b>Logistics</b>	36	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.
<b>High foot traffic</b>	36	The presence and movement of a relatively large number of people walking around in a particular space.
<b>Sales revenue</b>	38	The amount of income that a business receives from the sale of products or services in a particular period of time.
<b>Product range</b>	40	Collectively, the products manufactured or sold by a company.
<b>Manager</b>	41	A person responsible for controlling or administering an organisation or group of staff.
<b>Suppliers</b>	42	A person, company, or organisation that sells or supplies something such as goods or equipment to customers.
<b>Customers</b>	43	A party that receives or consumes products (goods or services) and has the ability to choose between different products and suppliers.



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<b>Order and re-order</b>	46	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.
<b>Wholesalers</b>	47	A company that sells goods in large quantities at low prices, typically to retailers.
<b>Imported</b>	47	Bring goods or services into a country from abroad for sale.
<b>E-commerce</b>	51	Commercial transactions conducted electronically on the Internet.
<b>Business-to-consumer (B2C)</b>		Selling of goods and services directly to final customers as orders are placed online through the company website
<b>Brick-and-mortar retail outlets</b>	54	
<b>Promotion</b>	58	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.
<b>Recruitment</b>	59	The overall process of attracting, shortlisting, selecting and appointing suitable candidates for jobs (either permanent or temporary) within an organisation.
<b>Restructuring</b>	60	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.
<b>Business partner</b>	61	A person who, along with another person, plays a significant role in owning, managing, or creating a company.
<b>Chief financial officer (CFO)</b>	62	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.
<b>Chief operations officer (COO)</b>	62	The senior manager who is responsible for the daily operation of the company, and routinely



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		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.
<b>Supervising</b> (supervisor)	64	This typically refers to one's immediate superior in the workplace, that is, the person whom one reports directly to in the organisation.
<b>Business growth</b>	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.
<b>Costs</b>	66	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.
<b>Diseconomies of scale</b>	66	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.
<b>Gross profit</b>	67	Equals to sales revenue less costs of sales.
<b>Gross profit margins</b>	67	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.
<b>Net profit</b>	67	Gross profit minus overhead expenses.
<b>Net profit margins</b>	67	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.



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<b>Internal stakeholder</b>	69	<p>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.:</p> <ul style="list-style-type: none"> <li>▪ The employees</li> <li>▪ The shareholders (who own the business)</li> <li>▪ Managers and directors of a business</li> </ul>
<b>External stakeholder</b>	69	<p>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 <b>not</b> form part of the organisation but have a direct interest or involvement in the actions of the organisation. Examples include:</p> <ul style="list-style-type: none"> <li>▪ Customers</li> <li>▪ Suppliers</li> <li>▪ The government</li> <li>▪ Competitors</li> <li>▪ Special interest groups</li> </ul>
<b>Strategic plan</b>	74	<p>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.</p>
<b>Mission</b>	74	<p>The business's core aims, often articulated in a <b>mission statement</b>: A statement of the business's core aims, phrased in a way to motivate employees and to stimulate interest by outside groups.</p>
<b>Stakeholders</b>	75	<p>Stakeholders are people or groups of people who can be affected by, and therefore have an interest in, any action by an organisation.</p>
<b>Tactics</b>	76	<p>Short-term or medium-term goals or targets which must be achieved for an organisation to attain its corporate objectives.</p> <p>Divisional operational objectives are set by senior managers to ensure:</p> <ul style="list-style-type: none"> <li>▪ Co-ordination between all divisions</li> <li>▪ Consistency with corporate objectives</li> <li>▪ Adequate resources are provided</li> </ul>





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		Once divisional objectives have been established, these can be further divided into departmental objectives and finally budgets and targets for individual employees.
<b>Administration</b>	77	The management of a business. It includes all aspects of overseeing and supervising business operations and related fields which include accounting, finance and marketing.
<b>Industry</b>	79	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.
<b>Bureaucratic</b>	80	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.
<b>Centralised</b>	80	Keeping all of the important decision-making powers within head office or the centre of the organisation.
<b>Narrow span of control</b>	80	A relatively small number of subordinates reporting directly to a manager.
<b>Top-down communication</b>	80	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.
<b>Leadership</b>	82	The art of motivating a group of people towards achieving a common objective.
<b>Leadership style</b>	82	The particular manner of providing direction, implementing plans, and motivating people. In Business Management these styles are: <ul style="list-style-type: none"> <li>▪ Autocratic</li> <li>▪ Paternalistic</li> <li>▪ Democratic</li> </ul>



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		<ul style="list-style-type: none"> <li>▪ Laissez faire</li> <li>▪ Situational</li> </ul>
<b>Charities</b>	86	An organisation set up to provide help and raise money for those in need.
<b>Cooperative</b>	92	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).
<b>Associates</b>	93	A person with limited or subordinate membership of an organisation.
<b>Salary</b>	93	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.
<b>Positioning</b>	97	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.
<b>Mystery shopper</b>	100	A person employed to visit a shop or restaurant incognito in order to assess the quality of the goods or services.
<b>Vision</b>	105	What the organisation would like to achieve or accomplish in the long term.
<b>Mission</b>	105	This is the business's core aims, phrased in a way to motivate employees and to stimulate interest by outside groups.

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