

Key Terms and Definitions



IB BUSINESS MANAGEMENT – CASE STUDY 2016: KEY TERMS AND DEFINITIONS

Below are the definitions for all key terms as they appear in the IB Business and Management 2016 pre-released case study for SL and HL Paper 1 examinations.

Use the key terms and their associated definitions to prepare a set of **flash cards** to use for your Paper 1 examination revision.

KEY TERMS AND DEFINITIONS

Term or concept	Line	Definition
Accounts	Line 93	A record or statement of financial expenditure and receipts relating to a particular period or purpose.
Aim	Line 18	A business aim is the goal a business wants to achieve. A primary aim for all business organisations is to add value and in the private sector this involves making a profit. More strategic aims include expansion, market leadership and brand building.
Appraisal	Line 21	The process of assessing the effectiveness of an employee judged against present objectives.
Autocratic leadership	Line 34	A style of decision-making that keeps all decision-making at the centre of the organisation.
Bureaucratic	Line 35	An organisational system with standardised procedures and rules.
Business	Line 4	An organisation or enterprising entity engaged in commercial, industrial or professional activities. A business can be a for-profit entity, such as a public limited company, or a non-profit organisation engaged in business activities, such as an agricultural cooperative.
Centralised	Line 34	An organisational structure that keeps decision-making firmly at the top of the hierarchy (amongst the most senior management).

Key Terms and Definitions

Chain of command	Line 49	This is the route through which authority is passed down an organisation – from the chief executive and the board of directors.
Company policy	Line 50	Usually, a documented set of broad guidelines, formulated after an analysis of all internal and external factors that can affect a firm's objectives, operations, and plans. Formulated by the firm's board of directors, company policy lays down the firm's response to known and knowable situations and circumstances. It also determines the formulation and implementation of strategy, and directs and restricts the plans, decisions, and actions of the firm's officers in achievement of its objectives.
Competitors	Line 84	A business rival of a firm supplying a particular good or service which offers buyers an identical or similar product. Thus, they are likely to be a firm in the same industry – offering a similar product.
Contracts	Line 100	A legally binding agreement between two or more parties to do or not to do certain things.
Costs	Line 20	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.
Cost of sales	Line 20	These are the direct costs attributable to the production of the goods sold by a company. This amount includes the cost of the materials used in creating the good along with the direct labour costs used to produce the good. (Cost of goods sold)
CSR	Line 46	This concept applies to those businesses that consider the interests of society by taking responsibility for the impact of their decisions and activities on customers, employees, communities and the environment.
Customer	Line 71	A person or business who buys goods or services from a shop or business.
Customer service	Line 5	The assistance and advice provided by a business to those people who (intend to) buy or use its products and services.
Demographic trends	Line 82	These reveal developments and changes in human population. More specifically, these relate to changes in a population's age, gender, geographical location, marital status, educational attainment, employment status, household income, race, religion and health.

Key Terms and Definitions

Disciplinary action	Line 69	In employment law, this is the process for dealing with job-related behaviour that does not meet expected and communicated performance standards
Dismissal	Line 65	Termination of the contract of employment of an employee by his or her employer in a correct, fair and lawful manner.
E-commerce	Line 84	The buying and selling of goods and services on the internet.
Economic recession	Lines 39-40	A significant decline in economic activity spread across the economy (negative economic growth) that lasts for two or more quarters. It is normally visible in real GDP, real income and employment, industrial production and wholesale-retail sales.
Efficient	Line 52	This signifies a level of performance that describes a process that uses the lowest amount of inputs to create the greatest amount of outputs. It relates to the use of all inputs in producing any output, including personal time and energy.
Employees	Line 35	An individual who works part-time or full-time under a contract of employment, whether written or oral, express or implied, and has recognised rights and duties.
Employment practices	Line 94	The way organisations structure and carry out their human resource management function (e.g., flexible work structures, teleworking, portfolio working and flexitime)
Empowerment	Line 35	This is a non-financial motivator that involves giving employees a certain degree of autonomy and responsibility for decision-making regarding their specific organisational tasks.
Ethical behaviour	Line 47	Acting in ways consistent with what society and individuals typically think are good values. This tends to be good for business and involves demonstrating respect for key moral principles that include honesty, fairness, equity, diversity and individual rights.
External environment	Line 79	These are factors outside the business that affect its ability to function such as the social, technological, economic, environmental, political, legal and ethical environment the organisation operates within. Some external elements can be manipulated by company marketing, while others require the organisation itself to make adjustments.
External finance	Line 13	This is money raised from sources outside the business and might include taking on new business partners or issuing equity or bonds to create long term obligation, or commercial paper to take on shorter term debt.

Key Terms and Definitions

External growth	Line 26	The increase in a business's sales and profits that is a result of buying other companies or of forming a business relationship with them.
External stakeholders – local community, customers, competitors	Lines 41-45	A person or group not part of the organisation but who can affect or be affected by the actions of a business, and have an interest in its performance. Examples include customers, suppliers, competitors and local communities.
Favourable purchasing terms	Line 23	Negotiating and securing products and services from suppliers at conditions beneficial to the organisation. For example, companies may negotiate a discounted price when purchasing very large quantities of a good or service.
Few employment opportunities (work force planning)	Line – 40	Workforce planning is a continual process used to align the needs and priorities of the organisation with those of its workforce to ensure it can meet its legislative, regulatory, service and production requirements and organizational objectives. If there are few employment opportunities in a community, organisations will have greater ability to recruit and employ more talented, motivated and experienced employees.
Finance	Line 86	The business function that describes the management, creation of money, banking, credit, investments, assets and liabilities. Funds for business activities, making purchases or investing.
Financial information	Line 86	Records that outline the financial activities of a business, an individual or any other entity. Financial information, in the form of financial statements are meant to present the financial information of the entity in question as clearly and concisely as possible for both the entity and for readers.
Financial ratios	Line 87	Financial ratios are useful indicators of a firm's performance and financial situation. Most ratios can be calculated from information provided by the financial statements. Financial ratios can be used to analyse trends and to compare the firm's financials to those of other firms. Examples include profitability, liquidity and efficiency ratios such as net profit margin and the current ratio.
Franchising	Line 26	This is a type of license that a party (franchisee) acquires to allow them to have access to a business's (the franchiser) proprietary knowledge, processes and trademarks in order to allow the party to sell a product or provide a service under the business's name. In exchange for gaining the franchise, the franchisee usually pays the franchisor initial start-up and annual licensing fees.
Free delivery (distribution)	Line 6	Distribution (place) is the process of making a product or service available for use or consumption by a consumer or business user, using direct means, or using indirect means with intermediaries.

Key Terms and Definitions

		The other three parts of the marketing mix are product, pricing, and promotion. Free delivery is the delivery of products directly to the recipient's address without charge to the customer.
Goods	Line 28	Goods are physical items that include raw materials, parts, sub-assemblies such as motherboards that go into computers, and final products such as cell phones and automobiles.
Growth	Line 23	The process of improving some measure of an enterprise's success (e.g., increased market share, number of employees or profits). Business growth can be achieved either by boosting the top line or revenue of the business with greater product sales or service income, or by increasing the bottom line or profitability of the operation by minimising costs.
Grievance procedures	Lines 37-38	Grievance procedures are a means of dispute resolution that can be used by a company to address complaints by employees, suppliers, customers, and/or competitors. A grievance procedure provides a hierarchical structure for presenting and settling workplace disputes. The procedure typically defines the type of grievance it covers, the stages through which the parties proceed in attempting to resolve matters, individuals responsible at each stage, the documentation required, and the time limits by which the grievance must be presented and dealt with at each stage. The best-known application of grievance procedures is as a formal process outlined in employment contracts.
Gross misconduct (graffiti)	Line 63	Gross misconduct is behaviour, on the part of an employee, which is so bad that it destroys the employer/employee relationship, and merits instant dismissal without notice or pay in lieu of notice. Such dismissal without notice is often called 'summary dismissal'.
High market share	Line 24	Having a relatively large percentage of an industry or market's total sales that is earned by a particular company over a specified time period.
Human resource management (HRM)	Line 34	This is a function in organisations designed to maximise employee performance in service of an employer's strategic objectives. It is primarily concerned with the management of people within organisations, focusing on policies and on systems.
Hypermarket	Line 11	A very large self-service store with a wide range of goods and a large car park, typically situated outside a town.
Internal growth	Line 26	Expansion of a business by means of opening new branches, shops or factories (also known as organic growth).

Key Terms and Definitions

Internal promotion	Line 53	The appointment of a current, active classified employee (i.e. from within the organisation) to a position in a higher salary range than the one to which the employee is presently assigned. A promotion is also advancement to a position that requires performing accountabilities of significantly increased complexity or responsibility.
Just-in-time production (JIT)	Line 20	An inventory strategy companies employ to increase efficiency and decrease waste by receiving goods only as they are needed in the production process, thereby reducing inventory costs. This method requires that producers are able to accurately forecast demand.
Job title	Line 16	A term that describes the position held by an employee in a few words or less. Depending on the job, it can sometimes describe the job responsibilities, the level of the job, or both.
Labour turnover	Line 38	The proportion of a firm's workforce that leaves during the course of a year. The formula for calculating labour turnover is: $\text{Number of employees leaving during period} \div \text{Average number employed during period} \times 100$
Lean production	Line 19	Producing goods and services with the minimum of wasted resources while maintaining high quality.
Line manager	Line 48	A person with direct managerial responsibility for a particular employee.
Liquidation	Line 13	The process by which a company (or part of a company) is brought to an end, and the assets and property of the organisation are redistributed. It is also sometimes referred to as winding-up or dissolution, although dissolution technically refers to the last stage of the process.
Local communities (stakeholder)	Line 46	An external stakeholder group comprised of the individuals living within areas the business operates in. A stakeholder is any person, organisation, social group, or society at large that has a stake in vital interest in the business or its activities.
Lowest prices (cost focus)	Line 19	A pricing strategy in which a business offers a relatively low price to stimulate demand and gain market share. It is one of three generic marketing strategies (see differentiation strategy and focus strategy for the other two) that can be adopted by any firm, and is usually employed where the product has few or no competitive advantage or where economies of scale are achievable with higher production volumes.
Manager	Line 8	A person responsible for controlling or administering an organisation or group of staff.

Key Terms and Definitions

Market	Line 24	The group of consumers or organisations that is interested in the product, has the resources to purchase the product, and is permitted by law and other regulations to acquire the product.
Market development	Line 32	A strategy that entails expanding the potential market through new users or new uses. New users can be defined as: new geographic segments, new demographic segments, new institutional segments or new psychographic segments. Another way is to expand sales through new uses for the product.
Market leadership	Line 25	The position of a company with the largest market share in a given market for goods and services. It is measured by either the volume of goods sold or the value of those goods.
Market position	Line 83	A ranking of a brand, product, or company, in terms of its sales volume relative to the sales volume of its competitors in the same market or industry.
Market share	Line 24	The percentage of an industry or market's total sales that is earned by a particular company over a specified time period. It is calculated by taking the company's sales over the period and dividing it by the total sales of the industry over the same period.
Marketing	Line 22	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.
Marketing mix	Line 22	Key interrelated decisions including product, price, promotion (including advertising and packaging) and place (where and how a product will be sold to consumers) that must be taken in the effective marketing of a product.
Mission statement	Line 18	A written declaration of an organisation's core purpose and focus that normally remains unchanged over time
Motivation	Line 62	The intrinsic (comes from the satisfaction derived from working on and completing a task) and extrinsic (comes from external rewards associated with working on a task, for example pay and other benefits) factors that stimulate people to take actions that lead to achieving a goal.
Motivational strategies	Line 62	Human resource tactics to increase intrinsic and extrinsic factors that stimulate employees to take actions that lead to achieving a goal (e.g., to increase employee productivity).
Multinational company (MNC)	Line 10	A company that has its facilities and other assets in at least one country other than its home country. Such companies have offices and/or factories in different countries and usually have a

Key Terms and Definitions

		centralised head office where they co-ordinate global management.
Objectives	Line 95	The relatively short-term targets of a business (e.g., grow revenues by 15% over the next 12 months).
Organisation structure (inflexible)	Line 38	The internal formal framework of a business that shows the way in which management is organised and linked together and how authority is passed through an organisation – this cannot easily be adapted to meet changing circumstances.
Outsourcing	Line 20	A practice used by different organisations to reduce costs by transferring portions of work to outside suppliers rather than completing it internally.
Overseas expansion	Line 27	The planned growth of an organisation's business activities into countries in several regions throughout the world.
Owner	Line 8	Individual or entity who has legal ownership of a business entity in an attempt to profit from the successful operations of the business. Generally has decision making abilities and first right to profit.
Paternalistic leadership	Line 65	A type of managerial and/or leadership style typically used by dominant males where their power is used to control and protect subordinate employees who are expected to be loyal and obedient.
Pink's Drive theory	Line 61	A motivational theory stressing the importance of Autonomy – the desire to direct our own lives, Mastery — the urge to get better and better at something that matters, and Purpose — the yearning to do what we do in the service of something larger than ourselves.
Pressure groups	Line 46	Non-profit and usually voluntary organisations whose members have a common cause for which they seek to influence political or corporate decision makers to achieve a declared objective. Whereas interest groups try to defend a cause (maintain the status quo), these groups try to promote it (change the status quo).
Product line	Lines 29-31	A group of related products manufactured or sold by a single organisation. For example, a cosmetic company's makeup product line might include foundation, concealer, powder, blush, eyeliner, eyeshadow, mascara and lipstick products that are all closely related.
Product range	Line 28	A complete portfolio of products that a company manufactures and/or markets.

Key Terms and Definitions

Productivity (hard working)	Line 52	The ratio of outputs to inputs during production (e.g., output per worker per time period).
Profit maximisation	Line 95	The business aim of achieving a maximum profit by increasing revenues and/or reducing costs to the benefit of the business owners (e.g., shareholders).
Promotion (HRM)	Line 2	The internal or external appointment of a current, active classified employee to a position in a higher salary range than the one to which the employee is presently assigned. A promotion is also advancement to a position that requires performing accountabilities of significantly increased complexity or responsibility.
Promotional material	Line 18	Any combination of media that provides potential customers with descriptive information regarding organisation, its activities and/or products. Materials can include brochures, email announcements, website and direct mail, to name a few.
Promotion (marketing)	Line 53	Methods of communicating messages to the market with the intention of selling a firm's products. There are three key objectives to any promotional campaign: <ul style="list-style-type: none"> ▪ Inform: The aim is to alert the market to a firm's products, especially new ones or used to raise awareness of the business itself ▪ Persuade: encourage customers to make a purchase, to switch from rival brands and to create brand loyalty ▪ Remind: Retain customer awareness and interest in an established product
Public limited company	Line 11	A limited liability 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.
Responsibility (management)	Line 17	A duty or obligation to satisfactorily perform or complete a task (assigned by someone, or created by one's own promise or circumstances) that one must fulfil, and which has a consequent penalty for failure.
Qualifications	Line 81	A special skill or type of experience or knowledge that makes someone suitable to do a particular job or activity.
Sales person	Line 17	An individual who sells goods and services to other people and organisations.
Services	Line 28	Intangible products such as accounting, banking, cleaning, consultancy, education, insurance, expertise, medical treatment, or transportation.

Key Terms and Definitions

Sole trader	Line 5	A business in which one person provides the permanent finance and, in return, has full control of the business and is able to keep all of the profits.
Sources of finance	Line 13	Businesses can obtain their finance from a range of sources, such as bank loans or by selling unused assets. The choice of which source(s) to use depends on several factors, including the size and type of firm, the time scale involved and the purpose of the finance.
Stakeholders	Line 46	A stakeholder is any person, organisation, social group, or society at large that has a stake in vital interest in the business or its activities. Thus, stakeholders can be internal or external to the business.
Strategy	Line 23	The direction and scope of an organisation over the long-term: which achieves advantage for the organisation through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfil stakeholder expectations
Superior	Line 48	An employee of relatively higher station, rank, degree, importance, etc.
Suppliers	Line 24	A person or entity that is the source for goods or services for an organisation. A company that provides yogurt to a hypermarket.
SWOT analysis	Line 83-84	A study undertaken by an organization to identify its internal strengths and weaknesses, as well as its external opportunities and threats.
Team	Line 54	A group of people with a full set of complementary skills required to complete a task, job, or project. Team 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).
Threats (SWOT)	Line 83	In SWOT analysis, these are external factors gained from an external audit (e.g. PEST analysis). Examples include new competitors entering the market, globalisation driving down prices, changes in regulations or economic policy.
Unique selling point (USP)	Line 6	A factor that differentiates a product from its competitors, such as the lowest cost, the highest quality or the first-ever product of its kind.
USP – one stop shopping	Line 31	A business or a location that offers a multitude of services to a client or a customer. The idea is to provide convenient and

Key Terms and Definitions

		efficient service and also to create the opportunity for the company to sell more products to clients and customers.
Wages	Line 20	Monetary remuneration computed on hourly, daily, weekly, or piece work basis. A fixed weekly or monthly wage is usually called a salary.
Weaknesses (SWOT)	Line 84	In SWOT analysis, these are internal factors about a business that can be seen as negative factors. Weaknesses might include a poorly trained workforce, limited production capacity, ageing equipment or poor cash flow. This information would also have been obtained from an internal audit.
Work station	Line 54	An area with equipment for the performance of a specialised task usually by a single individual.
Workforce	Line 85	The group of people who work for a particular organisation or business.

Source: IBBusinessandManagement.com