IB Business Management

Topic 1: Introduction To Business Management

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Unit 1.1 What is a Business?

Vocabulary

Adding Value: the practice of producing a good or service that is worth more than the cost of the resource used in the production process
Businesses: decision-making organizations involved in the production of goods and the provision of services
Consumers: people/organizations that actually use a product
Customers: people/organizations that buy the product
Entrepreneurs: people who manage, organize, and plan resources needed for business activity in a pursuit of organizational objectives; risk takers who exploit business opportunity in return for profit
Entrepreneurship: collective knowledge, skills, and experiences of entrepreneurs
Goods: physical products, produced and sold to customers, such as laptops, books, contact lenses, perfumes, and children's toys
Needs: basic necessities that a person must have to survive, including food, water, warmth, shelter, and clothing
Primary Sector: businesses involved in the cultivation or extraction of natural resources, such as farming, mining, quarrying, fishing, oil extraction, and forestry
Production: creating goods/services; adding value in the process
Quaternary Sector: subcategory of tertiary sector, businesses are involved in intellectual and knowledge based activities that generate and share info, such as research organizations
Secondary Sector: refers to businesses concerned with the construction and manufacturing of products
Services: intangible productions sold to customers, such as services provided by airlines, restaurants, cinemas, banks, health and beauty spas, schools, and hospitals
Tertiary Sector: businesses involved with the provision of services and customers
Wants: people's desires, wants (i.e. clothes, phones, and vacations)

Notes:

-inputs are what businesses use to produce, outputs are what they make
-businesses want to generate added value (profit); satisfy the needs and wants of the people
-departments are needed to ensure efficient operation

- -Human resource management: managing personnel, HR planning, organizational structures, leadership, motivation, employee relations
- -Finance and accounts: managing money, legal compliance, informing of financial position
- -Marketing: identifying needs/wants of customers, research, promotion, price, branding, distribution

-Operations management: converting raw materials into finished goods

-4 sectors of a business

- -primary: extraction of natural resources, agricultural, fishing
- -secondary: manufacturing and construction
- -tertiary: service
- -quaternary: research and development + IT

-all sectors are interdependent, rely on each other

-challenges to starting a business:

lack of finance (purchasing fixed assets), startups typically loan; unestablished customer base (no customer loyalty); cash flow problems (hard to finance working capital—money for day-to-day running), marketing problems, people management problems, production problems, legalities, high production costs, poor location, external influences

-benefits of starting a business (GETCASH):

growth (capital growth, land value increases), earning (profit), transference and inheritance (passing on assets), challenge (boosting self-esteem if successful), autonomy (self-employment), security (you are your own boss), hobbies

Unit 1.2 Types of Business Entities

Vocabulary

Cooperatives: for profit social enterprises set up, owned and run by their members, who might be employees/customers

Company/Corporation: a limited liability business that is owned by shareholders. A certificate of incorporation gives the company a separate legal identity from its owners/shareholders

Deed of Partnership: legal contract signed by the owners of a partnership; specifies name and responsibilities for partners and their proportion of profits or losses

Incorporation: there is a legal difference between the owners of a company and the business itself; ensures that owners are protected by limited liability

Initial Public Offering (IPO): occurs when a business sells all or part of its business to shareholders on a public stock exchange for the first time. This changes the legal status to a publicly held company.

Limited Liability: Restriction on the amount of money that owners of a company can lose if the business goes bankrupt (shareholders cannot lose more than the amount they invested)

Non-governmental Organizations (NGOs): private sector not-for-profit social enterprises that operate for the benefit of others rather than primarily aiming to earn a profit (ex. Friends of the Earth)

Partnerships: type of private sector business entity owned by 2-20 people (partners) who share the responsibilities/burdens of running and owning the business

Private Sector: part of the economy run by private individuals and businesses rather than by the government, such as sole traders, partnerships, privately held companies, and publicly held companies

Privately Held Company: a business owned by shareholders with limited liability but whose shares cannot be bought by or sold to general public on a stock exchange

Publicly Held Company: an incorporated limited liability business that allows shareholders to buy and sell shares in the company via a public stock exchange

Public Sector: part of the economy controlled by the government (ex. healthcare, education, emergency services, social housing, defense)

Sole Trader: self-employed person who runs the business on their own, they have exclusive responsibility for its profits/unlimited liability, unincorporated
Social Enterprises: revenue-generating businesses with social objectives at the core of their operations; can be for-profit or non-profit business entities, all profits must be reinvested for the social purpose rather than distributed to shareholders and owners
Stock Exchange: marketplace for trading stocks/shares of publicly or privately held companies (ex. New York Stock Exchange)
Unlimited Liability: feature of sole traders/partnerships who are liable for monies owed to their creditors, even if they have to sell personal items to repay debts

Notes:
-private sector is not controlled by gov't, focus is earning profit
-public sector is government, sometimes called state-owned enterprises
    -goals: basic services, avoiding wasteful competition, protect citizens, job creation, stabilize economy
-unincorporated (Sole trader), owner is the same as the business, full liability
-pros of sole proprietorships: few legal formalities, profit taking, being your own boss, personalized service, privacy (don't have to publish financial records), quick decision making
-cons: unlimited liability/is unincorporated, limited sources of finance, high risk of failure, workload and stress, limited economies of scale, lack continuity (owner must be present)
-partnerships have between 2-20 owners, can have **silent/sleeping partners** (don't actively run business)
-pros of partnerships: financial strength (more owners), specialization/division of labor (shared expertise), financial privacy (don't have to publish records), cost-effective
Cons: unlimited liability (sometimes can have limited liability if elected), lack of continuity, prolonged decision making, lack of harmony
-companies are sometimes called joint-stock, stock is shared, have limited liability, shares are available for purchase on stock exchange
    -a board of directors run the company, are elected by shareholders
-two types of LLCs: publicly held and privately held
-shareholders hold an Annual General Meeting: shareholders vote on resolutions, ask questions to CEO, and approve of previous year's financial accounts
-pros of LLCs: raising finance (selling shares), limited liability, continuity (separate legal entity), economies of scale, productivity, tax benefits (corporation tax)
-cons of LLCs: communication problems, more complex, complying costs w/ laws, must disclose information, bureaucracy, loss of control
-two docs must be submitted before LLCs cna begin trading: Memorandum of Association (fundamental details of company) and Articles of Association (regulations and procedures); then given a Certification of incorporation
-floatation: a publicly held company first sells all or parts of its business to investors, part of IPO
-cons of publicly held companies: if unprofitable, cannot distribute dividends, drop in share price, BOD runs company on behalf, stakeholder conflict.
-2 main goals of social enterprises: to achieve social objectives and earn revenues in excess of their costs
-pros of social enterprises: use any financial surplus to benefit social and/or shareholders, creating employment opportunities, improving local communities, run in a transparent way

-3 types of for-profit social enterprises: private sector companies, public sector companies, and cooperatives

-private sector companies: reinvest/donate profit, use ethical practices

-have economic aims, social aims, and environmental aims

-public sector are gov't owned

-cooperatives are run and owned by their members, can be customer or workers or producer owned

Pros of cooperates: incentives to work (employees have a stake), decision-making power, social benefits, public support

Cons: disincentive effect (possibly low salary), limited sources of finance, slower decision making (many members), limited promotional opportunities (flat organizational structure)

-factors that affect the choice of business entity: amount of finance, size, limited liability, degree of ownership and control, the nature of the business activity, change

Unit 1.3 Business Objectives

Vocabulary

Corporate Social Responsibility: conscientious consideration of ethical and environmental practice related to business activity. A business that adopts CSR acts morally towards all of its various stakeholder groups and the well-being of society as a whole

Ethical Code of Practice: documented beliefs and philosophies of an organization, so that people know what is considered accepted or unacceptable in the organization

Ethical Objectives: organization goals based on moral guidelines, determined by the business/society, which direct and determine decision making

Ethics: moral principles that guide decision-making and business strategy; morals are concerned with what is considered to right or wrong from society's point of view

Mission Statement: declaration of an organization's overall purpose, forms foundation for setting objectives of a business

Objectives: specify what an organization strives to achieve, they are the goals of an organization, such as growth, profit, protecting shareholder value, and ethical objectives

Strategic Objectives: longer-term goals of a business, such as profit maximization, growth, market standing, and increased market share

Strategies: various plans of action that businesses use to achieve their targets; long term plans of organization as a whole

Tactical Objectives: short-term goals affect a unit of the organization; specific goals that guide the daily function of certain departments or operations

Tactics: short-term plans of actions that businesses use to achieve their objectives

Vision Statement: organization's long-term aspirations (where the business ultimately wants to be)

Notes

-vision statement is where the business wants to be; mission state is purpose

-objectives are what business wants to achieve

-ex. To measure and control, to motivate, to direct, to grow (revenue), allot dividends, protect shareholder values, uphold ethical objectives

-pros of business ethics: improved corporate image, increased customer loyalty, cost cutting (less packaging), improved staff morale/motivation
-cons: compliance costs, lower profits, stakeholder conflict, subjective nature of business ethics
-Internal Factors that influence business objectives: corporate culture, type/size of the organization, private vs. public sector organizations, age of the business, finance, risk profile, crisis management
-External Factors that influence business objectives: state of the economy, government regulation, pressure groups, technology
-How do strategic objectives differ from tactical objectives?: strategic are long-term, tactical are short term

Unit 1.4 Stakeholders

Vocabulary

Conflict: situations where stakeholders have disputes or difference regarding certain issues or matters; can lead to arguments and tension between stakeholder groups
Customers: clients of a business, external stakeholder group; seek value for their money (i.e. competitive prices and good quality products)
Directors: senior executives elected by shareholders to address business activities on behalf of their owners
Employees: staff of an organization; have a stake (interest and involvement) in the organization they work for
External Stakeholders: individuals and organizations not part of the business but have a direct interest in its activities/performance (ex. Customers, supplies, government)
Financiers: financial institutions and individual investors who provide sources of finance for an organization; interested in organization's ability to generate profits and repay debts
Government: ruling authority within a state/country; is an external stakeholder group, interested in businesses complying with law regarding conduct of business activity
Internal Stakeholders: members of the organization (employees, managers, directors, shareholders)
Local Community: general public and local businesses that have a direct interest in the activities of an organization; to create jobs and conduct business activities in a socially responsible way
Managers: internal stakeholder responsible for overseeing daily operations of the business
Pressure Groups: individuals with common concern (ex. environment) who place demands on organizations to act in a way or to influence a change in their behavior
Stakeholder Conflict: differences in the varying needs and priorities of the various stakeholder groups of a business
Stakeholder Mapping: assesses the relative interest of stakeholders and their relative influence/power on an organization
Shareholders: also known as stockholders, own a limited liability company (LLC); shared in a company can be held by individuals and other organizations
Stakeholders: individuals/organizations with a direct interest (or stake) in the activities and performance of a business, such as shareholders, employees, customers, and suppliers
Suppliers: external stakeholder that provides a business with stocks of raw materials, component parts, and finished goods needed for production; they also provide commercial services (maintenance and tech support)

Notes

-stakeholders have a direct interest in the business

-internal stakeholders are members of the business

-goals of shareholders: maximize dividends and achieve capital gain

-external are not part of the business, but still have an interest

-objectives of competitors: remain competitive, benchmark performance, to be creative and innovative

-objectives of governments: fair business practices, taxes, health and safety standards, compliance with legislation, consumer protection laws are upheld

-Three key issues in stakeholder conflict: type of business entity, goals/objectives of the business, source and degree of power

-please most powerful stakeholders first

Unit 1.5 Growth and Evolution

Vocabulary

Acquisition: method of external growth that involves one company buying a controlling interest (majority stake) in another company, with the agreement and approval of the target company's Board of Directors, creates synergy

Average Cost: cost per unit of output

Backward Vertical Integration: a business amalgamates with a firm operating in an earlier stage of production (ex. Car manufacturer taking over tire supplier/other components)

Conglomerates: businesses that provide a diversified range of products and operate in a range of different industries

Demerger: company sells off part a part of its business, thereby separating into 2+ businesses; happens due to conflicts, inefficiencies and incompatibilities following an earlier merger

Diseconomies of Scale: cost disadvantages of growth; average costs are likely to eventually rise as a firm grows due to a lack of control, coordination, and communication

Economies of Scales: lower average costs of production as a firm operates on a larger scale due to gains in productive efficiency, such as easier and cheaper access to sources of finance

External Diseconomies of Scale: occurs due to factors beyond its control which causes average costs of production to increase as an industry grows

External Economies of Scale: occurs when an organization's average cost falls as the industry grows, all firms in the industry benefit

External Growth/Inorganic Growth: occurs when a business grows and evolves by collaborating with, buying up, or merging with other organizations

Financial Economies of Scale: cost savings made by large firms as banks and other lenders charge lower interest (for overdrafts, loans, and mortgages) because larger businesses represent lower risk

Forward Vertical Integration: growth strategy that occurs with the amalgamation of a firm operating at a later stage in the production process, such as a book publisher acquiring book retailers

Franchising: an agreement between a franchisor selling its rights to other businesses (franchisees) to allow them to sell products under its corporate name in return for a fee and regular royalty payments

Horizontal Integration: external growth strategy that occurs when a business amalgamates with a firm operating in the same industry

Internal Diseconomies of Scale: occurs due to internal problems of mismanagement, causing average costs of production to increase as a firm grows

Internal/Organic Growth: occurs when a business grows using its own capabilities and resources to increase the scale of its operations and sales revenue
Joint Venture: a growth strategy that combines contributions and responsibilities of two or more different organization in a shared project by creating a separate legal enterprise
Lateral Integration: refers to external growth of firms that have similar operations but do not directly compete with each other
Marketing Economies of Scale: occur when larger businesses can afford to hire specialist managers, thereby improving the organization's overall efficiency and productivity
Merger: a form of external growth whereby two (or more) firms agree to form a new organization, thereby losing their original identities
Optimal Level of Output: the most efficiency scale of operation for a business; occurs at the level of output where the average cost of production is minimized
Purchaser: refers to the acquiring company in an acquisition or the buyer of another company in a takeover
Purchasing economies of scale: larger organizations can gain huge cost savings per unit by purchasing vast quantities of stocks (raw materials, components, semi-finished good and/or finished goods)
Risk Bearing Economies of Scale: occur when large firms can bear greater risks than smaller ones due to having greater product portfolio
Specialization Economies of Scale: larger firms can afford to hire and train specialist workers, thus helping to boost their level of output, productivity and efficiency
Strategic Alliances: formed when two or more organizations join together to benefit from external growth, without having set up a new separate legal entity
Synergy: a benefit of growth, occurs when the whole is greater than the sum of the individual parts when two or more business operations are combined; synergy creates greater output and improved efficiency
Takeover/Hostile Takeover: a company buys a controlling interest in another firm without the prior agreement or approval of the target company's Board of Directors
Target Company: the organization that is purchased by another in an acquisition or takeover deal
Technical Economies of Scale: cost savings by greater use of large-scale mechanical processes and specialist machinery, such as mass production techniques which help to cut average costs of production
Vertical Integration: takes place between businesses that are at different stages of production

Notes:
-as a business grows, they benefit from economies of scale, higher profits from large scale production
-average costs = total costs by quantity of output
    Average costs consisted of fixed and variable costs
-optimal level of output occurs before diseconomies of scale
-difference between external and internal economies of scale: economies of scale inside the firm/within its control are internal; if beyond the firm's control it's external
-examples of internal economies of scale: technical (more advanced machinery). Financial (more borrowing power), managerial (dividing roles), specialization (division of labor), marketing economies (lower AC from selling in bulk), purchasing (buying in bulk), risk-bearing (conglomerates spread fixed costs)

-examples of external economies of scale: technological progress in the industry (e-commerce), improved transportation networks, abundance of skilled labor, regional specialization (ex. Italy is good as glass-making)
-examples of internal diseconomies of scale: less control/coordination in larger firms, poorer working relationships, lower productive efficiency, more bureaucracy, complacency
-examples of external diseconomies of scale: higher rents in the area, higher pay needed for workers in area, traffic congestion
-examples of internal growth: changing price, improved promotion, improved products, selling through a greater distribution network, preferential credit (buy now pay later), increase capital expenditure (investment spending), improved training and development, value for money

    -pros of internal growth: better control and coordination, inexpensive, maintains corporate culture, less risky
    -cons: diseconomies of scale, need to restructure, dilution of control and ownership, slower than external growth

-pros of external growth: quicker than internal growth, synergies, reduced competition, economies of scale, spreading of risks
-cons: more expensive, greater risk, regulatory barriers, potential diseconomies of scale, organizational culture clash
-how to measure the size of a business: market share, sales revenue, size of workforce, profit, capital employed
-pros of being a large business: economies of scale, lower prices, brand recognition, brand reputation, value-added services, greater choice, customer loyalty
-reasons for businesses to stay small: cost control (hard to coordinate large businesses), less loss of control, less financial risks, local monopoly power, government aid, personalized services, flexibility, small market size
-examples of external growth: mergers and acquisitions, takeovers, joint ventures, strategic alliances, franchising
-types of integration:

    -horizontal, same industry
    -vertical, different stages of production
        -backward is earlier, forward is later
    -lateral, similar operations, not competitors, ex. Oats and cereal

-pros of M&As: greater market share, economies of scale, synergy, survival, diversification, entry into new markets
-cons of M&As: redundancies (job losses), conflict, culture clash, loss of control, diseconomies of scale, regulatory problems
-pros of joint ventures: synergy, spreading of costs and risks, entry to foreign markets, cheap, competitive advantages, exploitation of local knowledge, high success rate
-stages to form a strategic alliance: feasibility study, partnership assessment, contract negotiation, implementation
-cons of JVs/SAs: have to rely on partners, dilution of brands, culture clashes
-pros for franchisors: rapid growth without risk, national presence cheapers than M&As, royalty payments, more incentives for franchisees to succeed leading to higher profit

-cons: risk in reputation damage if failure, can't control daily operations, not as quick as M&A to achieve growth

-pros for franchisees: low start-up costs, low risk (tried and tested), franchisor provides franchisee value-added services (free training), benefit from franchisor advertising, autonomy in own franchise

-cons: cannot use own initiative, can be expensive, have to pay royalties

-reasons for termination a SA, JV, or demerging: offloading unprofitable sections of the business, avoiding rising costs, raising cash to sustain other parts of the business, focusing on one area of a business

Unit 1.6 Multinational Companies (MNCs)

Vocabulary

Gross Domestic Product (GDP): the value of a country's annual output or national income

Host Country: any nation that allows a multinational company to set up in its country

Multinational Company (MNC): an organization that operates in two or more countries, with its head office usually based in the home country

Protectionist Policies: measures imposed by a country to reduce the competitiveness of imports, such as tariffs (import taxes), quotes and restrictive trade practices

Notes:

-pros for MNCs: increased customer base, cheaper production costs, economies of scale, brand development, brand value, can avoid protectionist policies, spread risks

-pros of MNCs on host countries: job creation, higher GDP, knowledge and technology transfer, increased competition leading to efficiency

-cons of MNCs on host countries: job losses, profits go to home country, vulnerability (footloose), social responsibility, competitive pressures

Topic 2: Human Resource Management

Entire Topic 2 Quizlet

https://quizlet.com/1018885428/topic-2-human-resource-management-flash-cards/?new

Unit 2.1 Introduction to Human Resource Management

Vocabulary

Ageing Population: a demographic change that tends to occur in high-income countries, with the average age of the population getting higher

Demography: the statistical study of population characteristics, using data such as birth rates, death rates, ageing populations, and net migration rates

Flexitime: a system that enables workers to have a degree of autonomy to determine when they work, so long as they complete their work by set deadlines

Gig Economy: labor markets where workers are typically on short-term, temporary contracts or carry out freelance work as independent contractors

Homeworking: an aspect of flexitime whereby people work from their own homes

Human Resource Management: (HRM) refers to the role of managers in planning and developing the organization's people; done through interrelated functions such as the recruitment and selection, as well as training and development of employees

Human Resource/Workforce Planning: the management process of forecasting an organization's current and future staffing needs
Migrant Workers: people who move to other countries in search of better job prospects and opportunities
Mobility of Labor: the extent to which workers are flexible enough to move to different locations (geographic) or their flexibility in changing to different jobs (occupational)
Net Migration: the difference between the number of workers entering a country (immigration) and the number of people leaving (emigration)
Portfolio Workers: those who simultaneously carry out a number of different jobs, often for various contractors, usually on a temporary basis
Six Change Approaches: John P. Kotter's model for reducing the impact of change and resistance to change; consists of education and communication, participation and involvement, manipulation and co-option, and explicit and implicit coercion
Teleworking: working away from the office by using electronic forms of communication, such as telephones, the Internet and email
Workforce: the number of employees at any one point in time for a particular organization

Notes

-HRM entails human resource planning or workforce planning, recruitment/selection of employees, training/development of employees, performance management/staff appraisals, reviewing pay/remuneration packages, disciplinary procedures, welfare of employees
-short term planning deals with existing/upcoming demands (ex. Replacing resigning staff)
-long term planning deals with futures, ex. Training staff years before a second location opens
-human resource planning is achieved by: historical data and trends, sales and income levels, labor turnover rates, flexibility and workload of employees, demographic changes
-internal factors that affect human resource planning: net birth rate, net migration rate, retirement age, females, increased dependent population, reduced labor mobility, changes in consumption patterns, changes in employment patterns
-limitations of geographic mobility: ties to friends/family, moving expenses, fear of the unknown, cost of living, cultural differences
-limitations of occupational mobility: have to be more skilled, mature workers are 'too old', some workers are too specialized, age/gender/religion discrimination
-nuances of part-time employees: cheaper, lower remuneration, more flexible; but less valued and less loyal (high turnover)
-reasons to migrate for work: better pay and remuneration, employment opportunities, seasonal factors, domestic instability, higher standard of living
-Pros of teleworking/homeworking: job opportunities, suitable for those who care for others, flexible working hours, no commuting, autonomy in decision-making, lower costs of technology
-Cons of teleworking/homeworking: reliance of software, workers exceed contracted hours, social isolation, less job security, distractions at home, lack of training
-Pros of teleworking/homeworking for employers: reduced overheads, flexible hours for customers, flexible working practices, continuity of services, lower absenteeism, flexibility for maximum working hours

-Cons of teleworking/homeworking for employers: high setup costs, tight control in recruitment, hard to monitor employees, technological breakdowns disrupt workers, not always possible
-pros of gig economy: flexibility for workers, variety of employers, low business costs, extra income, more in control of work-life balance
-cons of gig economy: no fringe benefits, no regular income, no clear professional path, file own tax returns, burnout, bad gig workers harm corporate image
-4 reasons people are resistant to change in the workplace: self-interest, low tolerance, misinformation, different assessments of the situation

Unit 2.2 Organizational Structure

Vocabulary

Accountability: describes the extent to which a person is held responsible for the success of failure of a task or job; allows senior managers to have better control over the running of their organizations
Bureaucracy: the official administrative and formal rules of an organization that govern business activity; involves prescribed rules and policies, standardized procedures, and formal hierarchy structures
Centralization: occurs when the majority of decision making is done by a very small number of people (usually senior leadership) who hold decision-making authority and responsibility
Chain of Command: the formal line of authority, shown in an organization chart, through which formal communications and orders are passed down
Decentralization: decision making authority and responsibility are shared with others in the organization
Delayering: the process of removing levels in the hierarchy to flatten the organizational structure, thereby widening the span of control in the hierarchy
Delegation: the empowerment of a person lower down in the organizational structure by passing on control and decision-making authority to complete a certain task or role
Flat/Horizontal Organizational Structure: there are only a few layers in the formal hierarchy and hence managers have a relatively wide span of control
Hierarchy: the organizational structure based on a ranking system; each hierarchical level refers to a different rank with its associated degree of authority and responsibility
Levels of the Hierarchy: the number of layers of formal authority in an organization; the number of levels is shown in an organization chart
Line Manager: the person directly above an employee in an organizational structure
Managers: the people responsible for the day-to-day running of the business or a department within the organization
Matrix Structure: a flexible type of organizational structure of representatives from different departments, temporarily working together on a particular project or job
Organization by Function: structuring a workforce according to business functions (i.e. specialized roles or tasks such as marketing or finance)
Organization by Product: structuring a workforce according to the goods or services produced or sold; each department focuses on a different product within the organization's overall product portfolio
Organization by Region: structuring a workforce according to different geographical areas, based on where the firm's operations are
Organization Chart: a diagrammatic representation of a firm's formal structure of human resources

Organizational Structure: the formal interrelationships and hierarchical arrangements of human resources within a business
Outsourced Workers: (seen in Handy's Shamrock Organization) the individuals or organizations hired on a contract basis to carry out specific but non-core roles
Peripheral Workers: the contingent workers consisting of part-time and temporary staff hired by the organization to provide greater flexibility
Professional Core: the core workers consisting of full-time specialists (professionals) who are vital for the organization's operations and survival
Project-Based Organization: arranges human resources around particular projects, each led by a project manager; allows for increased flexibility to adjust quickly to market changes and to adopt rapid innovations
Responsibility: who is in charge of whom and in what role or capacity; roles and responsibilities can be seen in an organization chart
Shamrock Organization: Charles Handy's model that organizations are increasingly made up of core staff who are supported by peripheral staff and outsourced workers (consisting of consultants and contractors)
Span of Control: the number of subordinates overseen by a manager (i.e. the number of people who are directly accountable to the manager
Tall/Vertical Organization Structure: there are many layers in the hierarchy and hench managers have a narrow span of control

Notes
-Factors that affect span of control (MOST): manager (how skilled they are), organizational culture (authoritarian would be wide), subordinates, task
-Nuances of hierarchies: show clear lines of authority, can improve coordination; departments means workers are isolation and usually flexible
-examples of bureaucracy: paperwork, departments having own respective manager, long chains of command, committees to investigate issues, managers with overlapping roles
-Principles that govern a bureaucratic organization: continuity, rules and regulations, hierarchical structures, accountability
-Pros of centralization: rapid decision-making, better control, better sense of direction, efficiency
-Cons of centralization: added pressure/stress, inflexibility, possible delays in decision-making, demotivating
-Pros of decentralization: input from the workforce, speedier decision-making, improved morale, improved accountability, teamwork
-Cons of decentralization: costly, inefficiencies, greater chances of mistakes, some loss of control, communication issues
-Factors that affect the degree of centralization: size of the organization, scale/importance of the decision, level of risk, corporate culture, management attitudes and competencies, use of Information Communication Technologies (ICT)
-pros of delayering: reduced costs, improved communication, encourages delegation and empowerment
-cons of delayering: creates anxiety, increased workloads, slower decision-making

-advantages of flat/horizontal organizational structures: opportunities for delegation, improved communication, cheaper to operate, eliminates a ‘them vs. us culture,’ exists in organizations that foster creativity and innovation
-advantages of tall/vertical organization structures: quick communication between teams, easier to control smaller teams, greater specialization and division of labor, greater opportunities for promotion
-pros of project-based organization: flexibility, productivity, efficiency, motivation
-cons of project-based organizations: discontinuity, isolation, inefficiencies, conflicting interests and priorities

Unit 2.3 Leadership and Management

Vocabulary

Autocratic Leadership: leaders who adopt an authoritarian approach by making all the decisions rather than delegating any authority to their subordinates; the autocratic leader tells others what to do
Democratic Leadership: the leadership approach that considers the views of others when making decisions; this participative leadership style means that decision-making is decentralized
Functions of Management: the roles of managers, namely the planning, organizing, commanding, coordinating, and controlling of business operations
Intuitive Thinking and Management: based on personal beliefs, perceptions, and instincts or gut feelings; this approach considers issues that are not necessarily quantifiable
Laissez-Faire Leadership: an approach based on having minimal direct input into the work of employees; allow subordinates to make their own decisions and to complete their tasks in their own way
Leadership: the skills of getting things done through other people by inspiring, influencing, and invigorating them to achieve organizational goals
Leadership Style: the ways in which decision makers behave or reveal their behavior; categorized as automatic, paternalistic, democratic, laissez-faire, or situational
Management: the practice of achievement an organization’s objectives by using and controlling the available human and non-human resources of the business in an effective way
Manager: someone with decision-making authority within an organization and has responsibility for problem solving in order to achieve specific organizational goals
Paternalistic Leaders: treat their employees as if they were family members, guiding them through a consultation process and acting in the perceived best interest of their subordinates
Scientific Thinking and Management: based on objectivity, facts, and empirical evidence; this approach to management and leadership follows a formal and prescribed procedure
Situational Leadership: the approach that considers there is no single leadership style that suits all situations; the optimal style depends on situational factors, such as the attitudes, behavior, and competencies of managers and workers

Notes

-parts of leadership/management: time and devotion, roles and responsibilities, influence on others, risk taking, vision
-difference between leaders and managers: setting vs. achieving goals, knowing vs. doing what’s right, asking why vs. how, motivation vs. control, empowerment vs. delegation, people vs. task oriented, innovators vs. implementers, actions vs. positions, takes vs. averts risk, instinct vs. learned skills

-factors that affect situational leadership styles (CLOTS): culture, leader, organizational structure, task, subordinates

Unit 2.4 Motivation and Demotivation

Vocabulary

360-Degree Appraisal: involves collecting evidence about the appraisee's job performance from a range of stakeholders who work with the employee
Acquired Needs Theory: coined by D. McClelland, suggests that the three types of needs must be satisfied to boost motivation: need for achievement, power, and affiliation
Appraisal: the formal assessment of an employee's performance in fulfilling his or her job based on the tasks and responsibilities set out in their job description
Commission: a type of financial reward that pays workers a certain percentage of the sale of each good or service that they are responsible for
Differentiated Piecework: an incentive scheme that rewards more productive workers who exceed a predetermined benchmark
Division of Labor: the process of breaking down different aspects of a job or task and assigning different people to each particular part of the work in order to improve efficiency and output
Empowerment: a non-financial motivator that involves developing the potential of workers or teams by ranting them the authority to make decisions and to execute their own ideas to solve business problems
Employee Share Ownership Schemes: a type of payment system that rewards staff by giving them shares in the company or by selling the shares at a discounted price
Equity Theory: J.S. Adams' theory of motivation; suggests people make comparisons of perceived fairness in the workplace based on the ratio of their input (effort) to output (rewards)
Esteem Needs: in Maslow's hierarchy, refers to the desire of people to feel respected, having value, and having self-respect
Expectancy Theory: V. Vroom's theory that assumes that people behave in a certain way in exchange for rewards based on their conscious expectations; argued that people only put in the effort to do a job if they expect that their role will help to achieve the required result (Motivation = expectancy x instrumentality x valence)
External Recruitment: the process of hiring people from outside the business
Formative Appraisal: the planned and ongoing process in which data and evidence are used to inform employees about what to do to improve their work practices
Fringe Payments: the financial rewards paid in addition to a worker's wages or salaries, such as subsidized meals, housing allowance, and pension fund contributions
Herzbergs' Motivation-Hygiene Theory: looks at factors that must be met in order to prevent dissatisfaction and the factors that actually motivate employees
Hierarchy of Needs: A. Maslow's theory of motivation; people are motivated by different levels of needs: physiological, safety, social, esteem, and self-actualization
Hygiene Factors: parts of a job that F. Herzberg referred to that do not increase job satisfaction but help to remove dissatisfaction, such as reasonable wages and working conditions
Induction Training: a type of training aimed at introducing new employees to the organization
Internal Recruitment: hiring people who already work in the business to fill a vacant post
Job Enlargement: increasing the number of tasks that an employee performs, thereby reducing or eliminating the monotony of repetitive tasks

Job Enrichment: giving workers more responsibilities and more challenging jobs
Job Rotation: a form of job enlargement whereby workers are given different tasks, but of the same level of complexity, to help reduce the problems associated with repetitive tasks
Labor Turnover: measures the percentage of the workforce that leaves the organization in a given time period, typically one year
Maslow's Hierarchy of Needs: outlines 5 levels of needs, from satisfying physiological needs to self-actualization; lower order needs must be met before people progress up the hierarchy
Motivation: the desire, effort, and passion to achieve something; the willingness to complete a task or job with intent and purpose
Motivators: the factors that Herzberg considered to increase job satisfaction and motivation levels, such as praise and recognition
Movement: according to Herzberg, occurs when people do something because they need to, so they feel obliged to
National Minimum Wage: the lowest hourly pay that all firms must remunerate their workers, as stipulated by the government
Non-Financial Rewards: non-monetary factors that motivate people by offering psychological and intangible benefits (i.e. factors not directly linked to money)
Off the Job Training: training conducted off-site, such as at a tertiary college or hotel conference center
On the Job Training: training carried whilst at the workplace; can be delivered by a manager, supervisor, or other specialist
Performance-Related Pay (PRP): a payment system that rewards people who meet set targets over a period of time; the targets can be on an individual, team, or organizational basis
Piece Rate: a payment system that rewards people based on the amount that they produce or sells; their pay is directly linked to their level of productivity
Physiological/Basic Needs: in Maslow's hierarchy; needs are the requirements for human survival (ex. food, water, shelter, and warmth)
Productivity: measures the level of output per workers; an indicator of motivation as employees are more productive with increase motivation
Profit-Related Pay: a type of financial rewards system remunerates workers a certain percentage or amount of the annual profits that the firm earns (ex. commissions)
Purpose: a non-financial reward, refers to the opportunity to make a difference
Remuneration: the overall compensation package, such as salaries, commissions, profit-related pay, performance-related pay, share ownership schemes, and fringe benefits
Safety/Security Needs: in Maslow's hierarchy; the requirements that make people feel safe, such as job security
Salary: a type of financial payment that rewards workers a fixed annual amount of money; usually paid per month
Scientific Management: developed by F.W. Taylor; suggests that specialization and division of labor help to increase the level of productivity; especially true is pay is linked to a piece-rate reward system
Self-Actualization: Maslow's hierarchy; the highest level of needs, occurs when people become the very best they can be and fulfill their potential
Self-Appraisal: employees appraising themselves based on a set of pre-determined criteria
Self-Determination Theory: coined by E. Deci and R. Ryan; 3 core requirements that facilitate growth and motivation: autonomy, competence, and relatedness

Social/Love and Belonging Needs: Maslow's hierarchy; the requirement to be accepted by others
Summative Appraisal: a written description of an employee's performance at work, summarizing what they have done in a period of time
Teamwork: a form of non-financial motivation, involves the combined efforts of a group of workers to achieve organizational goals
Time Rate: a payment system that rewards staff for the time (not output) that they put into work; expressed per period of time (ex. $10 per hour)
Training: the process of providing opportunities for workers to learn and acquire employment-related skills and knowledge
Wages: a type of financial payment system based on time or output; paid as time rate (hours) or piece rate (output)

Notes

-workers want to do as little as possible, hence, division of labor
-critiques of scientific management: ignored non-physical and non-financial factors
-critiques of Maslow: hard to measure levels of needs, assumed everyone is motivated in that order, no explanation for what happens after self-actualization
-critiques of Herzberg: does not apply to low-skilled, low-paid jobs
-equity norm: workers expect an equitable remuneration package for their contributions
-social comparison: workers determine fairness based on comparisons to co-workers
-cognitive distortion: workers who feel under-compensated will withdraw
-labor turnover = (number of staff leaving/total staff) x 100
-pros of appraisals: set targets, objective, constructive feedback, identifying strengths/weaknesses, determining pay
-cons of appraisals: time consuming, subjective, offended employees, lack skills to appraise, unnecessary anxiety and stress
-Pros of internal recruitment: cheap, less down-time, less risk, motivational
    -cons: fewer applicants, no new ideas, time consuming, internal politics

Unit 2.5 Organizational (Corporate) Culture

Vocabulary

Adaptive Cultures: exist in organizations that are responsive and receptive to change; tend to be creative and embrace change
Corporate/Organizational Culture: describes the traditions and norms within a business; largely based on people's beliefs, values, and attitudes in the workplace
Cultural Intelligence/Quotient (CQ): measures the ability of an individual to blend into occupational, organizational, and national cultures; an indicator of a worker's ability to cope with change
Culture: the ideals, customs, and routine social behaviors of a particular group of people or society in general
Culture Clash: exists when there is conflict or incompatibility between two or more cultures within an organization, such as, when two firms merge or there is a change in leadership
Culture Gap: the difference between the existing culture of an organization and its desired culture; management strives to reduce this gap

Gods of Management: Charles Handy's theory or model of the four types of organizational cultures, namely, power, task, role, and person cultures
Person Cultures: organizations where staff feel more important than the organization itself
Power Cultures: exist when there is one dominant individual or group that holds centralized-decision making power
Roles Cultures: exists in highly structured firms with formal roles, policies, and procedures; individual job roles are clearly stated in job descriptions and power is devolved to middle managers
Task Cultures: organizations where the focus is on getting results; teams are empowered and have some discretion regarding how they complete their work
Values: the organization's beliefs and moral stance, which form an essential part of its organizational culture

Notes
-factors that affect organizational culture (NORMS): nature of the business, organizational structure, rewards, management styles, sanctions

Unit 2.6 Communication

Vocabulary
Barriers to Communication: anything that can limit or impede the effectiveness of communications, thereby leading to information failure; ex. Jargon, ignorance, internal politics, and computer failure
Channel of Communication: the method through which communications take place between the sending and recipient
Communication: the transfer of information between different people and organizations
Electronic Mail: the process of using computer wide area networks (WANs) as a mailing system for communication purposes
External Communication: conducted between members of one organization and members of another
Formal Communication: the official and established channels of communication
Grapevine Communication: covers all aspects of communication through (informal) channels
Jargon: specialist or technical language used to speed up communication
Informal Communication: aka grapevine communication, refers to unofficial, natural, and unstructured channels of communication, naturally established by people from within an organization
Information Overload: the excessive amount of information being passed onto staff, ex. swamping workers with too much communications; can increase workload and stress
Internal Communication: communications within the business organization
Internal Politics: conflict between people within an organization
Non-Verbal Communication: any form of communication other than oral communication, such as electronic systems (email), written methods (letters), and visual stimulus (body language)
Open Channels of Communication: used when information is not confidential and can be shared by anyone
Restricted Channels of Communication: used when information is confidential and is directed only to those who need to know
Verbal/Oral Communication: communication via the use of spoken words, such as meetings, interviews, and appraisals

Videoconferencing: a communication method that allows communications to take place via telecommunications networks; the parties can see and hear each other using videoconferencing hardware and software technology
Written Communication: communication methods that make use of the written word, such as letters, memoranda, reports, and notices

Notes
-examples of barriers to communication: cost, technological breakdowns, jargon, fear of technology, geographical location, internal politics, poor presentation skills, negative body language, gossip, physiological barriers, cultural ignorance, language proficiency

Unit 2.7 Industrial/Employee Relations

Vocabulary
Arbitration: the process that involves an independent person or body (the arbitrator) deciding on an appropriate outcome to a dispute; the final decision is legally binding
Closure: an extreme method used by employers to deal with industrial disputes by closing the business in order to force or persuade workers to renegotiate or settle for a compromise
Collective Bargaining: the negotiation process whereby trade union representatives and employer representatives discuss issues with the intention of reaching a mutually acceptable agreement
Conciliation: the process whereby two parties involved in a dispute agree to use the services of an independent mediator to help in the negotiations
Conflict: a situations of resistance or mutually exclusive goals between two or more parties; caused by disagreements or incompatibilities between these groups and results in a lack of cooperation and cohesiveness
Conflict Resolution: the course of action taken to manage and resolve conflict or differences in opinions
Employee Participation: an example of industrial democracy that involves employees being given responsibilities and authority to complete tasks; directly involves workers in the decision-making process
Employer Representatives: individuals or organizations that represent the management or leadership team in the collective bargaining process
Industrial Action: the activities taken by disgruntled employees due to disputes about pay and/or terms and conditions of work
Industrial Democracy: the involvement of workers in the decision-making process of an organization
Lockouts: occur when the employer temporarily stops employees from working during an industrial dispute
No-Strike Agreement: a method of conflict resolution involving members of a labor union in agreement not to strike as a form of industrial action
Single-Union Agreement: employers agreeing to participate in collective bargaining with a sole trade union that represents the workers
Strike Action: a form of industrial action that involves employees refusing to turn up for work; usually the result of major industrial unrest such as large-scale pay disputes
Threats of Redundancies: a method of intimidation to pressure or warn employees to cooperate, otherwise their jobs are at risk
Trade/Labor Union: an organization of worker-members who unite to protect their employment rights and welfare

Work-To-Rule: occurs when employees do the absolute minimum required as stated in their employment contracts; done by precisely adhering to all rules and regulations of the organization in order to reduce productivity

Topic 3: Finance And Accounts

Entire Topic 3 Vocabulary Quizlet

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Unit 3.1 Introduction to Finance

Vocabulary

Capital Expenditure: investment spending on fixed assets, such as the purchase of machinery, equipment, land, and buildings

Collateral: the financial guarantee for securing external loan capital to finance investment expenditure for business growth

Fixed/Non-Current Assets: items of monetary value that have a long-term function for businesses, so can be used repeatedly for the purpose of production

Revenue Expenditure: spending on the day-to-day of a business, such as rent, wages, salaries, and utility bills

Unit 3.2 Sources of Finance

Vocabulary

Business Angels: extremely wealthy individuals who risk their own money by investing in small to medium sized businesses that have high growth potential

Crowdfunding: the practice of raising finance for a business venture or project by getting small amounts of money from a large number of people, usually through online platforms

External Sources of Finance: the funds from outside of the organization, such as through debt (overdrafts and loan capital), share capital and business angels

Initial Public Offering (IPO): a business converting its legal status to a publicly traded company by floating (selling) its share on a stock exchange for the first time

Internal Sources of Finance: funds generated from within the organization, namely, through personal funds, retained profits, and the sale of assets

Leasing: a form of hiring whereby a lessee pays rental income to hire assets from the lessor, the legal owner of the assets

Loan Capital/Debt Capital: medium to long-term sources of interest-bearing finance obtained from commercial lenders; examples include mortgages, business development loans, and debentures

Long-Term Sources of Finance: those available for any period of more than 12 months from the accounting period, used for the purchase of fixed assets or to finance the expansion of a business

Microfinance: a type of financial service aimed at entrepreneurs of small businesses, especially females and those on low incomes

Overdrafts: allow a business to spend in excess of the amount on its bank account, up to a predetermined limit; most flexible form of borrowing for most businesses in the short-term

Personal Funds: a source of internal finance, referring to the use of an entrepreneur's own savings; usually used to finance business start-ups for sole traders

Retained Profit: the value of the surplus that a business keeps to use within the business after paying corporate taxes on its profits to the government and dividend payments to its shareholders
Sale of Assets: selling existing items of value that the business owns, such as dormant assets (unused assets) and obsolete assets (outdated assets)
Share Capital: the money raised from selling shares in a limited liability company
Share Issue/Share Placement: an existing publicly held company raises further finance by selling more of its shared
Short-Term Sources of Finance: those available for a period of less than one year, used to pay for the daily or routine operations of the business, such as overdrafts and trade credit
Sources of Finance: the general term used to refer to where or how businesses obtain their funds, such as from personal funds, retained profits, loan capital, and share capital
Stock Exchange: a highly regulated market place where individuals and businesses can buy and/or sell shares in publicly traded companies
Trade Credit: allows a business to postpone payments or to ‘buy now and pay later’; credit provide does not receive any cash from the buyer until a later date (usually 30-60 days)

Unit 3.3 Costs and Revenues

Vocabulary

Average Cost: the cost per unit of output; calculated as AC = TC/Q
Average Revenue: the value of sales received from customers per unit of a good or service sold; calculated a AR = TR/Q
Cost: the sum of money incurred by a business in the production process, such as the costs of raw materials, wages and salaries, insurance, advertising and rent
Direct Costs: costs specifically attributed to the production or sale of a particular good or service
Fixed Costs: the costs that do not vary with the level of output; exist even if no output
Indirect Costs/Overheads: costs that do not directly relate to the production or sale of a specific product
Price: the amount of money a product is sold for; the sum paid by the customer to purchase a good or service
Profit: exists if there is a positive difference a firm’s total revenues and its total costs
Revenue: the money that a business earns from the sale of goods and services; calculated by multiplying the unit price of each product by the quantity sold
Revenue Stream: money coming into a business from its various business activities, such as sponsorship deals, merchandise, and royalty payments
Running Costs: the ongoing costs of operating a business
Set-Up Costs: the items of expenditure needed to start a business
Total Costs: the sum of all variable costs and all fixed costs of production
Total Revenue: the money coming into a business, usually from the sales of goods/services; calculated by multiplying the price of a product with the quantity sold
Variable Costs: the costs of production that change in proportion to the level of output, such as raw materials and hourly wages

Notes

-revenue = price x quantity sold

Unit 3.4 Final Accounts

Vocabulary

Balance Sheet: contains financial information about an organization's assets, liabilities, and the capital invested by the owners, showing a snapshot of the firm's financial situation
Book Value: the value of an asset as shown on a balance sheet; the market value of assets can be higher than its book value because of intangible assets such as brand value or goodwill
Cost of Goods Sold: (COGS) or cost of sales (COS), refers to the direct costs of producing or purchasing stock that has been sold to customers
Creditors: suppliers who allow a business to purchase goods and/or services on trade credit
Current Asset: any cash or other liquid asset that is likely to be turned into cash within 12 months of the balance sheet date; ex. Cash, debtors, and stocks
Current Liabilities: debts that must be settled within one year of the balance sheet date; ex. Bank overdrafts, trade creditors, and short-term loans
Depreciation: the fall in value of noncurrent assets over time, caused by wear and tear or obsolescence (out-dated)
Expenses: indirect or fixed costs of production, such as administration charges, management salaries, insurance premiums, and rent
Final Accounts: published annual financial statements that all limited liability companies are legally obliged to report, namely the balance sheet and profit and loss account
Goodwill: an intangible asset which exists when the value of a firm exceeds its book value (the value of a firm's net assets)
Gross Profit: the difference between the sales revenue of a business and its direct costs incurred in making or purchasing the products that have been sold to its customers
Historic Cost: the purchase cost of a particular fixed asset; used in the calculation of depreciation
Intangible Assets: noncurrent assets that do not exist in a physical form but are of monetary value, such as goodwill, copyrights, brand names and registered trademarks
Net Assets: the value of a business to its owners by calculating the value of all its assets minus its liabilities; this figure must match the equity of the business in the balance sheet
Noncurrent Assets: items owned by a business not intended for sale within the next 12 months, but used repeatedly to generate revenue for the organization, such as property, plant, and equipment
Noncurrent Liabilities: the debts owed by a business, which are expected to take longer than a year from the balance sheet date to repay
Profit: the surplus (if any) that a business earns after all expenses have been paid for the firm's gross profit
Profit and Loss Account: a financial record of a firm's trading activities over the past 12 months, showing all revenues as well as costs and revenues during this time
Residual Value/Scrap Value: an estimate of the value of the noncurrent asset at the end of its useful life
Retained Profit: the amount of profit after interest, tax, and dividends have been paid; then reinvested in the business for its own use
Share Capital: the amount of money raised through the sale of shares; shows the value raised when the shares were first sold, rather than their current market value
Straight Line Method: a means of calculating depreciation that reduces the value of a fixed asset by the same value each year throughout its useful life

Units of Production Method: calculated depreciated by reducing the value of a fixed asset by the same value each year throughout its useful life
Window Dressing: the legal act of creative accounting by manipulating financial data to make the results appear more appealing

Notes
-trading account shows gross profit (revenue minus COGS or opening stock + purchases - closing stock)
-profit and loss shows net profits, gross profit - expenses
-appropriated account is net profit after interest and taxes
-balance sheet is net assets=total equity
-straight line depreciation is purchase cost/lifespan
-annual is purchase cost - scrap value/lifespan
-depreciation per unit = purchase cost - scrap value/expected number of units over lifetime
-depreciation expense = depreciation per unit x number of units produced

Unit 3.5 Profitability and Liquidity Ratio Analysis
Vocabulary
Acid Test Ratio/Quick Ratio: a liquidity ratio that measures a firm's ability to meet its short-term debts; it ignores stock because not all inventories can be easily turned into cash in a short time frame
Capital Employed: the value of all long-term sources of finance for a business, namely noncurrent liabilities plus equity
Current Ratio: a short-term liquidity ratio that calculates the ability of a business to meet its debts within the next twelve months
Gross Profit Margin (GPM): a profitability ratio that shows the value of a firm's gross profit expressed as a percentage of its sales revenue
Liquid Assets: the possessions of a business that can be turned into cash quickly without losing their value (i.e. cash, stocks, and debtors)
Liquidity Crisis: refers to a situation where a firm is unable to pay its short-term debts (i.e. current liabilities exceed current assets)
Liquidity Ratios: look at the ability of a firm to pay its short-term (current) liabilities, comprised of the current ratio and the acid test (quick) ratio
Profit Margin: a ratio that shows the percentage of sales revenue that turns into profit (i.e. the proportion of sales revenue left over after all direct and indirect costs have been paid
Profitability Ratios: examine profit in relation to other figures, comprised of the gross profit margin (GPM), profit margin, and return on capital employed (ROCE) ratios
Ratio Analysis: a quantitative management tool that compares different financial figures to examine and judge the financial performance of a business
Return on Capital Employed (ROCE): a profitability ratio that measures the financial performance of a firm based on the amount of capital invested

Notes
-ratio analysis can be historical or inter-firm
-balance sheet
Noncurrent assets (property, plant equipment) + current assets (cash, debtors, stock) = total assets

Noncurrent liabilities (debentures, mortgages, long term loans) + current liabilities (overdraft, creditors, short term loans)

=net assets

Should equal equity (share capital and retained earnings)

-capital employed is the sum of equity and noncurrent liabilities

-ROCE should be high to encourage investors

-current ratio, between 1.5 and 2.0 is ideal

-if too high, have too much cash

-acid test is same but ignores value of stock, should 1 to 1 ratio

Unit 3.6 Debt/Equity Ratio Analysis

Vocabulary

Bankruptcy: the legal process declared by the courts that occurs when an individual or business entity is unable to repay its debts

Credit Control: refers to the ability of a business to collect its debts within a suitable time frame

Creditor Days Ratio: an efficiency ratio that measures the average number of days it takes for a business to pay its creditors

Debt and Equity Ratios/Efficiency Ratios: enable a business to calculate the value of their liabilities and debts against their equity; are a measure of the financial stability of a business

Debtor Days Ratio: an efficiency ratio that measures the average number days it takes for a business to collect the money owed from debtors

Gearing Ratio: measures the percentage of an organization's capital employed that comes from external sources (noncurrent liabilities), such as mortgages

Insolvency: a financial state where an individual or business is unable to pay its debts on time; if cannot be resolved, can lead to bankruptcy

Liquidity: refers to how easily an asset can be turned into cash; highly liquid assets are those that can be converted into cash quickly and easily without losing their monetary value

Profit Quality: refers to the ability of a business to earn profit in the foreseeable future; a business with good profit quality is able to earn profit in the long run

Stock Turnover Ratio/Inventory Turnover Ratio: measures the number of times a business sells its stocks within a year; can also be expressed as the average number of days it takes for a business to sell all of its inventory

Notes

-to improve stock turnover, should lower stock, divestment, reducing range of products

-to improve debtor days, surcharges, incentives, refuse business, legal action

-highly geared business is over 50%

Unit 3.7 Cash Flow

Vocabulary

Bad Debts: exist when debtors are unable to pay their outstanding invoices (bills), which reduces the cash inflows of the vendor (the firm that has sold the products on credit)

Cash: a current asset and represents the actual money a business has; can exist in the form of cash in hand (cash held in the business) or cash at bank (cash held in a bank account)

Cash Flow: refers to the transfer or movement of money into and out of an organization
Cash Flow Forecast: a financial tool used to show the expected movement of cash into and out of a business for a given period of time
Cash Flow Statement: the financial document that records the actual cash inflows and outflows of a business during a specified trading period, usually 12 months
Cash Inflows: the cash that comes into a business during a given time period, usually from sales revenue when customers pay for the products that they have purchased
Cash Outflows: refers to cash that leaves a business during a given time period, such as when invoices or bills have to be paid
Closing Balance: the amount of cash left in a business at the end of each trading period, as such in its cash flow forecast or statement; calculated as closing balance=opening balance + net cash flow
Credit Control: the process of monitoring and managing debtors, such as ensuring only suitable customers are permitted trade credit and that customers do not exceed the agreed credit period
Net Cash Flows: the difference between a firm's cash inflows and outflows for a given time period
Opening Balance: refers the value cash in a business at the beginning of a trading period, as shown in its cash floor forecast or cash flow settlement; equal to the closing balance in the previous month
Overtrading: occurs when a business attempts to expand too quickly without the sufficiency resources to do so, usually by accepting too many orders, thus harming its cash flow
Profit: the positive difference between a firm's total sales revenue and its total costs of production
Working Capital Cycle: the time between cash outflows for production costs and cash inflows from customers who pay upon receipt of their finished goods and services

Unit 3.8 Investment Appraisal

Vocabulary

Average Rate of Return (ARR): calculates the average annual profit of an investment project, expressed as a percentage of the initial amount of money invested
Cumulative Net Cash Flow: the sum of an investment project's net cash flows for a particular year plus the net cash flows of all previous years
Discount Factor: the number used to reduce the value of a sum of money received in the future in order to determine its present (current) value
Discounted Cash Flow: uses a discount factor (the inverse of compound interest) to reduce the value of money received in future years because money loses its value over time
Investment: refers to capital expenditure or the purchase of assets with the potential to yield future financial benefits
Investment Appraisal: a financial decision-making tool that helps managers to determine whether certain investment project should be undertaken based on mainly quantitative techniques
Net Present Value: calculates the total discounted net cash flows minus the initial cost of an investment project; if the NPV is positive, then the project is viable on financial grounds
Payback Period: an investment appraisal technique that calculates the length of time it takes to recoup (earn back) the initial expenditure on an investment project
Principal/Capital Outlay: the original amount spent on an investment project
Qualitative Investment Appraisal: judging whether an investment project is worthwhile through non-numerical techniques such as determining whether the investment is consistent with the corporate culture

Quantitative Investment Appraisal: judging whether an investment project is worthwhile based on numerical (financial) interpretations, namely the PBP, ARR, NPV methods

Notes

-payback period is initial investment/contribution per month

-net present value, sum of all present values - initial investment

Unit 3.9 Budgets

Vocabulary

Adverse Variance: discrepancies between actual outcomes and budgeted outcomes that are detrimental to an organization, such as production costs being higher than expected

Budget: a financial plan of expected revenue and expenditure for a department or organization, for a given period of time

Budgetary Control: the use of corrective measures taken to ensure that actual outcomes equal the budgeted outcomes, by systematic monitoring off budgets and investigating the reasons for any variances

Cost Centre: a department or division of business that incurs costs that are clearly attributed to the activities of that unit of the organization

Favorable Variances: discrepancies between actual outcomes and budgeted outcomes that benefit an organization, such as sales revenues being higher than expected

Profit Center: a department or division of a business that incurs both costs and revenues; tend to be used by large and diversified firms that have a broad product range

Variance: any discrepancy between actual outcomes and budgeted outcomes

Variance Analysis: the management process of comparing planned and actual costs and revenues, in order to measure and compare the degree of budgetary success; also helps managers monitor and control budgets

Notes

-cost centers don't deal with profit while profit center can deal with both costs and revenues

-variance = actual - budgeted outcome

Topic 4: Marketing

Entire Topic 4 Vocabulary Quizlet

Unit 4.1 The Role of Marketing

Vocabulary

Concentration Ratio: an indicator of the degree of competition in an industry by calculating the sum of the market share held by the largest specified number of firms in the industry

Ethical Code of Practice: guidelines that help businesses to act in a moral way by considering what society accepts as ethically right or wrong

Market Concentration: measures the degree of competitiveness that exists within a market by calculating the market share of the largest few firms in the industry

Market Growth: the rate at which the size of a market is increasing, typically expressed as the percentage increase in the market size of an industry per year

Market Leadership: the position of a business which has the largest market share in a given market or a particular good or service
Market Orientation: a marketing approach adopted by businesses that are outward looking by focusing on making product that they can sell, rather than selling products they can make
Market Share: measures an organization's portion of the total value of sales revenues in a specific industry
Market Size: the magnitude of an industry, usually measured in terms of the value of sales revenue from all the businesses in a particular market, per time period
Marketing: the management process of predicting, identifying, and meeting the needs and wants of customers, usually in profitable ways
Marketing Objectives: the specific marketing goals of an organization, such as increased sales revenue, greater market share, and market leadership
Marketing Strategies: the medium to long-term plans to achieve an organization's marketing objectives
Needs: the essential necessities that all humans must have in order to survive, such as food, shelter, warmth, and water
Product Orientation: a marketing approach used by businesses that are inward looking, as they focus on selling products that they can make, rather than making products they can sell
Wants: human desires (i.e. things that people would like ot have); irrespective of personal income or wealth

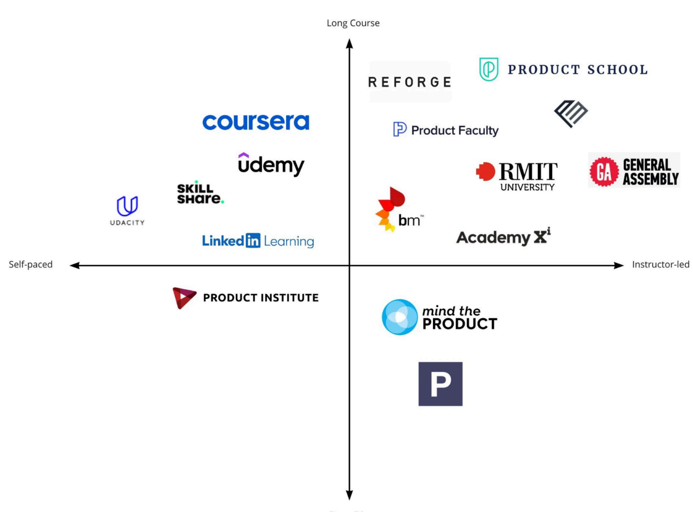
Notes
-benefits of market leaders: premium prices, lower production costs, longer product life cycles, favorable distribution terms, more profitability, publicity, attracting employees
-market share = firms revenue/industry revenue x 100
-market growth = current market size - original market size/original market size

Unit 4.2 Marketing Planning

Vocabulary
Consumer Profiles: the demographic and psychographic characteristics of consumers in different markets, such as their age, gender, occupation, or income level
Differentiation: the art of distinguishing a business or its products from rivals in the industry; creates the perception among customers that the organization's product is different (unique or special) compared to substitute products in the market
Market Segmentation: the process of categorizing customers into distinct groups with similar characteristics (such as age or gender) and similar wants or needs
Marketing Audit: a review of the current position of an organization's marketing mix, in terms of its strengths and weaknesses and consideration of opportunities and threats
Marketing Objectives: the targets that the marketing department wishes to achieve, such as sales growth or increased market share
Marketing Plan: a document outlining an organization's marketing objectives and the marketing strategies to be used to achieve these objectives
Marketing Planning: a systematic process of devising marketing objectives and appropriate marketing strategies to achieve these goals

Market Segment: a distinct group of customers with similar characteristics (age or gender) and similar wants or needs
Marketing Strategies: the various long-term actions taken by a business to achieve its marketing goals
Mass Marketing: undifferentiated marketing; ignores targeting individual marketing segments
Niche Marketing: targets a specific and well-defined market segment, such as high-end speciality goods
Product Position Map/Perception Map: a visual tool that reveals customers perceptions of a product or brand in relation to others in the market, often by comparing perceptions about price and quality
Repositioning: a marketing strategy that involves changing the market's perception of a firm's product or brand in comparison to rival businesses
Segmentation: the process of categorizing customers into distinct groups of people with similar characteristics and buying habits for market research and targeting purposes; can be done by using demographic, geographic, and psychographic factors
SMART Goals: specific, measurable, agreeable, realistic, and time bound goals
Target Market: a clearly identifiable group of customers that marketers choose to focus their efforts on, such as children, adults, men, or women for a particular product
Targeting: refers to each distinctive market segment having its own specific marketing mix, depending on whether the business operates in niche or mass markets
Unique Selling Point: any aspect of a good or service that makes it stand out from competitors

Notes
-types of products:
 -premium products: high quality, high price
 -economy products: low quality but appropriate (generic brands)
 -bargain products: high quality, low price; short term to boost sales
 -cowboy products: poor quality, high price, deceive customers
-product positioning map:



Unit 4.3 Sales Forecasting

Vocabulary

Cyclical Variations: recurrent fluctuations in sales revenues linked to the economic cycle of booms and slumps

Sales Forecasting: a quantitative management technique used to predict a firm's level of sales over a given time period

Seasonal Variations: periodic fluctuations in sales revenues during different times of the year

Random Variations: unpredictable fluctuations in sales revenues caused by erratic and irregular factors that cannot be reasonably anticipated

Time Series Analysis: a sales forecasting technique that attempts to predict sales levels by identifying the underlying trend from a sequence of actual sales figures

Notes

-sales forecasting can improve cash flow but is limited on historical data/trends (not always correct)

Unit 4.4 Market Research

Vocabulary

Academic Journals: periodical publications from education and research institutions that publish data and information relating to a particular academic discipline

Ad-Hoc Market Research: market research conducted as and when required in order to deal with a specific problem or issue

Continuous Market Research: market research conducted on an ongoing basis, rather than a one-off (ad-hoc) basis

Convenience Sampling: uses research participants who are easy (convenient) to reach; relies on the ease of reach because of the convenient availability of volunteers

Focus Groups: forming small discussion groups to gain insight into the attitudes and behaviors of respondents; the group is typically made up of participants who share a similar customer profile

Government Publications: a type of secondary market research, referring to official documents and publications released by government entities and agencies

Interviews: a type of primary research that involve discussions between an interviewer and interviewees to investigate their personal circumstances, preferences and opinions

Market Analysis: a form of secondary market research that reveals the characteristics, trends, and outlook for particular product or industry, such as market size, market share, and market growth rate

Market Research: marketing activities designed to discover the opinions, beliefs, and preferences of potential and existing customers

Media Articles: a type of secondary market research referring to the documents (articles) in print or online media, they are written by skilled journalists and authors

Observations: a method of primary research that involves watching how people behave or respond in different situations

Online Secondary Market Research: sources available on the Internet for research purposes; include media articles, government publications, academic journals, and market analyses available on the Internet

Population: all potential customers of a particular market

Primary Market Research: gathering new data for a specific purpose, using methods such as surveys, interviews, focus groups, and observations

Qualitative Market Research: getting non-numerical responses from research participants in order to understand their behavior, attitudes, and opinions
Quantitative Market Research: collecting and using factual and measurable information rather than people's perceptions and opinions
Quota Sampling: involves using a certain number of people (known as the quota) from different market segments for primary research purposes
Random Sampling: gives everyone in the population an equal chance of being selected for the sample
Sample: a selected group or proportion of the population used for primary market research purposes
Sampling: a primary research technique that selects a sample of the population from a particular market for research purposes
Sampling Errors: caused by mistakes made in the sample design, such as an unrepresentative sample being used or the sample size being too small
Secondary Market Research: involves the collection of second-hand data and information that already exists, previously gathered by others, such as media articles and government publications
Survey: a document that contains a series of questions used to collect data for a specific purpose; most common method of primary research

Unit 4.5a The 7 P's of the Marketing Mix: Product

Vocabulary

Brand: a name that is identifiable with a product of a particular business
Brand Awareness: measures the extent to which people recognize a particular brand
Brand Development: the ongoing and long-term marketing process of improving and enlarging the brand name in order to boost sales revenue and market share
Brand Loyalty: occurs when customers buy the same brand of a product repeatedly over time
Brand Switching: customers turn to alternative brands mainly because the original brand has lost some of its former appeal
Brand Value: the premium that customers are willing to pay for a brand name over and above the value of the product itself
Branding: the practice of using an exclusive name, symbol or design to identify a specific product or organization
Consumer Goods: products bought for personal consumption, such as furniture, computers, and fresh flowers
Customer Loyalty Schemes: a form of sales promotion used to entice customers to stick to the brand by rewarding devoted customers
Extension Strategies: attempts by marketers to lengthen the life cycle of a product, typically used during the maturity or early decline stages of the product life cycle
Genericized Brands: brands that are so popular they become synonymous with the name of the product itself (ex. Kleenex or ziploc)
Global Brands: highly popular products sold with exactly the same (or very similar) marketing strategies in overseas markets, using the same brand name in different countries
Innovators: consumers who strive to be the first to own a certain product, usually due to prestige or loyalty to a particular brand or product
Intangible Products: non-physical services, such as haircuts, bus rides, and movies
Logos: a form of branding that uses a visual symbol to represent a business, its brands or its products

Marketing Myopia: exists when a business becomes complacent about its product strategy thereby failing to keep up with market changes
Multi-brand Strategy: involves a business developing two or more brands in the same product category
Producer Goods: products purchased for commercial (business) use, rather than for private consumption
Product: any physical or non-physical (good or service) that is purchased by commercial or private consumers
Product Cannibalization: occurs when brands from the same business directly compete with each other
Product Differentiation: any strategy used to make a product appear to be distinct from others, such as quality, branding, and packaging
Product Life Cycle: the typical process that products go through from their initial design and launch to their eventual decline and withdrawal at varying speeds
Product Portfolio: the collection of products owned by an organization at any one point in time
Prototype: a trial product, produced to assess the potential success of the product
Slogans: catchphrases used to represent the essence of a business or its products in a memorable way
Tangible Products: physical goods, such as cars, computers, and smartphones
Test Marketing: trialling a new product with a sample of customers, perhaps in a limited geographical area, to determine the reactions of customers and to gather valuable feedback before a full launch
Trademark: gives legal protection to the owner to have exclusive use of the brand name

Notes

-product life cycle: research and development -> launch -> growth -> maturity -> decline
-BCG matrix: dogs have low market share/growth, question marks have high growth low share, stars have high growth high share, cash cows have high share in a mature market (can become dogs)
-types of extension strategies: price reductions, advertising, redesigning

<u>Unit 4.5b The 7 P's of the Marketing Mix: Price</u>

Vocabulary

Competitive Pricing: the practice of a business setting the price of its goods or services at the same or similar level to that of its competitors
Contribution Pricing: the practice of setting the selling price of a product higher than the direct costs of production per unit in order to ensure there is a positive contribution made towards payment of indirect costs
Cost-Plus/Mark-Up Pricing: adding a percentage or specific amount of profit to the cost per unit of output in order to determine the selling price
Dynamic Pricing: the practice of varying the price of a good or service to reflect changing market demand, such as during different times of the year
Loss Leader Pricing: setting the price of a good or service below its costs of production; purpose is to entice customer to buy other products with high profit margins in addition to purchasing the loss leader product
Mark-Up: the extra amount charged by a business on top of its unit costs of production in order to earn a positive profit margin; the mark-up can be expressed as an absolute amount or as a percentage of the cost
Penetration Pricing: setting low prices in order to gain entry into a new market; once the product or brand has established market share, prices are raised

Predatory Pricing: temporarily setting prices so low that competitors, especially smaller businesses, cannot compete at a profitable level
Premium Pricing: the price of a good or service is set significantly higher than similar competing products, usually because the product is of higher quality or is sufficiently unique to justify the premium price
Price: the value of a good or service; the amount paid by a customer to purchase the product
Price Elasticity of Demand (PED): measures the degree of responsiveness of demand for a product due to a change in the price of that product
Price Wars: businesses competing by a series of continuous and/or intensive price cuts to threaten the competitiveness of rival firms in the market
Pricing Methods: the various methods of setting the amount that customers pay for certain goods and services

Notes

-PED, if less than 1 it is inelastic, if = to 1 is unitary, if greater than 1 it is elastic
    -calculated as change in demand/change in price

Unit 4.5c The 7 P's of the Marketing Mix: Promotion

Vocabulary

Above the Line: any form of paid-for promotion through the mass media (such as television and radio) to reach a broad audience
Advertising: a method of informative and/or persuasive promotion that usually paid for; aims to raise the level of demand for a firm's products
Advertising Clutter: the huge volume of advertisements that the public is bombarded with
Below The Line Promotion: does not use paid-for mass media sources; ex. Free samples, discount vouchers, and added-value promotions
Customer Loyalty Schemes: reward systems used to encourage customers to make repurchases, such as the use of price discounts and free gifts for members
Direct Mail: the use of postal correspondence for promoting an organization's goods and/or services
Direct Marketing: promotional activities that aim to sell a product straight to a customer rather than using an intermediary
Impulse Buying: unplanned or unintentional purchases due to the lure of eye-catching point of sales promotions
Informative Promotion: aims to alert the market about a firm's products, especially new or updated goods and services
Packaging: the art of presenting products in an advantageous way in order to improve sales
Personal Selling: promotional techniques that rely on sales representatives directly helping and persuading customers to buy, usually on a face-to-face basis
Persuasive Promotion: aims to convince or encourage customers to make a purchase, to switch from rival products, and to enhance brand loyalty
Point of Sale: the promotion of goods in retail stores at the place where customers can purchase the goods, such as promotional displays at supermarket counters
Promotion: a component of the marketing mix; refers to the methods used to inform, persuade, and/or remind people about a firm's products and brands

Public Relations: marketing activities aimed at establishing and protecting the desired image of an organization; it's about getting positive media coverage, usually without directly paying for it
Reminder Promotions: techniques used to retain customer awareness of, and interest, in an established product
Sales Promotions: short-term incentives designed to stimulate interest in a product, such as the use of discount coupons and prize draws
Social Media Marketing (SMM): the marketing practice of gaining Internet traffic through social media platforms such as Facebook, Twitter, Youtube, and Instagram
Social Networking: any online platform used to build social relationships between people, often because they share things in common; these are ideal sources for social media marketing
Sponsorship: a promotional technique that involves funding, supporting, or donating resources for an event or business venture in return for prominent publicity
Telemarketing: a form of direct marketing that involves marketers making telephone calls to existing and potential customers as a form of promotional strategy
Through the Line (TTL): promotional strategies that involve both above and below the line methods, enabling customers to engage with the product or brand in multiple ways
Trade Shows: promotional events where firms exhibit and showcase their products for sale to potential customers
Word-of-mouth: the spreading of promotional information from one person to another through verbal communications

Unit 4.5d The 7 P's of the Marketing Mix: Place

Vocabulary

Agents/Brokers: representatives and negotiators who help to sell a vendor's products, such as real estate agents or insurance brokers
Channels of Distribution: the ways that a product gets from the manufacturer to the consumer, such as wholesalers, agents, retailers, e-commerce, or vending machines
Intermediaries: agents or other businesses (distributors) that act as a middle person in the distribution channel
Intermediation: the process of using intermediaries in the distribution channel between the manufacturer and consumers of a product
Mail Order: a speciality channel of distribution that enables customers to order products via the postal system
Multi-Channel Distribution Strategy: the use of a range of channels to distribute a firm's products
One-Level Distribution Channel: one intermediary, such as retailers, agents, or distributors being used to sell a manufacturer's products to customers
Place/Distribution: the distribution of products (i.e. how products get from the producer to the consumer); the process of getting the right products to the right customer at the right time and place in the most cost-effective way
Retailers: the sellers of products to consumers in outlets (or shops)
Speciality Channels of Distribution: any indirect way to distribute products that does not involve retailers, such as e-commerce, vending machines, and mail order
Two-Level Distribution Channel: two intermediaries, such as the use of wholesalers and retailers to get products to consumers

Wholesalers: businesses that buy large quantities of a product from a manufacturer and then 'break' the bulk into smaller units fo resale, mainly to retailers
Zero-Level Distribution Channel: also known as direct distribution, leaves out any intermediations (i.e. the producer sells directly to the consumer

Unit 4.5e The 7 P's of the Marketing Mix: People

Vocabulary

Goods: physical or tangible products, such as smartphones, toys, books, and clothes
People: the employees who interact with customers, thereby delivering the service to customers
Service: an intangible product supplied by a business, such as bus rides, library facilities, theatre shows, insurance policies, and haircuts
Seven Ps Model: the marketing of services which includes people, processes, physical evidence, product, price, promotion, and place

Notes

-effectivity is measured by appearance, body language, attitude, feedback

Unit 4.5f The 7 P's of the Marketing Mix: Processes

Vocabulary

After-Sales Care: services that are offered following the sale of the product, such as free installation, maintenance services, technical support, and warranties
Customer Care: the degree of attentiveness, care, and politeness of staff towards their customers in the delivery of a good or service
Delivery Processes/Services: the means of transporting goods from a source location to a customer in another location, such as their home or place of work
Payment Methods: the ways in which businesses offer their customers the convenience of different methods of payment for the purchase of goods and services, including cash, check, bank transfer, and credit
Processes: the ways in which a service is provided or delivered, including payment systems, queuing times, after-sales care, and delivery services
Viral Marketing: organic or word-of-mouth marketing information about a good or service, which spreads exponentially using Internet and telecommunications technologies
Waiting Time: the average length of time it takes for customers to be served

Unit 4.5g The 7 P's of the Marketing Mix: Physical Evidence

Vocabulary

Packaging: as a form of physical evidence, is the art of presenting products in an advantageous way in order to improve sales
Physical Evidence: the tangible aspects of a service, such as a luxury hotel with its nice decor, spas, gyms, and swimming pools

Notes

-peripheral products are those offered in addition to a service, i.e. drinks at a salon

Unit 4.6 International Marketing

Vocabulary

Business Etiquette: the mannerism and customers (traditions) by which business is conducted in different countries
Demographics: the study of population trends in relation to its impacts on international marketing
Globalization: the integration and interdependence of the world's economies, resulting in cultures and tastes converging at an accelerating pace
International Marketing: the marketing of an organization's goods and services in overseas countries
Opportunities: the external factors that create business prospects or opening for a firm's growth and development in international markets
Threats: external factors that create challenges and obstacles for businesses wanting to expand and operate in overseas markets

Topic 5: Operations Management

Entire Topic 5 Vocabulary Quizlet

Unit 5.1 The Role of Operations Management

Vocabulary

Factors of Production: the resources needed to produce a good or service, namely land, labor, capital, and enterprise
Operations Management/Production: concerned with providing the right goods and services in the right quantities and at the right quality level in a cost-effective and timely manner
Production Process/Transformation Process: the method of turning factor inputs into outputs by adding value in a cost-effective way
Productivity: a measure of a firm's operational efficiency level, calculating the rate at which inputs are transformed into outputs (goods and services)
Sustainability: the practice of enabling production and consumption of goods and services for the people of today without compromising the needs of future generations
Value Added: occurs during the production process when the value of output is greater than the costs of production; firms earn profit if value added exists in the production process

Notes

-marketing implications: can be marketed at premium price due to USP, quality, packaging, and physical evidence
-HRM implications: size of workforce, employment overseas, affects motivation, job training
-financial implications: capital intensity, lean production methods, investment appraisal, sources of finance, contingency fund, wages
-5 M's: materials, manpower, money, machines, management

Unit 5.2 Operations Methods

Vocabulary

Batch Production: involves producing a set of identical products; work on each batch is fully completed before production switches to another batch

Capital Intensive: the manufacturing or provision of a product relies heavily on machinery and equipment, such as automated production systems
Flow Production: a form of mass production that uses continuous and progressive processes, carried out in a sequence; when one task is completed, the next stage of production starts immediately
Mass Customization: an operations method that uses flexible manufacturing systems to mass produce products that meet individual consumer needs and wants
Mass Production: the large-scale manufacturing of a homogenous (standardized) product; unit costs of production are relatively low when using mass production methods
Job Production: the manufacturing of a unique product or one-off job; the job can be completed by one person (such as a tailor) or by a team of people (such as architects and engineers)
Labour Intensive: means that the production relies heavily on labour inputs, so the cost of labor accounts for the largest proportion of a firm's overall production costs; the most apparent in the provision of personalized services
Standardization: producing an identical or homogenous product in large quantities such as printing a particular magazine, book, or newspaper

Unit 5.3 Lean Production and Quality Management

Vocabulary

Benchmarking: the process of identifying best practices in an industry in relation to products, processes, and operations; sets the standard for firms to emulate
Cradle to Cradle (C2C): a sustainable model of production based on natural processes, thus benefiting the environment; the underlying principle of C2C is that there is no waste in nature, making it sustainable
Efficiency: using resources more productively, in order to generate output in a cost effective way
ISO9000: the world's most widely recognized standard for quality management; endorsed by the ISO firms that use quality management systems to meet the needs of customers
Just-in-time: an inventory management system based on stocks being delivered as and when they are needed in the production process
Kaizen: the Japanese term for 'continuous improvement,' a lean production philosophy that requires workers and managers to continually try to find ways to improve work processes and efficiency
Lean Production: the process of streamlining operations and processes to reduce all forms of waste and to achieve greater operational efficiency
Quality: a product fulfills its purpose and meets the expectations of the consumer
Quality Assurance: the management process of guaranteeing (assuring) that products meet certain quality standards, such as the ISO9000, by making sure everything is done right the first time and there are no defects
Quality Circles: small groups of employees who meet regularly to examine issues relating to the quality of output and make recommendations for improvement
Quality Control: the traditional approach to quality management that involves inspecting, testing, and sampling the quality of work
Quality Management: the function concerned with controlling business activities to ensure that products are fit for their purpose
Quality Standards: national or international benchmarks that enable certification of quality assurance; used to show quality standards have been met

Substandard: products do not meet the needs or expectations of customers, producers, or governments due to their poor quality
Total Quality Management: a philosophy and process that requires the dedication of everyone in an organization to commit to achieving quality standards
Waste: anything that prevents an organization from being efficiency or lean (i.e. product defects, stockpiling, and overproduction)

Unit 5.4 Location

Vocabulary

Assisted Areas/Enterprise Zones: regions identified by the government to experience relatively high unemployment and low incomes, are in need of regeneration through financial assistance
Bulk-Increasing/Weight-gaining Industries: industries with products that increase in weight during the production process, so need to be located near their customers in order to reduce costs
Bulk-Reducing/Weight-losing Industries: those that locate near the source of raw materials because they are heavier and more costly to transport than the final product
Clustering: a business locates near other organizations that operate in similar and complementary markets
Footloose Organization: a business that does not gain any cost-reducing advantages from locating in a particular location; can be located anywhere
Government Incentives: any financial enticements offered by the state to businesses to locate in a particular area (ex. Areas with high unemployment)
Industrial Inertia: the reluctance to relocate due to the inconvenience of moving even when the competitive advantages for the location no longer exist
Infrastructure: the term used to describe the transportation, communication, and support networks in a certain area
Insourcing: the use of an organization's own people and resources to accomplish a certain function or task which would otherwise have been outsourced
Location: the geographical position of a business (where it is situated)
Offshoring: an extension of outsourcing, which involves relocating business functions and processes overseas
Outsourcing/Subcontracting: the practice of transferring internal business activities to an external organization in order to reduce costs and increase productivity
Reshoring: reverse of offshoring; transfer of business operations back to the country of origin
Subcontractors: outsourced firms that undertake non-core activities for an organization; used for their expertise and cost advantages they bring

Notes

-quantitative reasons for a location: availability/sustainability/cost of land, same for labor, proximity to market or customers, government incentives/regulations
-qualitative reasons for a location: management preferences, local knowledge, infrastructure, political stability, government restrictions/regulations, ethical issues, comparative shopping (clustering/agglomeration)
-pros of outsourcing: specialists, cost effective, reduce labor costs, core activities, workforce flexibility
-cons: cutting corners, difficult to quality manage, hard to monitor, unethical, redundancies

Unit 5.5 Break Even Analysis

Vocabulary

Break-even Analysis: a decision-making tool used to calculate the level of sales needed to cover all costs of production; any sales beyond the break-even point generate a positive safety margin and profit for the business

Break-even Chart: a diagrammatic representation of a firm's costs, revenues, and profits (or losses) at various levels of output

Break-even Point: the position on a break-even chart where the total cost line intersects the total revenue line (where TC = TR)

Break-even Quantity: the level of output that generates neither profit nor loss; shown along x-axis on a break-even chart

Contribution: the sum of money that remains after direct or variable costs have been deducted from the sales revenue of a product

Contribution per unit (unit contribution): the difference between the selling price of a product and its variable costs of production (P-AVC)

Loss: the firm's total costs exceed its total revenues (TC>TR); occurs at all levels of output or sales below the break-even point

Margin of Safety: the difference between a firm's actual sales quantity and its break-even quantity; positive safety margin means the firms can reduce output (or sales volume) by that amount without making a loss

Profit: the positive difference between a firm's total revenue and its total costs; shown in a break-even chart at all levels of output beyond the break-even quantity

Target Price: the price set by a firm in order to reach break-even or a certain target profit

Target Profit: the amount of surplus a firm intends to achieve, based on price and cost data; calculated by deducting total costs from expected sales revenues

Target Profit Output: the sales volume or level of output required to achieve the target profit that business managers expect to achieve by the end of a given time period

Total Contribution: the unit contribution (P-AVC) multiplied by quantity of sales (Q) TC=(P-AVC) x Q

Notes

-limitations of break-even, static (garbage in, garbage out), assumes all cost functions are linear)

Unit 5.6 Production Planning

Vocabulary

Buffer Stock: the minimum stock levels held by a business in case there are unexpected events (late deliveries or increase in demand)

Capacity Utilization: measures a firm's existing level of output as a proportion of its potential output

Capital Productivity: measures how well a firm uses its physical capital in order to produce goods and services

Cost to Buy: the expenses or expenditure to purchase a product from a third-party or outsourced supplier

Cost to Make: the expenses or expenditure required to manufacture a good or service in-house

Defect Rate: the proportion of output, per time period, that is substandard

Economic Order Quantity: the optimum stock level that ensures there are sufficient stocks for uninterrupted production whilst minimizing the costs of holding inventory
Global Supply Chains: the networks than span multiple countries and regions for the purpose of sourcing and supplying goods and services
Just-in-Case: the traditional stock control system that maintains large amounts of stock in case there are supply or demand fluctuations
Just-in-Time: a stock control system based on stocks being delivered as and when they are needed in the production process
Labor Productivity: a measure of the efficiency of a firm's workers by calculating the output per worker
Lead Time: the duration between placing an order and receiving it; longer lead time equals higher buffer stock
Make-or-buy Decisions: a firm has to decide between manufacturing and product and purchasing it from a supplier based on comparing the cost to make with the cost to buy
Maximum Stock Levels: the upper limit of inventories of stock a firm wishes to hold at any point in time
Minimum Stock Levels: the lowest amount of inventories of stock that a business wishes to hold as a precautionary measure
Operating Leverage: measures a firm's fixed costs as a percentage of variable costs; a firm with high fixed costs has high operating leverage
Production Planning: the management process of ensuring sufficient resources (inputs) are available for use to create finished outputs (products) in a timely manner to meet the needs of customers
Productive Capacity: a firm's maximum (potential) output if all of its resources are used fully and efficiently
Productivity: how well resources (labor or capital) are used in the production process
Productivity Rate: measures the degree of efficiency in the use of resources in the production process; uses an average measure (i.e. output per worker or output per machine hour)
Reorder Level: the level of stock when a new order is placed; lead times mean that the reorder level helps to prevent production problems arising from a lack of stock
Reorder Quantity: the amount of new stock ordered; can be seen from a stock control chart by calculating the difference between the maximum and minimum stock levels
Stock Control Charts: visual tools used to graphically illustrate a simplistic system of stock control in a business
Stock-out: a business does not hold enough stock to meet orders for production
Stockpiling: a business over-produces or holds too much stock, detrimental to the firm's cash flow position
Stocks/Inventories: materials, components, and products used in the production process (i.e. raw materials) or semi-finished/finished goods
Supply Chain: the different stages of activities from the production of a good or service to it being distributed to the end customer
Supply Chain Management: the art of managing and controlling these activities which must be efficient and cost effective for a business to be profitable
Usage Rate: the speed at which stocks are depleted; higher the usage rate, the more frequent reordering of stocks need to be

Unit 5.7 Crisis Management and Contingency Planning

Vocabulary

Communication: factor that affects the effectiveness of crisis management by informing internal and external stakeholders to help them know and understand the issue or crisis
Contingency Planning: being proactive to changes in the business environment; developing a plan before an unwanted, unpredictable, or unlikely event occurs by using "what if?" questions to identify probable threats
Control: factor that affects the effectiveness of crisis management by using a crisis management (or critical incident) team to handle a crisis and to ensure there is leadership and governance
Crisis: a situation of disequilibrium or instability that results in major problems for a business (i.e. natural disasters, major accidents, computer failure)
Crisis Management: the response of an organization to a crisis situation; about being reactive to events that can cause serious problems to a business (i.e. taking appropriate action as/when a crisis occurs)
Quantifiable/Insurable Risks: probable and financially measurable threats to a business such as fire damage
Speed: factors that affect the effectiveness of crisis management, making prompt decisions and actions to return to normal operations as soon as possible
Transparency: affects effectiveness of crisis management; being open and honest with all stakeholders during a crisis (i.e. disclosing the truth, scale, and severity)
Unquantifiable/Uninsurable Risks: threats to a business that are impossible or prohibitively expensive to examine or measure

Unit 5.8 Research and Development

Vocabulary

Copyrights: legal protection for artists and authors by preventing others from using or replicating their published works without permissions
Disruptive Innovation: any major innovation that introduces a new goal or service designed to replace an existing one by radically altering the market (ex. Apple iPhone)
Development: the use of research findings to create products that might be commercialized; also means improving processes or products
Incremental Innovation: minor improvements to products, services, or work processes
Innovation: the process of commercially pioneering new ideas and creations in the production process
Intellectual Property Rights/Protection: legal and exclusive ownership claims to certain creates, inventions, or pieces of work; consists of claims, copyrights, patents, and trademarks
Patent: legal right to be the exclusive producer or user of a newly invented process or product for a finite period of time
Prototypes: trial or test products used in the R&D process; prototypes are designed, tested, and developed with the hope of commercial production
Research: the commercial investigation of the unknown, new products, or processes
Research & Development: technological and scientific research that helps generate a flow of new commercial ideas and processes (i.e. modifications or improvements to existing products and launching new products)
Sunrise Industry: growing industry with significant growth potential; justifies R&D costs

Sunset Industry: declining industry where there is no or negative growth; makes it hard to justify R&D expenditure
Trademark: sign, slogan, or logo that represents a business or product belonging to the business

Unit 5.9 Management Information Systems

Vocabulary

Artificial Intelligence: an aspect of computer science that focuses on the ability of smart machines to perform tasks that typically require human intelligence such as voice commands on smart devices
Artificial Neural Networks: an aspect of critical infrastructure which uses learning algorithms that can independently adjust as they receive new input; solves problems without having to be explicitly programmed with rules to follow
Big Data: the process of collecting and analyzing large amounts of data sets in order to identify trends and patterns that can be used in business decision-making
Cloud Computing: a virtual resource of online space that enables businesses to store, organize, and retrieve data in safe and efficient ways
Critical Infrastructure: essential physical structures and facilities needed for the effective functioning of a business
Customer Loyalty Programs: refers to any customer-retention strategy that rewards or incentivizes customers to continue buying the same products and brands of the business
Cybercrime: any illegal activity carried out using computers or the Internet by deliberately and maliciously targeting computers, computer networks, or network devices
Cybersecurity: the protection of computer systems and networks from unwanted information disclosure, as well as theft or damage
Data Analytics: transforming raw data into usable information for businesses
Database: a computerized system that makes it easy to store, search, and select data and information
Data Center: physical facility or space of networked computers and component resources that support businesses in housing their critical applications and data
Data Mining: extracting raw data from different data sets, summarizing into usable information in a coherent structure for further use
Digital Taylorism: modern approach to scientific management, with the use of management information systems to establish the best way to boost productivity in the workplace by managing staff and tasks in a methodical way
Internet of Things: electronic devices that are able to connect to the Internet and share, transfer, and store data with other Internet-enabled devices or ‘things’
Machine Learning: subset of AI that includes algorithms that can memorize on their own and anticipate results without anyone explicitly programming the system to do so
Management Information Systems: the study of advanced computer technologies and their impact on organizations, people, and the relationships among them
Virtual Reality: an artificial environment that is created with software and presented to the user in a near-reality way

Business Management Toolkit (BMT)

Swot Analysis

-SWOT analysis considers the strengths, weaknesses, opportunities and threats of a business at a specific point in time. Strengths and weaknesses are internal factors that influence the business, while opportunities and threats are external factors which the business has no direct control over.

Ansoff's Matrix

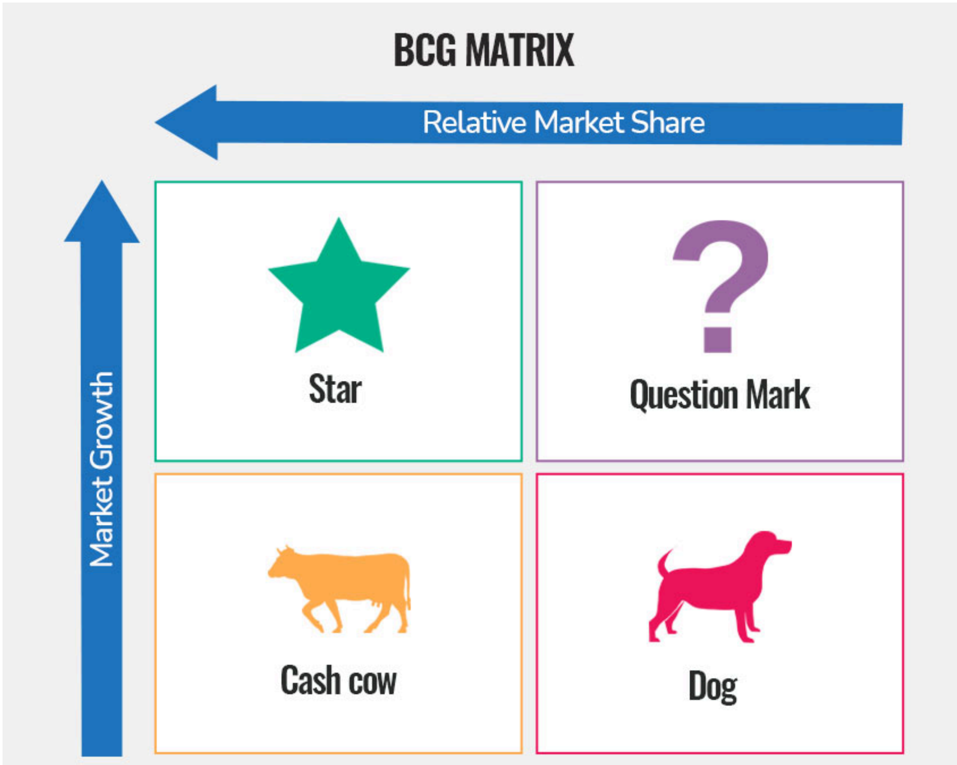
-The Ansoff matrix is a framework of generic growth strategies for a business, based on providing new or existing products in new or existing markets. These four generic growth strategies are categorised as (i) market penetration, (ii) market development, (iii) product development and (iv) diversification.

STEEPLE Analysis

-This framework considers factors in the external environment that affect a business. STEEPLE refers to the social, technological, economic, environmental, political, legal and ethical aspects of the external environment. It provides an overview of or insight into these external factors that are largely beyond the control of the organization.

BCG Matrix

-The Boston Consulting Group (BCG) matrix allows managers to assess their organization's product portfolio based on measures of relative market share and market growth. It helps with long-term strategic planning and decision-making based on four categories of products: (i) question marks, (ii) stars, (iii) cash cows and (iv) dogs



Business Plan

-This is an official guiding document that provides details of the organization's strategic goals and how the business intends to achieve these, with reference to the firm's human resources, finances, marketing and operations management. It is also commonly used to secure loans from financial lenders as well as raising finance from investors.

Decision Trees

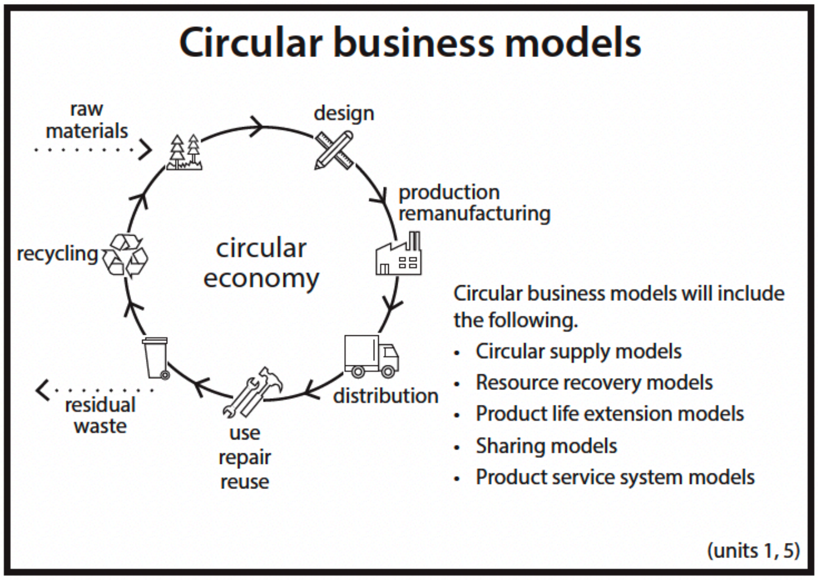
-This tool is a graphical representation showing the probable outcomes of a business making tool, based on the likelihood of success or failure of such a decision. The diagram shows the various choices faced by a business, including estimates of the costs and benefits in order to determine the probable risks of specific courses of action.

Descriptive Statistics

-This quantitative tool is used to summarise a given set of data to support statistical and statistics making tool data analysis. The various techniques help to present a large amount of quantitative data in a simplified and more manageable format. There are eight techniques specified for this tool: (i) Mean average, (ii) modal average, (iii) median average, (iv), bar charts, (v) pie charts, (vi) infographics, (vii) quartiles and (viii) standard deviation.

Circular Business Models

-These models explore how businesses create value for their customers and other stakeholder groups whilst also reducing the environmental impacts of their operations. There are five circular business models specified in the syllabus: (i) circular supply models, (ii) resource recovery models, (iii) product life extension models, (iv) sharing models and (v) product service system models.

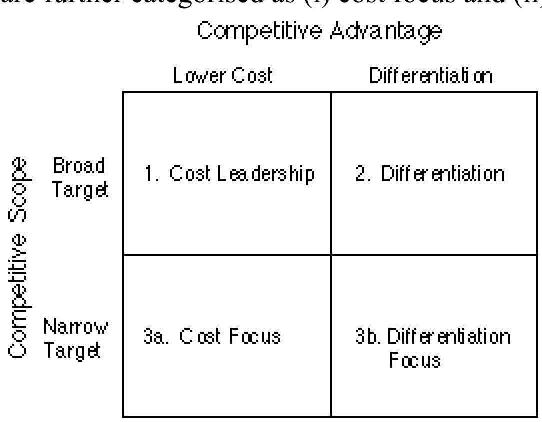


<u>Gantt Charts</u>

-This visual tool helps managers to plan and schedule different tasks or jobs within a particular project. It illustrates the tasks or activities, their duration and dependencies in order to determine the shortest time required to complete the project and helps managers to schedule resources to complete each task and to keep the overall project on track to be completed on time.

<u>Porter's Generic Strategies</u>

-This commonly used tool helps managers to explore how a business can gain competitive advantages to help determine its strategic direction. These generic strategies consist of: (i) cost leadership (producing at a lower cost than competitors), (ii) differentiation (providing products with a distinctive or unique selling point) and (iii) focus (selling specialized products aimed at specific market segments). Focus strategies are further categorised as (i) cost focus and (ii) differentiation focus.



Hofstede’s Cultural Dimensions

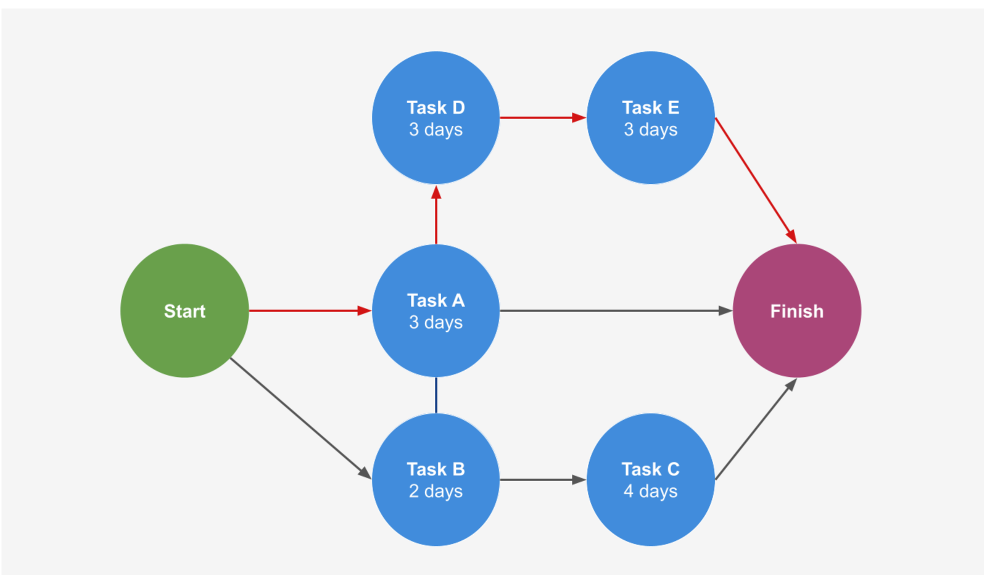
-This tool helps managers to understanding the cultural similarities and differences that exist between and across different countries. This helps them to determine more appropriate ways to conduct their operations given different national and international settings. The tool suggests that countries can be categorised into one of six different cultural dimensions: (i) power distance, (ii) individualism vs collectivism, (iii) masculinity
vs femininity, (iv) uncertainty avoidance, (v) long-term vs short-term orientation and (vi) indulgence vs restraint.

Force Field Analysis

-This visual and quantitative tool is used by managers to examine the forces for and against change to make more-informed business decisions. It is useful during the planning and decision making stages of corporate strategy and change management. It provides an overview, in an easy to understand format, by illustrating and adding statistical weights to each of the driving and restraining forces identified in the analysis.

Critical Path Analysis

-This planning tool helps project managers to schedule and oversee large and complex projects to ensure efficient resource use and for the timely completion of the project. It maps out all the individual tasks or activities needed to complete the project so that realistic deadlines for a project can be set. The syllabus specifies HL students need to be able to: (i) complete and analyse a critical path diagram. (ii) identify the critical path from
a diagram and (iii) calculate the free and total float from a CPA diagram.



Contribution Analysis

-This quantitative tool is used to support business decision-making by enabling managers to analyse and evaluate different cost and revenue situations. This tool comprises three techniques in the syllabus: (i) make or buy analysis, (ii) contribution costing and (iii) absorption costing.

Simple Linear Regression

-literally just a line showing correlation