The *Bare Necessities* Guide to…

HL IB Business and Management

EVEN IF YOU KNOW SYLLABUS CONTENT 100% YOU MAY NOT SCORE HIGH!

The SECRET is to:

1. KNOW HOW TO **STRUCTURE** YOUR ANSWER TO **WIN POINTS FAST** IN LIMITED TIME.

2. ACTUALLY **ANSWER THE Q** ASKED (and not the Q you think was asked).

3. **WRITE LEGIBLY**

THE MAGIC FORMULA

State (1 line max). **Ex**plain/ justify **in relation to story**.

= 2 points for SL
= 1 point for HL

_____

eg for HL
State (4 points)   = SSSS
Explain (4 points)   = SE SE SE SE
Analyse (4 points)   =   + SE   -SE
                                        + SE   -SE

Evaluate (4 points)   = Analyse + conclusion
                                (- 1 for no conclusion)

_____

eg for SL
State (4 points)   = SSSS
Explain (4 points)   = SE SE
Analyse (4 points)   =   + SE   -SE

Evaluate (4 points)   = Analyse + conclusion
                                (- 1 for no conclusion)

!!! SCAN <u>ALL PARTS</u> OF <u>ALL Q's</u> BEFORE WRITING ANYTHING… THEN…

1. PLAN HOW TO WIN THE POINTS BEFORE YOU ANSWER! ~~THEN CROSS OUT~~ and answer directly underneath.

2. USE SIDE HEADINGS (except for definitions)

3. Write in **FULL SENTENCE** BULLET POINTS.
(Sentences should not start with: To…)

4. SE is 2-3 sentences only. Write more and you will run out of time

5. Watch the TIME. 1m 30 secs per point . Unfinished answers lose almost all points (even if you wrote lots).

6. Avoid broad generalizations eg businesses want to make profit. Some may not eg charities

7. **LAYOUT:** do not try to save paper
Start a new side of the paper for a new part of Q. Start a new page for each new Q.
Leave a line between the S or SE points you make

8. DO **NOT** USE:
Good, bad, happy, unhappy, sad … or any 'emotion' words.
I (unless asked for your personal opinion)
don't, can't, isn't, won't, wouldn't, get, got
To… (at the start of an answer)
Slang eg go bust, get sacked.

9. USE '**WILL**' WITH **EXTREME CAUTION:** use **MAY** instead

10. Write **big enough** to read. Unreadable => NO POINTS!

11. **ANSWER WHAT THE Q IS ASKING!!!!**
- Read the Q at least 3 times and circle key words before planning.
- About 50% of responses do not answer the Q asked!

EXAMPLE LAYOUT

Q1: Evaluate reasons to work at Nestlé
(SL 4 points, HL 2 points).
- ~~SE $~~
- ~~SE interest~~

1. Reasons to work at Nestlé:
- People may work to earn money. Nestlé pay them for the work and so they are able to pay for their needs and wants.

- The work may be interesting to workers. Nestlé is a diversified company employing many people and so working there may be mentally stimulating.

Reasons not to work at Nestlé:
- Wages and salaries are low compared to other local employers. This means that employees my have lower disposable income to use for discretionary spending.

- It is a big company. This means that people may feel that there is a less personal atmosphere and this may be less motivating for them.

Conclusion
Employees look for different combinations of monetary and non-monetary reward. The final choice for a particular worker will depend on their personal priorities.

CALCULATIONS

- DO A WORD EQUATION

- PUT THE NUMBERS DIRECTLY UNDER THE WORDS

- KEEP = SIGNS IN A STRAIGHT LINE DOWN THE PAGE

EXAMPLE:

Market share = <u>Number of ice creams sold by Fred</u> x100%

Total ice creams sold in the local market

$$= \frac{1,500,000}{2,000,000} \times 100\%$$

$$= \underline{75\%}$$

- BUY A SIMPLE, CHEAP CALCULATOR WITH BIG BUTTONS.

- CHECK ALL CALCULATIONS.
  Most students make calculation errors.

- Repetitive calculations should be done on a TABLE. Headings on the table should indicate how the values have been calculated. Eg   (a)   (b)   (a x b)

- If calculations you normally put on one table are in different parts of the question DO A NEW TABLE FOR EACH PART OF THE Q.

TOPIC 1: BUSINESS ORGANIZATION AND ENVIRONMENT

Business
Capital + **L**abour + **E**nterprise
=> processes
=> goods/services

Business Functions
Production (Operations)
Marketing (Product, Price, Promotion, Place)
Finance
Human Resources (Personnel)

Sectors of the Economy
Primary = extract/catch/grow raw materials from Earth)
Secondary = process raw materials/other secondary goods
Tertiary   = services eg shops, restaurants

If economy grows usually= > Primary down, Secondary and Tertiary up
WHY?

Producer goods/ services = for other businesses
Consumer goods/services = for individual people.

WANTS &NEEDS
Needs = H2O, food, shelter, warmth
Wants = everything else
Resources are LIMITED and wants are UNLIMITED
  - ⇨   scarcity => CHOICE needed
  - ⇨   OPPORTUNITY COST (next best option)

1.2 TYPES OF ORGANIZATION

Public sector= owned by government
(ESP = for **E**conomic, **S**ocial and **P**olitical stability of country eg basic services)
Often regulates private sector businesses

Private = owned by private individuals, often (but not always eg charities) to make profit.
May do work for public sector (public sector is biggest spender in an economy)

Reasons to set up a business = $, power, fame, interest, boredom doing nothing, desire to help, no job, opportunity presents itself

Identifying market opportunity
= MARKET NICHE = hole in market
Identified by: chance, primary research, secondary research

Problems faced by startups
lack of $
lack of knowledge or experience,
slow buildup of customer base (run out of working capital)
product driven idea rather than market driven
location factors

Processes to start up
Tell taxman (for sole traders)
Establish legal documents (all except some traders)
Do a Business Plan (see later)
PPPP
Do budgets and cash flow forecasts
Find finance
Find location
Find suppliers

Different Types of Businesses

1. Sole trader = 1 person (+ employees?)
- Unincorporated   + Keeps all profit
- Unlimited liability   + Own boss
- Long working hours   + Easy to set up (just start)
- Lack of expertise?
- Lack of finance?

2. **Partnership** (2-20 people: depends on country)
Deed Of Partnership => who does what, how profits split
Split profits equally unless Deed of Partnership says not
- Unincorporated   + More capital
- Unlimited liability   + More knowledge/expertise
- Often disagree   + work shared

Special partnerships eg farmers, Coop shops:
a) Buyers Cooperative (buy supplies in bulk at lower price)
b) Sellers Cooperative (sell goods in bulk to bigger buyers)

3. Private Limited Companies
! Do not confuse with *private companies* (private sector)
Owned by shareholders (may be family or friends)
Shares sold privately
+ Limited liability   - small cost to legally register
+ Incorporated   - shares & control can be sold
+ quick to set up   - ownership diluted
                                 - profits have to be split/share
+ More shareholders => more $ capital put in
+ Can keep P&L and B/Sheet private

4. Public Limited Companies
! Do not confuse with public sector (government owned)
= Shares sold on stock exchange to general public
+ Incorporated   - have to give P&L and B/S free to
+ Limited liability   anyone who asks
+ **access to huge $**   - Need to be big with good track
+ Financial economies   record to 'go public'
of scale (bank loans   - Takeover more possible
may be cheaper)   - Slow and expensive to do

5. **Franchises** (included in 1.7 Growth) HL only
= the right to sell another business's goods
eg McDonalds, Sock Shop, (many).
Franchis**or** = bus. that owns the franchise (big guy)
Franchis**ee** = bus. that buys the franchise (little guy)

The deal from the point of view of the franchisee:
+ idea proven successful   - franchisee pays fees
+ established name/brand   - franchisee takes $ risk
+ training given   - cannot buy supplies cheap
+ Franchisor does advertising   - freedom is limited

The deal from the point of view of the franchisor:
+ no $ needed to expand   - may damage brand name
+ little risk   - little control over franchisee
+ increased market share
+ up front fee
+ steady income

Non Profit-Organizations aka Not-for-profit organizations
eg Charities, pressure groups
Many are **Non-Governmental Organizations**(NGO's)
 = registered business with no governmental representation

Public/Private Enterprise (HL only)
eg Gov educates => workers for business
Businesses pay taxes => Gov =>
      ⇨   economic/social/transport infrastrucure
      ⇨   Helps businesses

1.3 ORGANIZATIONAL OBJECTIVES

= words that seem designed to confuse.
Learn in right order!

VISION STATEMENT = ideal hopes for distant future

MISSION STATEMENT = declares underlying purpose

=> AIMS = Broad, general LONG TERM (LT) goals

=> STRATEGY = plan of how to achieve LT AIMS

=> STRATEGIC **OBJECTIVES***
   aka CORPORATE STRATEGIES
   = LT (1+ year) objectives

=> TACTICAL/OPERATIONAL **OBJECTIVES***
   = ST (under a year) objectives

=> OPERATIONAL STRATEGIES= day to day objectives

* OBJECTIVES = SMART (**S**pecific **M**easurable **A**chievable **R**ealistic **T**ime-specific)

ETHICAL OBJECTIVES = moral values set to protect the world's scarce resources or people.
   ⇨   Analyse + and – of setting them
   ⇨   Discuss impact of implementing them

CORPORATE SOCIAL RESPONSIBILITY (CSR)
= Consideration of ETHICAL and ENVIRONMENTAL issues before making decisions impacting stakeholders

   ⇨   Different ethics in different countries
   ⇨   Different ethics of same B in diff. countries
   ⇨   Changes over time
   ⇨   Analyse **value** of **social/environmental audits** (independent checks on what they are doing)
   ⇨   Why B's choose diff. CSR strategies

1.4 STAKEHOLDERS

= any person or B with any interest in this B

Internal = employees, shareholders, managers
External = suppliers, customers, SIG's (special interest groups)
Competitors

⇨ Discuss areas of conflict between stakeholders
⇨ HL: Evaluate ways of overcoming conflict (see **conflict** later)

1.5 EXTERNAL ENVIRONMENT

ANALYSIS:
PEST = **P**olitical **E**conomic **S**ocial **T**echnological
PESTLE = **PEST** + **L**aw + **E**nvironment
STEEPLE = PESTLE (diff. order!)

⇨ Evaluate impact **on objectives** of a change in a PEST factor
⇨ Analyse/explain impact of external opportunities/threats

SWOT ANALYSIS:
Strengths **W**eaknesses = INTERNAL
Opportunities **T**hreats = EXTERNAL

1.6 ORGANIZATIONAL PLANNING TOOLS

BUSINESS PLANS
* Background/ History of B
* Ownership
* Management (+ CV's of main people)
* Marketing: PPPP, Market outlook, major competitors, suppliers, R&D
*Vision Statement, Mission St., Aims, Objectives…
* Financial Plans: B/S, P&L, Cash flow forecast, financing, project projections etc.

⇨ Analyse importance to stakeholders
⇨ HL: Interpret the implications of the plan

DECISION MAKING MODELS (HL ONLY)

1. FISHBONE
Identify CAUSES not symptoms!!!!

```
        Mangement    Manpower
_____I_____I_____Problem
        I                 I
     Machines    Materials
```
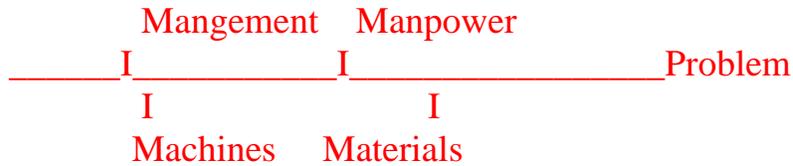
Evaluate the method:
+ Easy to use   - may be too simplistic
+ Logical   so used with other methids
+ Facilitates understanding
+ Visual
+ Computerised version available

2. SCIENTIFIC VS: INTUITIVE (gut feel)
S is objective **whereas** I is subjective
S cannot take into account illogical experience **whereas** I may have problems evaluating lots of numerical data.

3. DECISION TREES
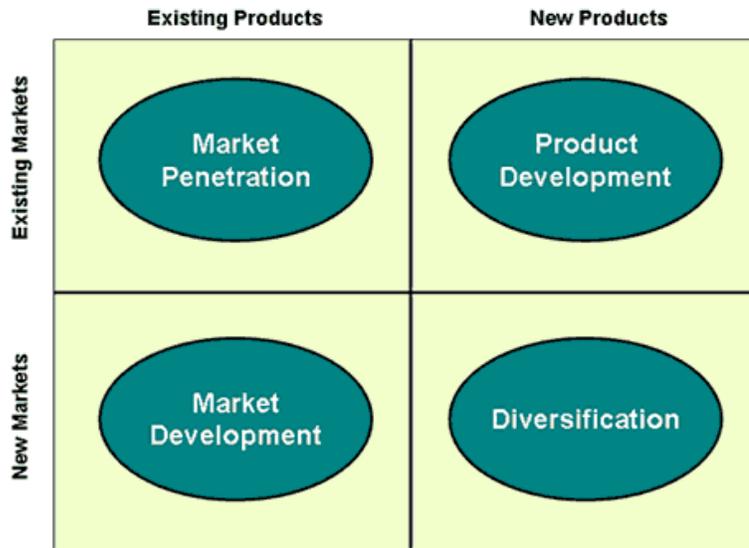=> Construct and Interpret
=> Critically evaluate

BOX= decision point
O   = chance node => show different possible outcomes

Sum of option P's   Expected   E x Probability
                                                $ Income   (P)
                                                 (E)

4. ANSOFF's MATRIX (HL ONLY)
=> apply as a decision-making tool

Source: tutor2u.net/business/strategy/**ansoff_matrix**.htm

1.7 GROWTH AND EVOLUTION

ECONOMIES OF SCALE
!!! ALWAYS comes up. KNOW IT!!!

6 INTERNAL Economies of Scale
Purchasing (bulk purchase discounts)
Marketing (advertising less per unit)
Managerial (one manager, many employees)
Financial (loan int. rate may be lower)
Technical (big machines cut unit costs)
Risk-bearing (**range** of products into **diff. markets**)

4 EXTERNAL Economies of Scale
(when big B's locate close to each other)
Suppliers locate near customers   => transport cost down
Local skilled workforce shared => training costs down
Support from local council/gov => eg roads built
Area gains good reputation for X   => eg Swiss watches

3 Diseconomies of Scale
The bigger the B:
- ⇨ harder to manage
- ⇨ demotivation
- ⇨ decisions take longer

SMALL VS LARGE B's

Why grow?
1. Economies of scale
2. Diversification: not all eggs in same basket
3. Financial: big B's less likely to go bankrupt
4. Personal vanity/desire for power
5. Domination of the market

INTERNAL GROWTH (aka Organic Growth)
1. Sell **more of current** products
2. Sell **current product to new markets**
3. Develop **new product** (diversification) or **extend line**

+ already good at what do   - may take long time to grow
+ inexpensive

EXTERNAL GROWTH (aka Integration)

1. Merger (join), Takeover (one B buys another)
+ instant growth	- less than 50% successful
+ synergy	- conflict of corporate culture
+ extend geographic	- diseconomies of scale
+ product diversification	- management styles differ
+ complementary products	- redundancies => tension
+ extend expertise	=> demotivation
+ economies of scale	
+ instant local experts	

Types of takeovers/mergers:

Horizontal:	2 competitors join
Forward vertical:	B takes over a customer
Backward vertical:	B takes over a supplier
Lateral/conglomeration:	B takes over other B's with nothing in common
	=> diversification

2. Joint ventures
2 B's set up a new, jointly-owned B
 => split risk, costs & control of a big project.
Eg Ericsson (Sweden) + Sony (Japan) => Sony Ericsson

3. Strategic Alliances
= same as joint ventures except no new B is established and 2 B's retain own identity.

4. Franchises (see under types of businesses) HL ONLY

1. 8 CHANGE MANAGEMENT (HL ONLY)

Causes of change:	**Resistance due to:**
Customers	Self-interest
Competitors	Misunderstandings
Management	Poor communication
Technological progress	Low tolerance to changes
Government	Different viewpoints
Fashion	
Economy	

Lewin's Force Field Analysis:
Driving forces =>   <= restraining forces

STRATEGIES TO REDUCE IMPACT OF CHANGE
!!! ALMOST ALWAYS COMES UP!!!

 * For max points first recognize **existence of conflict**
1. Education/training
2. Communication
3. Involve all in decision process
4. Support staff
5. Negotiate/agree
6. Manipulation
7. Threaten

1.9 GLOBALIZATION
= growing integration and inter-dependence of the world's economies, ideally with free trade of goods and service
⇨   towards single world economy with similar habits and tastes

Reasons:
1. Deregulation of trade
2. Removal of trade barriers
3. Technological progress eg communication
4. Increasingly similar world tastes
5. Increasing use of English

International B's   = based in country A => export
Multinational companies (MNE's) = in several countries

Role of Multi-nationals in globalization
* Technology transfer
* World networks of super-B's
* Culture transfer

Problems created by globalization:
* Increased competition => price wars => bankruptices
* Small B's find it hard to compete => unemployment
* LDC's cannot compete with efficiencies of big B
* Rich countries cannot sell labour => unemployment
* Mass traffic of goods across the world => use oil

REGIONAL TRADING BLOCS (RTB's)

Aim: free trade of goods, services, labour, capital
Often: have barriers to imports from outside the bloc

Different RTB's manage this to varying extents

EU = European Union
EEA European Economic Area = EU + EFTA (Iceland, Norway, Lichtenstein, Switzerland)
NAFTA = North American Free Trade Association
ASEAN = Association of SE Asian Nations

TOPIC 2: HUMAN RESOURCES

2.1 HR PLANNING

Demographic changes:
* Birth rate
* Migration rate
* Retirement age
* Unemployment
* Mobility of workers => discuss significance
* Flexibility of workers
* Education level of workers
* Women working/ returning to work
* Ageing population

Changing employment patterns & consequences for employers and employees (HL ONLY)
1. Homeworking: no office needed
2. Teleworking: online or on phone (far country?)
3. Flexitime: fixed hours per month- flexible when do them

Handy's Shamrock Organization (2003)
= management theory of ideal, flexible B structure
1/3 core staff
1/3 part-timers
1/3 professional contractors

HR ROLES

Workforce planning (anticipating demand for workers) based on:
- Historical trends
- Technology/ capital intensity
- Work study
- Fashion trends in demand
- Natural wastage (people leaving of own accord)
- Staff turnover = people leaving/total workforce x 100%
- Need for certain skills

THE HR CYCLE:

Workforce Planning => **Work Study** => Job Analysis
=> **Job Description** (duties, hours, pay)
=> **Person Specification** (qualifications and attributes)
=> Recruitment => Shortlist=> Interview => Selection
=> Job Offer => Job Contract (within 3 months)
=> **Induction** => **Appraisal**
=> **Training (internal/external, on-the-job, off-the-job)**
=> Pay/performance analysis => $/non-$ benefits
=> Union relations/negotiations (collective bargaining)
=> **Dismissal** (something illegal or 3 written warnings)
/redundancy/layoff/retrenchment (job no longer exists)

2.2 ORGANIZATIONAL STRUCTURE

Delegation = passing on AUTHORITY (power) and RESPONSIBILITY (accountability: who's to blame)

Chain of command=line of authority/who reports to whom
Levels of Hierarchy = people on same reporting level in B
Span of Control = How many people report to someone

EFFECT OF FLAT ORGANIZATIONAL STRUCTURE (Centralised)
= 1 person has authority & responsibility

+ Fast decisions	- Overwork of main person
+ better control/direction	- Delays due to long queue
	- Few new ideas
	- **Bureaucracy**

EFFECT OF TALL ORGANIZATIONAL STRUCTURE
(De-centralised) = many levels of hierarchy
+ Motivation up
+ Promotion possibilities | - Loss of control
+ Worker input more likely | - More mistakes
+ Faster decisions | - Needs good communication

MATRIX STRUCTURE (HL ONLY)
= flexible structure

Employees divided into different teams for different aspects of their job as well as being in a department
⇨   report to several team leaders + department manager

+ Variety of people to work with
+ Best people used on project team
+ Varied work, more interesting
+ Experience up
+ May be more motivating
+ Projects spread between teams, avoiding overload

- Conflict of demands from different leaders
- Authority weaker => hard to control
- Not found to work well (but was once popular)

Mintzberg:
B can only be successful if has a flexible structure able to adapt to rapid change

Peters: '*In Search of Excellence'*, 1992
1. Flatter structures adapt faster to change.
2. Matrix teams allow more adaptability
3. Less bureaucracy allows faster change

Role & importance of Informal Organization
= social '*top dog's* and social *'pecking order'*
Sometimes the informal organization and views conflict with the formal

WAYS OF DIVIDING THE HIERARCHY
1. Geography
2. Role/ function eg HR, Marketing, Finance, Production

⇨   analyse + and – for a B

OUTSOURCING (HL ONLY)
= using another B for a job/function
+ Can help in times of overload - Quality?
+ May be cheaper   - Control lost
                                                            -    Fear of redundancies?

OFFSHORING (HL ONLY)
Transferring work to countries where costs are less
Eg Call Centres in India
+ Cheaper   - Redundancies at home
                                                    -    Accents not understood
                                                    -    Customer disapproval

MIGRATION OF HR FUNCTIONS
= outsourcing/offshoring
eg payroll function, recruitment

2.3 COMMUNICATION

Effective communication
= 2-way with feedback that understood

Media of communication:
oral, written, visual,
formal, informal

Barriers to communication !!! Frequent Q
Language
Distance
Technical difficulties
Time differences
Long chain of command
Wide span of control

EXAMPLE REPORT FORMAT

From: J Barrow
To: Mr. P. Groves, Managing Director, Choco Ltd
Date: 23rd January, 2008

SUBJECT: Whatever it is about

Problem
Suggestion
Advantages
Disadvantages
Recommendation

ICT
Telephone, Skype, Twitters, web sites, email, document sharing, teleconferencing, blogs etc etc
⇨ discuss the effect of new ICT on effectiveness of communication: + and –

COMMUNICATION NETWORKS
1. Wheel   2. Connected network

2.4 LEADERSHIP AND MANAGEMENT

LEADERSHIP STYLES

1. **Autocratic/dictatorial** = 1 person decides.
+ Fast decisions   - LT demotivating
+ Effective in crisis

2. Democratic = All discuss. All decide.
+ Many ideas   - Slow
                                  -   ineffective in crisis
 3. Laissez Faire = manager lets workers do as they like
+ lacks bureaucracy   - lacks control
                                  -   LT demotivating
4. Situation Leadership
= takes over in a particular situation (may not be formal leader)

TRAIT AND SITUATION THEORY (HL ONLY)
Are leaders BORN or LEARNT?
=> many theories (most believe it can be learnt)
Listening
Enthusiastic
Ambitious
Decisive
Enterprising
Recognised
Sees big picture
High standards
Influential
Prudent

LEADERSHIP THEORISTS (HL ONLY):

LIKERT
4 types of management and leadership:
1. **Exploitative autocratic:** (orders from top with threats)
2. **Benevolent autocratic/paternalistic**: consider needs and make what they think is best decision for all.
3. **Participative:** find out views then decide for all.
4. **Democratic:** find out views and all decide.

FIEDLER's CONTINGENCY THEORY
Is not best way of leading: depends on personality and situation

BLAKE and MOUTON' MANGERIAL GRID

Figure 1: The Blake Mouton Grid
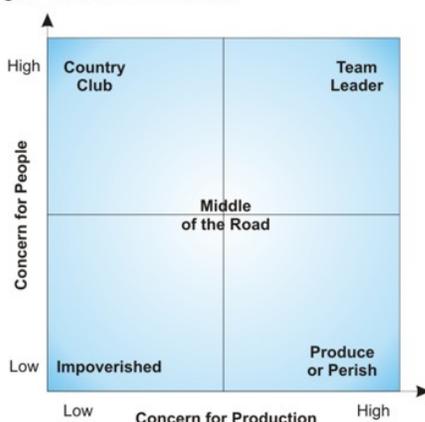
Source: http://www.mindtools.com/pages/article/newLDR_73.htm

TANNEMBAUM AND SCHMIDT:
Leadership continuum

Tells_____Asks
Authoritarian   Sells   Consults
Freedom for subordinates
THEORIES OF FUNCTIONS OF MANAGEMENT (HL ONLY)

FAYOL (POCCC)
1. Plan
2. Organize
3. Command
4. Coordinate
5. Control

HANDY
* Managers have: Intelligence + Initiative + Self-assurance
* Management key **roles are more important**:
1. They are like GP's
2. Confront problems
3. Balance cultural mixes

DRUCKER
* People are the key to success
* Effective communication can avoid 'them-and-us' culture
Managers:
1. Set objectives(be involved in Strategic Planning/Change
=> Management by Objectives (SMART) aka MBO
BUT should avoid needless change
2. Organize
3. Motivate
4. Measure performance
5. Develop people

2.5 MOTIVATION THEORIES

1. TAYLOR's Theory of Scientific Management
Studied factories in early 1900's
Believed workers basically lazy, motivated by $
Did time and motion studies => studied individual tasks
- ⇨ Found most efficient way to do task
- ⇨ Said managers should be appointed to be sure task was done **exactly** as planned

BUT: Workers bored => productivity down

2. MASLOW's Hierarchy of Needs

Self Actualisation
Self-esteem
Love & belonging
Safety
Physical survival(needs)

3. McGREGOR's Theory X and Theory Y
Theory X: workers lazy, dislike work, lack ambition, motivated by $, need to be controlled/coerced by managers.
Theory Y: Workers can take pride in and responsibility for their jobs. Managers should encourage them.

4. HERZBERG's Hygiene factors
* **Hygiene factors** = things that B has to provide or workers will be dissatisfied. = potential demotivators
* **Motivating factors** = things which will encourage workers eg praise, advancement.

5. MAYO's Human Relations School (HL ONLY)
Hawthorn Effect = non-financial factors more important
1. Taking a **personal interest** eg involve in decisions
2. Meeting **personal needs**
3. **Social contact**

6. McCLELLAND's Theory of Needs (HL ONLY)
People with different needs have different motivators eg
Need for **Achievement**   Need for **Power**   Need for **Affiliation**

7. VROOM's Expectancy Theory (HL ONLY)
People have **diff. expectations**
People **expect reward** for meeting expectations

8. ADAM's Equity Theory (HL ONLY)
People compare themselves to other workers
Reward should reflect effort and results
Degree of EQUITY (fairness) affects motivation

Inequality => absenteeism => costs up

People place **diff. values** on diff. rewards… so is hard to get it right!

MOTIVATING FACTORS

Financial: pay, bonuses, piece work, pension plan, commission, profit-related pay, performance-related pay, perks (fringe benefits) eg pension, accommodation, health plan

Non-Financial:
Job enrichment => better things to do
Job rotation => swap jobs
Job enlargement => more to do
Kaizen (teams have resp. for improvement)
Flexible working practices
Training
Praise
Empowerment (give authority)
Cell production
Quality circles
Work facilities

2.6 CORPORATE CULTURES (aka Organizational cultures (HL ONLY)

= Norms in a B eg dress, attitudes
   ⇨   Analyse effect on a) motivation b) structures
   ⇨   Analyse conflicts of:
       a) mergers b) change of leadership style

2.7 EMPLOYER & EMPLOYEE RELATIONS (HL ONLY)

Trade Unions => Collective bargaining => so the person who complains does not get sacked!

Sources of conflict: pay, conditions, hours, redundancies, unfair dismissal, outsourcing, offshoring,

Industrial action by unions: all out strike, work-to-rule, go slow, overtime ban, selective strike…

Management tools: negotiation, PR, threats of redundancies, change of contract (not possible in all countries), closure, lockouts

Conflict resolution possibilities:
1. Negotiation
2. Conciliation aka **Mediation**: independent arbitrator helps negotiation
3. Arbitration: independent arbitrator listens to both sides than makes a legally-binding decision.

Other concepts:
Closed Shop aka **Single Union Agreement** = all workers have to be a member of the same union (avoids negotiation with several unions).
No Strike Agreement eg firemen

2.8 CRISIS MANAGEMENT (CM) & CONTINGENCY PLANNING (CP) (HL ONLY)

CM (if it happens)
Eg disaster recovery + continuity plans

CP (reduce risk of crisis: impossible to avoid ALL risks)
+ reduce risks   - $ & time
+ reduce impact of crisis   - May never happen
+ reassures staff   - Cannot think of all disasters

TOPIC 3: ACCOUNTS AND FINANCE

3.1 SOURCES OF FINANCE
Always <u>match</u> the period of the need with the time period to repay!!!

INTERNAL FINANCE
- Retained profits
- Credit control = make customers (debtors) pay sooner
- Sell some fixed assets (but may need them!)
- Run down stocks so have less $ tied up in them
- Use saved-up $

EXTERNAL FINANCE
Short Term (ST) = less than a year
- Personal savings (not for Ltd or PLC)
- Friends or family (not for Ltd or PLC)
- Overdraft (= draw out more money from bank account than have in there = flexible but expensive)
- ST Loan (fixed amount but cheaper than OD)
- Make creditors wait for their money
- Sell receivables (debtors) to Debt Factoring Company (at big discount!)

Medium Term (MT) = 1-5 years
- Bank loan (lose collateral if do not pay?)
- Leasing (pay monthly but never yours)
- Hire Purchase (pay monthly, eventually yours, very expensive)
- EEC loans, Government loans, Local Gov. loans, grants

Long Term (5+ years)
- Mortgage (property as collateral)
- Issue more shares (BUT: Interest is effectively paid **after tax** in the form of dividends = hidden extra expense)
- Debentures = LT IOU's => sold on market. Interest rate fixed up front. Up to 25 years. BIG PLC's and countries only

FACTORS AFFECTING CHOICE
1. $ Amount
2. Time needed: ALWYS MATCH TIME!
3. Cost of finance (Note: dividends paid after tax so is hidden cost)
4. Size and type of B

3.2 INVESTMENT APPRAISAL

$'000			5%	
Year	Cash flow	Cumulative CF	Discount*	NPV
	(c)		(d)	(c x d)
0	(100)	(100)	1	(100)
1	50	**(50)**	0.9524	47.62
2	**60**	10	0.9070	58.20
3	40	50	0.8638	34.55
	50			**40.37**

* From discount tables

ARR = Average Rate of Return

$$= \frac{\text{Net Cash Flow /years}}{\text{Initial investment}} \times 100\%$$

$$= \frac{50/3}{100} \times 100\%$$

$$= \underline{\mathbf{16.7\%}}$$

Payback Period
= The **year number** it is last a negative figure on the Cumulative balance column… plus some months which you work out like this:

$$\frac{\text{The negative number from above}}{\text{Positive Cash flow the next year}} \quad \text{x 12 months}$$

=   1 year   and   (50) / 60   x 12 months

=   **<u>1 year 10 months</u>**

3.3 WORKING CAPITAL

Working Capital Cycle:

When a B makes things it pays out for things eg raw materials, labour, energy, rent, wages, salaries etc.

It has to finance all this money until it gets paid.
$$$$$$ tied up in all this is WORKING CAPITAL.

This is eventually followed by $ IN when the customer pays

… then it starts again   = <u>working capital cycle</u>

On the B/Sheet: Working Capital = CA-CL

CASH FLOW FORECASTS

!!! The secret is in the LAYOUT!!!

$'000	JAN	FEB	MAR	
Sales	20	10	80	<= Write in sales to help calcs !!!!!!
$ IN				
Cash sales 50%	10	5	40	
Debtors (1mth)	15*	10	5	
Total IN (I)	25	15	45	
$ OUT				
Creditors (1 month credit)	(15)	(10)	(5)	
Rent	(10)	(10)	(10)	
Salaries	(10)	(10)	(10)	
Total OUT (O)	(35)	(30)	(25)	
Net Cash Flow (I-O)	(10)	(15)	20	
BANK:				
Opening Balance (B)	60*	50	35	
Closing Balance (I-O) + B	50	35	55	

* Given in text… so read it VERY carefully to find the numbers you do not know!

3.4 BUDGETING

Budget = **SMART**
    Specific, **M**easurable, **A**greed, **R**ealistic, **T**ime Specific

	PLAN (P)	ACTUAL (A)	VARIANCE (P-A)	Good/bad?
Sales	10	15	5	Good
Costs	5	10	5	Bad
Profit	5	5	0	-

ROLE OF BUDGETING:
Planning and guidance
Coordination
Control
Motivation
Pre-arrange finance
Bank manager will use info to monitor loan
Warns if something going wrong (so can adapt plans)

PROBLEMS
Numbers are only guesses
Tend to be over-optimistic
If under-spend cannot carry $ to next year (so may as well spend it!)

3.5 FINAL ACCOUNTS

Profit and Loss Statement

Sales
(Direct costs)   = Mostly Variable Costs
Gross Profit   = Contribution towards fixed costs (used in marginal costing)

!!! Up to here is called the Trading Account

(Expenses)* aka OVERHEADS. Mostly Fixed Costs

Net Profit Before Interest and Tax
(Interest)
(Tax)
Net Profit After Interest and Tax
⇨   some paid out to S/H as DIVIDENDS (per share)
⇨   rest is put into balance sheet as RETAINED EARNINGS

*NOTE ON EXPENSES
= mostly OVERHEADS, mostly FIXED COSTS

BUT may also include:
- This year's DEPRECIATION cost
- GOODWILL costs (= when buy a B you pay more than the asset cost. The extra bit is Goodwill: not allowed to keep it on balance sheet… so have to write it off as a cost)

APPROPRIATION ACCOUNT
= the last bit of the P&L
= shows how profits are used => tax, dividends, rest to Ret.Earnings

BALANCE SHEET

Traditional Layout:

ASSETS (own)	LIABILITIES (owe)
Current Assets (0-1 year)	**Current Liabilities**
Cash	Overdrafts
Stock	ST Loans
Debtors (receivables)	Creditors (payables)
Medium Term Assets (1-5 yrs)	**MT Liabilities**
Equipment	MT Loans
Fixed Assets (5+yrs)	**LT Liabilities**
Big Machinery	LT Loan
Land	Mortgages
Buildings	Debentures
Goodwill (not allowed to stay!)	
	Shareholders' Funds
	Share Captital
	Retained Earnings (aka Reserves)
_____	_____
TOTAL ASSETS =	**TOTAL LIABILITIES**

_____

Alternative Layout (IB way)

Fixed Assets (FA)

Current Assets
(Current Liabilities)
Working Capital (WC)
Net Assets (FA + WC)   (balances with Capital Employed)

MTL
LTL
SH Funds
Capital Employed   (balances with Net Assets!!!)

DEPRECIATION

Fixed Assets (FA's) have to be depreciated over their lifetime or according to accounting and tax rules.

- ⇨ $ hits cash flow immediately FA is paid for
- ⇨ Then a bit of the cost goes on P&L as an EXPENSE each year over the lifetime = DEPRECIATION
- ⇨ The depreciation is shown as a negative against the asset value on the B/S.
- ⇨ SO the cost of the FA has to be divided up; there are 2 ways of calculating it:

1. STRAIGHT LINE DEPRECIATION
= same amount each year
= <u>cost – residual or scrap value</u>
   No. of years

+ Easy to calculate   - unrealistic
+ spreads cost equally

2. DIMINISHING BALANCE DEPRECATION (more realistic)
(Cost – residual or scrap value) x same % each year

eg if cost is $100 and residual value is $20 and annual depreciation is 20%:

Year	Start Value $	Depn.$	End value$
1	80	16	64
2	64	12.8	51.2
3	51.20	10.24 etc	

GOODWILL/BRANDS/PATENTS/COPYRIGHTS

Goodwill = amount paid for a B above the net asset value

All have to be written off asap.
Are written off like depreciation

STOCK VALUATION

The PRICE of buying stock often changes.
So how is the stock left at the end of the year valued?

	$Value
Buy 10@ $2 =>	20
Buy 15 @ $3 =>	45
Sell 20	??????????

**There are 3 ways of working out the $value
… but you only need to know 2:**

1. Last In First Out (LIFO)

	$Value	Sell	$Sold	$Left
Buy 10@ $2	20	5	10	10
Buy 15 @ $3	45	15	<u>45</u>	<u>0</u>
			55	**10**

2. First In First Out (FIFO)

	$Value	Sell	$Sold	$Left
Buy 10@ $2	20	10	20	0
Buy 15 @ $3	45	10	<u>30</u>	<u>15</u>
			50	**15**

LIFO => Costs higher   => Profit less   Remaining Stock value less
FIFO => Costs lower   => Profit higher   Remaining stock value more

3.6 RATIO ANALYSIS

!!! HL students should try to avoid choosing ratio analysis Q's. Marks are often low as this is a complex skill which takes a long time to master.

REMEMBER: P&L and B/S figures <u>only tell you what happened in the PAST</u>… they are not a crystal ball to tell you about the future

1. Profitability Ratios (GP Margin, NP Margin)
General formula = $\dfrac{\text{Profit}}{\text{Sales}} \times 100\%$

This is the proportion of sales kept as profit.

_____

2. Liquidity Ratios

Current ratio   = $\dfrac{\text{CA}}{\text{CL}}$!!!Working Capital = CA - CL

= number of times CL's can be repaid by turning CA's into cash (liquid form).

Acid Test Ratio = $\dfrac{\text{CA} - \text{Stock}}{\text{CL}}$

= number of times CL's can be repaid by turning CA's into cash, but counting stock as worth nothing.
  ⇨   This is because if B tries to sell stock in a big hurry they probably will not get anything for it.

_____

3. Efficiency Ratios (! Only Stock turnover is SL)
These find after how many days the B:
* Uses up all its stock   (faster is more efficient)
* On average repays its **creditors**
(Is good to be slow because it means they are financing it. BUT if B takes too long to pay their suppliers put up prices)
Is repaid by its **customers** (faster is better but if B pushes them to pay too fast they may buy from another B).

Return on Capital Employed (ROCE)
This shows the profit of a business in relation to the $ which has been invested LT in the B by its shareholders and other LT lenders.

= $\dfrac{\text{NPBIT} \times 100\%}{\text{Capital employed*}}$

* CE = shareholders' funds + LTL

5.Shareholder Ratios (HL ONLY)

Earnings per share = $\dfrac{\text{NPAIT}}{\text{No. of Shares}}$

This enables investors to work out what income to expect from their shares.

Dividend Yield = $\dfrac{\text{Dividend per share}}{\text{Market price of shares}}$ 100%

This enables investors to compare the return on what they pay for shares compared to alternative investments eg bank deposits.

6. Gearing Ratio = $\dfrac{\text{LTL}}{\text{LTL + Shareholders funds}}$

This shows what fraction of LT investment in the B is from LT lenders (= usually the banks). LT lenders do not want to invest more in the B than the shareholders are prepared to invest. They may ask the B to sell more shares rather than take another loan if the gearing is too high.

TOPIC 4: MARKETING

Product
Price
Promotion
Place (!!! Distribution Method)

!!! Q's usually expect answers based on 1st four only
People
Process
Physical evidence (what it looks like)
Packaging

Marketing Mix = Product, Price, Promotion, Place etc

Product Mix = range of products sold by B

4.1 THE ROLE OF MARKETING is to:
1. Increase **Market Share** = $\frac{\text{\$Sales by B}}{\text{Total \$sales in market}} \times 100\%$

2. Increase market size
3. Increase profit

MARKET DRIVEN MARKETING (most successful strategy)
= Do research to find market niche
=> Then develop a product to fill wants and needs of market

May **target** selling to particular market segments to reduce promotion costs.

PRODUCT DRIVEN MARKETING= invent a product then try to sell it

SOCIAL MARKETING (HL ONLY)
= programs aiming at social change eg Governments and charities
eg *smoking kills* campaigns

ASSET LED MARKETING (HL ONLY)
= Marketing restricted to core strengths of B

4.2 MARKETING PLAN

- **Marketing audit** = where are we now?
- Competitor study
- Primary research
- Marketing budget
- PPPP strategy (must be SMART)
- **Marketing Mix & Product Mix**
- **Ethics** in methods and countries
- **PEST** analysis = **P**olitical, **E**conomic, **S**ocial, **T**echnical
- **SWOT** analysis = (Internal **S**trengths & **W**eaknesses) +
  External **O**pportunities & **T**hreats)

PORTER's 5 FORCES (HL ONLY)
= Competitive rivalry, Suppliers, Buyers, New entrants, Substitutes

PRIMARY RESEARCH (aka Field Research)
Eg questionnaires, interviews, discussion groups, customer panels

+ Tailored to specific Q's   - Slow and costly
+ Up-to-date

Sampling for Primary Research (HL ONLY):
random
quota = based on market segmentation (some from every segment)
stratified = sample composition reflects % in each segment
cluster = one place, one time to save time & $
snowballing = each interviewee suggests someone else

SECONDARY RESEARCH (aka Desk Research)
= finding out other people's research eg web, articles, trade journals,
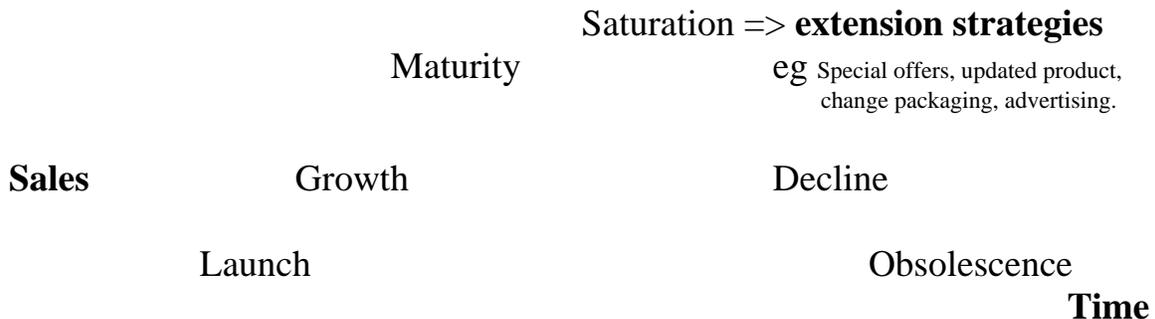government reports, newspapers etc.

+ Instant   - Q's my not suit this B… may be biased
+ Cheap   - Old?

4.3 PRODUCT

PRODUCT DEVELOPMENT PROCESS
Market research => identify market niche => R&D=> prototype => testing => test marketing => final product => identify distribution network => sell => market research =>feedback => update etc.

PRODUCT LIFE CYCLE

| | | Saturation => **extension strategies** |
| Maturity | | eg Special offers, updated product, change packaging, advertising. |

Sales   Growth   Decline

          Launch   Obsolescence
_____**Time**

PRICING STRATEGY ACCORDING TO PLACE IN CYCLE:
Launch: competition, skimming, penetration, cost+, % profit
Growth, Maturity: competition
Saturation: special offers, new product pricing
Obsolescence: low price to sell off

PROMOTION: Amount and type changes with cycle

BOSTON MATRIX aka BCG Matrix

		Market Share	
		High	**Low**
Market Growth	**High**	Star	Problem Child
	Low	Cash Cow	Dog
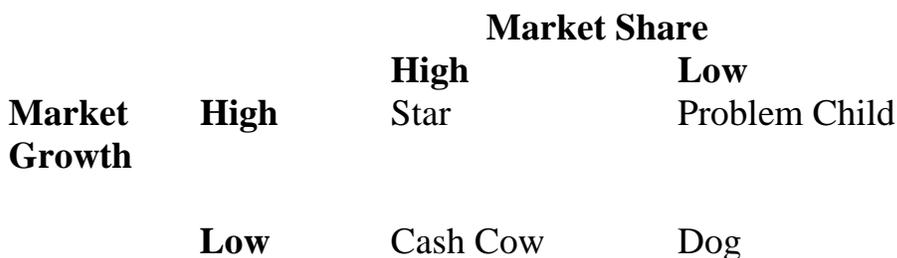
Cash cows give $ to support problem children.
Dogs are in decline and will eventually be allowed to die (=> dead dogs!)

B's usually have products at all parts of this cycle to ensure they have a steady stream of new products for the future.

BRANDING (!!! Often comes up in exam)

+ Logo   => customers identify it easily
+ Risk reducer   => brand loyalty
+ Image enhancer   => premium price
+ Sales generator   => can reduce price elasticity of demand
+ Some products stay indefinitely at maturity eg Coke
+ Puts high barriers to entry for competitors

Types of Branding (HL ONLY)
Family Branding = several products. 1 brand eg Sony
Company/Manufacturer's Brand = B name used as brand eg Heinz
Product Branding eg Toyota use Lexus for luxury end
Own Label Brand eg supermarket brands

4.4 PRICE

* **Price Skimming** = price high to start => cover costs early
* **Penetration Pricing** = low price to establish market position
* **Competition Pricing** = Going rate
* **Cost Plus** eg cost +10%

HL ONLY:
* Predator/Destroyer pricing = V. low price to destroy competition… then put price up high (only possible if have dominant market position and can fund temporary losses)
* **Price discrimination** eg kids free
***Loss leader** = one cheap item acts as bait to attract customers
* Psychological Pricing eg $99.99
* Promotional Pricing eg special offer for short time

SUPPLY AND DEMAND
Supply UP or Demand DOWN => PRICE down

ELASTICITY (HL ONLY)

Price Elasticity of Demand (PED)
= <u>% change in Quantity</u>
   % change in Price

above 1 = elastic = when price changes quantity demanded changes more
eg if put price up 10%, quantity sold goes down more than 10%.

Cross price elasticity = <u>% change in Q product B sold</u>
                            % change in Price of product A

Is used when products are SUBSTITUES eg butter/marge
Or when products are LINKED eg X-box and X-box games

!!! Putting the price up does not always mean more profit

4.5 PROMOTION (!!! Not just advertising!!!)

= Advertising (different media for different products) + special offers +
sponsorship + product placement (on films) + PR stunts + free gifts +
tastings + money-off coupons + trade fairs + pester power + personal selling
+ word of mouth etc

= **Promotional Mix**

Above the line promotion = Paid for in mass media
Below the line = Do not use mass media eg trade fairs, personal selling

FUNCTION OF ADVERTISING = PARIS
Persuade
make **A**ware
Remind
Inform
Switch

4.6 PLACE (DISTRIBUTION CHAIN)
Beware!!! Most students incorrectly mix this up with LOCATION!!!

eg Manufacturer => Wholesaler* => Retailer => Customer

* Stores goods so manufacturer does not have to. BUT takes a cut of profit.

Supply chain Management (HL ONLY)
=> Increases efficiency of supply chain by cutting out the middle men.
BUT B may
=> pay big cost for increased storage
=> need extra manpower to cope with lots of little orders eg e-commerce

4.7 INTERNATIONAL MARKETING
= marketing in foreign countries

!!! Do not confuse with: *global* marketing= same product worldwide eg Coke

Opportunities of Intl. Marketing
Bigger market
Increase profit potential
Economies of Scale
Increased brand recognition
Spread risk
Extend product life cycle

Threats
Cultural issues
Language
Ethics
Legal issues
Political issues
Social and demographic issues => products want
Business etiquette eg unlucky numbers, dress, greetings, physical contact, body language

4.8 E-COMMERCE
Business to business **(B2B)**
Business to consumer **(B2C)**

+ Extend customer base	- High setup $
+ Extra channel of distribution	- Fraud, hackers
+ Fast response to competitors	- Spam
+ Reduce showy packaging	- Use info then go buy in shop
+ reduce overheads	- Job losses
+ widen customer choice	- Slow graphics load
+ speed up transactions	- Not everyone has computer
+ convenience	- more manpower needed for lots of little orders

TOPIC 5: OPERATIONS MANAGEMENT

Factors of production => Process => Output
= Land, labour, capital, enterprise   = Value added
Aka 4 M's: Manpower, Machines, Money, Management

5.1 PRODUCTION METHODS

JOB PRODUCTION
= make one completely then make another etc
    ⇨   Quality, motivation, unique, flexible process
Eg a painting

FLOW PRODUCTION
Split into consecutive standardized processes eg beer production

LINE PRODUCTION
= Assembly line, often with conveyor belt

MASS PRODUCTION
Capital intensive line and flow production

BATCH PRODUCTION
Use same equipment for a set of same products, then reuse equipment for different products eg different soups

Problems of Line/mass/flow/batch production:
+ ec. of scale
+ low cost unskilled workers
+ standard quality
+ reduce average fixed costs per unit

- expensive machinery?
- boredom => fall in efficiency, absenteeism, job switching
- process inflexible when set up
- production up=> extra storage needed

Labour intensive = needs lot of manpower

Capital intensive = big cost of machines

How to avoid boredom:
Cell production aka **Team** production = process done by a team. Team members swap jobs so less boring

5.2 COSTS and REVENUES

Fixed Costs aka Overheads.
Do not change with number produced. Mostly **INDIRECT** costs ie **EXPENSES** on P&L
Eg management salaries are fixed, overheads, indirect and included in expenses on P&L

Variable Costs
Change in line with number produced. Mostly **DIRECT** costs (aka Cost of Goods Sold (COGS)).

Eg worker wages are variable according to hours work(**time-based pay**) or number produced (if **piece work** paid), direct, COGS

Revenue aka **Sales** aka **Turnover** aka **Sapes Turnover**
!!! May include grants and donations!!!

CONTRIBUTION
= Gross profit(GP) = (Sales – direct costs) = £ contributing towards paying the overheads (expenses)

Marginal cost = GP/ Number made
= cost of making one more

Absorption Costing aka Full Costing (HL ONLY)
Knowing the Contribution is great, but then you have to divide up the expenses somehow between departments or products **(costs centres)**, applying the 'right' amount of cost to each product = almost impossible to do fairly. Every way of dividing it up has some argument against it.

Ways to divide it: sales, floorspace, people in department

5.3 BREAK-EVEN ANALYSIS

!!! Students have a lot of trouble doing B/ charts.
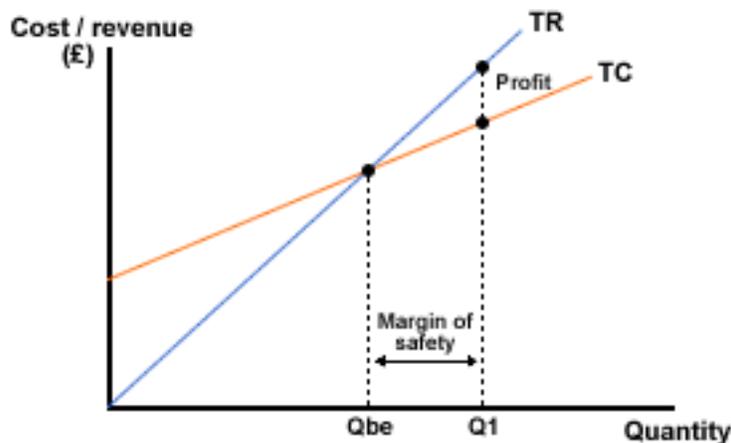The secret is to first calculate the B/E point then you know if the graph is looking right or not.

Calculating Break-Even (BE):
If n = no. of items B needs to sell to break even

At B/E point: IN   =   OUT
                Price x n   =   FC + (VC x n)

Then put the numbers in and find n… and then check that your B/E chart is correct

Essentials:
1. Label everything in sight and put TITLE
2. Put calculations on the chart with arrow to the point
3. Check the break even point by calculation

TC = Total Costs   Margin of safety = max no. – B/E no.
FC = Fixed Costs
VC = Variable Costs

Drawing the Total Revenue (TR) line:
1. No sales => zero income
2. Max sales = no. x selling price per item

Drawing the Fixed costs line:
Draw a horizontal line at the FC level

Drawing the total costs (TC) line:
1. If sales are zero => total costs = FC
2. If sales are maximum TC = FC + (VC x max no.)

False Assumptions of B/E Analysis (HL ONLY)
* Amounts change in a linear way: economies of scale make revenues and costs non-linear but in reality they curve
* B only makes 1 product!
* B sells all they make!

… But it is a frequent thing for IB examiners to set on exams.

5.4 QUALITY ASSURANCE

Quality = appearance, reliability, durability, fit for purpose, safe, customer service => B REPUTATION

Quality assurance = plan, do, check, improve

Lean Production = waste as little as possible eg materials, labour, time

Total Quality Culture (TQM)

Aims for:	Results in:
* zero defects	* reputation up
* less waste	* happy customers
* reduce inefficiencies	* costs down

BUT: can be costly, time-consuming and bureaucratic

KAIZEN (HL ONLY) = Continuous improvement
Eg using **QUALITY CIRCLES** = groups of workers from all levels who meet to give ideas for improvements.

BENCHMARKING (HL ONLY)
 = Measuring product against competition.
+ Fast & effective - Other products may notbe as good
+ Can lower costs

NATIONAL & INTERNATIONAL QUALITY STANDARDS (HL ONLY)
Eg   ISO international Standard Organization
        British Kite Mark
=> ensure safety and compatibility

5.5 FACTORS of LOCATION
Raw materials
Market
Land available
Transport
Cost
Customers
Industrial Inertia = too much bother to move
Personal preference
Climate
Laws
Labour availability
Government incentive
Globalization impacts (HL ONLY)

5.6 INNOVATION (HL ONLY)
+ Reduce costs   - $
+ Win new customers   - High failure rate
+ Create jobs

Patents, Copyrights, Trademarks: protect products… a bit

Factors affecting innovation:
* The unexpected
* industry trends
* demographics
* fashion
* new knowledge

5.7 PRODUCTION PLANNING

STOCK CONTROL

Just-in-case = keep a bit extra in case need it

Just in Time = order to arrive only when need it + only make it when B can deliver it to a firm sale
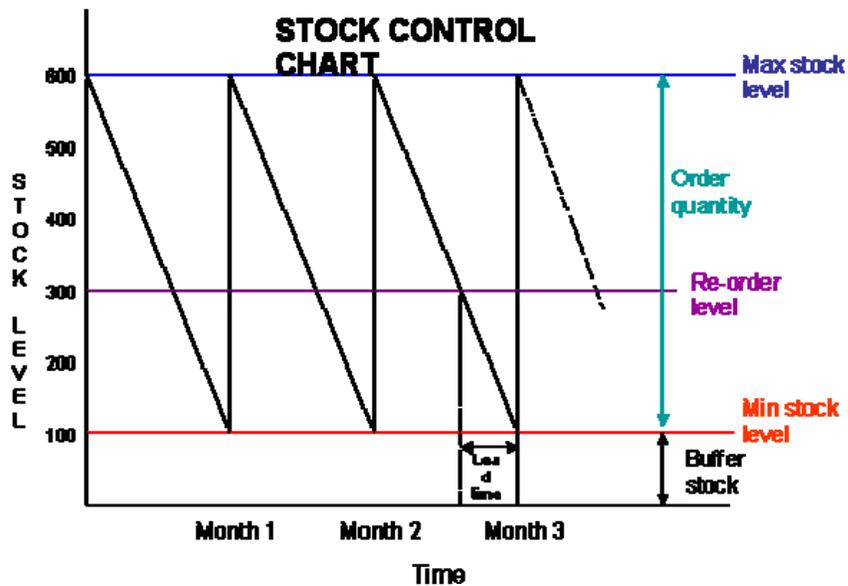
+ less storage space $ - risky if timing wrong

+ lower working capital   - reputation falls if late

- may run out of raw materials and have workers doing nothing

TRADITIONAL STOCK CONTROL METHOD (HL ONLY)

Source: http://tutor2u.net/business/production/stock-control-charts.htm

5.8 PROJECT MANAGEMENT (HL ONLY)
CRITICAL PATH ANALYSIS (CPA) aka NETWORK ANALYSIS
= way of working out how long projects will last and which bits can be delayed without stopping B finishing on time.

Source: http://tutor2u.net/business/production/critical-path-analysis.htm
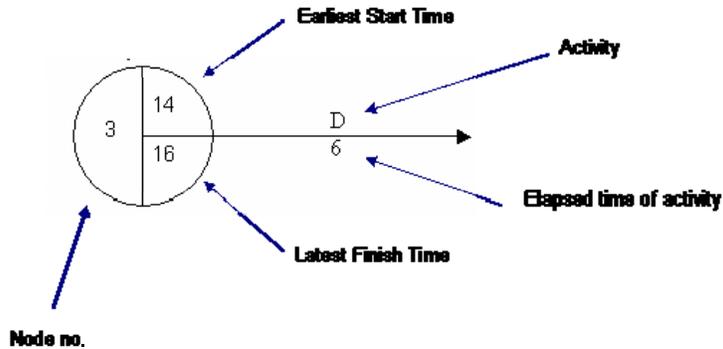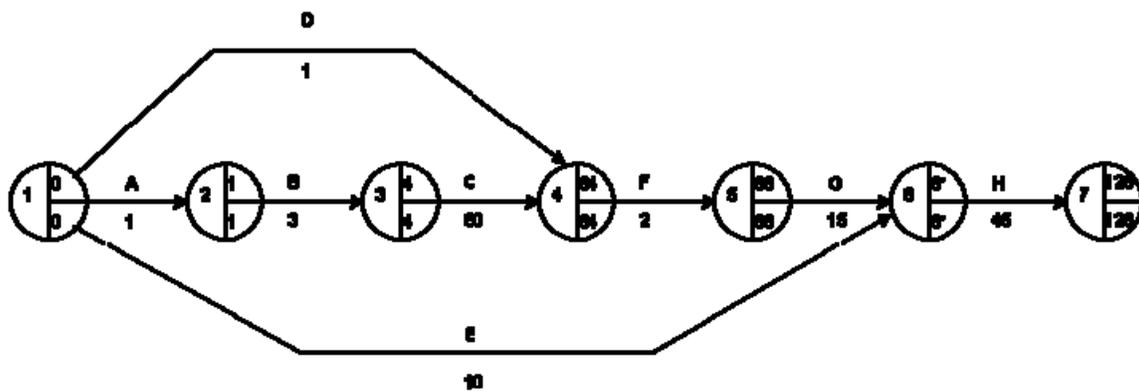
How to do it:

1. Work L to R, putting filling in all but the LFT
2. Mark the CRITICAL PATH with two downwards parallel lines eg II
3. Work R to L along the Critical Path, filling in the LFT
4. Work R to L along the other paths filling in the LFT
5. If 2 LFT or FST's seem to be different, choose the bigger number.

Calculating Free Float (non-critical paths only)
Free Float = End EST - Start EST – Duration
= How long the task can be delayed without affecting the start of the next task.

Calculating Total Float (non-critical paths only)
= LFT of first node - EST of next node – Duration
= accumulated float up to a specific task => tells you how much time you have spare for things to go wrong!

OUTSOURCING, SUBCONTRACTING, MAKE OR BUY (HL ONLY)

Outsourcing = buy it from some B which can make it cheaper
+ fewer expensive staff   - standard may be lower
+ less administrative hassle   - no control over production

Subcontracting = give contract to another B to make/do it.
As above + it saves B having to employ people just for a big order then having to make them redundant.

MARKET POSITIONING
Eg by price, corporate image, unique selling point (USP)

This is a way of comparing your product with others in the market.

A Positioning Map
www.marketingteacher.com
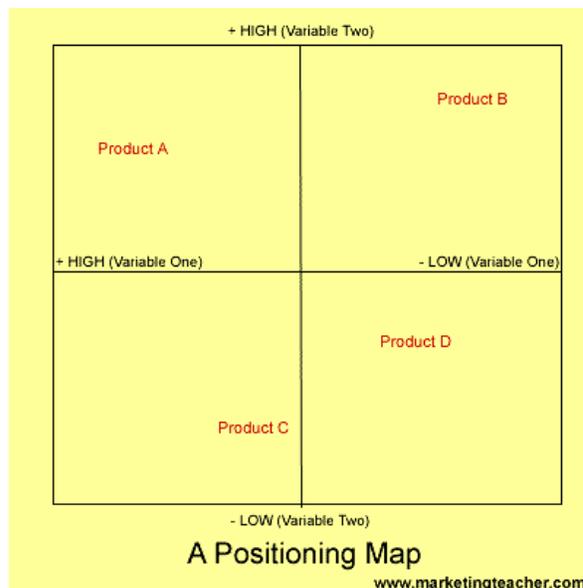
TOPIC 6: BUSINESS STRATEGY (HL ONLY)
 This is not something you can learn. You have to THINK and use LOGIC:
1. Strategic Analysis = current situation
2. Strategic Choice = where do we aim to be?
3. Strategic Implementation
= How to achieve aim
= WHAT SHOULD B DO? => THEN JUSTIFY IT

HL ASSESSMENT
Paper 1 = Case study: 80 marks, 2h 15m, 40%
Section A: 2 of 3 Q's: 30 marks x2
Section B: 1 set Q. Includes EVALUATION: 20 marks
Section C: 1 set Q on Strategic decision skills (Topic 6)

Paper 2: 75 marks, 2h 15m, 35%
Section A: 1of 2 number Q's: 25 marks
Section B: 2 of 3 Q's: 25 marks x2

Research Project: 30 hours, 25%
Based on an identified problem in a real B.
Primary & secondary research.
Max 2000 words

SL ASSESSMENT
Paper 1 = Case study: 50 marks, 1h 15m, 35%
Section A: 2 of 3 Q's: 30 marks
Section B: 1 set Q. Includes EVALUATION

Paper 2: 60 marks, 1h 45m, 40%
Section A: 1of 2 number Q's: 20 marks
Section B: 2 of 3 Q's: 20 marks x 2

Written Commentary: 15hours, 25%
Based on 3-5 documents about a problem facing a real B
Max 1500 words