Introduction to business management

IB DP Business Management Unit 1 Introduction to business management full package

Introduction to business management

- describe what a business does, its four functions and the four **sectors**;
- compare the types of business entity, including social enterprises;
- explain vision, mission, strategic and **tactical objectives** and CSR;

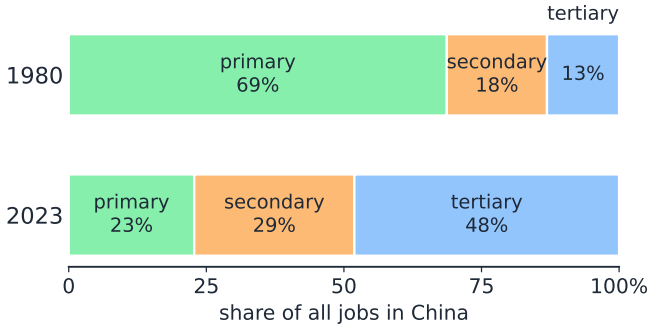
Introduction to business management (2)

- analyse **stakeholder** interests and conflicts;
- explain economies and **diseconomies of scale** and the methods of growth;
- evaluate the effects of multinational companies on host countries.

What a business is

- **human resources** : the people who work in it;
- **physical resources** : buildings, machines, materials;
- **financial resources** : the money to start and run it.

Figure: What a business is



- Two stacked bars of China's employment by sector: in 1980 primary 69%, secondary 18%, tertiary 13%; in 2023 primary 23%, secondary 29%, tertiary 48%
- Match each part of the diagram to the text.

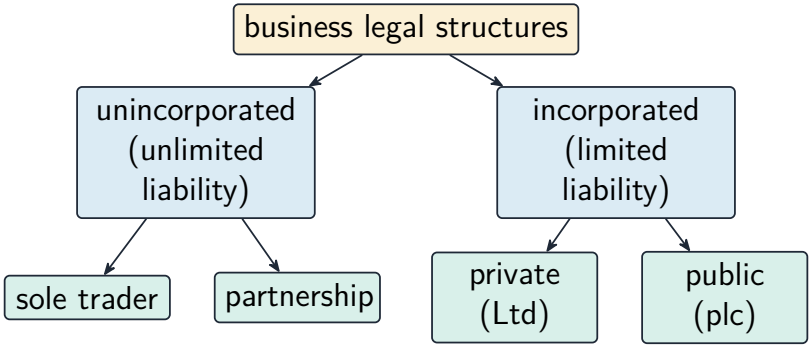
Types of business entities

- With **unlimited liability** , the owners must pay the debts from their own money, even by selling their home.
- With **limited liability** , owners can only lose the money they put into the business. This is possible because a company is a separate legal person from its owners.

Types of business entities (2)

- **For-profit social enterprises** include private-sector companies with a social aim, public-sector companies owned by the government, and **cooperatives** , which are owned and run by their members (such as workers or farmers) and share profits among them.
- **Non-profit social enterprises** include **non-governmental organisations** (NGOs) and charities. They depend on donations and grants as well as trading.

Figure: Types of business entities



- Business types split by **liability**: unincorporated (unlimited) and incorporated (limited)
- Match each part of the diagram to the text.

Business objectives

- A **vision statement** says what the business hopes to become in the long run: "To be the repair garage every family in the city trusts."
- A **mission statement** says what the business does, for whom and how: "We repair family cars quickly, at a fair price, and explain every bill."

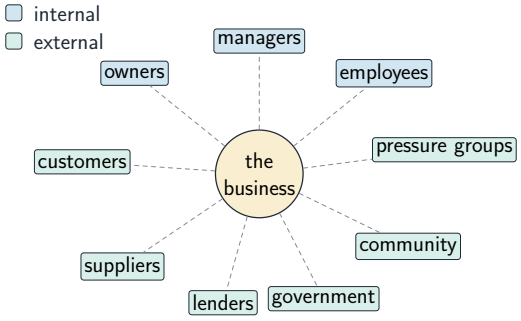
Business objectives (2)

- **Strategic objectives** are long-term aims set by senior managers: growth, profit, market share, protecting the value of the shares, and ethical aims.
- **Tactical objectives** are shorter-term, smaller steps, often set for one department, that help to reach a strategic objective.

Stakeholders

- **Internal stakeholders** are inside the business: owners or shareholders, managers and employees.
- **External stakeholders** are outside it: customers, suppliers, banks and other lenders, the government, competitors, **pressure groups** (groups that campaign on an issue, such as the environment) and the local community.

Figure: Stakeholders



- A business at the centre linked to **internal stakeholders** (owners, managers, employees) and external ones (customers, suppliers, lenders, government, community, **pressure groups**)
- Match each part of the diagram to the text.

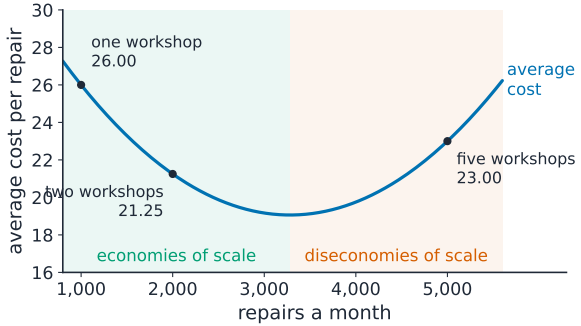
Growth and evolution

- **purchasing economies** : discounts for buying in bulk;
- **technical economies** : bigger, better machines used fully;
- **managerial economies** : hiring specialist managers;

Growth and evolution (2)

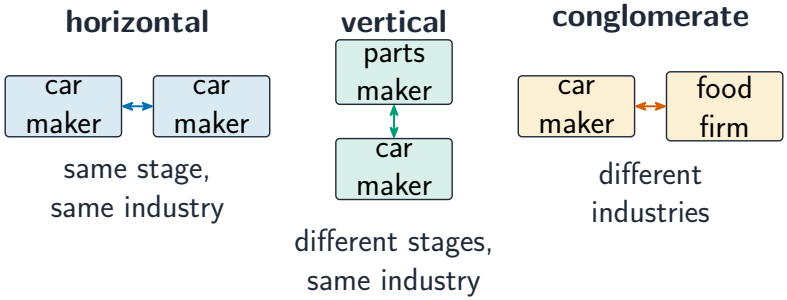
- **financial economies** : big firms borrow more cheaply;
- **marketing economies** : one advert reaches more customers per unit sold.

Figure: Growth and evolution



- A U-shaped average cost curve: average cost falls from 26 at 1,000 repairs to 21.25 at 2,000 (**economies of scale**) and rises to 23 at 5,000 (**diseconomies of scale**)
- Read the axes and units first.

Figure: Growth and evolution ·



- Three pairs of firms joining: two car makers (horizontal), a parts maker and a car maker (vertical), a car maker and a food firm (conglomerate)
- Match each part of the diagram to the text.

Multinational companies

- A **multinational company** (MNC) has operations in more than one country.
- The country where it opens a factory or office is the **host country** .
- The balance depends on the MNC, the **host country** and the time period.
- A car factory may bring thousands of jobs, but if it closes ten years later the town loses most of them at once.

Sources for this lesson

- International Baccalaureate, *Business Management guide* (first assessment 2024).
- BYD Company Limited, annual reports 2022 and 2023, and its company history.
- National Bureau of Statistics of China, *China Statistical Yearbook* (employment by sector).
- UNCTAD, *World Investment Report* (multinational companies and foreign direct investment).

Common errors

- Writing "a business makes a profit" as the definition of a business; a **social enterprise** is still a business, and its aim is a social or environmental purpose.
- Confusing a **publicly held company** (shares sold to the public) with the **public sector** (owned by the government).
- Saying limited liability means the business cannot lose money; it means the **owners** can lose only what they put in.

Common errors (2)

- Mixing up vision and mission: the vision is where the business wants to be; the mission is what it does now, for whom and how.
- Listing stakeholders without saying what each one wants, or why their interests conflict in the case.
- Stating that growth always lowers costs; past a certain size **diseconomies of scale** raise average cost.
- Giving only the good effects of an MNC; the question always wants both sides and a judgement about this **host country**.

Key terms

- **Entrepreneur**: a person who starts a new business and takes the risk that it may fail.
- **Limited liability**: the owners of a company can lose only the money they invested.
- **Social enterprise**: a business that trades to earn money but puts its **surplus** back into a social or environmental aim.

Key terms (2)

- **Mission statement**: a short statement of what a business does, for whom and how.
- **Stakeholder**: any person or group affected by what a business does.
- **Economies of scale**: the fall in average cost as a business grows.
- **Multinational company (MNC)**: a business with operations in more than one country.

Check yourself

- 1.
- Name the four **business functions** and the unit of the course that covers each. 2.
- Give one advantage and one disadvantage of becoming a **publicly held company**. 3.
- Write a tactical objective that would help the repair business reach 30% of its local market. 4.