

ADM1100 - MID TERM STUDY GUIDES

Chapter 1: Introduction (pg. 4-25)

Business:

All profit-seeking activities and enterprises that provide goods and services necessary to an economic system.

Profit:

Rewards for business people who take the risks involved to offer goods and services to customers.

Non-profit organizations:

Organizations whose primary aims are public services, not returning a profit to its owners.

Factors of Production:

Four basic inputs for effective operation: natural resources, capital, human resources, and entrepreneurship.

i) **Natural resources:**

All production inputs that are useful in their natural states, including agricultural land, building sites, forests, and mineral deposits.

ii) **Capital:** Production inputs consisting of technology, tools, information, and physical facilities.

iii) **Human Resources:** Production inputs consisting of anyone who works, including both the physical labour and the intellectual inputs contributed by workers.

iv) **Entrepreneurship:** The willingness to take risks to create and operate a business.

Private Enterprise System:

An economic system that rewards firms for their ability to identify and serve the needs and demands of customers.

Capitalism: An economic system that rewards firms for their ability to perceive and serve the needs and demands of consumers; also called the private enterprise system.

Competition:

The battle among businesses for consumer acceptance.

Competitive Differentiation:

The unique combination of organizational abilities, products, and approaches that sets one company apart from its competitors in the minds of customers.

Private Property:

The most basic freedom under the private enterprise system; the right to own, use, buy, sell, and hand down land, buildings, machinery, equipment, patents, individual possessions, and various intangible kinds of property.

Entrepreneur:

A person who seeks a profitable opportunity and takes the necessary risks to set up and operate a business.

STUDY THE 6 PERIODS/ERAS IN THE HISTORY OF BUSINESS

Consumer Orientation:

Business Philosophy that focuses first on customers' unmet wants and needs, and then designs products to meet those needs.

Branding:

The process of creating in consumers' minds an identity for a good, service, or company; a major marketing tool in contemporary business.

Brand:

A name, term, sign, symbol, design, or some combination that identifies the products of one firm and shows how they differ from competitors' offerings.

Transaction Management:

Building and promoting products in the hope that enough customers will buy them to cover costs and earn profits.

Relationship Era:

The Business Era where firms seek to actively promote customer loyalty by carefully managing every interaction.

- Relationship Management: the collection of activities that build and maintain ongoing, mutually beneficial ties with customers and others.
- Technology: the business application of knowledge based on scientific discoveries, inventions, and innovations.

Strategic Alliance:

A partnership formed to create a competitive advantage for the businesses involved; in international business, the business strategy of one company partnering with another company in the country where it wants to do business.

Diversity:

The blending of individuals of different genders, ethnic backgrounds, cultures, religions, ages, and physical and mental abilities to enhance a firm's chances of success.

Outsourcing:

Using outside vendors to produce goods or fulfill services and functions that were previously handled in-house or in-country.

Offshoring:

The relocation of business processes to lower-cost locations overseas.

Nearshoring:

The outsourcing of production or services to locations near a firm's home base.

Vision:

The ability to perceive marketplace needs and what an organization must do to satisfy them.

Critical Thinking:

The ability to analyze and assess information to pinpoint problems or opportunities

Creativity:

The capacity to develop novel solutions to perceived organizational problems.

Chapter 5: Forms of Ownership & Organization (pg. 128-150)

Small Business:

An independent business with fewer than 100 employees and revenues less than 2 million, not dominant in its market.

Home-based Businesses:

Firms operated from the residence of the business owner

Business Plan:

A formal document that details a company's goals, methods, and standards

Business Development Bank of Canada (BDC):

A governmental agency that assists, counsels, and protects the interest of small businesses in Canada

Business Incubator:

A local program designed to provide low-cost, shared business facilities to small start-up companies

Venture Capital:

Money invested in a business by another business or a group of individuals in return for an ownership share

Franchising:

A contract-based business arrangement between a manufacturer or other supplier, and a dealer, such as a restaurant operator or retailer.

Franchisee:

The individual or business firm purchasing a franchise

Franchisor:

The firm whose products are sold to customers by the franchisee.

Sole Proprietorship:

A business ownership in which the sole proprietor's status as an individual is not legally separate from his or her status as a business owner.

Partnership:

An association of two or more persons who operate a business as co-owners by voluntary legal agreement.

Corporation:

A legal organization with assets and liabilities separate from the assets and liabilities of its owners.

Not-for-profit Corporations:

Organizations whose goals do not include pursuing a profit

Shareholders:

Owners of a corporation as a result of their purchase of shares in the corporation

Preferred shares:

Shares that give owners limited voting rights and the right to receive dividends or assets before owners of common shares

Common Shares:

Shares that give owners voting rights but only residual claims to the firm's assets and income distributions

Board of Directors:

The governing body of a corporation

Merger:

An agreement in which two or more firms combine to form one company

Acquisition:

An agreement in which one firm purchases another

Vertical Merger:

A merger that combines firms operating at different levels in the production and marketing process

Horizontal Merger:

A merger that joins firms in the same industry for the purpose of diversification, increasing customer bases, cutting costs, or expanding product lines.

Conglomerate Merger:

A merger that combines unrelated firms, usually with the goal of diversification, increasing sales, or spending a cash surplus to avoid a takeover attempt.

Joint Venture:

A partnership between companies for a specific activity

Chapter 6: Entrepreneur (pg. 158-174)

Entrepreneur:

A person who seeks a profitable opportunity and takes the necessary risks to set up and operate a business

Classic Entrepreneur:

A person who sees a business opportunity and sets aside resources to gain access to that market

Serial Entrepreneur:

A person who starts one business, runs it, and then starts and runs more businesses, one after another.

Social Entrepreneur:

A person who sees societal problems and uses business principles to develop new solutions.

Lifestyle Entrepreneur:

A person who starts a business to reduce work hours and create a more relaxed lifestyle

Seed Capital:

The initial funding needed to launch a new venture

Debt Financing:

Borrowed funds that entrepreneurs must repay

Equity Financing:

Funds invested in new ventures in exchange for past ownership

Venture Capitalists:

Business firms or groups of individuals that invest in new and growing firms in exchange for an ownership share

Angel Investors:

Wealthy individuals who invest directly in a new venture in exchange for an equity stake

Intrapreneurship:

The process of promoting innovation within the structure of an existing organization

Chapter 3 and 4: Economic and Competitive Environment

(pg. 64-118)

Economics:

The social science that studies the choices people and government make when dividing up their scarce resources.

Microeconomics:

The study of small economic units, such as individual consumers, families, and businesses.

Macroeconomics:

The study of a nation's overall economic issues, such as how an economy maintains and divides up resources and how a government's policies affect its citizens' standard of living.

Demand:

The willingness and ability of buyers to purchase goods and services.

Supply:

The willingness and ability of sellers to provide goods and services.

Demand Curve:

A graph of the amount of a product that buyers will purchase at a different prices.

Supply Curve:

A graph that shows the relationship between different prices and the amount of goods that sellers will offer for sale, regardless of demand.

Equilibrium Price:

The current market price for an item

Pure Competition:

A market structure where large numbers of buyers and sellers exchange similar products, and no single participant has a large influence on price.

Monopolistic Competition:

A market structure where large number of buyers and sellers exchange similar products so each participant has some control over price.

Oligopoly:

A market situation where relatively few sellers compete and high start-up costs act as barriers to keep out new competitors

Monopoly:

A market situation where a single seller controls trade in a good or service, and buyers can find no close substitutes.

Regulated Monopoly:

A firm that is granted exclusive rights in a specific market by a local, provincial, or federal government.

Planned economy:

An economic system where business ownership, profits, and resource allocation are shaped by a plan to meet government goals, not goals set by individual firms.

Socialism:

An economic system where the government owns and operates the major industries, such as communications.

Mixed Market Economy:

An economic system that draws from both private enterprise economies and planned economies, to different degrees.

Privatization:

The conversion of government-owned and-operated companies to privately held businesses.

Recession:

A cycle of economic contraction that lasts for six months or longer.

Productivity:

The relationship between the number of units produced and the number of human and other production inputs needed to produce them.

Gross Domestic Product (GDP):

The sum of all goods and services produced within a country during a specific time period, such as a year.

Inflation:

Rising prices caused by a combination of excess consumer demand and higher costs of raw materials, component parts, human resources, and other factors of production

Core Inflation Rate:

The inflation rate after energy prices and food prices are removed

Hyperinflation:

An economic situation marked by soaring prices.

Deflation:

The opposite of inflation, occurs when prices continue to fall.

Consumer Price Index (CPI):

A measurement of the monthly average change in prices of goods and services

Unemployment Rate:

The percentage of the total workforce actively seeking work but currently unemployed.

Frictional Unemployment:

The joblessness of people in the workforce who are temporarily not working but are looking for jobs.

Seasonal Unemployment:

The joblessness of workers in a seasonal industry

Cyclical Unemployment:

The joblessness of people who are out of work because of a cyclical contraction in the economy.

Structural Unemployment:

The joblessness of people who remain unemployed for long periods of time, often with little hope of finding a job.

Monetary Policy:

A government plan to increase or decrease the money supply and to change banking requirements and interest rates to affect banker' willingness to make loans.

Expansionary Monetary Policy:

A plan to increase the money supply to try to decrease the cost of borrowing. Lower interest rates encourage businesses to make new investments, which leads to employment and economic growth.

Restrictive Monetary Policy:

A plan to reduce the money supply to control rising prices, overexpansion, and concerns about overly rapid economic growth.

Fiscal Policy:

A plan of government spending and taxation decisions designed to control inflation, reduce unemployment, improve the general welfare of citizens, and encourage economic growth.

Budget: An organization's plan for how it will raise and spend money during a specific period of time.

Exports:

Domestically produced goods and services sold in other countries

Imports:

Foreign goods and services purchased by domestic customers

Balance of Payments:

The overall money flows into and out of a country

Exchange Rate:

The value of one country's currency in terms of the currencies of other countries

Devaluation:

A reduction in a currency's value in terms of other currencies or in terms of a fixed standard

Infrastructure:

The basic systems of a country's communication, transportation, and energy facilities

Tariffs:

Taxes imposed on imported goods

Quota:

A limit set on the amounts of particular products that can be imported

Dumping:

Selling products in other countries at prices below production costs or below typical prices in the home market to capture market share from domestic competitors.

Embargo:

A total ban on importing specific products or a total stop to trading with a particular country

Exchange Control:

A restriction on importing certain products or a restriction against certain companies to reduce trade and the spending of foreign currency.

General Agreement on Tariffs and Trade (GATT):

An international trade accord that has greatly reduced worldwide tariffs and other trade barriers.

World Trade Organization (WTO):

A 157-member international institution that monitors GATT agreements and mediates international trade disputes

World Bank:

An organization established by industrialized nations to lend money to less developed countries.

International Monetary Fund (IMF):

An organization created to promote trade, eliminate barriers, and make short-term loans to member-nations that are unable to meet their budgets.

North American Free Trade Agreement (NAFTA):

An agreement among the United States, Canada, and Mexico to break down tariffs and trade restrictions

Central America-Dominican Republic Free Trade Agreement (CAFTA-DR):

An agreement among the United States, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua to reduce tariffs and trade restrictions

European Union (EU):

A 27-nation European economic alliance

Countertrade:

A barter agreement whereby trade between two or more nations involves payment made in the form of local products instead of currency.

Franchise:

A contract-based agreement in which a franchisee can produce and/or sell the franchisor's products under that company's brand name if the franchisee agrees to the operating terms and requirements.

Foreign Licensing Agreement:

International agreement in which one firm allows another firm to produce or sell its product, or use its trademark, patent, or manufacturing processes, in a specific geographical area, in return for royalties or other compensation.

Subcontracting:

An agreement that involves hiring other companies to produce, distribute, or sell goods or services; in international subcontracting, local companies in a specific country or geographical region are hired to produce, distribute, or sell goods or services.

Joint Venture:

A partnership between companies for a specific activity

Multinational Corporations (MNC):

A firm with many operations and marketing activities outside its home country.

Global Business Strategy:

The offering of a standardized, worldwide product and the selling of it in basically the same way throughout a firm's domestic and foreign markets.

Multidomestic Business Strategy:

A plan to develop and market products to serve different needs and tastes in separate national markets.

Chapter 2: Ethics & CSR (pg. 33-57)

Business Ethics:

Standards of conduct and moral values regarding right now and wrong actions in the business environment.

Conflict of Interest:

A situation in which an employee must choose between a business's welfare and personal gain.

Integrity:

Behaving according to one's deeply felt ethical principles in business situations.

Whistle-blowing:

Disclosure to company officials, government authorities, or the media of illegal, immoral, or unethical practices committed by an organization.

Code of Conduct:

A formal statement that defines how an organization expects its employees to resolve ethical issues.

Stakeholders:

Customers, investors, employees, and public affected by or with an interest in a company.

Social Responsibility:

Business's consideration of society's well-being and consumer satisfaction, in addition to profits.

Social Audits:

Formal procedures that identify and evaluate all company activities that relate to social issues, such as conversation, employment practices, environmental protection, and philanthropy.

Recycling:

Reprocessing of used materials for reuse

Green Marketing:

A marketing strategy that promotes environmentally safe products and production methods

Sustainable:

The capacity to endure in ecology

Corporate Philanthropy:

An Organization's contributions to the communities where it earns profits

Consumerism:

Public demand that a business consider the wants and needs of its customers when making decisions

Product Liability:

The responsibility of manufacturers for injuries and damages caused by their products.

Fair Trade:

A market-based approach of paying higher prices to producers for goods exported from developing countries to developed countries in an effort to promote sustainability and to ensure the people in developing countries receive better trading conditions.

Discrimination:

Biased treatment towards a job candidate or employee.

Employment Equity Act (EEA):

An act created (1) to increase job opportunities for women and members of minority groups and (2) to help end discrimination based on race, colour, religion, disability, gender, or national origin.

Sexual Harassment:

Unwelcome and inappropriate actions of a sexual nature

Sexism:

Discrimination against members of either sex, but usually against women.

POSSIBLE SHORT ANSWER QUESTIONS:

The Three Barriers to trade:

i) Social and Cultural Differences

- Language

- Values and Religious Attitudes

ii) Economic Differences

- Infrastructure
- Currency Conversion and Shifts

iii) Political and Legal Barriers

- Political Climate
- Legal Environment
- International Regulations