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Introduction to the Business Management concepts

Guiding questions

- What are the Business Management concepts and how do they form part of my study at both standard level (SL) and higher level (HL)?
- What is business content and what is its connection to the business concepts?
- What is a business context and what is its connection to the business concepts?
- How can I use Business Management content/concepts/contexts so that I can deepen my understanding of this subject?

Introduction

Business concepts refer to ideas or themes which connect business content to help you deepen your understanding of business management. There are four concepts in the *Business Management Guide* to develop this understanding. These concepts are change, creativity, ethics and sustainability.

You will apply the concepts to the business content you study, and will be assessed on them through the internal assessment research project for both SL and HL.

Business content refers to the business topics which you will cover as part of the Business Management course. This content will include business theories, the Business Management toolkit, and business topics like leadership, cash flow, and market research, as indicated by the Business

Management syllabus. Your school should provide you with a copy of the syllabus at the start of the course.

Business contexts refer to the use and understanding of real-life business case studies. The use of stories, examples or case studies is a very powerful way to bring business content and concepts to life. Wherever possible in this study guide, examples will be used to illustrate important points to help you engage with and remember important business content. Contexts will appear regularly throughout the study guide, and the IB learner profile will encourage you to research your own.

The four Business Management concepts are discussed in more detail below. We shall see how they can be linked together to deepen your understanding of business.

The four concepts

The Business Management concepts which will be considered in turn are:



Change



Sustainability



Ethics



Creativity



Change

Change with respect to business management is defined as a process by which an individual or organization decides to take an alternative course of action, and move away from the current way of operating. This could be due to a change in either internal or external factors.

A common saying in business literature is “change is the only constant”. In an era of unprecedented change, this would seem to be the experience of many individuals and businesses. These “unprecedented” changes have been economic, political, social, and technological. We have also at times changed our business language to try to define and explain these changes (some new business terms not in the Business Management syllabus have been included in Table 0.4).

Change can have a direct and positive influence but also a devastating impact on an organization. Such is the power of this influence that some business commentators refer to change leading to the *disruption* of entire industries.

Examples of industries which have been changed permanently include but are not limited to:

- The tourism industry. Airbnb has become the largest hotel chain in the world, but it does not own any hotels.
- The transport industry. Uber is the largest taxi fleet in the world and owns only a fraction of its vehicles.
- The banking industry. This has been disrupted by the widespread introduction and use of the smartphone as a method of banking and payment.
- The home entertainment industry. Streaming services such as Netflix have disrupted viewing habits and patterns, and the ways in which traditional TV and film companies earn revenue.
- The communication industry. The home telephone is disappearing, to be replaced by online forms of communication including Zoom, Microsoft Teams, and Google Meet.
- The meat industry. The creation and increasingly widespread use of plant-based materials is threatening traditional meat and dairy industries in the casual dining and fast-food industries.

There are also other significant environmental, social, and technological changes which may lead to further disruption.

- Increasing flexibility in the workplace and in organizational structures (particularly with the rise of remote working) is becoming more popular locally, nationally and globally to boost productivity and reduce the carbon footprint.
- The retail landscape of many countries is changing, with online shopping becoming more ingrained in everyday life. The emergence of the "click and collect" culture is combining traditional distribution with online retail.
- The influence and dominance of social media continues to grow in our everyday lives, and is accompanied by the growth of "fake news". The crowded social media marketplace has also meant that new smaller organizations have struggled to gain attention. Consequently there have been significant changes in the methods by which organizations undertake marketing.
- There is growing awareness of the importance of well-being and self-care in our business operations, particularly as a result of the Covid-19 pandemic.
- There is growing awareness of the use and misuse of personal data for commercial reasons.
- More temporary retail stores (often known as pop-ups) are being created and developed, as opposed to the more fixed and permanent high street locations.
- There is greater urgency, especially from younger stakeholders, around the issues of climate change and the responsibility of businesses to reduce their environmental impacts.
- There is an exponential increase in the generation of data, which can be used to drive new revenue streams and/or marketing strategies. Data could also be used in human resource and financial management, and in wider decision-making.
- And of course, there is the ongoing and devastating impact of Covid-19. *From a business point of view, Covid-19 has led to not only a new normality in terms of lifestyle, but also a new language, new ways of doing business, and changes to strategic goal setting, the structure of organizations, supply chain management and more.

*References to Covid-19 in this study guide will focus purely on its impact on business operations and change as a concept. This is in accordance with IB policy around the inclusion of sensitive issues and the fact that Covid-19 is still present at the time of writing and will continue to be for the foreseeable future.

The above list is merely a guide to the changes impacting on business operations. By the time this study guide is published, it is anticipated that there will be many more.

Sustainability

Sustainability refers to an organization or community meeting current needs without compromising the ability of future generations to meet their own needs.

Sustainability with respect to business management can be defined through different perspectives.

- Firstly, the most common perspective is environmental sustainability. This refers to the idea that businesses

and their operations should try to minimize their environmental impact on a range of stakeholders, especially the wider community.

- Economic or financial sustainability refers to the idea that an organization should be able to generate sufficient income to allow it to survive and continue to benefit future stakeholders (the "going concern" concept).
- Social or cultural sustainability means that an organization should treat its human stakeholders in a fair and equal manner. This extends not just to employees, but also to suppliers and customers.

We will now briefly investigate one useful way in which we can develop our understanding of sustainability, with reference to the triple bottom line.

The triple bottom line

The triple bottom line is an accounting framework with three parts: social, environmental (or ecological), and financial (economic). These aim to present a broader view of sustainability.

In essence, the triple bottom line refers to three "pillars":

- People – where an organization practises fair and equal treatment of its employees and other internal and external stakeholders.
- Planet – where an organization has a long-lasting commitment to minimize the environmental impact of its business operations.
- Profit – which is achievable without compromising either of the above two pillars. Profit is the reward for successful entrepreneurial activity, but any damaging social or environmental impacts should be included when reporting overall profitability.

The overall conclusion is that when considering the concept of sustainability, we must include the aspects of people, planet and profit. The increasing use of social media is at the forefront of this influence. Any organization which does not fulfil its requirements to the three aspects is likely to receive rapid, unwelcome and sustained negative publicity. This could impact not only on customer perception but also on supplier relationships and employee motivation.



Ethics

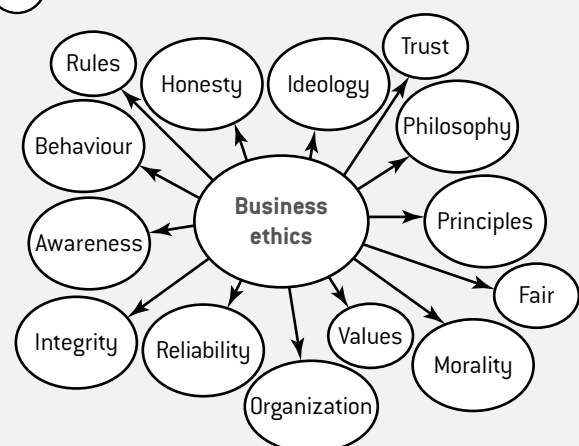



Figure 0.1: Business ethics

Ethics is a broad and wide-ranging concept, as Figure 0.1 indicates. In a business context, it refers to a "morally

acceptable" code of behaviour that a business will adopt to guide how it operates. We can assume that businesses will want to be viewed positively by their internal and external stakeholders.

Put simply, if a business is acting ethically or demonstrating ethical behaviour then it should be doing the "right thing".

IB Learner Profile

Principled 

There is a great deal of debate and discussion as to the precise meaning of "morally acceptable" or what "doing the right thing" in a business context means. This debate is beyond the scope of this study guide but it could make for an excellent TOK discussion in class.

Ethical behaviour for an organization can apply to all aspects of a business. Here are a few examples of how ethics can apply across all departments:

- **Operations:** a business should produce goods and services which are safe for consumers to use. These products should meet national or international quality standards. The business should also limit the environmental impact of their operations and their products/services.
- **Marketing:** a business can promote their products ethically so they do not mislead customers or make promises about a good or service which may confuse or irritate customers.
- **Human resource management:** organizations should ensure that they treat employees fairly. They could do this by introducing a living wage or through transparent recruitment and promotion processes.
- **Finance:** ethical behaviour here could mean an organization paying appropriate levels of taxes following transparent accounting processes.

Ethical behaviour and transparency

For an organization to be acting ethically, it needs to be able to demonstrate credible ethical behaviour to its stakeholders. In simple terms, is the organization doing what it is supposed to be doing, and can consumers, employees and other stakeholders trust the organization?

As we have seen with the concept of sustainability and the triple bottom line, organizations need to be transparent and provide clear reporting to show that they are meeting important milestones for their mission and vision.

Another way for an organization to give a clear indication of its ethical reputation and sustainability is by becoming a certified B Corporation.

"Certified B Corporations are businesses that meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose ... B Corps form a community of leaders and drive a global movement of people using business as a force for good."

Source: <https://bcorporation.net/about-b-corps>

An organization that becomes a B Corporation must continuously try to meet the standards of transparency and accountability demanded by the certification, and align with the certification's mission. This may mean that a B corporation cannot make business decisions or implement new strategies which conflict with the B Corp mission. B Corp certification provides an important connection between two concepts, namely ethics and sustainability. For example, a bank may not be able to finance projects that could impact on the environment in a negative way.

Some organizations, such as Allbirds, use B Corp certification as a marketing tactic. This organization has carried out a successful transition to a publicly listed company and has been acknowledged for their ethical and environmental commitments. We will discuss the organization in more detail in chapter 1.2.

To make transparency part of day-to-day operations, many organizations have an ethical "code of conduct" that drives their operations and relationships between internal and external stakeholders, especially between employees and managers. Codes of conduct can also be used to reduce conflict and lead to conciliation. This could result in more cooperative teamwork and motivation within the workplace.



Creativity

There are many different interpretations of the concept of creativity. Here is a selection:

- "You can't use up creativity. The more you use, the more you have." (Maya Angelou)
- "When learning is purposeful, creativity blossoms. When creativity blossoms, thinking emanates. When thinking emanates, knowledge is fully lit." (Abdul Kalam)
- "The air is full of ideas. They are knocking you in the head all the time ... Suddenly the idea will come through. It was there all the time." (Henry Ford)
- "Creativity is making the familiar strange and the strange familiar." (Mike Hutcheson)

What are the skills required to be creative in business?

Successful creativity in business management:

- Requires good subject and background knowledge around the decision to be made or the problem to be solved.
- Occurs when mistakes are encouraged in the creative process and a safe environment is provided to allow those mistakes to happen.
- Should try to create new ways of thinking or products or services which add value. There should be something tangible and valuable developed.
- Should be designed around solving a difficult problem which has a significant impact on a community.

An example will help to illustrate these points.



Harry Beck and the London Underground map



Figure 0.2: Map of the London Underground

The name Harry Beck will probably be unfamiliar. However, Harry Beck created one of the most influential pieces of design in transport management and planning. It is still being used and adapted by communities and governments today, nearly 100 years after it was first launched.

Beck attempted to solve a difficult problem. The London Underground network was growing rapidly. Passengers were finding it confusing to use the system as there was no map to illustrate all of the stations which were being built. Beck was a draughtsman skilled in technical drawing and he had knowledge of electrical circuits. He was determined to find a solution.

Beck's creativity was built on knowledge, skills and one critical insight. He imagined that passengers *would not worry about the distance between stations when underground*. Passengers would only be concerned with the direction of their journey.

Using this insight, Beck was able to include all of the underground stations on his map, even those at the edges of the city, due to distance not being a factor in his solution. It is an excellent example of how creativity can

lead to significant benefits to an organization and also the community. Beck's creativity in map and timetable design has often been copied but never been bettered.

Beck demonstrated many of the qualities of successful creativity:

- He had technical drawing skills so he could illustrate his ideas effectively, and of course he had deep knowledge of the rail network.
- It took many years to complete his final design. He was resilient and kept on producing versions of his map until the senior management of London Underground were happy with it. They rejected his initial designs.
- The map was initially printed in a small size so passengers could keep a copy of it. Today many passengers have the map on their smartphones, or use an app based on the map. The key learning here is that the finished product or service may need to be changed into different forms so that it adapts to customers' needs. In effect, creativity needs to be creative!

As an aside, there is an interesting story around Harry Beck's Underground map. His initial ideas were rejected by the London Underground. He worked overtime without additional pay as he was determined to prove them wrong. Beck was paid only a small sum of money on completion and when the design was used by other transport companies and governments, he was not paid a royalty fee.

Finally, after a documentary focusing on his work, Harry Beck was credited with the design of the London Underground map and his name was included on all future versions. London Underground had argued that Beck was an employee and deserved no special acknowledgment.

Beck died in 1978 a forgotten hero of enduring creativity.

The role and impact of creativity for organizations

Given intensifying competition in local, national and global markets, the ability to be viewed as different or unique from one's competitors has become critical. We will see the implications of this for marketing in unit 4.

Being creative is important for economic sustainability, and it is not limited to product or service innovation. Other functions of business can be linked to creativity:

- Creativity in marketing by finding new ways to engage with and promote to existing and potential customers. The introduction of customer loyalty programmes and using new social media platforms such as TikTok are just two examples.
- Creativity in leadership and the management of human resources, especially given the impacts of Covid-19. How do you lead and manage virtually? How can you make every level of your organization more creative in its thinking when working remotely? One example of creative leadership is given with the Brazilian

company Semco in chapter 2.2. Semco created a new form of industrial democracy and management where every employee in the organization gets one vote in decision-making, even the CEO.

- Creativity in the use of operations and technology to communicate, produce and manage supply chains across global markets to reduce costs and/or improve product quality. More detail on communication is given in chapter 2.6 and operations management in unit 5.

Creativity, leadership, and organizational culture

Academic research has revealed that before you can become creative in business activity, you need to have skills and knowledge of a particular product or process in its previous form. The ability to work in teams so that new ideas can be created collaboratively is also an important element in being creative.

Furthermore, the culture of the organization should be fashioned so that creativity can thrive. An inclusive culture or

democratic leadership style may be appropriate. Employees and managers, for example, will need to feel "safe" and confident that their ideas developed during the creative process will be acknowledged, accepted and discussed, rather than just being rejected for being too risky or expensive to implement.

For many years, Toyota has been acknowledged for the way it has broken down management levels and created teams

or project groups that have worked together creatively and saved the organization many billions of dollars. Mistakes are viewed as part of the creative process and are embraced.

Consequently, leadership styles adopted by managers and entrepreneurs are seen as critical in developing a "creative" mindset in their organizations.



Introduction to the Business Management toolkit

One of the key aims of the Business Management course is to encourage you through the study of business management to become a change agent. The use of the Business Management toolkit is one way to help you achieve this.

The toolkit is a collection of tools and techniques that can be used to support your decision-making. The toolkit cannot provide you with perfect solutions, but it can guide you in

becoming more knowledgeable and analytical. These are two important attributes that increase your ability to make effective decisions. This skill lies at the centre of becoming a change agent.

The tools and techniques of the toolkit should be revised in the same way that you are learning the business management content in units 1-5 and the four concepts.

The tools in the Business Management toolkit

HL and SL tools include:

- SWOT analysis
- Ansoff matrix
- STEEPLE analysis
- Boston Consulting Group (BCG) matrix
- business plans
- decision trees
- descriptive statistics*
- circular business models.

**Descriptive statistics will include techniques that you learned in mathematics/statistics from your group 5 subject in your Diploma package. Hence, this study guide will assume you are already familiar with them and they merely need to be transferred to a business management context.*

Descriptive statistics includes:

- mean, median, mode, bar charts, pie charts, infographics
- quartiles (interquartile range)
- standard deviation.

HL-only tools include:

- critical path analysis
- Gantt chart
- Porter's generic strategies
- force field analysis
- simple linear regression
- contribution.

Simple linear regression includes:

- line of best fit
- scatter diagrams
- correlation/extrapolation.

Contribution includes:

- make or buy analysis
- contribution costing (linked to portfolio analysis and the BCG matrix)
- absorption costing – allocating the fixed overhead to create flexible costs/pricing for cost/profit allocation.

Classification of the different types of tools in the toolkit

The tools in the toolkit can be broadly classified along the following lines:

- Situational
- Planning
- Decision-making

Situational tools can help you to identify the current situation which exists within an organization, and are usually applied at the start of the decision-making process. Examples include SWOT and STEEPLE analysis.

Planning tools can assist with implementing a project. These tools, such as critical path analysis and Gantt charts, can assist with the allocation of scarce resources. They can also help with project management so that deadlines are met and projects do not overrun, which may increase costs.

Some tools in the toolkit could easily be classified as both planning and situational. Force field analysis can be used as a *situational* tool to illustrate the current state of driving and restraining forces within a business. It can also act as a *planning* tool to indicate which forces should be targeted to either be strengthened (in the case of drivers) or weakened (in the case of restrainers) to reach a new equilibrium.

Decision-making tools can be used for short, medium and long-term purposes. For example, make or buy analysis can be used to see if an organization should make a product or component themselves or buy in from an outsourced supplier. This could be a short or medium-term decision to be made.

Longer-term strategic decision-making tools such as the Boston Consulting Group (BCG) matrix, Ansoff matrix and Porter's generic strategies, are decision-making tools which involve considerable research, resource allocation, monitoring and execution. The implications of these tools would be long term in nature and would have significant implications for a wide range of stakeholders.

Table 0.7 classifies the Business Management tools according to whether they are situational, planning or decision-making tools, and briefly describes how they can be used by organizations.

Tool	Classification	Role and purpose to support business decision-making
SL/HL		
SWOT analysis	Situational	Allows a business to identify possible internal strengths and weaknesses and possible external opportunities and threats. A SWOT analysis is usually carried out at the start of the decision-making process, and may signal that some form of change in operations may be occurring. Relevant to units 1, 2, 3 and 4.
Ansoff matrix	Decision-making	Allows a business to consider alternative growth options/strategies based on the nature of the product (current or new) and the market in which this product is being delivered (current and new). The Ansoff matrix could apply to units 1 and 4.
STEEPLE analysis	Situational	Allows greater consideration of the range of external factors impacting an organization. These external factors make up the external environment. External factors can impact both positively and negatively. Like a SWOT analysis, a STEEPLE analysis is usually carried out at the beginning of the decision-making process. STEEPLE analysis can apply to units 1, 2 and 4.
Boston Consulting Group (BCG) matrix	Decision-making	Allows a business to consider its future revenue streams based on a portfolio of products. The BCG matrix can be used to classify products with a view to either supporting or eliminating them based on current and future market potential in terms of sales revenue. The BCG matrix is relevant to units 3 and 4.
Business plan	All	Depending on the time frame and nature of the project being considered, a business plan will include situational, planning and decision-making tools. In chapter 1.1 we will look at a new creative way to simplify the business plan process by using the "lean canvas", especially for short-term decision-making. A business plan should include elements of human resource management, accounting and finance, marketing, and operations. Decision-making with all of these components is likely to be strategic. Business plans are relevant to unit 1.
Decision trees	Planning and decision-making	Allows a business to consider several different financial scenarios/options in one diagram. Then, given uncertainty in the external environment and possible cost and revenue streams, expected values are calculated. The decision-making aspect is used when a final decision is made based on these expected values. Relevant units include 1 and 5.
Descriptive statistics	Planning and decision-making	Descriptive statistics can have a multitude of uses for all elements of planning and decision-making. For example, monitoring the effects of changing price on sales revenue as a tactical decision, or looking at mean or modal defects to indicate quality issues in a production process. Relevant units include 2, 3, 4 and 5.
Circular business models	Situational	"Circular business model" is a new business term which encapsulates how businesses generate revenue streams through the use of environmentally sustainable business practices. It can be classed as a situational tool as it looks at the current input-output process of using recycled raw materials. Relevant units include 1 and 5.

5.1

Introduction to operations management

Guiding question

- What is the role of operations management?

Introduction

To quote from the 2014 edition of the *Business Management Guide*:

"In this unit, students return to the fundamental rationale of business management: to make goods and services that meet consumers' needs and wants. Without efficient operations, leading to products and services customers are satisfied with, success in the other business functions is unsustainable."

For organizational decision-making, the importance of operations management cannot be overstated. Faced with shorter product life cycles and an explosion of choice, organizations are revisiting lean production, total quality management, outsourcing and supply chain management.

Sales revenue growth is under threat. The renewed interest in operations management is understandable given the need to boost profits through cost reduction and operational efficiency. This is also necessary to satisfy the growing demands of shareholders for greater profitability.

Three newer developments have also impacted on operations management:

- The Covid-19 pandemic has shifted attention onto the problems of supply chain management.

- Environmental sustainability has played an increasing role in driving business models and operational choices – hence the interest in circular business models.
- Information systems are increasingly being integrated into operations management. This is a very new topic for the Business Management course and will be discussed in more detail in chapter 5.9.

An excellent resource for this unit on operations management is the film *The Founder*, which features Ray Kroc's attempts to transform McDonald's from a successful local restaurant into a global franchise. The film provides some good illustrations of the operations methods discussed in chapter 5.2 (especially batch production) and production planning (covered in chapter 5.6). You are encouraged to watch it.

McDonald's is also used as a case study example with respect to contingency planning in chapter 5.7, and it features again in chapter 5.8.

The role of operations management (A02)

Operations management is vital. Without the process of transforming factor inputs into outputs for the market, a business would not exist.

Figure 5.1.1 illustrates the operations management process of transforming inputs into outputs.

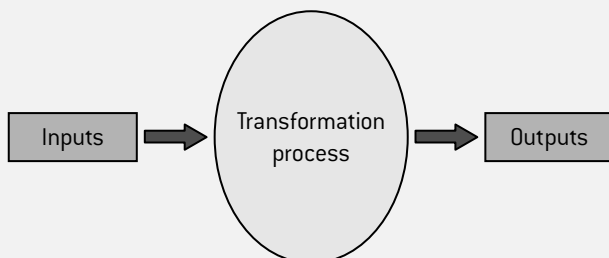


Figure 5.1.1: Transforming inputs into outputs

Operations management in organizations producing goods and services

How an organization chooses to produce goods and services via this transformation process will depend on a range of factors which will be developed through this unit.

A business could choose to create and manage the means of production itself through the purchase of capital

and revenue items, as identified in chapter 3.1. The key advantage of this is that the business would have complete control over the operations management process. But of course this would be costly to set up and time-consuming to establish before final goods and services could be produced.

Alternatively, a business could choose to take advantage of the opportunities made available by improved technology and globalization, and decide to allow an outside organization to produce the whole goods or the component parts for them. This is the process of outsourcing and it will be discussed in chapter 5.4.



Operations management and sustainability

Increasingly, with growing scrutiny from stakeholders such as pressure groups via social media, the transparency of organizations in their operations has become critical. External stakeholder concerns about the exploitation of both human and natural resources, in addition to the huge profits earned by some corporations, have led to calls for an additional line of financial reporting to monitor the operations of organizations, especially the largest ones. This has been called the "triple bottom line" (see Figure 5.1.2).

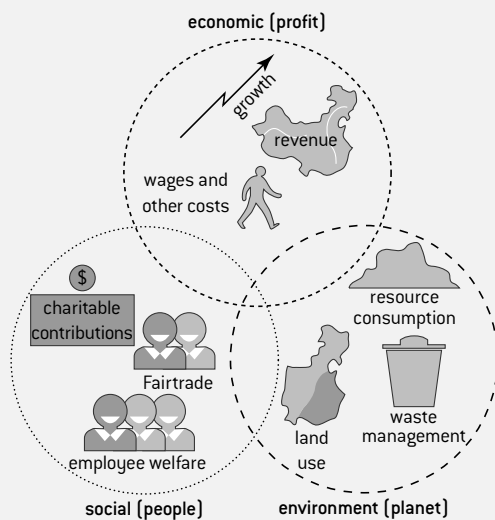


Figure 5.1.2: The triple bottom line

We discussed this in the Introduction on page 10 but it is worthy of review. The intention behind the triple bottom line is to note that organizations have a responsibility to people and planet, as well as profit. The operations management connection is that given the scarcity of resources and the need for environmental sustainability, organizations need to ensure that in addition to profit they consider the “wider” picture of their economic activity, as Figure 5.1.2 clearly shows.

Although not all organizations are required to report their “triple bottom line” given the wide range of global accounting and reporting conventions that exist, it is argued that there are compelling financial and social marketing reasons for reporting a business’s wider commitment to the community in which it operates.

Circular business models

The increasing awareness of environmental concerns has led to the development of a new economic system known as the circular economy, which in turn has led to the creation of a circular business model. There are several definitions of the **circular economy**, but at the centre there are four characteristics that have become known as the 4R framework, which influence circular business models: Reduce, Reuse, Recycle and Recover.

The primary goals of the circular economy and thus the circular business model are to create sustainable development, environmental quality, economic prosperity and social equity, as well as to consider future generations.

Each organization will have a slightly different circular business model. The *Business Management Guide* includes five different versions:

- Circular supply model
- Resource recovery model
- Product life extension model
- Sharing model
- Product service system model

A useful way to understand circular business models is to look at some examples.

Ikea’s circular economy model

Ikea, which is a multinational organization that we looked at in chapter 1.6, has created a hugely successful home furniture and lifestyle business model. For many years, the focus of Ikea’s business model was to reduce costs through allowing customers to select furniture in stores and online, pick up in their vehicles and assemble it at home.

A circular business model was introduced in 2021. Ikea built new supplier relationships based on their sensitivity to environmental sustainability. The company introduced a new tool – the e-Wheel – that allows products to be assessed for their environmental impact. Ikea also began to investigate sustainable supply chains in India, for example using renewable resources such as bamboo, banana fibres and sugar cane. Ikea has begun to win awards for its circular business model.

Starbucks’ commitment to environmental sustainability

As we saw in the two SWOT analyses in the Introduction, Starbucks faces many external threats, but it has maintained a strong, ongoing commitment to sustainability. This includes:

- Reducing carbon emissions, waste output and water usage.
- Using more plant-based foods and recyclable cups.
- A commitment to its 18,000 business partners through its “Greener Apron” project to protect the environment.

Read the article “5 things to know about Starbucks new environmental sustainability commitment” on Starbucks’ “Stories & News” website to learn more about Starbucks’ circular business model.

Revision checklist

- Operations management is concerned with the production of goods and services. Inputs, such as raw materials, are transformed into outputs, such as finished products or services.
- Given growing competition and the trend towards shorter product life cycles, organizations are increasingly looking to use operations management to boost efficiency and thus profitability.
- The reduction of waste and the ability to reuse and recycle have become critical parts of the circular business model.
- Organizations are reporting their commitment to the triple bottom line, which implies that the impact on people, planet and profit are all taken into consideration when reporting financial performance.

5.2 Operations methods

Guiding questions

- Which operations methods can an organization use to produce goods and services?
- What is the most appropriate method for an organization to use?

Production methods (A03)


Table 5.2.1 compares the features and applications of each method of production.

Production method	Description	Examples
Job	This is the production of a one-off project built to specific customer or industry specifications.	The building of a ship or production of a film, or a house which is built specifically to customer requirements.
Batch	Items are produced in consignments (batches) and undergo a part of the production process together. The whole consignment is then moved on to the next stage and another task is performed.	Carefully planned groups of products with slight modifications to customize batches. Two good examples are bread making and clothing. Batch production allows for product variation such as wholegrain or brown bread, or different-coloured T-shirts.
Mass/flow	This is a continuous mass production process. It is similar to batch production but the consignment moves from one stage of the process to the next without stopping.	The car industry with its mass-market car production. (Note that luxury cars such as those made by Ferrari are usually produced by the job method.)
Mass customization	This is large-scale production based on mass production, with production quantities in the millions. Mass customization allows for some flexibility and personalization of products which is not available to mass production.	Large-scale food processing. Fast-moving consumer goods (FMCGs) such as food items in a supermarket are usually produced in large batches which allow for some customization, such as low-sugar baked beans, spicy baked beans or other variations.

Table 5.2.1: Features and examples of different methods of production

**McDonald's**

As we mentioned in chapter 5.1, the film *The Founder* looks at the growth of the McDonald's franchise model under the leadership of Ray Kroc. This film has some excellent scenes regarding the "Speedee" production method created by the McDonald brothers that effectively changed the way in which hamburgers were produced, or to be more accurate "assembled".



The Speedee production method is a combination of batch and flow production. Batch production can be a difficult concept to explain, and seeing it in action visually in the film is a good way to develop greater understanding.

The McDonald brothers experimented with several different production systems before they arrived at the system which McDonald continues to use even in 2021. The McDonald brothers showed the same resilience and commitment which Harry Beck demonstrated when designing the London Underground Map (see page 12). Creativity requires patience and determination.