Glossary

above-the-line promotion a form of promotion that is undertaken by a business by paying for communication with consumers.

absenteeism measures the rate of workforce absence as a proportion of the employee total. It is measured by:

$$\text{absenteeism (\%)} = \frac{\text{no. of staff absent} \times 100}{\text{total no. of staff}}$$

acid-test ratio $= \dfrac{\text{liquid assets}}{\text{current liabilities}}$

accounts payable (creditors) value of debts for goods bought on credit payable to suppliers. Also known as 'trade payables'.

accounts receivable (debtors) the value of payments to be received from customers who have bought goods on credit. Also known as 'trade receivables'.

added value is the difference between the cost of purchasing raw materials and the price the finished goods are sold for.

adverse variance exists when the difference between the budgeted and actual figure leads to a lower than expected profit

advertising paid-for communication with consumers to inform and persuade, e.g. TV and cinema advertising.

AIDA this is a model that explains the successive stages a customers passes through in buying a product: Attention, Interest, Desire, Action.

annual forecast net cash flow = forecasted cash inflow – forecasted cash outflows

Ansoff's matrix a model used to show the degree of risk associated with the four growth strategies of: market penetration, market development, product development and diversification.

arbitration resolving an industrial dispute by using an independent third party to judge and recommend an appropriate solution.

arithmetic mean calculated by totalling all the results and dividing by the number of results.

Articles of Association this document covers the internal workings and control of the business – for example, the names of directors and the procedures to be followed at meetings will be detailed.

asset-led marketing an approach to marketing that bases strategy on the firm's existing strengths and assets instead of purely on what the customer wants.

asset an item of monetary value that is owned by a business.

autocratic leadership a style of leadership that keeps al decision making at the centre of the organisation.

average rate of return measures the annual profitability of an investment as a percentage of the initial investment

$$\text{ARR (\%)} = \frac{\text{annual profit (net cash flow)}}{\text{initial capital cost}} \times 100$$

bad debt unpaid customers' bills that are now very unlikely to ever be paid.

balance of payments (current account) this account records the value of trade in goods and services between one country and the rest of the world. A deficit means that the value of goods and services imported exceeds the value of goods and services exported.

balance sheet an accounting statement that records the values of a business's assets, liabilities and shareholders' equity at one point in time.

batch production producing a limited number of identical products – each item in the batch passes through one stage of production before passing on to the next stage.

below-the-line promotion promotion that is not a directly paid-for means of communication, but based on short-term incentives to purchase.

Boston Matrix a management technique developed by the Boston Consulting Group for assessing the long-term viability of products and market sectors. It is a method of analysing the product portfolio of a business in terms of market share and market growth.

brand an identifying symbol, name, image or trademark that distinguishes a product from its competitors.

branding the strategy of differentiating products from those of competitors by creating an identifiable image and clear expectations about a product.

break-even point of production the level of output at which total costs equal total revenue.

budget a detailed financial plan for the future.

budget holder individual responsible for the initial setting and achievement of a budget.

buffer stocks the minimum stocks that should be held to ensure that production could still take place should a delay in delivery occur or production rates increase.

business cycle the regular swings in economic activity, measured by real GDP, that occur in most economies, varying from boom conditions (high demand and rapid growth) to recession when total national output declines.

business investment expenditure by businesses on capital equipment, new technology and research and development.

business plan a written document that describes a business, its objectives and its strategies, the market it is in and its financial forecasts.

business process outsourcing (BPO) a form of outsourcing that uses a third party to take responsibility for certain business functions, such as HR and finance.

business process re-engineering fundamentally rethinking and re-designing the processes of a business to achieve a dramatic improvement in performance.

capacity shortage when the demand for a business's products exceeds production capacity.

capacity utilisation the proportion of maximum output capacity currently being achieved.

capital employed the total value of all long-term finance invested in the business. This = (non-current assets + current assets) – current liabilities *or* non-current liabilities + shareholders' equity.

capital expenditure any item bought by a business and retained for more than one year, that is the purchase of fixed or non-current assets.

capital goods the physical goods used by industry to aid in the production of other goods and services, such as machines and commercial vehicles.

capital intensive a high quantity of capital equipment compared to labour input.

cash flow the sum of cash payments to a business (inflows) less the sum of cash payments (outflows).

cash inflows payments in cash received by a business, such as those from customers (debtors) or from the bank, e.g. receiving a loan.

cash-flow forecast estimate of a firm's future cash inflows and outflows.

cash-flow statement record of the cash received by a business over a period of time and the cash outflows from the business.

cell production splitting flow production into self-contained groups that are responsible for whole work units.

centralisation keeping all of the important decision-making powers within head office or the centre of the organisation.

chain of command this is the route through which authority is passed down an organisation – from the chief executive and the board of directors.

change management planning, implementing, controlling and reviewing the movement of an organisation from its current state to a new one.

channel of distribution this refers to the chain of intermediaries a product passes through from producer to final consumer.

closed questions questions to which a limited number of pre-set answers are offered.

closing cash balance cash held at the end of the month – becomes next month's opening balance.

cluster sampling using one or a number of specific groups to draw samples from and not selecting from the whole population, e.g. using one town or region.

command economy economic resources owned, planned and controlled by the state.

commission a payment to a salesperson for each sale made.

communication barriers reasons why communication fails.

communication media the methods used to communicate a message.

competition-based pricing a firm will base its price upon the price set by its competitors.

computer-aided design using computers and IT when designing products.

computer-aided manufacturing the use of computers and computer controlled machinery to speed up the production process and make it more flexible.

conciliation the use of a third party in industrial disputes to encourage both employer and union to discuss an acceptable compromise solution.

conglomerate integration integration with a business in a **different** industry.

consumer durable manufactured product that can be re-used and is expected to have a reasonably long life, such as a car or washing machine.

consumer goods the physical and tangible goods sold to the general public – they include durable consumer goods, such as cars and washing machines, and non-durable consumer goods, such as food, drinks and sweets, that can only be used once.

consumer markets markets for goods and services bought by the final user of them.

consumer profile a quantified picture of consumers of a firm's products, showing proportions of age groups, income levels, location, gender and social class.

consumer services the non-tangible products sold to the general public – they include hotel accommodation, insurance services and train journeys.

contingency plan preparing an organisation's resources for unlikely events.

contribution-cost pricing setting prices based on the variable costs of making a product in order to make a contribution towards fixed costs and profit.

contribution per unit price less direct cost per unit.

core competence an important business capability that gives the business a competitive advantage.

core product product based on a business's core competences, but not for final consumer or 'end' user.

corporate culture the values, attitudes and beliefs of the people working in an organisation, that control the way they interact with each other and with external stakeholder groups.

corporate plan this is a methodical plan containing details of the organisation's central objectives and the strategies to be followed to achieve them.

corporate social responsibility the concept that accepts that business should consider the interests of society in its activities and decisions, beyond the legal obligations that it has by taking responsibility for the impact of its decisions and activities on customers, employees, communities and the environment.

corporate strategy a long-term plan of action for the whole organisation, designed to achieve a particular goal.

cost centre a section of a business, such as a department, to which costs can be allocated or charged.

cost of sales (or cost of goods sold) the direct cost of purchasing the goods that were sold during the financial year.

credit control monitoring of debts to ensure that credit periods are not exceeded.

creditors suppliers who have agreed to supply products on credit and who have not yet been paid.

criterion rates or levels the minimum levels (maximum for payback period) set by management for investment-appraisal results for a project to be accepted.

critical path the sequence of activities that must be completed on time for the whole project to be completed by the agreed date.

critical path analysis a planning technique that identifies all tasks in a project, puts them in the correct sequence and allows for the identification of the critical path.

cross elasticity of demand this measures the responsiveness of demand for a product following a change in the price of another product.

current assets assets that are likely to be turned into cash before the next balance-sheet date.

current liabilities debts of the business that will usually have to be paid within one year.

current ratio $= \dfrac{\text{current assets}}{\text{current liabilities}}$

customer relationship marketing (CRM) using marketing activities to establish successful customer relationships so that existing customer loyalty can be maintained.

cyclical fluctuations these variations in sales occur over periods of time of much more than a year and are due to the business cycle.

cyclical unemployment unemployment resulting from low demand for goods and services in the economy during a period of slow economic growth or a recession.

DAGMAR a process of establishing goals for a promotion campaign so that it is possible to determine whether it has been successful or not – Defining Advertising Goals for Measured Advertising Results.

days' sales in receivables ratio $= \dfrac{\text{accounts receivable}}{\text{sales turnover}} \times 365$

debtors customers who have bought products on credit and will pay cash at an agreed date in the future.

decentralisation decision-making powers are passed down the organisation to empower subordinates and regional/product managers.

decision tree a diagram that sets out the options connected with a decision and the outcomes and economic returns that may result.

deflation can be defined as a fall in the average price level of goods and services.

delayering removal of one or more of the levels of hierarchy from an organisational structure.

delegated budgets giving some delegated authority over the setting and achievement of budgets to junior managers.

delegation passing authority down the organisational hierarchy.

delphi method a long-range qualitative forecasting technique that obtains forecasts from a panel of experts.

demand the quantity of a product that consumers are willing and able to buy at a given price in a time period.

democratic leadership a leadership style that promotes the active participation of workers in taking decision.

depreciation the decline in the estimated value of a non-current asset over time.

direct costs these costs can be clearly identified with each unit of production and can be allocated to a cost centre.

diseconomies of scale factors that cause average costs of production to rise when the scale of operation is increased.

dismissal being dismissed or sacked from a job due to incompetence or breach of discipline.

diversification this is the process of selling different, unrelated goods or services in new markets.

dividends the share of the profits paid to shareholders as a return for investing in the company.

dividend cover ratio $= \dfrac{\text{profit after tax and interest}}{\text{annual dividends}}$

dividend per share $= \dfrac{\text{total annual dividends}}{\text{total number of issued shares}}$

dividend yield ratio (%) $= \dfrac{\text{dividend per share}}{\text{current share price}} \times 100$

earnings per share amount of profit earned per share in the company =

$$\frac{\text{profit after tax}}{\text{total number of shares}}$$

economic growth an increase in a country's productive potential measured by an increase in its real GDP.

economic order quantity the optimum or least, cost quantity of stock to re-order, taking delivery costs and stock-holding costs into consideration.

economies of scale reductions in a firm's unit (average) costs of production that result from an increase in the scale of operations.

effective communication the exchange of information between people or groups, with feedback.

effectiveness meeting the objectives of the enterprise by using inputs productively to meet consumer needs.

efficiency producing output at the highest ratio of output : input.

emotional intelligence (EI) the ability of managers to understand their own emotions, and those of the people they work with, to achieve better business performance.

employment contract a legal document that sets out the terms and conditions governing a worker's job.

enterprise resource management (ERM) the use of a single computer application to plan the purchase and use of resources in an organisation to improve the efficiency of operations.

entrepreneur someone who takes the financial risk of starting and managing a new venture.

entrepreneurial culture this encourages management and workers to take risks, to come up with new ideas and test out new business ventures.

environmental audits assess the impact of a business's impact on the environment.

equilibrium price the market price that equates supply and demand for a product.

equity finance permanent finance raised by companies through the sale of shares.

ethical code (Code of Conduct) a document detailing a company's rules and guidelines on staff behaviour that must be followed by all employees.

ethics are the moral guidelines that determine decision making.

excess capacity exists when the current levels of demand are less than the full-capacity output of a business – also known as spare capacity.

exchange rate the price of one currency in terms of another.

exchange rate appreciation a rise in the external value of a currency as measured by its exchange rate against other currencies. If $1 rises from €1.5 to €1.8, the value of the dollar has appreciated.

exchange rate depreciation a fall in the external value of a currency as measured by its exchange rate against other currencies. If $1 falls from €2 to €1.5, the value of the dollar has depreciated.

expected value the likely financial result of an outcome obtained by multiplying the probability of an event occurring by the forecast economic return if it does occur.

exports goods and services sold to consumers and business in other countries.

extension strategies these are marketing plans to extend the maturity stage of the product before a brand new one is needed.

external costs costs of an economic activity that are not paid for by the producer or consumer, but by the rest of society.

external growth business expansion achieved by means of merging with or taking over another business, from either the same or a different industry.

factoring selling of claims over debtors to a debt factor in exchange for immediate liquidity – only a proportion of the value of the debts will be received as cash.

favourable variance exists when the difference between the budgeted and actual figure leads to a higher than expected profit

fiscal policy is concerned with decisions about government expenditure, tax rates and government borrowing. These operate largely through the government's annual budget decisions.

fixed costs costs that do not vary with output in the short run.

flexible budgeting cost budgets for each expense are allowed to vary if sales or production varies from budgeted levels.

flexitime contract employment contract that allows staff to be called in at times most convenient to employers and employees, e.g. at busy times of day.

flow production producing items in a continually moving process.

focus groups a group of people who are asked about their attitude towards a product, service, advertisement or new style of packaging.

force-field analysis technique for identifying and analysing the positive factors that support a decision ('driving forces') and negative factors that constrain it ('restraining forces').

formal communication networks the official communication channels and routes used within an organisation.

franchise a business that uses the name, logo and trading systems of an existing successful business.

free international trade international trade that is allowed to take place without restrictions such as 'protectionist' tariffs and quotas.

free-market economy economic resources owned largely by the private sector with very little state intervention.

free trade no restrictions or trade barriers exist that might prevent or limit trade between countries.

frictional unemployment unemployment resulting from workers losing or leaving jobs and taking a substantial period of time to find alternative employment.

full capacity when a business produces at maximum output.

full-cost pricing setting a price by calculating a unit cost for the product (allocated fixed and variable costs) and then adding a fixed profit margin.

full/absorption costing a method of costing in which all fixed and variable costs are allocated to products or services.

gearing ratio (%) $= \frac{\text{long-term loans}}{\text{capital employed}} \times 100$

global localisation adapting the marketing mix including differentiated products, to meet national and regional tastes and cultures.

globalisation the growing trend towards worldwide markets in products, capital and labour, unrestricted by barriers.

goodwill arises when a business is valued at or sold for more than the balance-sheet values of its assets.

government budget deficit the value of government spending exceeds revenue from taxation.

government budget surplus taxation revenue exceeds the value of government spending.

gross domestic product (GDP) the total value of goods and services produced in a country in one year – real GDP has been adjusted for inflation.

gross profit equal to sales revenue less cost of sales.

gross profit margin (%) $= \frac{\text{gross profit}}{\text{sales revenue}} \times 100$

hard HRM an approach to managing staff that focuses on cutting costs, e.g. temporary and part-time employment contracts, offering maximum flexibility but with minimum training costs.

high-quality profit profit that can be repeated and sustained.

hire purchase an asset is sold to a company which agrees to pay fixed repayments over an agreed time period – the asset belongs to the company.

holding company a business organization that owns and controls a number of separate businesses, but does not unite them into one unified company.

horizontal integration integration with firms in the same industry and at same stage of production

hourly wage rate payment to a worker made for each hour worked.

human resource management (HRM) the strategic approach to the effective management of an organisation's workers so that they help the business gain a competitive advantage.

hygiene factors aspects of a worker's job that have the potential to cause dissatisfaction such as pay, working conditions, status and over-supervision by managers.

imports goods and services purchased from other countries.

income elasticity of demand measures the responsiveness of demand for a product after a change in consumer incomes.

income statement records the revenue, costs and profit (or loss) of a business over a given period of time.

incremental budgeting uses last year's budget as a basis and an adjustment is made for the coming year.

indirect costs costs that cannot be identified with a unit of production or allocated accurately to a cost centre.

induction training introductory training programme to familiarise new recruits with the systems used in the business and the layout of the business site.

industrial action measures taken by the workforce or trade union to put pressure on management to settle an industrial dispute in favour of employees.

inflation can be defined as an increase in the average price level of goods and services. It results in a fall in the value of money.

informal communication unofficial channels of communication that exist between informal groups within an organisation.

informal leader a person who has no formal authority but has the respect of colleagues and some power over them.

informal organisation the network of personal and social relations that develop between people within an organisation.

information overload so much information and so many messages are received that the most important ones cannot be easily identified and quickly acted on – most likely to occur with electronic media.

information technology the use of electronic technology to gather, store, process and communicate information.

insolvent when a business cannot meet its short-term debts.

intangible assets items of value that do not have a physical presence, such as patents and trademarks.

integrated marketing mix the key marketing decisions complement each other and work together to give customers a consistent message about the product.

intellectual property an intangible asset that has been developed from human ideas and knowledge.

internal customers people within the organisation who depend upon the quality of work being done by others.

internal growth expansion of a business by means of opening new branches, shops or factories (also known as organic growth).

internal rate of return (IRR) the rate of discount that yields a net present value of zero – the higher the IRR, the more profitable the investment project is.

international marketing selling products in markets other than the original domestic market.

internet marketing the marketing of products over the internet.

inter-quartile range the range of the middle 50% of the data.

inventories stocks held by the business in the form of materials, work in progress and finished goods.

inventory (stock) turnover ratio $= \dfrac{\text{cost of goods sold}}{\text{value of inventories}}$

investment appraisal evaluating the profitability or desirability of an investment project.

ISO 9000 this is an internationally recognised certificate that acknowledges the existence of a quality procedure that meets certain conditions.

job description a detailed list of the key points about the job to be filled – stating all its key tasks and responsibilities.

job enrichment aims to use the full capabilities of workers by giving them the opportunity to do more challenging and fulfilling work.

job production producing a one-off item specially designed for the customer.

job re-design involves the restructuring of a job – usually with employees' involvement and agreement – to make work more interesting, satisfying and challenging.

job rotation increasing the flexibility of the workforce and the variety of work they do by switching from one job to another.

joint venture two or more businesses agree to work closely together on a particular project and create a separate business division to do so.

jury of experts the jury of experts uses the specialists within a business to make forecasts for the future.

just-in-time this stock-control method aims to avoid holding stocks by requiring supplies to arrive just as they are needed in production and completed products are produced to order.

labour intensive a high level of labour input compared with capital equipment.

labour productivity the output per worker in a given time period. It is calculated by:

$$\frac{\text{total output in time period, e.g. 1 year}}{\text{total staff employed}}$$

labour turnover measures the rate at which employees are leaving an organisation. It is measured by:

$$\frac{\text{number of staff leaving in 1 year}}{\text{average number of staff employed}} \times 100$$

laissez-faire leadership a leadership style that leaves much of the business decision making to the workforce – a 'hands-off' approach and the reverse of the autocratic style.

lead time the normal time taken between ordering new stocks and their delivery.

leadership the art of motivating a group of people towards achieving a common objective.

lean production producing goods and services with the minimum of waste resources while maintaining high quality.

leasing obtaining the use of equipment or vehicles and paying a rental or leasing charge over a fixed period. This avoids the need for the business to raise long-term capital to buy the asset. Ownership remains with the leasing company.

level of hierarchy a stage of the organisational structure at which the personnel on it have equal status and authority.

liabilities a financial obligation of a business that it is required to pay in the future.

limited liability the only liability – or potential loss – a shareholder has if the company fails is the amount invested in the company, not the total wealth of the shareholder.

line managers managers who have direct authority over people, decisions and resources within the hierarchy of an organisation.

liquid assets current assets – inventories (stocks) = liquid assets

liquidation when a firm ceases trading and its assets are sold for cash to pay suppliers and other creditors.

liquidity the ability of a firm to be able to pay its short-term debts.

long-term bonds bonds issued by companies to raise debt finance, often with a fixed rate of interest.

long-term loans loans that do not have to be repaid for at least one year.

low-quality profit one-off profit that cannot easily be repeated or sustained.

management by objectives a method of coordinating and motivating all staff in an organisation by dividing its overall aim into specific targets for each department, manager and employee.

manager responsible for setting objectives, organising resources and motivating staff so that the organisation's aims are met.

margin of safety the amount by which the sales level exceeds the break-even level of output.

marginal costs the extra cost of producing one more unit of output.

marginal or contribution costing costing method that allocates only direct costs to cost/profit centres, not overhead costs.

market capitalisation the total value of a company's issued shares.

market development this is the strategy of selling existing products in new markets.

market failure when markets fail to achieve the most efficient allocation of resources and there is under- or over-production of certain goods or services.

market growth the percentage change in the total size of a market (volume or value) over a period of time.

market orientation an outward-looking approach basing product decisions on consumer demand, as established by market research.

market penetration this is the objective of achieving higher market shares in existing markets with existing products.

market research this is the process of collecting, recording and analysing data about the customers, competitors and the market.

market segment a sub-group of a whole market in which consumers have similar characteristics.

market segmentation identifying different segments within a market and targeting different products or services to them.

market share sales of the business as a proportion of total market sales.

market size the total level of sales of all producers within a market.

market skimming setting a high price for a new product when a firm has a unique or highly differentiated product with low price elasticity of demand.

market value the estimated total value of a company if it were taken over.

marketing the management task that links the business to the customer by identifying and meeting the needs of customers profitably – it does this by getting the right product at the right price to the right place at the right time.

marketing mix the four key decisions that must be taken in the effective marketing of a product.

marketing objectives the goals set for the marketing department to help the business achieve its overall objectives.

marketing or promotion budget the financial amount made available by a business for spending on marketing/promotion during a certain time period.

marketing plan it is a detailed, fully researched written report on marketing objectives and the marketing strategy to be used to achieve them.

marketing strategy long-term plan established for achieving marketing objectives.

mark-up pricing adding a fixed mark-up for profit to the unit price of a product.

mass customisation the use of flexible computer-aided production systems to produce items to meet individual customers' requirements at mass-production cost levels.

mass marketing selling the same products to the whole market with no attempt to target groups within it.

matrix structure an organisational structure that creates project teams that cut across traditional functional departments.

median the value of the middle item when data have been ordered or ranked. It divides the data into two equal parts.

Memorandum of Association this states the name of the company, the address of the head office through which it can be contacted, the maximum share capital for which the company seeks authorisation and the declared aims of the business.

merger an agreement by shareholders and managers of two businesses to bring both firms together under a common board of directors with shareholders in both businesses owning shares in the newly merged business.

mission statement a statement of the business's core aims, phrased in a way to motivate employees and to stimulate interest by outside groups.

mixed economy economic resources are owned and controlled by both private and public sectors.

mode the value that occurs most frequently in a set of data.

monetary policy is concerned with decisions about the rate of interest and the supply of money in the economy.

monopoly theoretically a situation in which there is only one supplier, but this is very rare. A much more flexible and realistic definition is needed for government policy purposes and, in the UK, this is that one firm has control of at least 25% of the market.

motivating factors (motivators) aspects of a worker's job that can lead to positive job satisfaction such as achievement, recognition, meaningful and interesting work and advancement at work.

motivation the internal and external factors that stimulate people to take actions that lead to achieving a goal.

multinational business a business organisation that has its headquarters in one country, but with operating branches, factories and assembly plants in other countries.

multi-site locations a business that operates from more than one location.

net book value the current balance-sheet value of a non-current asset = original cost – accumulated depreciation.

net monthly cash flow estimated difference between monthly cash inflows and outflows.

net present value (NPV) today's value of the estimated cash flows resulting from an investment.

net profit = gross profit – expenses (overheads)

net profit margin (%) $= \frac{\text{net profit}}{\text{sales revenue}} \times 100$

net realisable value the amount for which an asset (usually an inventory) can be sold minus the cost of selling it. It is only used on balance sheets when NRV is estimated to be below historical cost.

network diagram the diagram used in critical path analysis that shows the logical sequence of activities and the logical dependencies between them – and the critical path can be identified.

new product development (NPD) the design, creation and marketing of new goods and services.

niche marketing identifying and exploiting a small segment of a larger market by developing products to suit it.

non-current assets assets to be kept and used by the business for more than one year. Used to be referred to as fixed assets.

non-current liabilities value of debts of the business that will be payable after more than one year

no-strike agreement unions agree to sign a no-strike agreement with employers in exchange for greater involvement in decisions that affect the workforce.

offshoring the relocation of a business process done in one country to the same or another company in another country.

off-the-job training all training undertaken away from the business, e.g. work-related college courses.

on-the-job training instruction at the place of work on how a job should be carried out.

open questions those that invite a wide-ranging or imaginative response – the results will be difficult to collate and present numerically.

opening cash balance cash held by the business at the start of the month.

operating profit (net profit) gross profit minus overhead expenses.

operational flexibility the ability of a business to vary both the level of production and the range of products following changes in customer demand.

operational planning preparing input resources to supply products to meet expected demand.

opportunity cost the benefit of the next most desired option that is given up.

optimal location a business location that gives the best combination of quantitative and qualitative factors.

organic growth internal growth of a business

organisational structure the internal, formal framework of a business that shows the way in which management is organised and linked together and how authority is passed through the organisation.

outflows payments in cash made by a business, such as those to suppliers and workers.

outsourcing using another business (a third party) to undertake a part of the production process rather than doing it within the business using the firm's own employees.

overdraft bank agrees to a business borrowing up to an agreed limit as and when required.

overtrading expanding a business rapidly without obtaining all of the necessary finance, so that a cash-flow shortage develops.

pan-global marketing adopting a standardised product across the globe as if the entire world were a single market – selling the same goods in the same way everywhere.

partnership a business formed by two or more people to carry on a business together, with shared capital investment and, usually, shared responsibilities.

part-time employment contract employment contract that is for less than the normal full working week of, say, 40 hours, e.g. eight hours per week.

paternalistic leadership a leadership style based on the approach that the manager is in a better position than the workers to know what is best for an organisation.

payback period length of time it takes for the net cash inflows to pay back the original capital cost of the investment.

penetration pricing setting a relatively low price, often supported by strong promotion, in order to achieve a high volume of sales.

performance-related pay a bonus scheme to reward staff for above-average work performance.

person culture when individuals are given the freedom to express themselves fully and make decisions for themselves.

person specification a detailed list of the qualities, skills and qualifications that a successful applicant will need to have.

personal selling a member of the sales staff communicates with one consumer with the aim of selling the product and establishing a long-term relationship between company and consumer.

PEST analysis the strategic analysis of a firm's macro-environment, including political, economic, social and technological factors.

piece rate a payment to a worker for each unit produced.

power culture concentrating power among just a few people.

pressure groups organisations created by people with a common interest or aim, and that put pressure on businesses and governments to change policies so that an objective is reached.

price elasticity of demand it measures the responsiveness of demand following a change in price:

$$\text{PED} = \frac{\text{\% change in quantity demanded}}{\text{\% change in price}}$$

primary research the collection of first-hand data that is directly related to a firm's needs.

primary-sector business activity firms engaged in farming, fishing, oil extraction and all other industries that extract natural resources so that they can be used and processed by other firms.

private limited company a small to medium-sized business that is owned by shareholders who are often members of the same family. This company cannot sell shares to the general public.

private sector comprises businesses owned and controlled by individuals or groups of individuals.

privatisation selling state-owned and -controlled business organisations to investors in the private sector.

process innovation the use of a new or much improved production method or service-delivery method.

producer (industrial) markets markets for goods and services bought by businesses to be used in the production process of other products.

product the end result of the production process sold on the market to satisfy a customer need.

product development this is the development and sale of new products or new developments of existing products in existing markets.

product differentiation making a product distinctive so that it stands out from competitors' products in consumers' perception.

product life cycle the pattern of sales recorded by a product from launch to withdrawal from the market.

product orientation an inward-looking approach that focuses on making products that can be made – or have been made for a long time – and then trying to sell them.

product positioning the consumer perception of a product or service compared with its competitors.

production converting inputs into outputs – the level of production is the number of units produced during a time period.

productivity the ratio of outputs to inputs during production, e.g. output per worker per time period.

profit after tax operating profit minus interest costs and corporation tax.

profit centre a section of a business to which both costs and revenues can be allocated.

profit sharing a bonus for staff based on the profits of the business – usually paid as a proportion of basic salary.

project a specific and temporary activity with starting and ending dates, clear goals, defined responsibilities and a budget.

project champion a person assigned to support and drive a project forward who explains the benefits of change and assists and supports the team putting change into practice.

project groups these are created by an organisation to address a problem that requires input from different specialists.

project management using modern management techniques to carry out and complete a project from start to finish in order to achieve pre-set targets of quality, time and cost.

promotion the use of advertising, sales promotion, personal selling, direct mail, trade fairs, sponsorship and public relations to inform consumers and persuade them to buy.

promotion mix the combination of promotional techniques that a firm uses to sell a product.

promotional elasticity of demand this measures the responsiveness of demand for a product following a change in the amount spent on promoting it.

protectionism using barriers to free trade to protect a country's own domestic industries.

public corporation a business enterprise owned and controlled by the state – also known as nationalised industry.

public limited company a limited company, often a large business, with the legal right to sell shares to the general public – share prices are quoted on the national stock exchange.

public relations the deliberate use of free publicity provided by newspapers, TV and other media to communicate with and achieve understanding by the public.

public sector comprises organisations accountable to and controlled by central or local government (the state).

public–private partnerships these are government services or business ventures that are funded and managed through a partnership of government and one or more private-sector companies.

qualitative factors these are non-measurable factors that may influence business decisions.

qualitative research research into the in-depth motivations behind consumer buying behaviour or opinions.

quality circles voluntary groups of workers who meet regularly to discuss work-related problems and issues.

quality product a good or service that meets customers' expectations and is therefore 'fit for purpose'.

quality standards the expectations of customers expressed in terms of the minimum acceptable production or service standards.

quantitative factors (business location) these are measurable in financial terms and will have a direct impact on either the costs of a site or the revenues from it and its profitability.

quantitative research research that leads to numerical results that can be presented and analysed.

quota a physical limit placed on the quantity of imports of certain products.

quota sampling when the population has been stratified and the interviewer selects an appropriate number of respondents from each stratum.

random fluctuations these can occur at any time and will cause unusual and unpredictable sales figures.

random sampling every member of the target population has an equal chance of being selected.

range the difference between the highest and lowest value.

rationalisation reducing capacity by cutting overheads to increase efficiency of operations, such as closing a factory or office department, often involving redundancies.

recession a period of six months or more of declining real GDP.

recruitment the process of identifying the need for a new employee, defining the job to be filled and the type of person needed to fill it, attracting suitable candidates for the job and selecting the best one.

redundancy when a job is no longer required, so the employee doing this job becomes unemployed through no fault of his or her own.

re-order quantity the number of units ordered each time.

research and development the scientific research and technical development of new products and processes.

retained profit the profit left after all deductions, including dividends, have been made. This is 'ploughed back' into the company as a source of finance.

return on capital employed (%) $= \frac{\text{operating profit}}{\text{capital employed}} \times 100$

revenue expenditure any expenditure on costs other than non-current asset expenditure.

rights issue existing shareholders are given the right to buy additional shares at a discounted price.

role culture each member of staff has a clearly defined job title and role.

salary annual income that is usually paid on a monthly basis.

sales forecasting predicting future sales levels and sales trends.

sales force composite a method of sales forecasting that adds together all of the individual predictions of future sales of all of the sales representatives working for a business.

sales promotion incentives such as special offers or special deals directed at consumers or retailers to achieve short-term sales increases and repeat purchases by consumers.

sales revenue (or sales turnover) the total value of sales made during the trading period = selling price × quantity sold.

sales turnover total value of sales made by a business in a given time period.

sample the group of people taking part in a market research survey selected to be representative of the target market overall.

scale of operation the maximum output that can be achieved using the available inputs (resources) – this scale can be increased in the long term only by employing more of all inputs.

seasonal fluctuations these are the regular and repeated variations that occur in sales data within a period of 12 months.

secondary research collection of data from second-hand sources.

secondary-sector business activity firms that manufacture and process products from natural resources, including computers, brewing, baking, clothes making and construction.

self-actualisation a sense of self-fulfilment reached by feeling enriched and developed by what one has learned and achieved.

share a certificate confirming part ownership of a company and entitling the shareholder to dividends and certain shareholder rights.

share capital the total value of capital raised from shareholders by the issue of shares.

share price the quoted price of one share on the stock exchange.

shareholder a person or institution owning shares in a limited company.

shareholders' equity total value of assets – total value of liabilities.

simultaneous engineering product development is organised so that different stages are done at the same time instead of in sequence.

single-union agreement an employer recognises just one union for purposes of collective bargaining.

social audit a report on the impact a business has on society. This can cover pollution levels, health and safety record, sources of supplies, customer satisfaction and contribution to the community.

social enterprise a business with mainly social objectives that reinvests most of its profits into benefiting society rather than maximising returns to owners.

societal marketing this approach considers not only the demands of consumers but also the effects on all members of the public ('society') involved in some way when firms meet these demands.

soft HRM an approach to managing staff that focuses on developing staff so that they reach self-fulfilment and are motivated to work hard and stay with the business.

sole trader a business in which one person provides the permanent finance and, in return, has full control of the business and is able to keep all of the profits.

span of control the number of subordinates reporting directly to a manager.

sponsorship payment by a company to the organisers of an event so that the company name becomes associated with the event.

staff appraisal the process of assessing the effectiveness of an employee judged against pre-set objectives.

staff managers managers who, as specialists, provide support, information and assistance to line managers.

stakeholder concept the view that businesses and their managers have responsibilities to a wide range of groups, not just shareholders (see also corporate social responsibility).

stakeholders people or groups of people who can be affected by, and therefore have an interest in, any action by an organisation.

start-up capital capital needed by an entrepreneur to set up a business.

stock materials and goods required to allow for the production of and supply of products to the customer.

straight-line depreciation a constant amount of depreciation is subtracted from the

$$\text{value of the asset each year} = \frac{\text{original cost of asset} - \text{expected residual value}}{\text{expected useful life of asset (years)}}$$

strategic analysis the process of conducting research into the business environment within which an organisation operates, and into the organisation itself, to help form future strategies.

strategic implementation the process of allocating and controlling resources to support the chosen strategies.

strategic management the role of management when setting long-term goals and implementing cross-functional decisions that should enable a business to reach these goals.

stratified sampling this draws a sample from a specified sub-group or segment of the population and uses random sampling to select an appropriate number from each stratum.

structural unemployment unemployment caused by the decline in important industries leading to significant job losses in one sector of industry.

supply the quantity of a product that firms are prepared to supply at a given price in a time period.

supply chain all of the stages in the production process from obtaining raw materials to selling to the consumer – from point of origin to point of consumption.

sustainability production systems that prevent waste by using the minimum of non-renewable resources so that levels of production can be sustained in the future.

SWOT analysis a form of strategic analysis that identifies and analyses the main internal strengths and weaknesses and external opportunities and threats that will influence the future direction and success of a business.

synergy literally means that 'the whole is greater than the sum of parts', so in integration it is often assumed that the new, larger business will be more successful than were the two formerly separate businesses.

systematic sampling every *n*th item in the target population is selected.

tactic short-term policy or decision aimed at resolving a particular problem or meeting a specific part of the overall strategy.

takeover when a company buys over 50% of the shares of another company and becomes the controlling owner of it. It is often referred to as 'acquisition'.

target pricing setting a price that will give a required rate of return at a certain level of output/sales.

tariffs taxes imposed on imported goods to make them more expensive than they would otherwise be.

task culture this is based on cooperation and teamwork.

team working production is organised so that groups of workers undertake complete units of work.

teleworking staff working from home but keeping contact with the office by means of modern IT communications.

temporary employment contract employment contract that lasts for a fixed time period, e.g. six months.

tertiary-sector business activity firms that provide services to consumers and other businesses, such as retailing, transport, insurance, banking, hotels, tourism and telecommunications.

total quality management an approach to quality that aims to involve all employees in the quality-improvement process.

trade barriers taxes (tariffs) or other limitations on the free international movement of goods and services.

trade union an organisation of working people with the objective of improving the pay and working conditions of their members and providing them with support and legal services.

trade union recognition when an employer formally agrees to conduct negotiations on pay and working conditions with a trade union rather than bargain individually with each worker.

training work-related education to increase workforce skills and efficiency.

trend this is the underlying movement in a time series.

triple bottom line the three objectives of social enterprises: economic, social and environmental.

unemployment this exists when members of the working population are willing and able to work, but are unable to find a job.

unfair dismissal ending a worker's employment contract for a reason that the law regards as being unfair.

USP – unique selling point (or proposition) the special feature of a product that differentiates it from competitors' products.

variable costs costs that vary with output.

variance analysis calculating differences between budgets and actual performance and analysing reasons for such differences.

venture capital risk capital invested in business start-ups or expanding small businesses that have good profit potential but do not find it easy to gain finance from other sources.

vertical integration – backwards integration with a business in the **same** industry but a **supplier** of the existing business

vertical integration – forwards integration with a business in the **same** industry but a **customer** of the existing business

viral marketing the use of social networking sites or SMS text messages to increase brand awareness or sell products.

vision statement a statement of what the organisation would like to achieve or accomplish in the long term.

voluntary export limits an exporting country agrees to limit the quantity of certain goods sold to one country (possibly to discourage the setting of tariffs/quotas).

window dressing presenting the company accounts in a favourable light – to flatter the business's performance.

worker participation workers are actively encouraged to become involved in decision making within the organisation.

workforce audit a check on the skills and qualifications of all existing workers/managers.

workforce planning analysing and forecasting the numbers of workers and the skills of those workers that will be required by the organisation to achieve its objectives.

working capital the capital needed to pay for raw materials, day-to-day running costs and credit offered to customers. In accounting terms working capital = current assets – current liabilities.

working population all those in the population of working age willing and able to work.

zero budgeting setting budgets to zero each year and budget holders have to argue their case to receive any finance.

zero defects the aim of achieving perfect products every time.

