

Glossary

A

Accelerator effect – When a small change in demand for consumer products has a much larger effect on demand for capital goods manufacturers

Acquisition – When a company acquires the share capital of another company

Act of Parliament – A law passed by the UK Parliament

Age structure – The composition of a population, defined in terms of the proportions contained within defined age ranges

Anti-competitive practices – Actions by companies that have the effect of reducing the amount of competition in a market

Article numbering – An industry-wide standardized system for allocating a unique number to each product

Attitudes – An individual's consistently favourable or unfavourable feelings about an object, person or idea

Audits – Evaluation of an activity, e.g. a financial audit checks the accuracy and integrity of a company's accounting procedures

B

Balance of payments – A record of all transactions between domestic consumers and firms and those based overseas

Barriers to trade – Formal and informal obstacles that prevent trade taking place between countries

Beacon Council – A UK Government scheme that

identifies selected local government organisations as examples of good practice

Birth rate – The number of births in a population, per 1000 members of the population

Borrowing – Temporarily having the use of somebody else's financial resources

Building societies – Organizations registered under the Building Societies Acts that are owned by their savers and borrowers

Business cycle – Fluctuations in the level of activity in an economy, commonly measured by employment levels and aggregate demand

C

Cabinet – The senior executive of the UK Government, headed by the Prime Minister

Cash flow – The amount of cash available to a business at any particular time

Cellular household – A household unit in which the members of the household live their lives with a significant amount of independence from other members

Census of population – A ten-yearly survey of population characteristics

Central bank – In the UK, a lender of last resort, and responsible for setting monetary and interest rate policy; in the UK, this is the Bank of England (the European Central Bank for the EU)

Channels of distribution – A 'route to market' for a

company and a means of getting its goods and services to the final consumer

Charities – In the UK, organizations registered in accordance with the Charities Acts, whose primary aim is to benefit a good cause, rather than profit-seeking shareholders

Charter Mark – A UK Government scheme to recognize excellent quality in public services

Circular flow of income – The means by which money circulates in an economy between households and firms

Civil service – Paid government officials who are responsible for implementing government policies

Closed system – A system that is isolated from its surrounding environment

Codes of practice – A set of rules, usually drawn up by an industry or trade association specifying expected behaviour of members

Common law – A law that emerges through precedents created in previous judgments by courts

Companies Acts – Legislation governing the creation and operation of limited liability companies

Comparative cost advantage – When it costs a company fewer units of resources compared with its competitors to produce a unit of output

Competition Commission – UK regulatory body responsible for

ensuring that markets remain competitive and in the long-term interest of consumers

Competitive cost advantage – A firm has a marketing mix that the target market sees as meeting its needs better than the mix of competing firms

Computer-aided design (CAD) – The use of IT in the design of new products

Computer-aided manufacturing (CAM) – The use of IT to make better-quality products at lower unit cost

Confidence level – In the context of consumer expenditure, the confidence felt by individuals about their personal future welfare and/or national economic prosperity

Consolidation – Reduction in the number of companies within an industry sector

Contract – An agreement between two or more parties

Control – Taking action to ensure that outcomes are in accordance with plans

Cooperative society – UK organization owned by customers

Cooperatives – Associations of producers or consumers to share benefits of cooperation

Corporate governance – Procedures adopted for the internal management of an organization

Corporate social responsibility – When an organization takes into account the interests of all stakeholders who may be affected by its activities

Credit crunch – A term used to describe the sudden reluctance of banks to lend to each other, and which had direct and indirect effects on consumers and business organizations during 2007–08

Cultural convergence – The idea that distinctive characteristics of different cultures are becoming less significant

Culture – The whole set of beliefs, attitudes and ways of behaving shared by a group of people

Customer loyalty – When the customer buys repeatedly from a company; this may be because they like the company so much, or there is simply no suitable alternative available to purchase

D

Debentures – Loans secured against the assets of a company

Decision support systems – Techniques and processes used to facilitate better decisions by managers

Deflation – A falling level of prices

Demand – Consumers' ability and willingness to pay for a product

Demand-technology life cycle – A demand-technology life cycle will have a history of emergence, rapid growth, slower growth, maturity and decline, but over a shorter period than the more sustainable longer-term demand cycle

Demography – The study of population characteristics

Directives – Instructions by the EU to member-states to introduce changes to their domestic legislation

Directors – Members of a limited company who have responsibilities for governing the company

Discrimination – Making distinction between two or more otherwise similar phenomena

Diseconomies of scale – When unit costs increase as output increases

Dismissal – The ending of an employment relationship, other than by reasons of mutual agreement or redundancy

Disposable income – Income available to individuals after they have made allowance for essential, non-discretionary spending

Diversification – An organization enters new markets and/or launches new products that are not closely related to its current activities

Duty of care – The legal responsibility of an individual or a company not to harm others

E

Ecological impacts – The effects of organizations' activities on ecological systems

Economic structure – The composition of an economy in terms of the number and types of buyers and sellers it comprises

Economies of scale – Costs per unit fall as output rises

Elasticity of demand – The change in volume of demand for a product in response to a change in some parameter, e.g. the price of the product

Elasticity of supply – The extent to which the amount supplied to a market varies following a change in price

Electronic commerce –

Transactions of goods or services for which payment occurs over the internet or other wide area networks

Electronic data interchange (EDI) – Proprietary systems for transferring data between organizations

- Electronic point of sale (EPOS)** – A system for recording details of individual sales
- Employee involvement** – Making employees feel a sense of ownership in their job
- Empowerment** – Expecting employees to use their own discretion to solve a problem, rather than closely following instructions
- Environmental impact grids** – A method of assessing the impact of combinations of external events on an organisation's activities
- Environmental scanning** – A systematic method of monitoring changes in an organization's business environment
- Equity capital** – The shareholders' interest in a business, representing risk capital
- Ethics** – A culturally determined sense of what is right and wrong
- Ethnic minorities** – Small groups in a population who are distinctive in terms of their racial and cultural background
- European Commission** – Administrative executive of the European Union
- European Council of Ministers** – Ministers representing each of the EU member-states
- European Court of Justice** – The supreme court within the EU
- European Economic Area (EEA)** – A common market area comprising the EU plus affiliate nations
- European Union (EU)** – The 27 states of Europe that belong to an economic and political union
- Exchange rate** – The price of one currency expressed in terms of another
- Executive** – Part of an organisation given the task of implementing policy
- Expert opinion** – Consulting experts in a subject area to advise on a subject where the knowledge base of an organisation is weak
- External costs** – Product costs that are borne by individuals or firms who are not compensated for the costs they incur
- Externalities** – Costs that are not borne by the organization that causes them
- F**
- Factoring** – when a company with money owing to it sells these outstanding debts to a third-party company, which then collects them; in return, the company receives an immediate, discounted amount based on the value of the debts
- Family roles** – Expectations of the behaviour of different members of a family unit
- Financial community** – Companies involved in lending and borrowing money, and circulating it between companies, customers and other agencies
- Fiscal policy** – Government policy on public borrowing, spending and taxation
- Five Forces model** – Porter's model of the competitive environment of any firm, which comprises the threat of new entrants and substitute products, the bargaining powers of customers and suppliers, and competition among current competitors
- Flexible workforce** – A workforce that is expected to be flexible in its working practices, and also possibly to be hired and laid off at short notice
- Flotation** – When a company seeks to raise capital on a stock market
- Forecasting** – Estimating the future value of a given phenomenon
- Franchising** – When a company sells the right for another organization or individual to use its business processes and brand name
- Functional organization** – An organization that organizes its internal management around the functions that they perform
- G**
- Geodemographic analysis** – The study of consumer behaviour based on an individual's area of residence
- Globalization** – A tendency to treat the world as though it were part of an organization's domestic market
- Green marketing** – Marketing that seeks to be ecologically responsible
- Gross domestic product (GDP)** – A measure of the value of goods and services produced in an economy during a specified period
- H**
- Horizontal integration** – Merging of firms' activities at a similar point in a value chain
- Household structure** – The composition of a household unit in terms of the number and relationship of its members
- Human resource management (HRM)** – Management activity related to the effective and efficient recruitment, training, motivation, reward and control of an organization's employees

I

Ideology – A guiding set of beliefs

Imperfect competition – A market that is competitive, but does not meet the criteria for perfect competition (e.g. because of variations in product features and information availability)

Incentives – Something that motivates an individual to achieve a goal

Industrial relations – Relationships between employees and their employers, often mediated through trades unions

Inflation – A rise in the general level of prices of goods and services

Injections – Money received by households that does not come from firms, and money received by firms in the circular flow of income

Intellectual property rights – Ownership of the rights to intangible ideas

Interest rates – The cost of borrowing money (or the return from lending money)

Intermediaries – Individuals or organizations who are involved in transferring goods and services from the producer to the final consumer

Internal environment – The processes and structures internal to an organization that facilitate or impede its response to change in its external environment

Internal marketing – The application of the principles and practices of marketing to an organization's dealings with its employees

International trade – Imports/exports to/from other countries

Internet – Computers connected through a common platform

Invisible trade – Overseas trade in services, as distinct from 'visible' goods

Invisibles – Imports and exports to/from a country that comprise intangible services

J

Joint ventures – An agreement between two or more firms to exploit a business opportunity, in which capital funding, profits, risk and core competencies are shared

Judicial review – An appeal to a court to judge as to whether correct governmental procedures were followed

Judiciary – Legal structures and processes

Just-in-time (JIT) systems – Reliably getting products to customers just before they need them

K

Knowledge management – Processes for collecting, analysing and distributing information to people in an organization, who can act upon it

L

Leadership – The ability to effectively take charge and direct a team

Learning organization – An organization that learns about its environment and adapts to change through effective information-sharing and decision-making activities

Legislature – The body responsible for passing legislation

Life stages – Distinctive patterns of behaviour associated with periods in individuals' lives

Lifestyle – A set of distinctive attitudes and behaviours

Limited company – An organization that has a separate legal personality from that of its owners

Liquidation – A company is broken up and its assets sold in order to pay off creditors and to return any surplus to shareholders

Lobbying – Seeking to influence decisions by other individuals/organizations

Local government – Government at the level of town or county

M

Macroeconomic analysis – Aims to show how the economic activities of households and firms, and the economic policies of government, can influence output, employment, price levels and rate of economic growth in an economy

Macroenvironment – The forces in an organization's environment that have an indirect impact on it (e.g. demographic and legislative change)

Management buy-out – When the management of a company agree to buy all or part of a business from the owners

Management information system – A systematic method of collecting, analysing and distributing information that can be used by management decision makers

Market structure – A definition of a market in terms of the number of sellers relative to the number of buyers

Markets – A place (actual or virtual) where buyers and sellers meet to exchange things of value

Matrix organization structures – An organization structure that relies on co-ordination of management functions, rather than a strict hierarchical functional control

Mergers – The amalgamation of two or more organizations

Microenvironment – The immediate environment of an organization, with which it comes into contact directly (e.g. its customers and suppliers)

Migration – Movements of people from one country/region to another

Misrepresentation – When a false representation is made about goods or services

Mission statement – A statement of the essential purpose of an organization

Models – A representation of reality, which identifies key variables and relationships between the variables

Monetarism – A view of the national economy that attributes instability in the economy to issues of money supply

Monetary Policy Committee – UK committee of the Bank of England responsible for developing and maintaining monetary policy

Monopoly – A market in which there is only one supplier; rarely achieved in practice, as most products have some form of substitute

Motivation – The desire to achieve personal goals

Multinational company – Company operating in multiple markets/countries

Multiplier effect – The addition to total income and expenditure within an economy resulting from an initial injection of expenditure

N

Nationalized industry – State-owned trading organization

Negligence – Harm caused to others through failure to exercise a duty of care

Networks – Connections between several organizations in some form of community, characterised by communication and formal or informal relationships between them

New product development (NPD) process – A sequential (sometimes concurrent) process for getting ideas for new products, developing, testing and launching them

Non-Departmental Public Bodies (NDPBs) – Organizations that are essentially owned by the government and are part of the public sector, but operate at ‘arm’s length’ from their sponsoring government department; also commonly referred to as ‘quangos’ (see below)

O

Oligopoly – A market dominated by a few interdependent suppliers

Open system – A system that continuously interacts with its surrounding environment

Organic growth – A virtuous circle of business growth in which success leads to growth, which leads to further success and further growth

Organizational culture – Shared values within an organization that help to distinguish one organization from another

Organizational life cycle – The stages that organizations go through, from initial launch, through growth and maturity, and eventually to decline and possible closure

Organizational objectives – A statement of where an organization wants to be at some defined point in the future (e.g. in terms of sales levels and profitability)

Outsourcing – When a company engages another organization to provide services (e.g. IT maintenance, office cleaning)

P

Partnership – An agreement between individuals to operate a business together, and to share risks and rewards, usually in agreed proportions

Patents – A right for a company to prevent others copying a product whose unique intellectual property has been recognized by the Patent Office

Perfect competition – A market in which there are no barriers to entry, no one firm can dominate the market, there is full information available to all buyers and sellers, and all sellers sell an undifferentiated product

Political parties – Groups of people who share a political ideology and seek to advance their cause through an organization referred to as a political party

Pressure groups – Groups that are formed to promote a particular cause

Price determination – The method of determining prices in a marketplace through the interaction of supply and demand

Private Finance Initiative (PFI) – When private-sector capital, risk and management expertise is brought in to manage government assets and/or services

Privatization – Transferring the assets and/or the operations of public-sector organizations to the private sector

Product life cycle – The stages that a product goes through from initial launch, through growth, maturity and

eventually to decline and possible deletion from a company's product portfolio

Profit maximization – When firms seek to achieve the maximum possible level of profit

Prospectus – An official document issued by a company seeking to raise fresh capital

Public limited company – A company owned by its shareholding members, which has to satisfy additional criteria regarding capital, membership and reporting, compared with an ordinary limited company

Public-private partnership (PPP) – A general term to cover joint agreements between public- and private-sector organizations, including private finance initiatives (see above)

Public sector net borrowing (PSNB) – The amount of money owed to lenders, less the amount that government has lent to others

Q

Quango – A governmental organization that operates at 'arm's length' from its sponsoring department (stands for quasi-autonomous non-governmental organization); also known as Non-Departmental Public Body (see above)

R

Receivership – When a company is no longer a going concern and a process is initiated of breaking up the company and distributing its assets to creditors (also shareholders if there are sufficient funds)

Recession – A period when the size of the national economy is declining, or at least not growing

Reference groups – Groups that an individual makes reference to when making decisions about their own behaviour

Regional government – In the UK, government for Scotland, Wales and Northern Ireland.

Regulation – Restricting the freedom of operators in a market to protect the interests of users and/or the community in general

Research and development (R&D) – Investment in new products, or new methods of making existing products

Relationship marketing – Marketing to consumers or businesses that takes account of the history of dealings with a particular customer, and considers a customer's specific likely future requirements

Retail Prices Index (RPI) – A measure of the percentage change in prices charged by shops for a basket of goods during a specified period

Rights issue – Used when a company seeks to raise additional equity capital from its existing shareholders

Risk assessment – An analysis of the probability of an event happening and the seriousness of its effects

Role – Behaviour that is expected of an individual

S

Satisficing – Performing to a satisfactory level, rather than the highest achievable level

Savings ratio – The proportion of households' available income that is saved rather than spent

Scenario – A hypothetical picture of an environment that may occur in the future

Share capital – The equity capital of a company, representing owners' interests in the business

Shareholders – Investors who take a risk in purchasing a company's shares

Social class – A method of dividing a population into groups based on their social background

Social exclusion – When groups of a society are prevented by formal or informal barriers from taking a full part in the life of the community

Social objectives – Objectives pursued by an organization that will benefit the wider community at large, and not just its own members

Sole trader – A business, the identity of which is indistinguishable from that of its owner

Staff development – Investment in employees that is aimed at developing their general abilities, rather than specific skills

Stakeholders – Any person with an interest in the activities of an organization (e.g. customers, employees, government agencies and local communities)

Statute law – Legislation created by government

Stock Exchange – A market in which a company's shares are bought and sold

Strategic alliances – An agreement between two or more companies to share their resources, e.g. operational resources and access to customers

Subculture – Element within a culture with a distinctive set of values and behaviours

Suppliers – Members of a value chain who sell goods and

services to other companies, who subsequently add value to them

Supply – The volume of a product that firms are prepared to bring to a market, at a given price, and within a specified time period

SWOT analysis – An organization's internal strengths and weaknesses, matched against its external opportunities and threats

T

Takeover – When one company seeks to acquire control of another

Task force – Team focused on tackling a specific problem

Technological fusion – The merging of different technologies

Technology transfer – The process of disseminating new technologies between sectors and products

Tort – Law relating to the liability of individuals and organizations to others in

respect of their negligent actions

Trademarks – Legal protection given to an organization for its distinctive logos and brand names

Trading blocs – An agreement between a group of nations to make trade between members easier than trade with other countries

Training – Development of skills in a workforce

Transformation process – When low-value inputs are turned into relatively high-value outputs

Trend analysis – Studying past trends as a basis for predicting future activity (e.g. of sales or costs)

Turning point – A point in a business cycle when recession turns into expansion, or vice versa

U

Unemployment – Unused or under-utilized potential workers in a population

V

Value chain – The sequence of activities and organizations involved in transforming a product from one that is of low value to one that is of high value

Values – A deep-seated set of beliefs

Vertical integration – The extension of a firm's activities to prior or subsequent points in a value chain

Visible trade – Overseas trade in manufactured goods

W

Withdrawals – Money in the circular flow of income that should flow from households to firms, or vice versa, but is instead withdrawn from circulation (e.g. through savings or taxation)

World Trade Organization – An international organization that seeks to facilitate trade between nations, by, among other things, removing trade barriers