
Almost every Business question opens with a two-mark definition, and the mark is for the defining feature – not for an example. Give the feature first; add the example only if the question asks.

Business and its environment

- Added value** – the difference between the selling price of a product and the cost of the bought-in materials used to make it
- Opportunity cost** – the benefit of the next best alternative given up when a decision is taken
- Entrepreneur** – someone who takes the financial risk of setting up and running a business, combining the other factors of production
- Social enterprise** – a business with social objectives that reinvests most of its surplus rather than distributing it to owners
- Limited liability** – shareholders' losses are limited to the amount they invested; their personal assets are not at risk
- Private limited company** – a company whose shares cannot be sold to the public and are transferred only with the agreement of other shareholders
- Stakeholder** – any individual or group with an interest in, or affected by, the activities of a business
- Corporate social responsibility** – a business accepting obligations to society beyond those imposed by law and by the profit motive
- Business objective** – a target the business sets itself, ideally SMART: specific, measurable, achievable, realistic and time-bound
- Mission statement** – a statement of a business's core purpose and values, intended to motivate and to communicate direction

People in organisations

- Span of control** – the number of subordinates directly answerable to one manager
- Delegation** – passing authority for a task down the hierarchy, while the manager keeps accountability
- Delaying** – removing one or more levels of the hierarchy, usually to cut costs and speed up communication
- Motivation** – the internal drive that makes an employee want to work towards the organisation's goals
- Labour turnover** – the proportion of the workforce leaving in a year, as a percentage of the average number employed
- Leadership style** – the way a manager exercises authority – autocratic, paternalistic, democratic or laissez-faire

- Human resource management** – the strategic management of a business's employees, from planning and recruitment to training and appraisal
- Workforce planning** – forecasting the number and type of employees the business will need, and how it will obtain them
- Industrial action** – measures taken by employees, such as a strike or a work-to-rule, to press a claim on their employer

Marketing

- Market share** – a firm's sales as a percentage of total market sales, by value or by volume
- Market segmentation** – dividing a market into groups of consumers with similar characteristics so each can be targeted
- Niche marketing** – targeting a small, specific segment of a larger market
- Unique selling point** – the feature of a product that distinguishes it from competitors and gives customers a reason to choose it
- Price elasticity of demand** – the responsiveness of quantity demanded to a change in price; if demand is inelastic, a price rise raises revenue
- Penetration pricing** – setting a low initial price to gain market share quickly, then raising it
- Skimming** – setting a high initial price to recover development costs from early adopters before competitors enter
- Marketing mix** – the combination of product, price, place and promotion (extended by people, process and physical evidence for services)
- Product life cycle** – the stages a product passes through over time: development, introduction, growth, maturity and decline
- Extension strategy** – action taken to lengthen the maturity stage of a product and delay decline

Operations and project management

- Productivity** – output per unit of input per period, most often output per worker per hour
- Capacity utilisation** – current output as a percentage of maximum possible output
- Economies of scale** – the fall in average cost per unit as output rises
- Job production** – producing one unique item at a time to a customer's specification
- Lean production** – producing with the minimum waste of materials, time and effort
- Just-in-time** – holding minimal stock and receiving inputs only as they are needed, which cuts holding costs but raises the risk of supply failure
- Quality assurance** – building quality into every stage of the process so defects are prevented, rather than inspected out at the end
- Break-even output** – the level of output at which total revenue equals total costs, so profit is zero

- Margin of safety** – the amount by which current output exceeds break-even output
- Critical path of the project** – the sequence of activities with zero float, which determines the minimum duration of the project

Finance and accounting

- Cash flow** – the movement of money into and out of a business over a period; it is not the same as profit
- Working capital** – current assets minus current liabilities – the finance available for day-to-day operations
- Liquidity** – the ability of a business to meet its short-term debts as they fall due
- Gross profit** – revenue minus cost of sales
- Net profit** – gross profit minus all other operating expenses
- Gearing** – long-term borrowing as a percentage of capital employed; high gearing means greater reliance on debt and greater risk
- Return on capital employed** – operating profit as a percentage of capital employed – the headline measure of how well capital is used
- Depreciation** – the fall in the value of a non-current asset over its useful life, charged as an expense each year
- Budget** – a financial plan for a future period, against which actual performance is compared
- Variance** – the difference between a budgeted figure and the actual figure; favourable if it improves profit, adverse if it reduces it
- Investment appraisal** – the techniques used to judge whether a capital project is worthwhile – payback, average rate of return, and discounted cash flow

Strategic management

- SWOT analysis** SWOT – an audit of internal strengths and weaknesses against external opportunities and threats
- PEST analysis** PEST – analysis of the political, economic, social and technological factors in the external environment
- Core competence** – a capability that is valuable to customers, hard for rivals to imitate, and applicable across several markets
- Ansoff's matrix** – a framework for growth strategy using existing or new products in existing or new markets; diversification is the riskiest cell
- Organic growth** – growth generated from within the business by increasing output or opening new outlets, rather than by acquisition
- Takeover** – one company acquiring control of another by buying a majority of its shares
- Contingency planning** – preparing in advance for a possible crisis so the business can respond quickly and limit damage

Change management
provokes

– planning and implementing change while managing the resistance it