



A292

Business & People

Key Terms

Chain of production – the process of a product starting as raw materials, manufactured in secondary production and then serviced in some way in tertiary production

Primary sector – The first stage of production, involving the extraction of the raw materials and natural resources.

Secondary sector – the second stage of production, where the raw materials are manufactured into finished products

Tertiary sector – the third stage of production, where a service is provided for consumers

Interdependence- The way in which business in different sectors of business activity depend on each other. The primary sector depends on the secondary sector to make products from the raw materials it produces. In turn, the primary and secondary sectors depend on the tertiary sectors to provide the necessary services for the business.

Specialisation – where a business concentrates on one particular activity.

Added value-when a business increases the value of a product-for example, making a car from pieces of metal or making a meal from various ingredients.

De-industrialisation- The reduction of importance of the secondary sector of business activity in a country.

Business objectives – Business objectives are what the business is trying to achieve. E.g. profit, growth, survival and providing a service. Objectives vary from business to business and will change over time.

Mission Statement – A mission statement is a brief summary of the main objectives a business organisation has.

Satisficing – this means that a business will make enough profit to enable it to meet its needs, and not make as much profit as possible

Dividend – A payment made to shareholders from the profits made by a private or public limited company

Market Share – This is the amount of a market that a business controls. It is measured as a percentage

Private sector – The part of business activity owned by private individuals. This is the greater part of the business activity and includes Sole proprietors, partnerships and private and public limited companies

Public sector – The part of business activity controlled by local and central government. Including health, education, fire service, police and the post office

Public corporation – An organisation owned by national government

Stakeholders – an individual or group of people who have an interest in a business, including workers, customers, owners and the local

Incorporated- A form of business organisation which is a separate legal entity. It has limited liability **and is owned by shareholders**

Unincorporated- A type of business organisation which has limited liability

Co-operatives- Trading organisations where a number of independent producers work together and trade as though they are a single larger business

Sole proprietor- Sometimes known as sole trader. One person owns the business

Partnership- A form of unincorporated business organisation which is owned by more than one person

Unlimited liability - Owners of the business are liable for its debts

Bankruptcy- Something that affects individuals and unincorporated business when liabilities are greater than assets

Private limited company -A business owned by shareholders. It is normally identified by the word 'limited' or 'Ltd' somewhere in the name of the business

Public limited company (plc)- A business owned by shareholders. Shares in the business can be bought or sold without restriction. The business must use the words public limited company or plc **somewhere in the name of the business**

Limited liability- The owner of the business does not risk losing personal possessions in order to pay off the debts of the business

Insolvency- A limited liability company is said to be insolvent when liabilities are greater than assets

Entrepreneur- A person who sees a business opportunity and who accepts the risks involved in running a business

Merger Two or more businesses join together to make one larger business

Take-over- One business buys control of another

Horizontal- Merger or take-over of another business involved in the same industry at the same stage of production

Vertical- Merger or take-over of another business involved in the same industry at a different stage of production. The merger or take-over can be backwards or forwards

Diversification- A process of spreading risks by reducing dependence on one particular product or service

Conglomerate- Merger or take-over of another business which is involved in a totally different business activity

Footloose- A business is able to locate anywhere it chooses

Uniform business rates- A type of tax paid by businesses to cover the cost of providing local services

Grants- Payment of money for a specific purpose, which does not usually have to be paid back. Grants may be available from the EU, central government or local authorities to help business improve employment opportunities

Infrastructure- The name given to basic services needed by a business in order for it to operate effectively. Such things as roads, power supplies, telephones, and water supplies would be included under this heading

Greenfield- site Industrial or commercial development t in an area that has previously not be built on

Brownfield- site Industrial or commercial development that was previously derelict or occupied by another industrial activity

Sole Proprietor – Unincorporated business owned by one person. Also known as a ‘sole trader’

Start up capital- money needed to start up a new business. It is usually provided by the owner of the business.

Economies of large scale production – these occur when the scale of the business activity increases, resulting in a reduction in the average cost of production

Silent or sleeping partner – A person who has invested capital into a business but who does not take an active part in the running of the business.

Deed of partnership – A legal agreement drawn up between the partners of the business stating the responsibilities of partners-for instance, how profits and losses are to be shared; how the business is to operate.

LLP – A limited liability partnership. This is a new form of business organisation which trades as a partnership but with limited liability.

Incorporation – the process of becoming a limited liability company

Registrar of Companies – Person responsible in the United Kingdom for maintaining records relating to the activities of private and public limited companies

Certificate of incorporation – Legal document issued by the Registrar of Companies allowing a business to trade as a limited liability business

Board of directors – People usually elected by shareholders to represent their interests and make important decisions on how the company is operated.

Annual General Meeting (AGM) – A yearly meeting of shareholders, which amongst other things, will elect director to the board and confirm the amount of dividend to be paid

Chair of the board of directors – The person who takes responsibility for managing the board of directors

Managing directors – the person responsible for putting into action the decisions made by the board of directors

Capital – Money usually raised through the sale of shares to investors

Issued share capital – the amount of share capital issued to investors

Minority shareholders – Private individuals who may only own a small percentage of the shares of a company.

Majority shareholders – these are shareholders who will probably own a large percentage of the shares issued by a company.

Institutional investors – Banks and investment companies, which may invest money on behalf of themselves or private individuals. They will probably own a large percentage of the shares of a company.

Franchise – A marketing arrangement that allows another business to trade in the same style as an existing business

Franchisor – the name given to the person or business who offers to franchise to other businesses its trading methods, products and business logos

Franchisee – the name given to a business or person buying a franchise

Royalty – A payment made to the franchisor based on the sales revenue of the franchise

Globalisation – the worldwide interdependence of business activity

Multinational company- A company with facilities in several different countries

Public sector - Business activity which is owned and funded by local or national government

Public corporation - An organisation which is owned by national government

Selection – The process of choosing between applicants for a job

Personnel or human resources department – the department in the business that deals with the recruitment and selection of workers, with pay and other employment matters

Needs analysis – how an organisation decides how many and what type of workers it should employ

Job description – this lists the main duties or tasks or responsibilities of a worker

Person Specification – this lists the qualities, qualification and knowledge that a person should have to do a particular job

Internal recruitment – this is when a job vacancy is filled by employing someone who is already an employee of the business

External recruitment – this is when a job vacancy is filled by employing someone from outside the business

Recruitment agency – a specialist agency that carries out all the tasks involved in recruitment and selection of workers on behalf of an organisation

Employment agency – an agency that has workers readily available for business hire, usually for a short period of time.

Induction training-special training to introduce a new worker to the business place of work and their fellow workers

On-the-job training-Occurs at the place of work and while the worker is doing their job

Off-the-job training – occurs when the worker is not doing their job. It may still be at the place of work, or the employee may be sent somewhere else for the training.

Coaching- when one worker supports another to develop that person's knowledge and skills

Appraisal – when a line manager assesses the work of somebody he or she is responsible for. They may discuss targets for the worker to achieve and training that is needed

Performance related pay-any way of paying workers that rewards them for how much they produce or how well they work

Lifelong learning – the idea that workers will need to keep learning different learning skills during their working lives

Investors in people (IIP) -A scheme by which the quality of staff training and development in a business can be recognised by an outside organisation.

Maslow's Hierarchy of needs -A theory that can be used to explain what motivates people

Needs –the human wants and desires that work can help to satisfy

Motivation – the encouragement given to workers to work hard and to work well

Productivity –the measure of how well workers are working. It is usually measured by the amount they produce or the average costs of production of what they make.

Pay – the money reward given to workers

Gross pay – pay before any deductions

Net pay – pay after deductions

Deductions – money taken off a person's gross pay for income tax, national insurance contributions and pension contributions.

Income tax – a tax paid out of a person's income

National Insurance contributions – money paid out of a person's wage or salary to pay for things such as the state pension, and unemployment payment and sick pay if these are needed.

Pension contributions – money paid out of a person's wage or salary to provide a pension when they retire. This is extra to the National Insurance contributions, which provides the state pension.

Expenses – money paid to workers to pay them back for any money that they have spent doing work for the business. Expenses may include travel expenses.

Non-pay motivators – method of motivating workers that do not involve the payment of money as a reward. They meet needs in Maslow's Hierarchy of Needs other than basic or psychological needs

Empowered – when workers feel that they have responsibility and are motivated because of this.

Autocratic leadership-This is when the leader makes all the decisions and expects the workers beneath him/her to carry out his/her orders. There will be little or no discussion with the workers about the work – workers are simply expected to obey workers

Laissez-faire leadership-The French term 'laissez-faire' means leave to do. The leader will decide the main objectives of the organisation but the workers are given responsibility for deciding how they achieve the objectives

Democratic leadership-This is when the workers are allowed to discuss plans with the leader and to influence decisions about what to do and how to do it.

Labour law-this term refers to laws that deal with relations between workers and their employers, for example laws such as the Equal Pay Act and the Race Relations Act, which are designed to protect workers.

Employment tribunal – A special court of law that deals with disputes between workers and employers

Contract of employment-A legal agreement between the workers and the employer

Redundancy – when employment is ended because the firm no longer needs the work that was done by an employee

Trade Unions – Organisations that represent the interests of workers

Pressure group – An organisation that tries to influence the government and Parliaments to pass laws in its favour

Industrial action – Actions taken by workers to put pressure on employers to give in to their demands

Industrial relations - the term for the dealings between union and management

Single union agreements – when worker and the employers agree that all workers will be represented by only one union

Advisory Conciliation and Arbitration Service (ACAS) - An organisation which helps to settle industrial relation disputes between workers and employers

Communications – the transmission of a message from the sender to a receiver through a means of communication

Feedback – the response made by a person who receives a communication that indicates that they have, or have not, understood the communication

Internal communication – communication between people employed in the same organisation

Vertical communications – communication up or down the hierarchy within an organisation

Horizontal communications – communications between people on the same level of the hierarchy in the organisation

External communications – communication between people in an organisation and others outside the organisation

Formal communication - communications that use the official channels of communication within the organisation

Informal communications - communications that are outside the official channels of communication within the organisation

Information and communications technology (ICT) – the use of technology to facilitate communications

Organisational chart – A diagram which shows how the workers are organised in a business and who is in charge of whom

Function – the specific job that a person or department must do

Hierarchy-this is when a business is organised from the top down, the people higher up the hierarchy having more power than those below them

Layers – the number of levels of authority which there are in a chain of command

Authority – the power one person has to make decisions and to control what other workers do

Accountability – the responsibility that a person has for a job meaning that he or she will take the blame for what goes wrong as well as the credit for what goes well

Chain of command – the link in the levels of authority from those at the top with the most authority to those at the bottom with the least

Line of communication – the route that a message travels between the sender and the person that it is for

Line manager- this is a person who is directly responsible for other workers in the organisation

Subordinates - the workers that a line manager is responsible for

Span of control – the number of subordinates who reports directly to the line manager

Delegated – the process of giving a manager authority to a subordinate to make decisions for which that manager is responsible

Staff manager – a person who supports other department across the organisation