AQA
Questions matter

Subject specific vocabulary

The following subject specific vocabulary provides definitions of key business terms used in our A-level Business (7132) specification.

Your students should be familiar with, and gain understanding from all these terms.

3.1 What is business

Profit
The financial gain earned by a business after deducting total costs from total revenue.

Cash flow
The movement of money in and out of a business, reflecting its liquidity and ability to meet financial obligations.

Mission
The fundamental purpose or reason for the existence of an organisation, defining its core values and guiding principles.

Objectives
Specific, measurable goals set by an organisation to achieve its mission.

Revenue
The total income generated by a business from its primary operations, typically from sales of goods or services.

Fixed costs
Expenses that remain constant regardless of production or sales volume, such as rent or salaries.

Variable costs
Expenses that fluctuate based on production or sales volume, such as raw materials.

Sole trader
An individual business owner who operates and manages a business on their own, assuming full responsibility for profits and losses.

Private limited company (ltd)
A business entity with limited liability, typically owned by a small group of shareholders, and restricted from offering shares to the general public.

Public limited company (plc)
A corporation whose shares are traded on a public stock exchange, allowing a wide range of investors to buy and sell ownership stakes in the company.

Private sector
The part of the economy that is owned and operated by private individuals or companies, aiming to generate profits.

Public sector
The part of the economy that is owned and operated by the government, providing goods and services to the public.

Non-profit organisation
An organisation that operates for purposes other than profit, such as charitable, educational or social causes.

Social enterprise
A business entity that operates with a primary focus on addressing social or environmental issues.

Unlimited liability
The legal obligation of business owners to personally cover all debts and liabilities of the business, risking personal assets.

Limited liability
The legal protection of business owners' personal assets, restricting their liability to the amount of their investment in the business.

Ordinary share capital
The equity capital raised by a company through the issuance of ordinary shares to shareholders.

Market capitalisation

The total value of a company's outstanding shares in the stock market, calculated by multiplying the current share price by the number of shares.

Dividends

Payments made by a company to its shareholders as a distribution of profits, usually in the form of cash or additional shares.

3.2 Managers, leadership and decision making

Management

The process of coordinating and directing the activities of an organisation to achieve its goals efficiently through planning, organising and controlling resources.

Leadership

The ability to inspire, influence and guide others towards achieving a common goal or vision.

Autocratic

A leadership style where decisions are made by a single individual with little or no input from subordinates, often characterised by strict control and centralised authority.

Paternalistic

A leadership style where the leader acts as a father figure, making decisions for the benefit of employees while expecting loyalty and obedience in return.

Democratic

A leadership style that encourages participation, collaboration and decision-making by team members, promoting equality and shared responsibility.

Laissez-faire

A leadership style characterised by minimal intervention and a hands-off approach, where individuals or teams are given freedom to make their own decisions and manage their own tasks.

Opportunity cost

The value of the next best alternative that must be forgone when a decision is made to allocate resources to a particular option.

Stakeholder

Individuals or groups who have an interest, involvement, or are affected by the activities and outcomes of a business, including employees, customers, shareholders and the community.

3.3 Marketing management

Sales volume

The total number of units of a product or service sold within a specified time period.

Sales value

The total monetary worth of a product or service sold within a specific time frame, calculated by multiplying the number of units sold by their respective prices.

Market size

The total value or quantity of a specific product or service that can potentially be sold in a defined market during a given period, often measured in terms of revenue or units.

Market share

The percentage of total sales within a specific market that a particular company or product holds, reflecting its relative position compared to competitors.

Qualitative data

Information or data that is descriptive in nature and provides insights into opinions, behaviours and attitudes.

Quantitative data

Information or data that is numerical in nature and can be measured and quantified.

Primary market research

The process of collecting original data directly from the source through methods like surveys, interviews or observations.

Secondary market research

The process of gathering existing data and information that has already been collected by others, such as industry reports, articles or government publications.

Sampling

The process of selecting a subset of individuals or units from a larger population to represent the whole.

Random sampling

A sampling technique where every member of the population has an equal chance of being selected for the sample.

Stratified sampling

A sampling technique where the population is divided into subgroups or strata, and random samples are taken from each subgroup.

Quota sampling

A sampling technique where specific quotas or proportions of the population are selected based on certain characteristics.

Positive correlation

A statistical relationship in which the values of two variables tend to move in the same direction, meaning an increase in one variable corresponds to an increase in the other.

Negative correlation

A statistical relationship where the values of two variables move in opposite directions, indicating that an increase in one variable is associated with a decrease in the other.

Confidence interval

A range of values the research is expected to fall between.

Extrapolation

The process of estimating or projecting future data points based on existing trends or patterns.

Segmentation

The process of dividing a market into distinct groups of consumers based on similar characteristics or needs.

Positioning

The strategic process of creating a distinct identity or image for a product or brand in the minds of consumers relative to competitors.

Niche marketing

A marketing strategy that targets a specific segment or niche of the market with specialised products or services.

Mass marketing

A marketing strategy that targets the entire market with standardised products or messages.

Boston matrix
A strategic planning tool that categorises a company's products or business units based on their market share and growth rate.

Product life cycle
The stages that a product goes through from introduction to decline, including development, growth, maturity and decline.

Extension strategies
Marketing strategies aimed at extending the life cycle of a product.

Penetration pricing
A pricing strategy where the initial price of a product is set low to gain market share quickly.

Price skimming
A pricing strategy where the initial price of a product is set high to maximise profits from the most eager customers before gradually lowering the price.

Branding
The process of creating a unique name, design, symbol or image that identifies and differentiates a product or service from competitors.

Viral marketing
A marketing technique that relies on individuals spreading a marketing message or content rapidly through word-of-mouth or online sharing.

Multi-channel distribution
The use of multiple channels or methods to distribute products or services to reach a wider audience, such as online sales, retail stores and direct sales.

Digital marketing
Marketing strategies and tactics that utilise digital technologies and platforms, such as social media, email and websites, to promote products or services.

E-commerce
The buying and selling of goods or services over the internet or through electronic channels.

3.4 Operational management

Added value

The increase in worth of a product or service because of the production process or additional features, measured by the difference between the selling price and the cost of inputs.

Labour productivity

The measure of output produced per unit of labor input.

Unit costs (average costs)

The average cost per unit of output, calculated by dividing total production costs by the number of units produced.

Capacity

The maximum level of output or production that a business can sustain over a given period with its existing resources.

Capacity utilization

The extent to which a business utilises its production capacity to meet demand, calculated as actual output divided by maximum possible output multiplied by 100.

Efficiency

The ratio of output to input, measuring how well resources are utilised to achieve desired outcomes.

Just in time (JIT)

An inventory management approach that aims to minimise inventory levels by receiving goods only as they are needed in the production process.

Just in case (JIC)

An inventory management approach where businesses maintain higher inventory levels as a precaution to meet unexpected increases in demand or supply chain disruptions.

Lean production

A production philosophy that emphasises minimising waste, improving efficiency and maximising value for customers through continuous improvement.

Labour intensive

A production process or industry that requires a significant amount of labour relative to capital inputs.

Capital intensive

A production process or industry that relies heavily on machinery, equipment or capital investment relative to labour inputs.

Quality assurance

The systematic process of ensuring that products or services meet specified standards and conform to established quality criteria.

Quality control

The process of inspecting, testing and monitoring products or services during and after production to ensure they meet predetermined quality standards.

Outsourcing

The practice of contracting out certain business functions or processes to external third-party service providers.

Temporary employees

Workers who are hired for a limited period to fulfill specific roles or tasks.

Part-time employees

Workers who are employed for fewer hours than full-time employees, typically working on a regular schedule.

Producing to order

A production strategy where goods are manufactured only after receiving customer orders, reducing the need for inventory storage and minimising waste.

Lead time

The amount of time it takes for an order to be fulfilled from the moment it is placed until it is delivered to the customer.

Re-order levels

The predetermined inventory level at which new orders should be placed to replenish stock and maintain sufficient inventory levels.

Buffer level

An additional inventory stock kept as a reserve to account for unexpected fluctuations in demand, supply chain disruptions or production delays.

Re-order quantity

The quantity of goods that should be reordered when inventory levels reach the re-order point, ensuring continuity of supply.

3.5 Financial management

Return on investment (ROI)

A measure of the profitability of an investment, calculated as the ratio of net profit generated by the investment to the initial investment cost.

Gross profit

The difference between revenue and the cost of goods sold, representing the profit earned from primary business activities before deducting other expenses.

Operating profit

The profit earned from a company's core business operations after deducting operating expenses from gross profit.

Profit for the year

The net income or profit earned by a company over a specific accounting period, typically calculated after deducting all expenses, taxes and dividends.

Adverse variance

A difference between actual performance and budgeted or expected performance that results in a negative impact on a company's financial results.

Favorable variance

A difference between actual performance and budgeted or expected performance that results in a positive impact on a company's financial results.

Break even output

The level of output at which total revenue equals total costs, resulting in neither profit nor loss.

Margin of safety

The difference between actual sales and the break-even point, representing the amount by which sales can drop before a company incurs losses.

Contribution per unit

The amount of revenue remaining after deducting variable cost per unit from selling price, representing the contribution of each unit sold towards covering fixed costs.

Total contribution
The total amount of revenue remaining after deducting variable costs from sales revenue, available to cover fixed costs and contribute to profit.

Payables
Amounts owed by a business to its suppliers or creditors for goods or services purchased on credit.

Receivables
Amounts owed to a business by its customers or debtors for goods or services provided on credit.

Profit from operations
The profit earned from a company's core business activities before deducting interest and taxes.

Break even analysis
A financial technique used to determine the level of sales or output needed to cover total costs and break even, helping businesses make informed decisions.

Debt factoring
A financing arrangement where a business sells its accounts receivable to a third party (factor) at a discount to obtain immediate cash.

Overdrafts
Short-term loans provided by banks that allow businesses to withdraw more money from their bank accounts than they have available, up to an agreed limit.

Retained profits
The portion of a company's net income that is retained and reinvested in the business rather than distributed to shareholders as dividends.

Share capital
The total value of funds raised by a company through the issuance of shares to shareholders, representing ownership in the company.

Loans
Funds borrowed by a company from external sources, typically financial institutions or lenders, which must be repaid with interest over a specified period.

Venture capital
Equity financing provided to early-stage, high-potential startups or small businesses by investors in exchange for ownership stakes, with the expectation of high returns.

Crowdfunding
A method of raising capital for a project or venture by soliciting small contributions from a large number of individuals, often through online platforms.

Cash flow
The movement of money in and out of a business, reflecting its liquidity and ability to meet financial obligations.

3.6 Human Resource Management

Employee engagement

The extent to which employees are committed to their work, motivated to contribute to organisational success, and feel a sense of fulfillment and connection to their job and workplace.

Talent development

The strategic process of identifying, attracting, developing and retaining skilled employees to meet current and future organisational needs.

Training

The process of providing employees with specific knowledge, skills and competencies to improve performance and productivity in their current roles.

Diversity

The presence of a variety of backgrounds, perspectives and characteristics within a workforce, including differences in race, gender, ethnicity, age and sexual orientation.

Hard human resource management

A management approach that treats employees as just another resource for the achievement of business goals.

Soft human resource management

A management approach that aims to empower employees and support them to achieve their potential.

Labour turnover

The rate at which employees leave and are replaced within an organisation over a specific period, often expressed as a percentage of the total workforce.

Functional structure

An organisational design where employees are grouped based on their specialised functions, such as marketing, finance or operations.

Product-based structure

An organisational design where employees are grouped according to the products or services they work on

Regional structure
An organisational design where employees are organised based on geographic regions, accommodating differences in local markets, regulations or customer needs.

Matrix structure
An organisational design that combines elements of both functional and product structures, allowing employees to report to multiple managers and work on cross-functional teams.

Authority
The power or right to give orders and make decisions.

Span
The number of subordinates or employees directly reporting to a manager.

Hierarchy
A system of ranking and organising individuals or groups within a business based on authority, responsibility and status.

Delegation
The process of assigning authority to subordinates to carry out specific tasks or decisions, while retaining overall accountability.

Centralisation
The concentration of decision-making authority at the top levels of an organisation.

Decentralisation
The distribution of decision-making authority to lower levels of an organisation, allowing greater autonomy.

Human resource plan
A strategic document that outlines workforce needs, goals and strategies for recruitment, development and retention of employees.

Recruitment
The process of attracting, sourcing and selecting qualified candidates to fill job vacancies within a business

Redeployment
The transfer of employees from one role or department to another within the same business, often to meet changing business needs or utilise existing skills.

Redundancy
The termination of employment due to the elimination of a job role or position that is no longer necessary or viable within an organisation.

Piece rate
A compensation system where employees are paid based on the number of units or pieces they produce or complete.

Commission
A form of compensation tied to sales or performance, usually calculated as a percentage of sales revenue generated.

Salary
A fixed, regular payment paid to an employee on a monthly or annual basis, regardless of the hours worked or output produced.

Performance-related pay
A compensation system that links an employee's pay to their individual or team performance, typically based on predetermined goals or metrics.

Empowerment
The delegation of authority and decision-making power to employees

Flexible working
A work arrangement that allows employees to vary their working hours, location or patterns to accommodate personal needs or achieve a better work-life balance.

Job enrichment
A job design approach that involves increasing the depth of tasks and responsibilities within a role to provide employees with greater autonomy, challenge and opportunities for growth.

Job rotation
A human resource development strategy that involves periodically moving employees between different roles or departments within a business to broaden their skills and experiences.

Trade union
An organised group of workers formed to protect and promote their interests, often involved in negotiations with employers regarding wages, benefits and working conditions.

Works council

A representative body of employees within a business, typically elected or appointed to represent employee interests and facilitate communication with management.

3.7 Analysing the strategic position of a business

Short-termism
A focus on immediate results and short-term gains without considering long-term consequences or sustainable growth strategies.

Strategy
A plan or course of action designed to achieve long-term goals or objectives, often involving analysis, decision-making and resource allocation.

Tactics
Specific actions implemented to achieve short-term objectives within the broader framework of a strategy.

SWOT analysis
An assessment tool used to identify a business's strengths, weaknesses, opportunities and threats, providing insights for strategic planning and decision-making.

Core competencies
Unique capabilities or strengths that differentiate a business from its competitors and contribute to its competitive advantage.

Regulator
A governmental or non-governmental entity responsible for overseeing and enforcing rules, regulations and standards within a particular industry or sector.

Infrastructure
The physical and organisational structures, facilities and systems necessary for the operation of a society or enterprise, including transportation, communication and utilities.

Fiscal policy
Government policies related to taxation, spending and borrowing aimed at influencing economic conditions, such as inflation, unemployment and economic growth.

Monetary policy
Government policies related to the control and regulation of money supply, interest rates and credit conditions, often implemented by central banks to influence economic activity and stabilise financial markets.

Open trade

A policy of unrestricted international trade and commerce, promoting the free flow of goods, services and capital across borders without barriers or tariffs.

Protectionism

A policy of imposing restrictions, tariffs or trade barriers to protect domestic industries from foreign competition, often motivated by concerns about job loss or economic sovereignty.

Migration

The movement of people from one place to another, either within a country or across international borders.

Corporate social responsibility

The ethical and voluntary commitment of businesses to contribute to the well-being of society and the environment, beyond legal obligations.

3.8 Choosing strategic direction

Market penetration

A strategy focused on increasing sales of existing products or services in current markets, often through pricing adjustments, marketing campaigns, or expanding distribution channels.

Market development

A strategy aimed at expanding into new market segments or geographical areas with existing products or services, targeting new customer groups or market segments.

New product development

The process of creating and introducing innovative products or services to meet evolving customer needs or to enter new markets, involving research, design, testing and launch phases.

Diversification

A strategy involving the expansion of a company's business activities into new products, services and markets that are unrelated to its current offerings, aiming to spread risk and capture new opportunities.

Competitive advantage

The unique strengths, capabilities or resources that enable a company to outperform its competitors and achieve superior performance in the marketplace, leading to increased market share or profitability.

3.9 Strategic methods: how to pursue strategies

Organic growth
Expansion achieved through internal development, such as increasing sales, expanding product lines or entering new markets without acquisitions.

External growth
Expansion achieved through acquisitions, mergers or partnerships with other companies rather than through internal development.

Technical economies of scale
Cost advantages obtained by increasing the scale of production, leading to lower average costs per unit due to efficiencies in technology and processes.

Purchasing economies of scale
Cost advantages achieved through bulk purchasing of materials or supplies, allowing for lower unit costs due to volume discounts or reduced transaction costs.

Economies of scope
Cost savings resulting from producing a variety of products or services together more efficiently than producing them separately, often by sharing resources or infrastructure.

Diseconomies of scale
Increasing average costs per unit as production levels rise beyond a certain point, typically due to inefficiencies or complexities in managing larger operations.

Synergy
The combined value and performance of two businesses will be greater than the sum of the individual parts.

Overtrading
A situation where a company expands its operations too rapidly without adequate financial resources or operational capacity, leading to cash flow problems.

Retrenchment
A strategic response to financial difficulties or poor performance, involving reducing the scale or scope of operations to improve efficiency and profitability.

Merger
The combination of two or more companies into a single entity, typically with the aim of achieving synergies, expanding market share or increasing competitiveness.

Takeover
The acquisition of a controlling interest in a company by another company.

Venture
A business arrangement where two or more businesses agree to share their resources for mutual benefit.

Franchising
A business model where individuals or groups (franchisees) are granted the right to operate under the brand and business model of a larger company (franchisor) in exchange for fees and royalties.

Vertical integration
The expansion of a company's operations into different stages of the supply chain, such as acquiring suppliers or distributors, to gain control over production or distribution processes.

Horizontal integration
The expansion of a company's operations into the same stage of the supply chain or industry, such as acquiring competitors, to increase market share or consolidate market power.

Conglomerate integration
The diversification strategy of expanding into unrelated industries or businesses to spread risk and capture new opportunities, often through mergers or acquisitions.

Kaizen
A Japanese business philosophy focused on continuous improvement in processes, products and services through incremental changes and employee involvement.

Research and development (R&D)
The systematic process of creating, testing and improving products, services or processes through scientific investigation and experimentation.

Intrapreneurship
The practice of fostering entrepreneurial behavior and innovation within a business, encouraging employees to develop and implement new ideas or projects.

Benchmarking

Comparing a company's performance, processes or practices with those of competitors or industry leaders to identify areas for improvement and best practices.

Patent

Legal protection granted to inventors for their inventions, giving them exclusive rights to make, use or sell the invention for a limited period.

Copyright

Legal protection granted to creators of original works, such as literature, music or software, giving them exclusive rights to reproduce, distribute or perform the work for a limited period.

Globalisation

The process of increased interconnectedness and integration of economies, cultures and societies worldwide, facilitated by advances in technology, communication and trade.

Emerging economy

A developing country with rapidly growing industrialisation, infrastructure and economic potential, often characterised by high growth rates and increasing integration into the global economy.

Export

The sale of goods or services produced in one country to customers or markets in another country, contributing to international trade and economic growth.

Licensing

A business arrangement where one company (licensor) grants another company (licensee) the right to use its intellectual property, such as patents, trademarks or copyrights, in exchange for fees or royalties.

Alliances

Collaborative partnerships between companies to achieve common goals, such as sharing resources, technology or market access, while maintaining autonomy and independence.

Direct investment

The establishment of business operations in a foreign country by a company based in another country, involving long-term ownership and control of assets.

Off-shoring

The relocation of business processes, operations or production to another country.

Re-shoring

The reverse of off-shoring, involving the return of business processes, operations or production to the original country.

Big data

Large volumes of structured and unstructured data collected from various sources, such as social media, sensors or transactions, used for analysis and decision-making.

Data mining

The process of discovering patterns, trends and insights from large datasets using statistical, mathematical or machine learning techniques.

3.10 Managing strategic change

Incremental change

Gradual or small-scale adjustments made to existing processes, products or strategies within a business, often aimed at improvement without fundamentally altering the status quo.

Disruptive change

Radical or transformative shifts that significantly alter industry dynamics, business models or market structures, often leading to the displacement of established players and the emergence of new ones.

Restructuring

A strategic reorganisation of an organisation's structure, operations or resources, often involving changes to departments, roles, processes or hierarchies to improve efficiency or adapt to new challenges.

Delayering

The process of reducing the number of hierarchical levels or management layers.

Organic structure

An organisational design characterised by decentralised decision-making, flexible roles and responsibilities, and fluid communication channels.

Mechanistic structure

An organisational design characterised by centralised decision-making, clear hierarchies, formalised roles and procedures, and standardised processes, often found in larger or more traditional organizations.

Organisational culture

The shared values, beliefs, norms and behaviors that define the identity and personality of a business, shaping its attitudes, actions and interactions.

Planned strategy

A deliberate and systematic approach to strategic planning and decision-making, involving formal processes, analysis and goal setting to guide future actions and resource allocation.

Emergent strategy

A strategy that evolves over time in response to changing internal and external conditions.

Strategic drift

The divergence of business’s strategy to the external environment. It occurs when a business fails to adapt its strategy in response to changes in its external environment.

Contingency planning

The process of preparing for and managing unexpected events, crises or uncertainties that may impact the operations or performance of a business, involving risk assessment, mitigation strategies and response plans.

Crisis management

The coordinated process of identifying, managing and resolving crises or emergencies that threaten the reputation, operations or viability of a business, involving crisis communication, decision-making and recovery efforts.