

THE WALL STREET JOURNAL.

GLOSSARY OF TERMS: INTRODUCTION TO BUSINESS

absolute advantage

When a country has a monopoly on producing a product or is able to produce it at a cost below that of all other countries.

advertising

Paid, nonpersonal communication through various media by organizations and individuals who are in some way identified in the advertising message.

affirmative action

Employment activities designed to "right past wrongs" endured by women and minorities.

annual report

A yearly statement of the financial condition and progress of an organization covering a one-year period.

balance sheet

Financial statement which reports the financial position of a firm on a specific date. A balance sheet is composed of assets, liabilities and owner's equity.

blue chip stocks

Stocks of high-quality companies.

brand

A name, symbol, or design (or combination of these) that identifies the goods and services of one seller or group of sellers and distinguishes them from those of competitors.

brand awareness

The first product recalled when a product category is mentioned.

brand equity

Combination of factors such as awareness, loyalty, perceived quality, the feeling and images, and any other emotion people associate with a brand name.

budget

A financial plan that allocates resources based on projected revenues.

business plan

A detailed written statement that describes the nature of the business, the target market, the advantages the business will have over competitors, and the resources and qualifications of the owners.

capitalism

An economic system in which all or most of the means of production and distribution are privately owned and operated for profit.

cognitive dissonance

Consumer doubts after the purchase about whether or not the purchase was the best product at the best price.

collective bargaining

The process whereby union and management representatives reach a negotiated labor-management agreement.

commodity exchange

Securities exchange which specializes in the buying and selling of precious metals and minerals and agricultural goods.

common stock

The most basic form of ownership of firms; it includes voting rights and dividends, if dividends are offered by the firm.

contract

A legally enforceable agreement between two or more parties.

core competencies

Functions that the organization can do as well or better than anyone else in the world.

cross-functional teams

Groups of employees from different departments who work together on a semi-permanent basis (as opposed to the temporary teams established in matrix-style organizations).

dividends

The part of the firm's profits that goes to stockholders.

entrepreneurial team

A group of experienced people from different areas of business who join together to form a managerial team with the skills needed to develop, make and market new products.

Federal Deposit Insurance Corporation (FDIC)

An independent U.S. government agency that insures bank deposits.

fixed assets

Resources of a permanent nature, such as land, buildings, furniture, and fixtures.

focus group

A small group of people who meet under the direction of a discussion leader to communicate their feelings concerning an organization, its products, or other important issues.

General Agreement on Tariffs and Trade (GATT)

Agreement among 124 countries which provided a forum for negotiating mutual reductions in trade restrictions.

givebacks

Concessions made by unions to help employers remain competitive and save jobs.

global marketing

Selling the same product in essentially the same way everywhere in the world.

golden parachute

A sizable severance package for corporate managers whose jobs may be threatened by a takeover by another firm.

green product

A product whose production, use, and disposal don't damage the environment.

gross domestic product (GDP)

The total value of goods and services produced in a country in a given year.

horizontal merger

The joining of two firms in the same industry.

hygiene factors

Factors that cause dissatisfaction if they are missing, but do not motivate if they are increased.

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income stock

Stocks that offer a high dividend.

information superhighway

The network of computers and telecommunications equipment that links people throughout the world into one unified communications system.

insider trading

The use of knowledge or information that a person gains through his or her position that allows the person to benefit from fluctuations in stock prices.

intangible assets

Items that are not included in the current and fixed assets categories.

integrated marketing

The merging of all organizational efforts to please customers, employees, and other stakeholders.

job rotation

Job enrichment strategy involving moving employees from one job to another.

joint venture

A partnership in which companies (often from two or more different countries) join.

laissez-faire (free-reign) leadership

Leadership style that involves managers setting objectives and employees being relatively free to do whatever it takes to accomplish those objectives.

leveraged buyout

An attempt by employees, management, or a group of investors to purchase an organization primarily through borrowing.

line of credit

The amount of unsecured short-term credit a bank will lend a borrower that is agreed to ahead of time.

management by objectives

A system of goal setting and implementation that involves a cycle of discussion, review, and evaluation of objectives.

managing diversity

Building systems and a culture that unite different people in a common pursuit without undermining their diversity.

managerial accounting

The provision of information and analysis to managers within the organization to assist them in decision making.

mass customization

The design of custom-made products and promotions, including advertising.

merger

The result of two firms forming one company.

multiculturalism

Process of optimizing the contribution of people from different cultures.

multinational corporation

An organization that does manufacturing and marketing in many different countries.

mutual fund

An organization that buys stocks and bonds and then sells shares in those securities to the public.

niche marketing

The process of finding very small but profitable market segments and designing custom-made products for those people.

North American Free Trade Agreement

An agreement through which the United States, Canada, and Mexico formed a free trade area.

outsourcing

Assigning various functions, such as accounting and legal work, to outside organizations.

personal selling

Face-to-face presentation and promotion of products and services plus searching out prospects and providing follow-up service.

promotion

An attempt by marketers to inform people about products to persuade them to participate in an exchange.

reengineering

The rethinking and radical redesign of organizational processes to achieve dramatic improvements.

relationship marketing

Establishing and maintaining beneficial exchange relationships with internal and external customers and all the other stakeholders of the organization.

restructuring

Redesigning organizations to make them more productive.

stock exchange

An organization whose members can buy and sell securities to the public.

strategic (long-range) planning

Process of determining the major goals of the organization and the policies and strategies for obtaining and using resources to achieve those goals.

target marketing

The process by which an organization decides which market segments to serve.

trademark

Brand that has been given exclusive legal protection for both the brand name and pictorial design.

unemployment rate

The number of civilians who are unemployed and tried to find a job within the prior four weeks.

union

Employee organizations that have the main goal of representing members in employee-management bargaining about job-related issues.

venture capitalist

Individuals or organizations which invest in new businesses in exchange for partial ownership of the company.

vertical merger

The joining of two companies involved in different stages of related businesses.

Source: *Understanding Business, Fourth Edition*, by William G. Nickels, James M. McHugh, Susan McHugh, Richard D. Irwin, 1996.

