

Business concepts and definitions

Description

Need help understanding the business world? Our list of business terms, business concepts, business theories and definitions will provide you with the explanations you need.

Business in general

1. Enterprise

Enterprise is a project or undertaking which is risky, difficult and complicated and requires energy and boldness. An enterprise is also accompanied with resourcefulness and initiative.

2. Start-up

A start-up is any initiative of new business venture or project. It is the initial stage of enterpriseâ??s life cycle where the owner convert the idea into operations to secure the finance associated with the specific venture.

3. Business Plan

It is a detailed plan about the operational and financial objectives of a business and the strategy to achieve these objectives in an effective and efficient manner by using the available resources. Download a business plan template here.

4. Lean Start-up Method

It is based on the concept of lean manufacturing in which a company manufacture or develop a product for which the customers have already shown their desire to buy. Lean start-up method is used for target the existing market.

5. Chamber of Commerce

It is a form of local business network which is intended to protect and promote the interest of the business community of the particular region. You should also register your business there. Here is why you should go there.

6. LLC.

The Limited Liability Company is a specific corporate structure where the pass through taxation of sole proprietorship and partnership are combined with the limited liability to the company. The members of LLC canâ??t be held personal liable to the liabilities and debts of the company.

7. Ltd.

In a Limited company the shares of the company are offered to the members and therefore the liabilities of each member depends on his/ her investment in to the company in form of share owned by the particular member.

8. Joint Venture

It is a separate business venture where two or more members having a specific identity, are coming together to achieve the specific shared goal by combing their resources.

Business Strategy

9.Business Model Canvas

The Business Model Canvas is a set of templates of lean setup and a tool to use strategically and manage a new and already existing business. It is based on the chart that consists on the value position of a product or a firm.

10. Blue Ocean Strategy

A Blue Ocean strategy represents an approach in which an organization enters into the market with a completely different product that does not have any competition with any other organization in the market. Therefore, the product differentiation sets the competition as irrelevant. In this strategy, the business breaks the value-cost trade-off. We think this helps hugely with differentiation of your business (offer) compared to your competitors.

11. SWOT Analysis

SWOT analyses the internal Strength, Weakness, and the external Opportunities and Threats of an organization. SWOT is the analysis that is used to create understanding about the market by addressing the internal strength, weakness of a company in regards of

external market situation. The SWOT analysis could be used by a new business as well as it is used by existing business to make business integration by addressing the business related trends and by creating understanding about the capacity of a business. Read more on creating a SWOT analysis.

12. CRM (Customer Relationship Management)

Customer relationship management is a system used to manage customers in an effective way. A CRM system is used to save customerâ??s time and retaining and satisfying customer through effective management. Often the heart of the business.

13. Porterâ??s â?? 5 Forces Model

Porterâ??s Five forces model is used to create understanding about the competition that an organization is facing or might have to face in an industry. To create understanding about the competition there are Five Forces that are used as follows;

1. Industry Rivalry
2. Bargaining power of Supplier
3. Bargaining power of Buyer
4. Threat of new Entrant
5. Threat of Substitutes

14. DESTEP Method

The DESTEP method is an effective way for businesses to analyze the external environment and plan accordingly. This method considers all the key factors, such as demographic, economic, social, technological, ecological, and political elements. Mapping trends can help you to anticipate changes, allowing you to stay one step ahead of the competition. Read more on identifying trendsâ?¦

- **D**emographics
- **E**conomic
- **S**ocial
- **T**echnological
- **E**cological
- **P**olitical

15. 4Pâ??s

4Ps is a marketing strategy used by the business to introduce their product in a market. 4Ps is based on; Place, Product, Price and Promotion. 4Ps is an effective marketing strategy used by businesses to increase their presence in a market. It comprises of four components â?? Place, Product, Price and Promotion â?? that, when used in the right way, can help a business reach its target audience and achieve its goals.

16. The Business Ecosystem

Building a successful business starts with creating a strong business ecosystem. Business ecosystems are networks composed of suppliers, manufacturers, distributors and other companies that work together to reach a common goal. With the right collaboration, a business can reach new heights of success.

17. The Lean Startup Method

This lean startup method is used as a tool of business development and it consists on the lean manufacturing methodology that adds value in the business or product quality by reducing cost and increasing or maintaining high quality.

18. Alliances

An alliance is an arrangement between two or more parties that join forces to work towards a common goal, while remaining independent.

19. Pivoting

Pivoting is a business strategy usually used by start-up organizations for managing organizational risk, whereas it is also used by the existing businesses. According to this strategy in case of ineffective working of a model, the management opted to Plan B.

20. Minimal Viable Product (MVP)

This is a development strategy in which the business used to introduce a new product by maintaining same features of a product and support it with some additional features to gain the satisfaction of customer. This type of strategy develops its design on the base of the feedback on their product from their potential customers.

Financial Planning

21. Cash Flow (CF)

It is the net amount of incoming and outgoing cash or cash â??an equivalent representing a businessâ??s operating activities. It is associated with the opening and closing balance of the company. Read more on how to create a cash flow overview.

22. Profit & Loss statement (P&L)

P&L is commonly known as income statement. Companies have to share their Profit & Loss statement after a specific period of time usually quarterly or annually basis. P&L statements is consists of the companyâ??s expenses, revenues and the losses and profits occurs during the period of time.

23. Exploitation Budget

Exploitation budget is a strategy used by an organization according to which an organization increases its budget when an organization is doing good in a business.

24. Business Valuation Method

It is a process of determining the current worth of a company or its assets. A valuation method is based on the assetâ??s fair market value eliminating its liabilities. Many different valuation methods are used to determine the existing worth of a company or its assets. Read more on how to make a business valuation. Here is one company that can create a professional valuation estimate for your organization (Equidam).

25. Interest

It is the amount of money charged for using the money lent or delaying a debtâ??s repayment. it can also refer as the amount that a stockholder owns in an company. It usually expressed as the annual percentage rate of the actual amount.

26. Liquidity

Liquidity of an asset refers to the degree to which the security or the assets can be brought or sold quickly in the market where the price of the assets wonâ??t be affected.

Customer Centricity

27. Persona

Understanding of customerâ??s need and demand is the core of success for any organization. Subsequently, the characteristics of the customers regarding your business or product are called a buyer persona. Persona is also called a buyer persona or user persona. Read more on how to create a customer or buyer persona. We think this is a great help for your company to do this exercise. You might be surprised on its effectiveness.

28. Customer Journey Mapping

A customer journey map is based on the step by step processes through which a customer get engaged with a business.

29. USP (Unique Selling Point)

Unique selling point represents the uniqueness of a product that attracts customers to preferably buy your product as compare to other competitor. Low cost of a product is an example of a unique selling point.

30. CRM system (CRM)

CRM system centrally focuses on the customers in which an organization attempts to improve its relationship with its customer through effective customer management techniques. The focus of CRM is to save customers time and improve relationship between customers and the organization.

31. Net Promotor Score (NPS)

This is used as a customer relationship management tool through which an organization evaluates the loyalty of their customers by addressing the salient features of gaining customer loyalty. This NPS score is a very helpful metric to assess if your customer is happy with your service. It is also related to increased business performance.

32. ABC Analysis

it is also known as Activity Base Customer analysis. In this approach, the organization analyzes its customers activity to develop further planning regarding the product promotion.

33. The Pareto Rule (80/20)

According to this rule the Italian economist Vilfredo Pareto claimed that 80% of the outcome is received by 20% input, which means that most of the results could be determined by small causes.

34. Loyalty

Customer Loyalty is the positive, lasting response customers have to products or companies. Itâ??s the result of strong relationships and quality experiences. Developing customer loyalty involves creating positive experiences for your customers that keep them coming back to your business. Is it measured in different ways. One is the Customer Lifetime Value (CLV).

35. Churn Rate

The Churn rate represents the annual rate at which a customer subscribes to a service in a specific period. Business organization usually uses this approach to expand its clientele.

36. MRR Rate

MRR rate represents Monthly Recurring Revenue, which represents the overall income of a company after subtracting all the expenses that a company has incurred in a month.

Getting Capital / Investors

37. Bootstrapping

The situation in which a business starts its business with minimum capital or investment is called bootstrapping. The company is trying to construct a company from the ownerâ??s equity or from the operating revenues. It is more beneficial as compare to the venture capital. Read more on getting the capital for your business.

38. Venture Capital

Venture capital is a type of investment at early stage or initial development of the business. It is the type of the finance for emerging companies which has growth potential in the market. The capital comes from the financial institutes, general public and the high profile investors.

39. Seed Funding

Seed funding is also known as the seed capital. The seed funding comes from the securities offering to the initial public during the start-up of the company. This is also the way or method to collect the finance for the successful start of the new business. The investors invest the capital or exchange share in the company for future financial benefits.

40. Series-A Funding

Typically it is named the collection of the finance as the initial investment of the organization at the first round. This is the financing at the start of the company when the seed funding is already provided to the business. On the other hand, investors have the less influence in this kind of the funding.

41. Fundraising

Fundraising is defined as the collection of the finance from different sources in the market. This includes the offering of the shares, debentures, securities and surety bonds to the public and stakeholders. The main purpose is to generate the finance for the investment in the company for its survival or business growth.

42. Business Valuation

Business valuation or the financial valuation is the present value of assets in the market. Different techniques are used to determine the value of the business or finance. It also includes the valuation of the capital composition of the organization or the business. It mostly includes the tax valuation, financial reporting, litigation and tax liability. Read more on creating a business valuation.

43. Free Cashflow Valuation (FCF)

It is present value of Free Cash Flows. It determined that how much cash is paid to the stakeholders, suppliers or settlement of accounts payable. In addition, it also records about the incoming of the cash from different sources in the business. Alternative dividend is the

famous method of its valuation.

44. Term Sheet

A Term Sheet is defined as the agreement which is made for the basic terms and conditions which help to make the investment. This is important in the business to keep the record and check and balance in the investment. Legal consultation is necessary for the drafting of the term sheet or the agreement of investment between two parties.

45. Investor

Investor is that person who brings the capital and money in the business. He allocates the financial sources to the business so that all the operations will run smoothly. The main purpose of the investor is to earn profit from the investment he made in the business.

46. Equity

Equity is the interest of the ownership. This includes the investment or finance to the business. The part of the investment as liquid assets or physical assets is the equity of the investor or the owner. In addition, it is also mentioned in the balance sheet of the company so that stakeholders come to know about the personal investment of the owner.

47. Pitch

The pitch is a marketing presentation for the banks or investors around the world. It is a sales representation by the financial investment bank for the review of the management and the current clients. In addition, this presentation also contains the important attributes of the company, which also help to sell its products or services.

48. The Pitch Deck

It is the template of the presentation made or formed by the professionals with help of powerpoint. This contains the method and ways to contact to the investors or the people to sale the products or services a company offers in the market. This is the method of representing the information as a summary. This is called a pitchdeck for investors. Here is another one.

49. Due Diligence

It is the audit or investigation of the potential investment or about the product in order *to confirm all the facts* about it. It is the review of the financial records and transactions. In simple words, it is called the reasonable check which take cares about the financial transaction or agreement with the other partner or party.

Category

1. Learn Business Concepts

Tags

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Date
11/21/2026
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