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# DICTIONARY OF MANAGEMENT

Second Edition

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Derek French  
*and* Heather Seward

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Derek French  
*and* Heather Saward

Gower

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# Introduction

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*Dictionary of Management* gives brief explanations of about 4000 terms that are likely to be encountered when reading about, or discussing, management topics. Because of the nature of management the scope of the dictionary is very wide. A management job can vary from supervision of a small group, following detailed instructions, to running successfully a large and complex organization for which the manager must set long-term objectives. Whatever the scale of a manager's job it always involves acting as an intermediary arranging the work of a group to fit in with the group's environment: the manager of part of an organization must be aware of the work of the other parts; a general manager has to act within economic, legal and social constraints. A dictionary of management must therefore include definitions of terms from numerous specialized subjects.

When deciding which subject areas to cover we looked at the books and journals in libraries specializing in management in order to find out what managers themselves feel they should know about. We were particularly helped, when listing the subjects for coverage, by research carried out at the London Business School and published in K. D. C. Vernon and Valerie Lang, *The London Classification of Business Studies* (London Graduate School of Business Studies, 1970).

## Introduction

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Managers do not need to be experts on statistics, economics, law, psychology and the host of other subjects from which terms have been drawn for this dictionary. Only some concepts are relevant; we have chosen terms for inclusion when we have found them being used by people who write about management or for managers.

This technique for selecting terms for inclusion illustrates our method of writing the definitions. We have looked at the way in which writers about management use their special terminology and our definitions are descriptions of the meanings such writers give to words, pointing out, where necessary, differences in usage.

We do not prescribe how words should be used. From time to time, it is suggested that, for example, 'stock' should mean a collection of goods in store while 'inventory' should mean a statement of the size of such a collection, or that 'management' should refer only to 'carrying out orders' while deciding on policies should be called 'direction'. Of course, people can decide to use words in special ways in their own work if they feel it helps their analysis or exposition, but a dictionary would be less than helpful if it failed to describe all contemporary (and some obsolete) uses of words. However, we have taken note of the recommendations of authoritative organizations, such as the British Standards Institution, whose function it is to lay down standard usage.

We have carefully distinguished American and British usage, particularly of financial and accounting terminology. The dictionary gives full details of transatlantic variations in spelling.

This second edition of *Dictionary of Management* appears some seven years after the first and it has therefore been necessary to update many entries referring to laws and institutions that have changed. New entries have been added so as to improve the coverage of the book and the opportunity has been taken to rewrite a number of entries to make them clearer and more informative.

The following paragraphs describe the conventions adopted in the dictionary.

### **Alphabetical order**

Entry titles are in **bold** type and are listed in alphabetical order letter by letter. For example, income bond, incomes policy, income statement are in that order. Numbers are listed before letters of the alphabet.

### **Abbreviations**

If an entry title has a commonly used abbreviation then that is put after the entry title in parentheses. Abbreviations are also given entries of their own. Abbreviations are set entirely in capitals without points unless some other style (as with Cr or p.a.) is usual. In practice abbreviations are often written or printed with a full point after every letter (or group of letters) that represents a separate word (for example, G.Inst.M.) though this is now rather less common than in the past. It is quite common for abbreviations to be written or printed entirely in lower-case letters.

### **Function**

If a word can be used with two or more different grammatical functions (for example, as a noun or as a verb) then separate entries are given for each function. The name of the part of speech defined is put in parentheses after the entry title. However, in English any word used as a noun may be used as an adjective. (Writers about management are particularly fond of piling up phrases like 'production management information system control'.) If a word is used as a noun then the dictionary gives a definition for that usage but not for the word's use as an adjective. To get the meaning as an adjective it is usually sufficient to put 'relating to' or 'characterized by' in front of the noun definition. Similarly, in most cases, no distinction is drawn between transitive and intransitive uses of verbs.

### **Sense division**

When a word may be used with more than one distinct meaning (but the same grammatical function) according to context then the definitions in this dictionary of the different

## Introduction

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meanings are preceded by arabic numerals without parentheses. There is usually no significance in the order chosen for listing the different senses although sometimes the more general meaning is given first.

### Cross-references

Within an entry, a word or phrase is set in *italic* to indicate that it is defined in the dictionary. (Sometimes an inflected form—such as a plural or a participle—is italicized although the entry word to be consulted is in the uninflected form.) If the cross-reference is to only one meaning of a word with several meanings then the identifying number of the relevant meaning is given in square brackets in the cross-reference.

### Geographical variation

The labels '(US.)' and '(UK.)' are used to indicate that the meaning so labelled is found almost exclusively in the USA (and countries, such as Canada, that follow US usage) or the UK, respectively. '(Chiefly US.)' and similar phrases are used where appropriate with obvious meanings. Unlabelled meanings are to be taken as common to all territories.

### Spelling

If the US and UK spellings of a word differ then the dictionary gives both. The US spelling has a separate entry in its correct alphabetical position unless that would be next to the British spelling. The US spelling is always given as a variant in parentheses after the entry title in British spelling.

Words (such as *organize*) that end in '-ize' can be spelt either with '-ize' or '-ise' at the end (for exceptions see the next paragraph). Similarly, inflected forms (-izes, -ized, -izing, -ization) can be spelt with 'z' or with 's'. In the USA, 's' spelling is very rare; in the UK 's' spelling is sometimes adopted, especially in newspapers and in government publications. In this dictionary, 'z' spelling is used. For a full explanation of the different styles of spelling, and of why 'z' spelling is preferable, see H. W. Fowler, *A Dictionary of Modern English Usage*, 2nd edition by Sir

Ernest Gowers (Oxford: Clarendon Press, 1965), p. 314.

The words for which there are entries in this dictionary and which are always spelt with an 's' (both in the UK and the USA) are: advertise, demise, devise, enterprise, excise, merchandise and supervise. In addition, when a body such as the International Labour Organisation is known to adopt 's' spelling for its title consistently then that spelling is followed when referring to the body in the dictionary.

### Capital letters

Entry titles are set in lower-case letters but letters that would usually be capitalized in printing regardless of the position of the word in a sentence are capitalized in the entry title. If lower-case or capital letters may be used according to personal taste then the entry title is in lower case and a note is given that capitals are used 'often' or 'sometimes' as appropriate. If capitalization is usual for only some senses of a word with several meanings then the entry title is in lower case and information about capitalization is given in the relevant sections of the definition.

### Italics

An entry title is set in ***bold italic*** if it is usual to set the word in italic when printing English (or to underline it when typing). In fact it is quite difficult to decide whether italicization is 'usual' or not and fashions change rapidly. Therefore, most of the words italicized in this dictionary may be found printed without italicization (in some circumstances, of course, italics are not available anyway).

### Synonyms

If two words or phrases have a common meaning then a full definition is given only in the entry for the word more commonly used with that meaning; the entry for the less common synonym has a cross-reference to the entry for the commoner word. If synonyms would appear next to each other in the alphabetical listing then the less common one is merely noted as a variant in



## **Introduction**

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the entry for the commoner word (unless this would be confusing).

In a few cases (under 'profit' for example) words with similar meanings have been grouped together and an indication given of differences in usage.

### **Professional associations**

Whenever possible, the information about professional associations has been verified by those associations. We are very grateful to the secretaries and other officials of organizations who have helped us in this way.

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**AAIA.** Abbreviation of 'associate of the Association of International Accountants' (see *Association of International Accountants*).

**AB.** Abbreviation of *aktiebolag*.

**ABAA.** Abbreviation of 'associate of the British Association of Accountants and Auditors' (see *British Association of Accountants and Auditors*).

**abatement.** An allowance or deduction.

**ABC analysis/classification/method/system.** See *usage-value classification*.

**above-the-line.** 1. Taken into consideration when computing a specified kind of profit (especially *gross profit*). 2. Of, or relating to, *promotion* [1] using media whose proprietors usually pay commission to *advertising agencies*. These media are: press (newspapers, magazines, directories and annuals), television, radio, cinema, posters and public transport.

**absenteeism.** Failure of workers to report for work when they are scheduled to work—especially when caused by unwillingness rather than incapacity.

**absolute value.** Synonym for *magnitude*.

**absorption.** Synonym for *overhead absorption*.

**absorption costing.** Computation of the cost of a unit of production as the total of all costs (*variable, semivariable* and

*fixed*) associated with the manufacture of that unit.

**a/c.** Abbreviation of *account*.

**ACA.** Abbreviation of 'associate of the Institute of Chartered Accountants in England and Wales' (see *Institute of Chartered Accountants in England and Wales*).

**ACAS.** Abbreviation of *Advisory, Conciliation and Arbitration Service*.

**ACCA.** Abbreviation of 'associate of the Association of Certified Accountants' (see *Association of Certified Accountants*).

**accelerated depreciation.** *Depreciation* [2] of a *fixed asset* at a faster rate than with *straightline depreciation*—e.g. by using the *declining balance* method.

**accelerated vocational training.** Training or (usually) *retraining* which is intended to help adult workers to acquire skills which traditionally have been acquired by *apprenticeship* in a much shorter period than is usually taken by an apprenticeship. Training programmes of this type are usually government sponsored.

**accelerating premium bonus plan/scheme/system.** A *premium bonus scheme* in which the *incentive payment* per unit of time saved increases as more time is saved. (Also known as a 'progressive scheme'.)

**acceleration clause.** A provision in an agreement for the repayment of a loan by instalments that if a specified number of instalments are not paid then all the outstanding payments are due immediately.

**accept.** 1. To signify *acceptance* of a *bill of exchange*. 2. To communicate, to an *offeror*, one's agreement to be bound by the *contract* that he proposed.

**acceptable quality level (AQL).** The maximum percentage of *defectives* (or number of *defects* per 100 units) that will be accepted in the output from a production process.

**acceptance.** Signature of a bill of exchange by its drawee, who thereby becomes liable for payment of the bill when it is duly presented for payment. *Also*, a bill of exchange that has been accepted.

**acceptance credit.** A *credit* [4] under which bills of exchange

drawn by the beneficiary will be accepted by the advising bank or by the issuing bank.

**acceptance sampling.** Taking a *random sample* of the units of output from a manufacturing process in order to determine whether a batch has an *acceptable quality level*.

**accepting house.** A merchant bank that specializes in issuing acceptance credits to finance imports by its customers, and in accepting accommodation bills under the arrangement known as a *London acceptance credit* to finance exports. *Especially*, a bank that is a member of the Accepting Houses Committee in London.

**acceptor.** A drawee of a *bill of exchange* who signifies (by signing the bill) his acceptance of liability to pay the bill when it is duly presented.

**access.** To obtain data from a store.

**access time.** In *computing*, the time interval between the instant the *control unit* calls for an item of data to be transferred to or from a *store* [4] and the instant when that operation is complete.

**accident book.** A book which almost every employer in the UK must keep at each workplace so that any employee can make a record of any personal injury suffered by him as a result of an accident at work. The legal requirements are specified in regulation 25 of the Social Security (Claims and Payments) Regulations 1979 (SI 1979/628). The main purpose of the record is so that an employee can have evidence to support a claim for industrial injuries benefit.

**accident frequency rate.** Number of *lost-time accidents* per 100 000 man-hours worked.

**accommodation bill.** A *bill of exchange* that is drawn up simply to enable the payee to *discount* [2] it and thus gain money. Common arrangements are: (1) the payee (who is also the drawer) promises to reimburse the drawee after the bill is paid—on these conditions the drawee *accepts* [1] the bill; (2) the payee (again also the drawer) gives half the proceeds of discounting to the drawee and repays the rest later. (Also known as a 'kite'.)

**accommodation party.** Someone who signs a *bill of exchange* either as *drawer*, *acceptor* or *endorser*, but receives no value in exchange—i.e. he does it to lend his (presumably respected) name as a guarantor that the bill will be paid so that the payee can easily discount it. The payee is, therefore, 'accommodated'.

**account.** 1. A list of financial transactions relating either to a particular class of the *assets* [1] or *liabilities* [2] of a person or firm or to dealings with one other person or firm. 2. One of the 24 periods into which the year is split by the *Stock Exchange* [2]. A deal concerning *securities* [1] other than *government stocks* which is agreed at any time during one of these periods, actually takes place (i.e. the seller delivers securities and the buyer delivers money) on *account day*. 3. A continuing arrangement between a bank and a firm or individual (called a 'customer') under which the bank will provide defined services to the customer and the customer will *deposit* money with the bank: usually classified as *current accounts* [1] and *deposit accounts*. Also the *fund* [1] of money deposited by the customer (in phrases such as 'pay into an account'). Also a list of transactions relating to a particular account. 4. A regular client of a firm; especially of an *advertising agency*. 5. Synonym for *charge account*. 6. A *statement*.

**accountability.** State, or quality, of being *accountable*.

**accountable.** Liable to be required by a specified person (or group of people) to report on and justify actions in relation to specified matters.

**accountant.** One who performs, or is skilled in, *accounting*.

**account day.** The day on which deals made during the previous *Stock Exchange account* [2] must be settled (i.e. the buyer must pay the agreed price). It is 7 business days after the end of the account. Also known as 'settlement day' or 'settling day'.

**account dealing.** A transaction on the *Stock Exchange* which is to be completed on the next *account day*.

**account executive.** Employee of an *advertising agency* who is responsible for all matters relating to a specific client or clients (i.e. *accounts* [4]).

**accounting.** Principles and procedures of recording financial

transactions. *Also* an instance of applying those principles and procedures.

**accounting asset.** See *asset* [1].

**accounting basis.** The conventions used when dealing with items of a particular kind in accounts.

**accounting period.** In UK revenue law, a period of time (not exceeding 12 months) for which profits are assessed to corporation tax. (Compare *period of account*.)

**accounting policies.** The *accounting bases* selected and consistently followed by a business enterprise.

**accounting rate of return.** Synonym for *rate of return*.

**accounting ratio.** A *financial ratio*.

**accounting reference date.** The date which is the end of the *accounting reference period* of a company. The day may be chosen by the company (though it must normally be the same each year) but if no choice is made then it is 31 March.

**accounting reference period.** A period of time ending on an *accounting reference date* and starting on the day after the preceding accounting reference date. A British registered company must prepare a profit and loss account for a period (called a 'financial year') starting on the first day of an accounting reference period and ending within seven days of the end of that accounting reference period.

**Accounting Standards Committee (ASC).** A joint committee of six major accountancy bodies in the UK and Ireland responsible for developing *Statements of Standard Accounting Practice*.

**account payable.** The cost of some goods or services that a firm has bought but not yet paid for.

**account receivable.** A sum of money owed to a firm by one of its customers.

**account rendered.** A statement sent by a seller to his customer of the amount that the customer owes, details of which have previously been sent.

**account stated.** An *account* [1] of transactions between two parties who both agree its contents.

**accrual.** An *accrued expense* or an *accrued revenue*.

**accrual accounting.** Making up accounts in which income and

## **accruals concept**

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expense are recorded at the time when they are incurred and not when they are actually received or paid.

**accruals concept.** A *fundamental accounting concept* that revenues and costs should be dealt with in the accounts for the period in which they are earned or incurred so far as this is consistent with the concept of **prudence** in accounting.

**accrued asset.** Synonym for *accrued revenue*.

**accrued expense** (or **accrued liability**). The amount incurred up to a specified date of a *liability* [1] that accumulates continually but is customarily payable at fixed times. For example, if a firm pays for electricity once a quarter then the cost of one month's consumption of electricity is an accrued expense at the end of that month.

**accrued revenue.** The amount accumulated, up to a specified date, of a continually increasing debt, due to one, which is customarily payable at fixed times. For example, if a person owns a *security* [1] that entitles him to a payment of £40 interest each December then in March he has an accrued revenue of £10. (Sometimes called an 'accrued asset'.)

**accumulation factor.** See *terminal value*.

**achievement test.** A test that shows the extent to which a person has acquired a specific skill. (Also known as an 'attainment test'.)

**acid-test ratio.** The ratio of a firm's *liquid assets* to its *current liabilities*. The ratio indicates the firm's ability to pay its debts. (Also known as the 'quick ratio'.)

**ACIS.** Abbreviation of 'associate of the Institute of Chartered Secretaries and Administrators' (originally 'associate of the Chartered Institute of Secretaries'). See *Institute of Chartered Secretaries and Administrators*.

**acquisition.** Purchase by one firm of another. (See *merger*.)

**across-the-board.** Applying to everyone, or all cases, or everything. As in 'across-the-board increase': increase in wages of the same extent for every employee in an organization.

**ACT.** abbreviation of *advance corporation tax*.

**action-centred leadership** (US spelling: *action-centered leadership*). Leadership that is achieved by carrying out the actions

that are expected of a leader. The phrase is associated with the work of an English management educator John Eric Adair (born 1934) who holds that leadership can be learned and is not simply a quality that certain people are born possessing. See, e.g., J. Adair, *Action-Centred Leadership* (Aldershot: Gower, 1979).

**action learning.** A management-development activity in which a manager is required to solve an actual problem of an existing organisation. The managers following a programme of action learning meet periodically in 'sets' of four to six managers with a 'set adviser' to discuss their progress.

**action limit.** One of two lines drawn on a *quality control chart* to indicate that if a value plotted for a particular sample lies outside the region bounded by the lines then corrective action must be taken.

**action research.** Research, especially in the *behavioural sciences*, into a situation in order to bring about some practical improvement in that situation, as well as contributing to the store of academic knowledge.

**action training.** *Training* in which *activity learning* is emphasized.

**activity.** In *project network techniques*, an activity is the work required to complete a specific event.

**activity learning.** Learning by means of active participation, e.g. in *projects* [5] or discussions, as opposed to passive means such as lectures.

**activity network.** Synonym for *network*.

**activity-on-arrow network.** A *network* in which the *arrows* [2] represent *activities*. (Also known as an 'arrow diagram'.)

**activity-on-node network.** A *network* in which the *nodes* represent *activities*. The *arrows* [2] in an activity-on-node network are sometimes called 'sequence arrows'. (Also known as a 'node diagram'.)

**activity-on-node system.** Any *project network technique* that uses *activity-on-node networks* rather than *activity-on-arrow networks*.

**activity ratio.** A *financial ratio* that indicates how much use a firm makes of its *assets* [1]—usually the ratio of total *sales revenue*



## activity sampling

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over a period to the average value of a particular class of assets (such as stocks of *finished goods*, *cash*, *fixed assets*) during the period. (Also known as an 'efficiency ratio'.)

**activity sampling.** Recording instantaneous observations of the work or other activity that is being performed by an employee or a machine at specific points in time. The times of the observations are normally determined randomly to ensure an unbiased sample. (Also known as 'work sampling'.)

**act of bankruptcy.** An action committed by a debtor that a court in England or Wales will recognize as a ground for making a *receiving order* (the first stage of making the debtor *bankrupt*). For example, if a debtor fails to comply with the terms of a *bankruptcy notice* then the creditor who obtained the notice can use this failure as a ground for asking a court to make a receiving order.

**actuary.** A person who calculates insurance *premiums* [4] on behalf of *insurers*.

**ad.** (Colloquial.) Advertisement. Advertising.

**adaptive control.** *Control* [3] in which the standards to which the controlled behaviour must conform are altered in response to changing circumstances.

**adaptive control system.** A *control system* in which automatic means are used to adjust the system being controlled in a way that is intended to achieve optimum performance by the system at all times rather than a predetermined value of the controlled condition. (Also called a 'self-optimizing control system'.)

**added value.** Synonym for *value added*.

**address.** In computing, designation of a particular *location* in a *store* [4].

**adjective.** Procedural; of, or relating to, how tasks should be performed rather than which tasks should be performed.

**adjusting entry.** An entry in a firm's *accounts* [1] (in a system of *accrual accounting*) that does not record a transaction but adjusts the accounts in order to reflect more accurately the financial position of the firm at a particular date (e.g. in order to prepare a *balance sheet* and *income statement*). An adjusting