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# Preface

This dictionary has been compiled to help both students and practitioners to understand more about the terminology and technology of modern international business and management. It is intended as a handy general reference tool for all occasions and we hope that it will prove useful.

In writing a dictionary on any subject, the authors are presented with the need to make the entries both interesting and concise. For a dictionary of business and management, this balance is especially hard to strike, since the subject matter lends itself to lengthy explanations. In the interests of efficiency (in its use) we have limited ourselves in this work to only a few extended essays, choosing more often to provide a bibliographical reference for the reader who wishes to find more information on a subject. Wherever possible, we have used diagrams to clarify a description.

We have left out some of the more basic terms – for example words to be found in a standard English dictionary. More space has been given to items such as 'motivation', the 'European Community', or 'just-in-time production' than to those such as 'employee', 'wage' or the Norwegian Stock Exchange.

Thanks must go to the readers of several drafts for their helpful (and frank!) comments, to colleagues and friends for their input, to our editors at Macmillan, and lastly to our families for putting up with prolonged absences, which are an inevitable feature of the writing of any book.

*John Bessant  
Richard Lamming*

*Brighton, Christmas 1987*

**AB.** See **AKTIEBOLAG**.

**ABC analysis.** In **STOCK CONTROL**, a process whereby components, sub-assemblies and other items are classified, usually by annual usage and value. By multiplying the price and annual usage, the value of each item of stock held and the frequency with which it is used can be calculated, giving the stock controller some idea of the costs of holding stocks and information to help in rationalizing inventory levels. Typically, such an analysis reveals that around 20 per cent of items account for 80 per cent of usage or value and these are termed 'A' items; similarly, 'B' items (around 25 per cent) account for the next 15 per cent and the remainder is made up of 'C' items. The object is to control these categories in different ways according to their importance. See also **PARETO ANALYSIS**.

**abdicate.** See **DELEGATE**.

**above the line.** (1) In accounting, one indicator of profit which appears on a **PROFIT AND LOSS STATEMENT**. Above-the-line profits are based on profit figures before any account is taken of extraordinary items but after exceptional items have been deducted. The line in question is that which separates these two types of deduction, and below-the-line profits are those which include both types of deduction.

(2) In **ADVERTISING**, a form of promotion which involves direct advertising – via television, publications and other media – as opposed to one which involves indirect promotion – for example, by reducing prices for a period or point of sale displays – which is known as below the line.

**ABS.** See **ASSOCIATION OF BROADCASTING STAFFS**.

**absorption costing** (full cost). A principle whereby the costs of a product are calculated on the basis of all the different types of production cost – fixed, variable and semi-

variable – being grouped together. Each activity in the business is categorized under a **COST CENTRE** and all the different costs associated with that activity are brought together (absorbed) into a single product cost.

**abusive dismissal.** When an employee is dismissed in a way which is technically correct according to his **CONTRACT OF EMPLOYMENT** – for example, by giving the stipulated period of notice – but in such a way that management has abused its power in doing so. Such dismissal can be grounds for appeal to an **INDUSTRIAL TRIBUNAL** and is illegal in many countries. See also **UNFAIR DISMISSAL**; **WRONGFUL DISMISSAL**.

**ACARD.** See **ADVISORY COUNCIL ON RESEARCH AND DEVELOPMENT**.

**ACAS.** See **ADVISORY CONCILIATION AND ARBITRATION SERVICE**.

**accelerated depreciation.** A form of **DEPRECIATION** of a **FIXED ASSET** at a faster rate than conventional or straight-line depreciation. It is used in accounting to obtain certain tax advantages. In the USA the procedure is set out in the **Accelerated Cost Recovery System**, part of the **Economic Recovery Tax Act of 1981**, which allowed taxpayers to write off certain assets at a faster rate for tax purposes.

**Accelerator Principle.** A principle in economics which states that a change in the demand for goods leads to a change in the amount of investment (in machinery etc) to produce those goods.

**accept.** A term referring to **BILLS OF EXCHANGE**. To accept a bill of exchange implies a financial contract (which can be either conditional or unconditional) to pay the amount specified on the bill at a specified date in the future.

**acceptable quality level (AQL).** The number (usually expressed as a percentage) of

defects which are acceptable in a given batch of output from production.

**acceptance credit.** A form of CREDIT in international trade. An ACCEPTING HOUSE in one country agrees to accept bills of exchange drawn by indigenous firms selling goods to an importer in another country. The accepting house is responsible for paying these firms and recoups its money from the importer. To offset the risk such activity carries, the acceptance house receives a commission from the importer.

**acceptance sampling.** (1) A process used to determine the ACCEPTABLE QUALITY LEVEL in manufacturing which involves taking a random sample of output from production and checking it for defects.

(2) In accounting, a process used to determine the minimum level of risk of error in an AUDIT.

**accepting house.** A financial institution specializing in arranging ACCEPTANCE CREDITS and guaranteeing payment of BILLS OF EXCHANGE. Accepting houses perform three main functions: (i) as banks, they provide a full range of banking services with emphasis on corporate lending; (ii) they act as corporate financial advisors, in particular arranging and UNDERWRITING issues of share and loan capital and advising on mergers and acquisitions; and (iii) they act as investment advisors, especially to institutional clients. These organizations epitomize merchant banking in the UK, and in comparison to CLEARING BANKS have limited CAPITALIZATION, hence their specialization. In the UK there is an Accepting Houses Committee which monitors such trading and whose membership is drawn from the 16 major MERCHANT BANKS involved in this business; its activities are carefully monitored by the Bank of England.

**acceptor.** One who accepts a BILL OF EXCHANGE, and with it the contractual obligations which it carries. Acceptance is usually indicated by signing the bill.

**accident book.** A book in which employees may record details of any industrial injury. This record may be used as evidence in claims to insurance companies or to the

Industrial Injuries Board. Most UK firms are required by law to keep an accident book at the workplace.

**accord and satisfaction.** The legal term for a change in a CONTRACT, meaning that the parties are in agreement regarding the changes and are satisfied with the new document.

**account.** (1) A record of financial transaction of a business, usually recorded in some form of ledger.

(2) The UK Stock Exchange term for 1 of the 24 periods into which the financial year is divided. *See* ACCOUNT DAY.

(3) In banking, an arrangement to provide services to customers, whether firms or individuals.

(4) A term often used in advertising and occasionally in other businesses to denote a regular client. *See* ACCOUNT EXECUTIVE.

(5) A term sometimes used to mean an invoice or statement.

**accountant.** One who specializes in managing the financial accounts of business and industry.

**account day** (settlement day). The day in the UK Stock Exchange calendar on which all DEALS in an account must be settled. This occurs seven days after the end of the account.

**account executive.** In advertising and related fields, the person responsible for the overall management of an ACCOUNT.

**accounting models.** A simulation of the financial aspects of a business.

**accounting period.** The time between the issuing of BALANCE SHEETS or other financial information of a company (usually one year for published accounts and one month for MANAGEMENT ACCOUNTS).

**accounting rate of return (ARR).** A method of capital investment appraisal based on the net profit a project brings expressed as a percentage of the BOOK VALUE. Projects can then be selected on the basis of the highest ARR; the main weakness of this method is that it ignores the TIME VALUE OF MONEY.

although it does allow for depreciation which other methods sometimes exclude.

**accounting ratios.** See FINANCIAL RATIOS.

**Account of Her Majesty's Exchequer.** See CONSOLIDATED FUND.

**account rendered.** A statement or bill (invoice) informing customers of the amount owing in respect of goods or services supplied to them.

**accounts code** (accounting code). Code letters or numbers used in classifying income or expenditure according to BUDGET headings or other categories in a system of accounting.

**accounts payable.** A statement of all money currently owed by a firm for goods and services not yet paid for. Mainly used in the USA. See CREDITOR.

**accounts receivable.** A statement of all money currently owed to a firm which has a short settlement term. Mainly used in the USA. See DEBTOR.

**accretion.** The process whereby income (either from interest payments or direct additions) builds up investment funds.

**accrual.** An accounting principle covered by both EEC and UK law (e.g. the British Companies Act 1985) which requires that all income and expenditure over a financial year shall be included in the accounts, irrespective of when it was received or paid.

**accruals method.** See ACCRUAL.

**accrued asset** (accrued revenue). In accounting, the amount accumulated over a period but which is received only at fixed times – such as the receipt of quarterly interest.

**accrued expense.** See ACCRUED LIABILITY.

**accrued liability** (accrued expense). In accounting, the amount owing which has accumulated over the financial year (up to the date of payment) but which is payable at

fixed times only – for example, as quarterly interest payments.

**accrued revenue.** See ACCRUED ASSET.

**accumulated depreciation.** See DEPRECIATION.

**achievement motivation.** A form of MOTIVATION theory developed by David MCCLELLAND which suggests that individuals are driven by varying degrees of a need for achievement (nAch). Individuals with a high nAch constantly require proof of their having made their mark – for example, financial rewards. This principle is described in McClelland's book, *The Achieving Society* (New York: Van Nostrand Reinhold, 1961).

**achievement motivation test.** One of several PSYCHOLOGICAL TESTS developed for achievement. The most widely-used is the Thematic Appreciation Test (TAT).

**acid test ratio** (quick ratio). The FINANCIAL RATIO of liquid assets against CURRENT LIABILITIES. So-called because the result provides an 'acid test' of whether a business is or is not viable, since it indicates how far a firm is able to pay its debts.

**ACME Directorate.** A special directorate, set up within the SCIENCE AND ENGINEERING RESEARCH COUNCIL in the UK to promote the application of computers in manufacturing and engineering.

**acquisition.** The purchase of a firm or of its assets.

**across-the board settlement.** A form of pay settlement in which all employees receive the same proportional increase (i.e. wages go up across the board). Such an arrangement maintains DIFFERENTIALS.

**ACT.** See ADVANCE CORPORATION TAX.

**action-centred leadership.** A phrase, originally coined by John Adair, a UK management writer, to describe his view of leadership training. This argues that leadership can be developed by training people to carry out the particular set of actions expected of a



leader. This approach is described in several of Adair's books and articles – for example, *Training for Leadership* (London: Macdonald, 1968).

**action learning.** A MANAGEMENT DEVELOPMENT concept originated by Reg Revans in the UK, which is based on the idea that managers learn by doing and reviewing what they have done, and on providing opportunities for them to carry out this activity in a variety of different circumstances. For example, an action learning programme might involve managers exchanging jobs for a short period so as to provide them with new insights and experience. Particular features of action learning projects include the fact that participants work on a real, rather than an artificial, problem, and the use of a group or 'set' of managers who bring their different experiences and perspectives to bear on an individual's project. A good reference book on the subject is R. Revans, *Action Learning – New Techniques for Management* (London: Blond & Briggs, 1980).

**action research.** A form of research into organizations which differs from controlled experiment in that it explicitly recognizes that the act of doing research will have an influence on the organizations being studied. Action research projects aim to contribute both to the development of the organization under study and the theoretical body of knowledge. This approach is described by Peter Clark in *Action Research and Organizational Change* (London: Harper & Row, 1970).

**activities analysis.** One of three key forms of organizational analysis suggested by Peter DRUCKER which examines organizational functioning in terms of the activities of the business. The other two are DECISION ANALYSIS and RELATIONAL ANALYSIS.

**activity.** A term used in PROJECT NETWORK TECHNIQUES to describe the work required to complete a specified EVENT.

**activity chart.** A chart which sets out the various components of a process of a project, plotted against time.

**activity on arrow (arrow diagram).** A form

of NETWORK plan in which activities are indicated as arrows.

**activity on node (node diagram).** A form of NETWORK plan in which activities are indicated as nodes.

**activity ratio (efficiency ratio).** A FINANCIAL RATIO, usually based on the ratio of sales REVENUE to ASSETS (cash, fixed assets etc). So-called because it gives an indication of how well a firm uses its assets.

**activity sampling (work sampling).** A research technique which records observations of events at specific times. It is often used in WORK STUDY to observe actions performed by a worker or machine. The intervals used may be fixed or randomly varied to eliminate bias.

**ACTT.** See ASSOCIATION OF CINEMATOGRAPH, TELEVISION AND ALLIED TECHNICIANS.

**actual costs.** An accounting term used to distinguish between the actual costs of producing an item and those indicated by BUDGETED COSTS or STANDARD COSTS.

**actuarial return.** The return on investment measured by DISCOUNTED CASH FLOW techniques. See INTERNAL RATE OF RETURN.

**actuary.** An INSURANCE worker whose task it is to calculate premiums.

**ADA.** A high-level computer language, originally developed for the US Department of Defense, mainly used in scientific applications.

**adaptive control (self-optimizing control).** A type of control in which the set points/control targets alter in response to changing conditions so as to achieve optimum performance under varying conditions.

**added hours.** In cases where employees work overtime, the amount paid is calculated by adding hours to the normal working week for which the employee is paid. For example, two hours worked at double time would add four hours' payment at the standard rate.



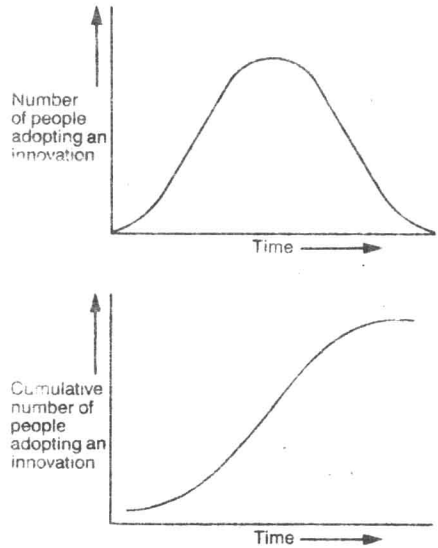
**added value (value added).** The increase in value of a good or service as a result of operations involved in producing them. It is represented by the difference between the selling price and the initial raw material or labour cost.

**address.** In computing, the area where a particular item of information is located in a computer's memory.

**adjusting entry.** A type of entry used in accrual accounting in which transactions are not entered directly; instead the accounts are adjusted to bring the financial position up to date. Thus in preparing a FINANCIAL STATEMENT or BALANCE SHEET adjusting entries will be made to cover items like DEPRECIATION or interest payments.

**administrative management theory.** An approach to management theory, particularly associated with Henri FAYOL, Mary Parker FOLLET and Lyndal URWICK and popular in the 1930s. It followed the SCIENTIFIC MANAGEMENT tradition of Frederick Winslow TAYLOR and was in turn followed by the HUMAN RELATIONS SCHOOL OF MANAGEMENT TRAINING. The main emphasis in this theory is on formal organizational structures and hierarchies, and the particular defined responsibilities and accountabilities associated with them. Good overviews of the work of these theorists can be found in D. Pugh (ed.) *Organization Theory: Selected Readings* (Harmondsworth: Penguin, 1976) and I. Child *Organizations: A Guide to Theory and Practice* (2nd edn. London: Harper & Row, 1982).

**adoption theory.** The body of knowledge concerned with the responses individuals and organizations make to innovations. In the diffusion of innovations — whether new products or processes — adoption over time tends to follow a normal distribution across the population. Everett Rogers identifies five groups of adopters: the innovators, early adopters, early majority, late majority and laggards. (See E. Rogers, *The Diffusion of Innovations* (2nd edn. London: Macmillan and New York: Free Press, 1982)). If the adoption data is plotted on a cumulative basis over time it gives rise to the characteristic S-shaped curve for adoption of innovations.



adoption curves

**ad valorem** (Lat.: 'according to the value'). A phrase used to indicate the value of something.

**ad valorem tax.** A tax based on the value of something — for example, a VALUE ADDED TAX.

**Advance Corporation Tax.** The tax paid by a UK firm when it chooses to distribute the profits (e.g. as dividends) instead of retaining them in the company. This is usually paid before the main payment of CORPORATION TAX (sometimes known as mainstream corporation tax) and the ACT payment (which must not exceed 30 per cent of taxable profits) deducted from that sum. The current rate is  $\frac{3}{4}$  of the amount distributed as profits, and is always calculated in line with the basic rate of income tax.

**advance factory.** An approach to stimulating investment in certain regions which qualify for some form of ASSISTED AREA status. Advance factories are purpose-built factory units built with government or local authority money and made available under condi-

tions attractive to investors (e.g. rate-free, reduced rent etc).

**advertising.** The activities associated with publicizing and promoting a product, service or company.

**advertising agency.** A business specializing in creating, preparing and placing advertisements for its clients. Such an agency specializes in advertising on a freelance basis, as distinct from a department within an organization.

**advertising coverage.** The extent of market or segments which is covered in an advertising campaign.

**advertising executive.** An individual responsible for advertising work within a department or agency. This often involves taking responsibility for particular customer accounts and planning overall advertising strategy and campaigns.

**advertising goals.** *See* ADVERTISING OBJECTIVES.

**advertising objectives** (advertising goals). The targets towards which an advertising campaign is directed – for example, increased customer awareness, increased market share, increased sales etc.

**Advertising Standards Authority.** An independent body, set up in 1962, responsible for monitoring the content of advertisements published in the UK across all media except television, which is covered by the Independent Broadcasting Authority (IBA). Advertisements are judged against the British Code of Advertising Practice or the IBA Code, and both codes contain the basic principle that advertisements in the UK should be 'legal, decent, honest and truthful'.

**advice note.** A document, detailing quantity, price, delivery date etc, which is sent to a buyer to indicate that the goods or services requested have been despatched.

**Advisory Conciliation and Arbitration Service (ACAS).** A UK body set up in 1975 as a statutory body to provide an ARBITRATION service in industrial disputes.

**Advisory Council on Research and Development (ACARD).** A UK government body set up to provide policy advice and guidance in matters of industrial, science and technology policy.

**affidavit.** A legally-sworn statement which is affirmed as true by the individual making it in the presence of an authorized agent (such as a Commissioner for Oaths in the UK).

**affiliated company.** A company which is under the same ownership as another.

**AFL.** *See* AMERICAN FEDERATION OF LABOR.

**AFL-CIO.** *See* AMERICAN FEDERATION OF LABOR – CONGRESS OF INDUSTRIAL ORGANIZATIONS.

**afternoon shift.** A shift in which the bulk of the work is done in the afternoon: the middle shift of a three-shift day, or the last of a two-shift day. The term can occasionally mean a part-time shift.

**after-sales service.** Various kinds of support provided to the customer by the seller after purchase of an item. Typical kinds of after-sales service include maintenance support, software updating (in computer systems) and technical advice.

**AG.** *See* AKTIENSGESELLSCHAFT.

**agency.** An arrangement in which a firm or individual acts on behalf of another to perform certain specified services. For example, an overseas agent represents the interests of a firm in countries where it has no facilities of its own for marketing, customer support etc.

**agenda.** A list of topics which are to be dealt with during a formal meeting.

**agent.** *See* AGENCY.

**aggregate demand.** The total demand for goods and services in an economy made up of demand for consumer goods and services, capital goods, producer services, public sector demand and export demand.

**AGM.** See ANNUAL GENERAL MEETING.

**AGV.** See AUTOMATIC GUIDED VEHICLE.

**AI.** See ARTIFICIAL INTELLIGENCE.

**AIBD.** See ASSOCIATION OF INTERNATIONAL BOND DEALERS.

**AIDA** ('Attention, Interest, Desire, Action'). An acronym used in some sales training approaches to describe the ideal sequence of responses which a buyer should exhibit when deciding to buy something – and which a salesman should try and elicit.

**aided recall.** A technique used in psychological testing in which individuals in interviews are prompted to talk about something by reminding them of associated things. It is particularly used in MARKET RESEARCH.

**aksjelskap (A/S).** The Norwegian equivalent of a PUBLIC LIMITED COMPANY in the UK.

**aktiebolag (AB).** The Swedish equivalent of a PUBLIC LIMITED COMPANY in the UK.

**Aktiengesellschaft (AG).** A form of company in West Germany equivalent to a PUBLIC LIMITED COMPANY in the UK. German law requires such firms to have a minimum of DM 100,000 CONTRIBUTED CAPITAL and a two-tier board system involving an AUFSICHTSRAT (supervisory board) elected by shareholders and employees, and a VORSTAND, which is responsible for the day-to-day direction and management, much as a board of directors does in the UK. AG is also used in Switzerland and Austria to denote a public limited company and there are similar legal requirements regarding minimum contributed capital and, in Austria, the need for a two-tier board structure.

**aktieselskab (A/S).** The Danish equivalent of a PUBLIC LIMITED COMPANY in the UK.

**ALGOL.** A high-level computer language whose name derives from the term 'Algorithmic Language'. It was originally developed in the late 1950s, and different versions exist – such as ALGOL 58, 60, 68 – which correspond to the year in which the specifications were published. It has been

largely superseded by newer, more powerful languages such as PASCAL.

**algorithm.** A set of rules for solving a problem. Algorithms are used extensively in SYSTEMS ANALYSIS and computer programming.

**all-in rate.** A wage rate in which all the extras – such as bonuses – are included in the standard rate per hour.

**allocation of overheads.** In ABSORPTION COSTING, the process of assigning the OVERHEADS in producing something to different COST CENTRES.

**allonge.** A piece of paper added to a BILL OF EXCHANGE to make room for further signatures by endorser.

**all-or-none embargo.** In INDUSTRIAL RELATIONS, a demand that any privileges (bonuses, opportunities for overtime etc) should be available to all, otherwise none of the workforce will co-operate.

**allotment.** In a new SHARE or SECURITIES issue, the process whereby the issuer accepts offers from buyers. In a public offer the process may involve a ballot to decide how many shares should be allotted and to which applicants.

**allotment letter.** A letter sent to allottees accepting their offer to buy SECURITIES and containing details of how many and the terms of acceptance. Most letters of allotment allow allottees to sell the securities on to someone else who then becomes the allottee; such letters are termed 'provisional' or 'renouncable'.

**allottee.** One to whom SECURITIES are allotted.

**allowed time.** A WORK STUDY term for the time allowed for performance of a standard task. See STANDARD TIME.

**All-Share Index.** See FINANCIAL TIMES–ACTUARIES ALL-SHARE INDEX.

**alphanumeric.** A term used in computing to describe characters which are letters and numbers and other characters such

as spaces or punctuation. An example of an alphanumeric keyboard would be that usually found, on a traditional typewriter.

**alpha securities.** The most actively-traded shares on the Stock Exchange, with ten or more MARKET MAKERS in each. Market makers are obliged to deal at the quoted price.

**alternate standard** (alternative standard). A WORK STUDY term. If there are different ways of carrying out a task, then, when setting STANDARD TIMES, an alternate standard is also set for each different way.

**alternating shift.** A two-shift system in which workers work a period on days and then a similar period on nights.

**alternative standard.** See ALTERNATE STANDARD.

**Alvey Directorate** (Alvey Programme). A special Directorate set up jointly by the UK DEPARTMENT OF TRADE AND INDUSTRY and the SCIENCE AND ENGINEERING RESEARCH COUNCIL in response to the findings of the Alvey Committee on so-called FIFTH-GENERATION COMPUTER systems. It currently funds a number of major research projects in this area.

**Alvey Programme.** See ALVEY DIRECTORATE.

**AMA.** See AMERICAN MANAGEMENT ASSOCIATION.

**Amalgamated Engineering Union (AEU).** See AMALGAMATED UNION OF ENGINEERING WORKERS.

**Amalgamated Union of Engineering Workers (AUEW).** The former name for the main UK trade union representing engineering workers. In 1985 it changed its name to the Amalgamated Engineering Union (AEU).

**amalgamation.** The process of coming together voluntarily — for example, of two companies. See MERGER.

**amendment.** (1) Any form of change.

(2) In the context of formal meetings, conferences etc., an amendment involves some change in the wording of a motion — as distinct from an addition to the end of a motion, which is called an addendum.

**American Federation of Labor (AFL).** One of the main US trade union groupings.

**American Federation of Labor — Congress of Industrial Organizations (AFL-CIO).** The US equivalent of the TRADES UNION CONGRESS in the UK. It was formed by a merger in 1955 of the two major US trade union groupings.

**American Management Association (AMA).** An organization of managers, similar to the BRITISH INSTITUTE OF MANAGEMENT (BIM) in the UK in its structure and aims.

**American National Standards Institute (ANSI).** A US body which sets and monitors standards for industry — the equivalent of the BRITISH STANDARDS INSTITUTE in the UK.

**American Standards Association (ASA).** The US body responsible for setting and monitoring standards within the computer industry.

**amortization.** (1) The setting aside on a BALANCE SHEET of the amount by which an INTANGIBLE ASSET expires.

(2) In the USA, the equivalent of DEPRECIATION.

(3) In a production context, the recouping of fixed costs (e.g. tooling) by spreading them across a large quantity of output.

**amortize.** To pay off a loan gradually.

**Amstel Club.** The name given to a small group of European banks and finance houses which operate a reciprocal financing of imports and exports between member countries.

**AMT.** The acronym for advanced manufacturing technology. It is also used as an abbreviation for a range of financial and consultancy support available from the UK Department of Trade and Industry under its AMT Scheme to promote the adoption of such technology.

**analog computer.** An early form of computer in which information was represented in analog form (e.g. by voltages or resistances in an electrical circuit) rather than as binary digits, as is the case in a digital computer. It is still used in cases where speed is important but it is limited by its inability to store data.

**analytical estimating.** In production management and WORK STUDY, an alternative to full-scale WORK MEASUREMENT for jobs when information is needed about the costs or times for jobs in production, based on estimating requirements for each component of the job.

**analytic job evaluation.** An approach to JOB EVALUATION which involves comparing common elements which comprise each job.

**ANCOM.** See ANDEAN COMMON MARKET.

**Andean Common Market (ANCOM).** A COMMON MARKET involving Bolivia, Chile, Colombia, Ecuador, Paraguay and Venezuela.

**annual capital charge.** A financial management technique which involves comparing regular cash flows on a yearly basis with the cost of capital as a way of assessing how well the organization is performing.

**annual general meeting (AGM).** There is a legal requirement on all REGISTERED COMPANIES in the UK to hold a meeting once a year of all members at which the directors make a report. This includes an income statement, balance sheet, auditor's report and directors' report and is usually published in one volume as the ANNUAL REPORT for the company. The interval between AGMs must not exceed 15 months.

**annual percentage rate (APR).** The figure for the annual rate of interest which, in the UK, must be disclosed by law to prevent consumers being misled by credit agencies quoting flat rates which appear low. It is covered by the CONSUMER CREDIT ACT.

**annual premium costing.** In PENSION calculations the premium payable can be calculated in two ways - annual premium costing or SINGLE PREMIUM COSTING. In the former,

costs are worked out on the basis of a standard annual payment made every year until retirement. In single premium costing the premium costs are worked out on the basis of the amount of pension earned in a year on a year-by-year basis, which means that the premium varies as retirement is approached.

**annual report.** A legally-required report by a REGISTERED COMPANY in the UK which contains a BALANCE SHEET, a PROFIT AND LOSS ACCOUNT, an auditor's report and a directors' report as a minimum. This document is made available to shareholders and anyone expressing interest in the company. In the USA the SECURITIES AND EXCHANGE COMMISSION requires audited financial statements, a five-year summary of earnings with an accompanying management analysis, a description of the business and of the main markets in which the company's securities are traded, a management report identifying directors and executives and details of the market prices and dividends on securities over the past two years.

**annual return.** A legally-required return detailing activities of all REGISTERED COMPANIES which must be sent to the REGISTRAR OF COMPANIES, where it remains available for public inspection.

**annual usage value.** A term used in INVENTORY CONTROL to describe the total cost of the quantity of different categories of stock used during a year.

**annuity.** A form of PENSION which is bought on retirement by paying a lump sum. In many cases annuities are bought on the proceeds of a maturing endowment assurance policy which may also form part of a pension scheme.

**ANSI.** See AMERICAN NATIONAL STANDARDS INSTITUTE.

**anthropometry.** In WORK STUDY, the study of human body measurements.

**anticipation.** If a customer pays a debt early, he may receive a discount from the supplier, or, alternatively, he may deduct something from the price paid himself; this latter is known as anticipation. The practice is

common in the USA but less well-known in the UK.

**anticipation stocks.** (1) Stocks of raw materials which are bought in anticipation of rises in prices.

(2) Finished goods etc which are stock-piled ahead of favourable market movements.

**anti-featherbedding.** Actions taken to prevent FEATHERBEDDING.

**anti-trust.** An action, legislative or otherwise, taken to prevent or restrict MONOPOLISTIC practices. It is widely used in the USA – for example, in the long battle between ATT and IBM over computing and telecommunications activities.

**AOQ.** See AVERAGE OUTGOING QUALITY.

**AOQL.** See AVERAGE OUTGOING QUALITY LIMIT.

**APEX.** See ASSOCIATION OF PROFESSIONAL EXECUTIVE, CLERICAL AND COMPUTER STAFF.

**APL.** A high-level computer language whose name derives from 'A Programming Language'.

**application program** (applications software). A type of computer program which performs a particular function for the user, such as WORD PROCESSING, SPREADSHEET, or utilities.

**applications software.** See APPLICATION PROGRAM.

**appraisal interview.** See PERFORMANCE APPRAISAL.

**appraisal method.** (1) See PERFORMANCE APPRAISAL.

(2) A financial technique used in calculating DEPRECIATION. At the start and finish of each account period asset values are appraised and the depreciation is calculated on the basis of differences between the two.

**apprentice.** A person who takes a form of employment (an apprenticeship) in which he

receives training for a craft or trade. Apprentices are usually paid at lower rates than skilled workers until they finish their apprenticeship, and may be INDENTURED to a particular employer for that period. The tradition of apprenticeships goes back to the craft guilds of mediaeval times.

**appropriation.** The allocation of money in a BUDGET for a particular activity.

**approximation of laws.** See EUROPEAN COMMUNITY.

**APR.** See ANNUAL PERCENTAGE RATE.

**aptitude test.** A test used to assess a person's aptitude for particular tasks or jobs.

**AQL.** See ACCEPTABLE QUALITY LEVEL.

**arbitrage.** The practice of using different market prices to advantage by entering into multiple contracts simultaneously, buying at a lower price and selling at a higher. It can be practised with securities, commodities, currencies etc. Simple or one-part arbitrage involves only one pair of prices; compound or two-, three- or more-part arbitrage refers to complex multiple deals.

**arbitrageur.** One who practises ARBITRAGE. Since arbitrage requires being able to move in and out of investments quickly, there is a temptation for arbitrageurs to engage in INSIDER TRADING. In 1986 the Boesky scandal in the USA, which had repercussions throughout the stock exchanges of the world, emerged through the confessions of Ivan Boesky, an arbitrageur, about a variety of insider deals.

**arbitration.** A process whereby disputes can be resolved by the intervention of a third, neutral party. Arbitration procedures are often specified – for example, as clauses in contracts – to allow for the situation where disputes might arise.

**Arbitration Acts 1950, 1975, 1980.** Various pieces of UK legislation covering the arbitration of industrial relations disputes. Broadly, they offer the opportunity to refer difficult disputes to independent arbitration; the 1975 Act set up the ADVISORY.

**CONCILIATION AND ARBITRATION SERVICE (ACAS)** as a statutory body for this purpose.

**Argyris, Christopher.** US psychologist and management researcher whose work has particularly focused on the relationship between the individual and the organization. He has made a number of contributions to the development of the theory and practice of ORGANIZATION DEVELOPMENT, some of which are described in *Intervention Theory and Method* (Reading, Mass.: Addison Wesley, 1970). For a review of his work, see D. Pugh, et al, *Writers on Organizations* (3rd edn, Harmondsworth: Penguin, 1986) and C. Handy, *Understanding Organizations* (Harmondsworth: Penguin, 1976).

**arithmetic mean.** See MEAN.

**arrears.** Overdue or unpaid debts.

**arrow.** A feature of a NETWORK connecting two nodes and representing an ACTIVITY or a relationship between EVENTS, and indicating the direction of movement through the network.

**arrow diagram.** See ACTIVITY ON ARROW.

**articles of association.** A formal set of rules setting out the relationship within a UK REGISTERED COMPANY between its members and directors. Items covered include the rights of various classes of shareholder, arrangements for general meetings and voting eligibility. In the USA equivalent rules are called articles of incorporation. Articles of association are held at COMPANIES HOUSE by the REGISTRAR OF COMPANIES and are available for public inspection.

**articles of incorporation.** See CERTIFICATE OF INCORPORATION.

**artificial intelligence (AI).** The field of study in computing and information technology which attempts to model the information processing characteristics of the human brain. AI is particularly concerned with the development of expert systems in which the experience, accumulated knowledge and judgmental rules which human experts deploy can be simulated by computer systems.

**A/S.** (1) See AKSJELSKAP.

(2) See AKTIESELSKAB.

**ASA.** (1) See ADVERTISING STANDARDS AUTHORITY.

(2) See AMERICAN STANDARDS ASSOCIATION.

**ASEAN.** See ASSOCIATION OF SOUTH EAST ASIAN NATIONS.

**'A' shares.** A class of non-voting ordinary SHARE, rarely used nowadays.

**ASLEF.** See ASSOCIATED SOCIETY OF LOCOMOTIVE ENGINEERS AND FIREMEN.

**ASLIB.** See ASSOCIATION OF SPECIAL LIBRARIES AND INFORMATION BUREAUX.

**assembler.** A low-level computer language in which instructions are written in the form of mnemonics for the actual machine code instructions.

**assembly.** (1) The manufacturing of products based on putting different components together.

(2) The assembled arrangement of components.

**assembly chart.** See GOZINTO CHART.

**assembly-line production.** A form of production, particularly developed by Henry Ford in his Model-T car plants, for carrying out assembly work. In an assembly line operations are carried out in sequence, building up the product as it flows along the production line, each worker adding components or performing operations on them.

**assertiveness training.** A form of MANAGEMENT DEVELOPMENT which is designed to improve an individual's command over a situation so as to achieve his or her goals. Assertiveness does not necessarily require aggressiveness or authority but involves developing INTERACTIVE SKILLS which ensure that the individual's point of view is communicated clearly in a variety of different situations.

**asset.** In accounting, something owned by a person or company and which represents (or



will represent at some future date) an economic benefit to them. Assets are classed as fixed – such as capital equipment – and current – such as cash, stocks, or debtors. Liquidity is an indicator of how quickly assets can be turned into cash and thus current assets – which can be easily converted – are sometimes known as liquid assets. A distinction is also drawn in the above assets between those considered as tangible and intangible, the latter having an apparent value as far as the books of the company are concerned but in practice not realizable – for example, the GOODWILL of a firm.

**asset stripping.** The process of taking over a firm in order to dispose of its ASSETS or to use them elsewhere. After this, the original organization is usually closed down, having been stripped of its assets.

**assign.** (1) To transfer rights (e.g. of ownership) to another, or to transfer obligations – such as in a contract – to another, usually called the assignee. The person who assigns is called the assignor.

(2) To allocate something or some task to someone – for example, the performance of specific duties within an organization.

**assignable variable.** In process control, an observed departure from expected performance which may be attributed (assigned) to a known cause.

**assignment analysis.** In JOB EVALUATION, a type of analysis which is based on skills or experience required etc.

**assisted areas.** Regions of the UK which have been given special status by the DEPARTMENT OF TRADE AND INDUSTRY in recognition of their particular need for industrial development. Several classes of assisted area exist, such as intermediate areas and development areas, and in each conditions are set up to facilitate development – for example, via reduced regulation, building and investment grants etc. –

**associated company.** In the UK, a company which is associated with (but not a subsidiary of) another – for example, in some form of JOINT VENTURE. Under the Companies Act 1985 an associated company is defined as

one in which the investing company can exert a significant influence over the associated company in terms of policy and decision-making.

**Associated Society of Locomotive Engineers and Firemen (ASLEF).** The UK trade union representing the above group and one of two major rail unions, the other being the National Union of Railwaymen (NUR).

**associated states.** See EUROPEAN COMMUNITY.

**Association of Broadcasting Staffs (ABS).** One of two major trade unions in broadcasting, the other being the ASSOCIATION OF CINEMATOGRAPH, TELEVISION AND ALLIED TECHNICIANS.

**Association of Cinematograph, Television and Allied Technicians (ACTT).** One of two major trade unions in the broadcasting industry, the other being the ASSOCIATION OF BROADCASTING STAFFS.

**Association of International Bond Dealers (AIBD).** An organization, formed in 1969, based in Zurich, which acts as a self-regulatory body for dealers in EURO BONDS.

**Association of Professional, Executive, Clerical and Computer Staff (APEX).** The main UK trade union of white-collar workers in office and clerical activities.

**Association of Scientific, Technical and Managerial Staffs (ASTMS).** One of two main white-collar unions in the UK, the other being the ASSOCIATION OF PROFESSIONAL, EXECUTIVE, CLERICAL AND COMPUTER STAFF.

**Association of South East Asian Nations (ASEAN).** An organization set up to represent the political and economic interests of a number of countries in the region (Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore, Thailand) which attempts to co-ordinate trade policy within the region and with the rest of the world.

**Association of Special Libraries and Information Bureaux (ASLIB).** A UK organization concerned with improving the use of

information in industry, commerce and the public sector.

**Association of Teachers of Management (ATM).** A UK specialist group representing those with an interest in management education in colleges, business schools, industry etc. The main purpose of the ATM is to promote — through research, conferences, seminars and publications — the study and practice of management education.

**assurance.** An alternative term for INSURANCE.

**ASTMS.** See ASSOCIATION OF SCIENTIFIC, TECHNICAL AND MANAGERIAL STAFFS.

**ATA carnet.** A customs document, which is accepted in many countries signatory to the ATA Convention, which allows items to be imported free of duty if the importation is of a temporary nature — for example, a salesman carrying samples which he will take back with him at the end of his visit.

**at call.** Money lent on the understanding that it is a demand deposit — that is, that it can be withdrawn on demand at any time.

**ATE.** See AUTOMATIC TEST EQUIPMENT.

**ATM.** (1) See ASSOCIATION OF TEACHERS OF MANAGEMENT.

(2) See AUTOMATED TELLING MACHINERY.

**at sight.** A characteristic of BILLS OF EXCHANGE, SECURITIES etc which are payable immediately rather than requiring acceptance or clearing procedures.

**Attachment of Earnings Act 1971.** A UK law which under certain circumstances permits CREDITORS to obtain repayment of their debts at the source of a debtor's earnings.

**attendance bonus.** A bonus paid for regular attendance and/or good timekeeping.

**attendance time.** The total time spent working by an employee, on the basis of which his wages are calculated.

**attended time.** The measure of the utilization of a machine, calculated by subtracting the unattended time (when no operator or maintenance person is using the machine) from the total time period involved.

**attest.** A legal term meaning to affirm the authenticity of a signature on a contract or other document by countersigning it.

**attitude.** The set of factors — including personality and experience — which predisposes behaviour in human beings.

**attitude survey.** A survey carried out to determine individual attitudes towards the subject in question — for example, asking employees about their satisfaction with working conditions. Attitude surveys are used extensively in market research to identify consumer attitudes to new or existing products. They can either be carried out via questionnaire or interview approaches, or a combination of both.

**attorney.** A person appointed to act on behalf of another, either by being given power of attorney or, as in the USA, being appointed as a legal representative.

**attribute listing.** A technique used in problem-solving to explore attributes of an idea by listing them systematically. A description of the technique can be found in T. Rickards, *Problem Solving Through Creative Analysis* (Aldershot: Gower Press, 1974).

**auction.** The process of selling in which the price of items is not fixed but instead the potential buyers bid and the items are sold to the highest bidder.

**audit.** (1) A process of detailed examination of a company's accounts to assess their accuracy. For legal purposes, an audit must be carried out by an independent auditor from outside the firm, but it is also possible to carry out periodic internal audits using accountants within the company.

(2) Any detailed and critical examination of other aspects of a company's business — for example, manpower or technology.