



GLOSSARY



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Introduction

The Entrepreneurial Skills Pass (ESP) is an international qualification that certifies students (aged 15-19), who have had a real entrepreneurship experience, have gained the necessary knowledge, skills and competencies to start a business or to be successfully employed.

ESP requires the completion of a complex learning path:

- First, during the school year, students are involved in a practical entrepreneurial experience where, working in groups and under the guidance of teachers and business volunteers, they have the opportunity to set up and manage a mini-company.
- Secondly, while being involved in the mini-company experience, students take a self-assessment (pre-mid-post test) through which they can reflect on their own entrepreneurial competences as they progress through the year.
- Last but not least, students can close the learning experience, by taking an online exam to certify the business, economics and finance knowledge they have acquired.

The ESP exam is of high level and it requires students' attention, critical and productive thinking. Direct teaching in addition to the Company Programme and/or individual study for the exam is necessary. To this end, additional learning materials are available for both teachers and students.

Why a glossary?

Teachers across Europe play a strategic role to guide and coach the students for the final exam.

This glossary is a tool for the ESP teachers. By providing a list of business terms and concepts, it complements the ESP syllabus. In the document, the terms and their definitions are divided per syllabus area and then presented in alphabetical order. When a definition is connected to another term in the glossary, the term has a hyperlink that allows moving from one definition to another. At the end of the document, additional resources for learning material are suggested, together with a list of acronyms/abbreviations used in the document and the general index of glossary's terms.

The glossary supports teachers with the three phases of ESP:

- It helps to guide the students during the mini-company experience and to explain the main concepts related to setting up, managing and liquidating a mini-company.
- It provides an explanation of the self-assessed entrepreneurial competences and can help teachers when it comes to discuss the results of the self-assessment.
- It supports to improve students' preparation for the final exam, as it provides a standard definition for all concepts within the final exam – divided per syllabus area.

[More information](#)

ESP website: www.entrepreneurialskillspass.eu

ESP self-assessment: <http://self.entrepreneurialskillspass.eu>

ESP final exam platform: <https://exam.entrepreneurialskillspass.eu>

ESP Glossary

General understanding of organizations (Area 1 of the ESP syllabus)

B

Board of Directors

The Board is the key decision-making group within the enterprise, in charge of appointing the chief officers and making strategic decisions. The membership of the Board is usually made up of the most senior chief officers and other representatives of both shareholders and stakeholders of the enterprise. Every Board of Directors usually has a chairperson appointed by the other members who provides leadership and officially represents the Board. 1.3

Book keeper

The individual with responsibility for maintaining the financial records of the enterprise. 1.3

C

Career option

A career is an individual's journey through learning, work and other aspects of life. There are a number of ways to define a career and the term is used in a variety of contexts. When talking about working aspects of an individual's life, the term refers to the possibilities and options that a person is able to see, analyse and take in his/her working life. 1.7

Chief Executive Officer (CEO)

The individual with ultimate authority and responsibility for the management and leadership of the enterprise. The CEO is usually nominated by the Board of Directors and attends/contributes to Board meetings. The CEO, working with fellow executives with specific responsibilities, such as the CFO, is responsible for implementing the strategic direction proposed by the Board of Directors. 1.3

Chief Financial Officer (CFO)

The individual with authority and responsibility for the control and management of the enterprise's finances. The CFO is usually nominated by the Board of Directors and is subordinated to the CEO's authority. 1.3

Competitor

Any person or enterprise which is rival against another. In the business sector, it refers to another enterprise, which offers a similar product or service. 1.1

Corporate Social Responsibility (CSR)

CSR refers to the wider contribution that an enterprise entity makes to social development by addressing issues beyond that required to meet its legal duties and responsibilities, such as focussing solely upon shareholders needs and earning as much profits as possible. Such contribution includes responsibility to act in a responsible way towards the society and the environment, for example respecting employees' human rights or trying to avoid causing damages to the environment (see also 'Corporate accountability/Business accounting'). 1.2

Creativity

The use of imagination to create something, to identify an innovative solution or to come up with new ideas. The personal quality of being inventive, clever and original. Creativity is one of the entrepreneurial competences assessed in the ESP self-assessment. 1.1

Customer/Consumer

Customer/Consumer is the person(s) who buys and uses the enterprise's products and/or services. These terms are often used interchangeably. 1.1

E

Employee

An individual who works in an enterprise under a contract of employment and has recognized rights and duties. 1.1

Employer

A legal entity (individual or organization) that hires an employee under a contract of employment. Employers offer wages or a salary to the employees in exchange for their work. 1.1

Enterprise

(a) Noun 1.1
The term refers to a business organization, a trading entity (public and private, for-profit and non-for-profit oriented).

(b) Activity

Used as a verb, 'to enterprise' means to attempt or engage upon an activity with the associated business risks of time and resources committed.

Entrepreneur

An individual who has a creative and imaginative mind-set and who is prepared to take risks on developing a business idea or project. This includes the capacity of organising and managing an enterprise. 1.1

Ethics (ethical issues)

The term relates to the grey and ill-defined idea of corporate responsibilities that appeal to a higher standard of behaviour than that associated with just compliance within a given regulatory framework. Every legitimate enterprise must comply with the legal and regulatory framework both in the State where it is based and anywhere else that it wishes to conduct trade. In addition, there is a further expectation that the enterprise will act in accordance with generally accepted social values. Recognition of social values refers to trading in a manner that is consistent with moral conduct and is usually linked to environmental concerns and/or social compatibility (see also 'Corporate Social Responsibility' and 'Corporate accountability/Business accounting'). 1.2

H**Human Resources (HR)**

Human resources is about finding, screening, recruiting and training job applicants, as well as administering employee-benefit programs as set out in the employment contract (e.g. salaries and wages, holiday and sickness rights, etc.). Usually these details are required by national and European laws and regulations. 1.3

I**Information and Communication Technologies (ICT)**

ICT is an umbrella term that includes any communication devices or applications (e.g. computer, mobile phones, wireless networks, etc.) as well as the various services and applications associated with them (e.g. videoconferencing, distance learning, etc.). The term refers to a range of technologies, digital media and associated software, which can be used not 1.6

only in our everyday life but also to support and exploit business opportunities.

Intrapreneurship

Intrapreneurship is the act of behaving like an [entrepreneur](#) while working within a large organization. It refers to the creative and commercially valuable contribution that an [employee](#) might be able to give to support the development of new products and services for their [employer](#). Behavioural characteristics of intrapreneurship include [initiative](#), an ability to think outside the box, risk-taking and [leadership](#). 1.7

L

Leadership

Leadership can be exercised in a range of contexts, including organizations. A leader has the ability to direct, manage and persuade others to work towards identified goals. An effective leader needs to have important qualities such as drive, energy, enthusiasm, collaborative and motivational skills, etc. 1.4

M

Managers (type of)

A manager is an individual who works within an organizational context with clearly described roles duties and responsibilities. It is possible to identify several types of managers, including: 1.3

- A finance manager has the responsibility of overseeing the finances of the enterprise, provide financial advice and support the organization in taking sound business decisions. The finance manager reports to the [CFO](#).
- An HR manager is responsible for managing people within the enterprise. An [HR](#) manager should have an overview of all [employees](#), keep track of who is present/absent, and manage possible conflicts. Among her/his tasks, there is the need to maximise employee performance and ensure they enjoy working in the enterprise.
- A marketing manager is responsible for [marketing](#) and performs activities such as analysis of customer needs, [target groups](#) and [market research](#). A marketing manager is the person in charge of developing [marketing strategies](#) and implementing/controlling marketing efforts.

- A production manager is responsible for the enterprise's production (e.g. set production targets, keep contact with suppliers, check product quality, follow up on the goods in stock, etc.).
- A sales manager is responsible for the enterprise's sales (e.g. set up sales targets, leading sales and stock records, organise, train and motivate sales staff, etc.).

Mission

A mission is a short statement, which sums up the aims and guiding principles for an organization. Essentially, it explains why the organization was established, its main goals and objectives. In the long term, an enterprise must seek to attain and preserve a competitive advantage in order to ensure its survival. It follows that its mission needs to be understood and clearly recognised by both its employees and other key stakeholders. 1.2

N

Networking

The word 'networking' refers to the practice of cultivating social and professional inter-personal relationships. Those relationships can be employed for both individual and corporate benefit and are considered to be an asset to both individuals and enterprises. Information and Communication Technologies can make it easier for individuals to establish connections with customers, colleagues or other business contacts, existing and potential, which may bring personal and commercial benefit. 1.6

O

Organizational chart

An organizational chart illustrates the organizational structure. The term refers to a diagrammatic/pictorial representation of the roles, duties, responsibilities and working relationships for individuals in pursuit of the organizational goals. 1.3

Organizational structure

Each organization has a structure. Its shape (hierarchical vs flat) depends on the organization's objectives and strategy as well as on its size, environment and level of technology. Organizational structure determines how roles, power and responsibilities are assigned, controlled, and 1.3

coordinated, and how information flows between the different levels of management (from [chief officers](#) to [managers](#), for example). There are several alternative forms of organizational structures, which can be arranged by product, function, and geographical or product markets¹.

P

Perseverance

Persistence in doing something despite difficulty or delay in achieving success. The ability to be determined and resolute until a person finishes what he or she has started or achieves a good result. Perseverance is one of the entrepreneurial competences assessed in the ESP self-assessment. 1.1

Private sector

Private sector refers to the provision of products or services, usually [for-profit](#), examples would be hospitality or manufacture (e.g. toys or shoes). 1.1

Process management

The term 'process management' refers to the existing business operations which are subject to continual review to ensure that the results achieved are in line with what was previously defined. The recurrent and ongoing processes in the workplace can be optimised in several ways, including by using [Information and Communication Technologies](#). 1.6

Public sector

Public sector usually refers to the state sector, where activities are managed by the government on behalf of its citizens. Examples of such activities would be the police or hospitals. 1.1

R

Resourcefulness

The ability to observe an environment or a situation and to understand how to be a player in it. This includes the ability to identify one's skills and potential and to look for what a person needs to cope with the environment/situation. Resourcefulness is one of the entrepreneurial 1.1

¹ Please notice that ESP students only need to know what an organizational structure is. They will not be specifically asked to define, explain and demonstrate their knowledge or understanding of the different forms of organizational structure.

competences assessed in the ESP self-assessment.

S

Security & privacy issues

In the context of [Information and Communication Technologies](#) systems, it should be understood that there is a need to secure digital information. Although specific private data such as buying patterns/habits can have a legitimate commercial value, they can also be used fraudulently. Most governments have passed laws regulating the secure storage and use of such information. 1.6

Self-confidence

Feeling able to do something and being positive and certain of one's abilities and qualities. This includes also the ability to accept failures and to learn from them. Self-confidence is one of the entrepreneurial competences assessed in the ESP self-assessment. 1.1

Social media

Social media are computer-mediated tools that allow people to create, share or exchange information, ideas, and contents (e.g. text, pictures, videos, etc.) in virtual communities and networks. Facebook, Twitter, LinkedIn are all examples of social media. Social media can be a powerful tool and, if used in the right way, they can contribute to success and growth of an enterprise. 1.6

Stakeholders

A person, group or organization that has direct or indirect interest in the [performance](#) successful or otherwise of that enterprise. Example of key stakeholders for an enterprise are its owners i.e. [shareholders](#), [managers](#), [employees](#), [customers](#), [suppliers](#) and other business contact groups that may influence enterprise's activities or can act as multiplier of it. 1.1

Supplier

The person/ enterprise who provides goods or services to the enterprise (see also '[Procurement](#)'). 1.1

T

Taking initiative

Behaviour characterized by its self-starting nature and its proactive 1.1

approach. This includes the capacity to use one's knowledge, to cope with the unexpected and to transform a problem in action to be taken or in an opportunity. Taking initiative is one of the entrepreneurial competences assessed in the ESP self-assessment.

Taking responsibility

Being aware and taking ownership of having a duty to deal with. This means to do what needs to be done and to achieve what has been agreed with someone else (e.g. group, organization or myself). Taking responsibility is one of the entrepreneurial competences assessed in the ESP self-assessment. 1.1

Team spirit

The personal quality of being able to cooperate, work or interact with other people to achieve a common goal. This includes feelings of mutual trust, respect and friendship. Team spirit is one of the entrepreneurial competences assessed in the ESP self-assessment. 1.1

Teamwork

The extent to which the group members identify themselves as a team and are prepared to work together for their understood and recognised mutual benefit. A team should be considered as whole: each member can have a particular task but everyone has a common goal as well as feel responsible and act for achieving it. 1.5

Main steps and legal requirements (Area 2 of the ESP syllabus)

B

Business Life Cycle

The term refers to the different stages of the life of an organization from initiation through to formal closure. It should be noted that the structural process of JA Europe's Company Programme, which normally requires this cycle to be completed within one school year, in reality for real enterprises can continue over time (Ford Motor Company, for example, has been trading since the 19th century). 2.1

Business ownership (legal forms)

An enterprise can take different legal forms: 2.1

- Sole proprietorship (also known as the sole trader)
- Partnership
- Limited company (both for public and private enterprises)

C

Copyright

Copyright is a type of intellectual property protection. It refers to the legal recognition of the ownership of a product/service. With a copyright, the creator holds the exclusive right to use or to authorise others to use the work on agreed terms. 2.5

Corporate Accountability/Business accounting

The compliance process within a given regulatory framework by which the financial transactions, assets and liabilities of an enterprise are recorded, measured and available for analysis. 2.3

Crowdfunding

Crowdsourcing is a growing use of technology and the online community to attract finance from a large group of people. It can be of great benefit for enterprises in the start-up phase, which may have difficulty in accessing more traditional sources of finance (see also 'Fundraising' and 'Source for financing'). 2.2

D

Direct taxation

The levying of tax on an individual an enterprise is usually related to [income](#), [profit](#) or property rates. As this tax is linked to wealth and income, it is viewed as progressive and hence equitable (see also '[Taxation](#)').

2.3

E

Employment contract

An employment contract is a contract between an [employee](#) and an [employer](#). It describes the job and associated rights and responsibilities between the parties. There are several types of employment contracts. The most common ones are:

2.3

- Full-time and Part time depending on the time employee's work.
- Permanent or Temporary depending on whether employees are working without an ending date or for a definite amount of time.
- Casual, when the working hours vary depending on the work available.

F

Failure (business failure)

The experience gained when a [business idea](#) or venture is undertaken, but which proves not to be commercially successful. It should be noted that failure can be positive if the individual and/or enterprise learns from the experience.

2.4

For-profit

This refers to an enterprise, usually in the [private sector](#), with the prime objective of maximization of [profit](#) for the benefit of its [shareholders](#) (see also '[Non-for-profit](#)' and '[Social enterprise](#)').

2.1

Fundraising

Fundraising is the process of gathering money or other resources, by raising funds or requesting donations from individuals, [enterprises](#), charitable foundations, or governmental agencies. [Information and Communication Technologies](#) can help in this regard by raising monetary contributions from a large number of people, typically via the internet (e.g. [crowdfunding](#)). Although fundraising typically refers to efforts to gather

2.2

money for [non-for-profit](#) organizations, it is also used to refer to the identification and solicitation of investors or other sources of capital for [for-profit](#) organizations (see also '[Source for financing](#)').

I

Indirect taxation

The levying of taxation on consumption such as excise duty or purchase tax. This tax is not linked to [income](#) or capacity to pay to that extent it bears more heavily on those with low incomes e.g. purchase of clothing it is viewed as regressive (see also '[Taxation](#)'). 2.3

Insourcing

Insourcing is the opposite of [outsourcing](#) and it refers to the [production](#) performed internally rather than buying that good or service from an outside [supplier](#). In some cases, an enterprise might prefer to in-source if it is concerned about the reliability of existing suppliers. Insourcing is a business decision that is often made even where the cost may be higher to maintain control of critical production or competencies. 2.3

Intellectual Property Rules (IPR)

IPR are the legal rights that an individual can claim to protect the commercial value of any creative work or idea, examples of such works could be discoveries and inventions, designs, or of an artistic nature such as music or literature. Common types of intellectual property protection are [copyright](#), [trademark](#) and [patents](#). 2.5

K

Key Performance Indicators (KPI)

Key Performance Indicators help an enterprise entity to measure or compare a [performance](#) in terms of meeting its strategic and operational goals. The term refers to a set of quantifiable measures that an enterprise uses to outline and assess progress towards organizational objectives. 2.3

L

Legal requirements

The specific legislative or legal requirements for starting to trade, like obtaining the necessary business permits and licenses, a tax reference code or an official registration number, etc. 2.2

Limited company

One of the most important legal forms of [business ownership](#). The term 'limited company' refers to a legal structure which allows a large number of people to come together to pool/share their resources. Owners, called [shareholders](#), own a [share\(s\)](#) denominated in standard values with the associated risks or potential [losses](#) being limited at a maximum to the amount invested. The associated benefit from the [profit](#) or [losses](#) incurred being pro rata to the amount of [shares](#) held by an individual shareholder. 2.1

Liquidation (business liquidation)

The formal process by which an enterprise can cease to trade and distribute its net assets ([assets](#) less [liabilities](#)) to its owners – i.e. [shareholders](#). Liquidation can be either voluntary or compulsory. In the first case, [shareholders](#) can supervise the liquidation process within a set timetable; while compulsory liquidation, usually as a result of an enterprise trading at a [loss](#), requires a court order. Liquidation can be solvent or insolvent depending on whether the enterprise is able to pay all of its debts and distribute [dividends](#). 2.4

N

Non-for-profit

This refers to an enterprise with particular objectives other than profit maximization e.g. promotion of a political, charitable, religious or social objective (see also '[For-profit](#)' and '[Social enterprise](#)'). 2.1

O

Outsourcing

Outsourcing involves the contracting out of a business process to another party. Outsourcing can be an effective cost-saving strategy, when used properly. It is sometimes more affordable to purchase a good from [enterprises](#) with comparative advantages than it is to produce the good 2.3

internally.

P

Partnership

One of the most important legal forms of [business ownership](#). In the case of partnership, two or more individuals come together to pool/share their resources, the decision-making process and the associated risks and to benefit from the [profit](#) or bear [losses](#) received. 2.1

Patent

Patent is a type of [intellectual property protection](#). It refers to an official document granting an inventor the sole right to make, use and sell his invention for a limited period. 2.5

Performance

Performance refers to how efficiently an enterprise meets its strategic and operational goals. 2.3

Public & Private enterprises

In context of enterprises, the public refers to those whose [shares](#) are traded on the [stock market](#), as being subject to greater legal regulation and responsibilities in relation to [audit](#) and reporting standards. The shares of a private enterprise are not traded on an exchange. 2.1

R

Return on Investment (ROI)

A [performance](#) measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments. 2.3

S

Shareholders

An individual(s) that owns [share capital](#) in a [public or private enterprise](#). Shareholders are the owners of a [limited company](#). They buy [shares](#), which represent part ownership of an enterprise. It is possible for enterprise to own shares in several enterprise at the same time. 2.1

Social enterprise

A social enterprise is an enterprise with particular objectives other than 2.1

profit maximization e.g. promotion of a political, charitable, religious or social objective. This form of enterprise is like a [non-for-profit](#) organization but it may trade competitively and earn [profits](#). The key provision is how the profits are then treated: in a social enterprise the profits are always reinvested back into the enterprise to promote the organization's objectives (see also '[For-profit](#)' and '[Non-for-profit](#)').

Sole proprietorship (sole trader)

One of the most important legal forms of [business ownership](#). In the case of sole proprietorship, one individual owns and runs the enterprise, raising all the funds, being responsible for all the decisions, taking the associated risk and benefiting from all the [profit](#) or bearing all the unlimited [losses](#) incurred. 2.1

Start-up phase

The start-up phase refers to the necessary formalities in setting up an enterprise before starting to trade. 2.2

T

Taxation

The deductions from business trading income by the public authorities: local, regional or national. The taxation revenues are used to contribute towards the maintenance of the trading environment. Every tax system needs to comply with the principles of: 2.3

- Adequacy: revenues should be enough to provide essential public services
- Equity: fairness of the distribution of the tax burden
- Efficiency: balance of cost of administration and tax receipts
- Neutrality: fair impact upon [consumer](#) behaviour

Taxation can be [direct](#) or [indirect](#).

Trademark

Trademark is a type of [intellectual property protection](#). It refers to the name, or other symbol, used by an enterprise to distinguish its products from those of its [competitors](#). 2.5

V

Value Added Tax (VAT)

VAT is a form of consumption or purchase tax. It is an [indirect form of taxation](#), unrelated to either [income](#) or equity (see also '[Taxation](#)'). 2.3

From idea generation to the market (Area 3 of the ESP syllabus)

A

Advertising

The means by which enterprises promote their products and services to customers. While marketing is the way in which an enterprise persuades potential customers that the product/service is the right one for them, advertising is how an enterprise communicates to them the existence of that product/service. 3.6

B

Business idea

This refers to an idea which has a commercial or business value and on further study has the potential for success. A viable business idea stands out from the ideas of the competitors, might have an high level of innovation, creates value for potential customers, etc. 3.1

Business model

A business model represents the means by which an enterprise can produce either a product or a service and in doing so generate value and profit for its shareholders and owners. Both McDonalds and a restaurant serve burgers but they rely on different models to generate trade and profit. 3.8

Business Plan

A description of the aims and strategy of the enterprise incorporating a budget and projected financial position at the end of the period. A clear business plan is key for an enterprise as it helps with making judgments, convincing people, planning and managing. 3.8

C

Corporate identity

A number of factors work together to give an enterprise its own unique identity by generating the way key stakeholders and the general public see and consider it (public image). The factors the general public are most aware of are slogans, images and brand names. Examples could include L'Oreal's "Because you are worth it", the Nike swoosh or Adidas three 3.6

stripes, packaging the Coke bottle.

Customer relationship

The degree to which the enterprise knows and understands its customers' needs. 3.4

Customer-user focus

This refers to enterprise taking a customer and user (consumer) focus with reference to product/service design and development as opposed to production or designer led. 3.4

G

Globalization

Globalisation refers to the efforts by governments and trading blocks such as the EU to open up national markets to competition from enterprises from other countries. The term refers to the increased integration of the world's supply chain with different elements of the process of producing a new product being distributed across the world. Other possible examples could be the design and development of a new computer with different elements being sourced around the world and assembled in a low cost high volume region. 3.7

I

Innovation

To introduce something new, to create a positive change. In the business sector, this can apply to a product, a service or a way of running an enterprise. Technology is an important enabler of innovation but innovation does not necessarily include technology. 3.3

International trade

Trade in goods and services across international borders. 3.7

Internationalization

Internationalisation refers to the appeal or demand for a product across international borders and in this sense it refers to a decision or policy of the enterprise. The Ford model Mondeo was a conscious naming of that enterprise's attempt to sell the same standardized model /product along the lines of a Hilton hotel room or a Big Mac. 3.7

M

Market research

The process in which individuals or enterprises seek to establish an accurate view of the market by gathering information and analysing consumer needs or preferences and possible competitors in the sector. Market research can take two main forms: primary and secondary market research. 3.4

Marketing

The means by which enterprises promote their products and services to existing and potential customers in order to increase sales (see also 'Advertisement'). 3.6

Marketing channel

This relates to the different ways in which an enterprise can promote its good and services to its customers. 3.6

Marketing mix

The marketing mix is a planned mix of the controllable elements of a product's marketing plan commonly termed the 4Ps: product, price, place, and promotion. The marketing mix can also be described by referring to a model made of 7Ps where – together with product, price, promotion and place – we have the additional 3 Ps: people, process (or positioning) and physical evidence (or packaging). 3.6

Marketing plan

A marketing plan is a key element of the overall business plan, relating to the promotion and sale of a product or service. 3.6

Marketing strategy

A marketing strategy relates to the market positioning of the enterprise and its brand. 3.6

Marketing tool

Broad term referring to the different methods by which enterprises understand the potential customers' needs and persuade them to buy their products. 3.6

Methods for idea evaluation

Only few ideas are viable and can be transformed in a business 3.2

opportunity. Market analysis, financial feasibility analysis, costs-benefits analysis, [SWOT analysis](#) and competitive advantage analysis are all methods that can be used to evaluate the feasibility of a [business idea](#)².

Methods for idea generation

There are different methods to generate new [business ideas](#). Within the JA Europe's Company Programme, brainstorming is the most used one. It refers to a free and constructive discussion among people where everybody can contribute by saying or writing down the first thing that comes to mind when discussing a topic. 3.1

P

Primary market research

Primary market research is a form of [market research](#). It is deliberately designed to investigate specific questions about the market, such as the demand and the value. As the research has been requested to ask specific questions or market information, it can be very expensive and time consuming and beyond the resources of a small enterprise (see also 'Secondary market research'). 3.4

Production

The process of creating a product by transforming inputs ([raw materials](#)) into outputs ([finished product](#)). 3.3

Prototype

The first sample of a product to be made. Design and production methods can then be tested and altered as necessary before commercial [production](#) begins. 3.3

Public Relation (PR)

The practice of creating, promoting, or maintaining goodwill and a favourable image among the public towards the enterprise. 3.6

² Please notice that ESP students only need to know the basics of the methods a person can use to evaluate a business idea. They will not be specifically asked to explain the details of the different methods listed in the definition.

S

Sales

The exchange of a product or service for money. In the business sector, sales represent the way an enterprise sells the finished good or offers its services through its [sales channels](#). The term is often used to refer to [turnover](#). 3.5

Sales channel

A sales channel refers to the means by which an enterprise brings its product/service to the market. A sales channel is direct if it sells directly to its [customer](#) or indirect if it sells via an agent, distributor or through an intermediary. 3.5

Sales forecast

An estimate from available data of the number of items an enterprise will sell in a given period. 3.5

Sales strategy

A sales strategy relates to the market positioning of a product/service (e.g. targeting a specific niche such as a high quality luxury chocolate bar) by defining a clear set of objectives and associated metrics (see also '[Sales tactics](#)'). 3.5

Sales tactic

A sales tactic is narrower in scope compared to a [sales strategy](#) and it is focused on a specific objective (e.g. to raise awareness by offering a free bar with an up market magazine). 3.5

Sales target

A target in terms of the number of items to be sold at a given price, which the sales team will try to meet. 3.5

Secondary market research

Secondary market research is a form of [market research](#). It is about using existing sources of data and information that have already been collected for other reasons, usually by government agencies, and are therefore available at a small cost and within a short period (see also '[Primary market research](#)'). 3.4

Social media marketing

This relates to the use of [social media for marketing](#) purposes i.e. to generate interest and demand for a product or service by exploiting the apparent independence of the use of what is called 'electronic word of mouth' (EWoM). 3.6

SWOT analysis

SWOT analysis is an approach used to analyse personal choices and/or to evaluate [business ideas](#) or projects. The abbreviation stands for Strengths, Weaknesses, Opportunities, and Threats of an idea or a project. 3.2

T

Target group

The niche or subset of the market being targeted by the enterprise. 3.4

Financial resources and budgeting (Area 4 of the ESP syllabus)

A

Assets

All that the enterprise owns. In a balance sheet the assets are divided into: 4.4

- Non-current assets (or fixed assets): permanent items, like property, equipment and machinery.
- Current assets: items which are normally changing in the course of business, like:
 - Stock (or inventory): raw materials needed to make the finished goods and the finished goods themselves until they are sold.
 - Debtors or bills receivable: monetary value owed by people to the enterprise.
 - Cash in bank: the enterprise's bank balance.
 - Cash in hand: any cash held and not yet banked.

Auditing

Systematic examination of books, accounts and documents of an organization to ascertain how far the financial statements present a true and fair view of the concern. It also attempts to ensure that the books of accounts are properly maintained by the concern as required by law. 4.3

B

Balance sheet (or position statement)

This is a financial statement that displays a snapshot of the enterprise's assets and liabilities at a particular time. The assets less the liabilities show the 'book' or 'theoretical' value of the enterprise to its shareholders. 4.3

Breakeven point

When the quantity of sales implies that the total revenues received are exactly the same as the total costs incurred. The breakeven point shows how many products an enterprise needs to produce and sell to get to the point where the business is making neither a profit or a loss. 4.2

Budget

A budget is a planning tool. It summarizes planned income and permitted expense over a specific period of time. It can be drawn up for each financial year and from it an enterprise can see how the forthcoming 4.3

accounting period is likely to end.

Business risks

The specific risks associated with trading in a given market or industry. 4.1
Some sectors are more stable and predictable than others (e.g. food as opposed to fashion).

C

Capital requirements

The amount of money that the [Board](#) of the enterprise believes that the enterprise needs in order to start trading. Planning capital requirements means calculating how much capital is needed and this is usually done by distinguishing two types of capital requirements: 4.1

- One-off capital requirement (required only once – e.g. investment in buildings or purchase of office equipment)
- [Working capital](#) requirement (required regularly – e.g. personal expenses)

Cash balance

The amount of cash funds on hand or immediately available. 4.3

Cash Flow (Cash flow statement)

The level of cash that flows through the enterprise at a given point in time. 4.3
The cash flow statement is a [financial statement](#) and summarizes the cash receipts and the cash paid, showing where the money came from and where it was spent.

Contribution

The difference between the [selling price](#) and the [variable/direct cost](#) per unit (e.g. if the selling price is 100 and the variable costs are 60, then the contribution towards fixed costs is 40 per unit). 4.2

Costing

The process of working out the [total costs](#) for a given level of the goods and/or services produced. 4.2

Creditors or bills payable 4.4

People outside the enterprise to whom the enterprise owes money, for instance who supplies it with [raw materials](#) and services. In the [balance sheet](#), the bills payable are classified as [liabilities](#) of the enterprise.

Customer-segment pricing 4.2

One of the possible [pricing](#) strategies an enterprise can use. This approach is designed to group [customers](#) into defined groupings (such as age, gender or other identifiable category) and determine the price of a product/service according to the related group.

D

Debtors or bills receivable

People outside the enterprise who owe money to the enterprise, for instance credit [customers](#). In the [balance sheet](#), the bills receivable are classified as [assets](#) of the enterprise. 4.4

Dividend

The proportion of net [profit](#) that is distributed by the enterprise to its [shareholders](#). 4.4

E

Expenses

Money that an individual or an enterprise spends in the process of providing a good or service ([total costs](#)) and/or through investing capital. 4.3

F

Financial statement

A financial statement is a formal and official record of the financial activities of an enterprise on a stated date. [Balance sheet](#), [cash flow statement](#) or [income statement](#) are all examples of financial statements. 4.3

Finished good

The completed finished product available and suitable for sale. 4.4

Fixed/indirect costs/overheads

Those costs incurred which are not directly linked to activity/output/production (e.g. rent/wages, fees, etc.). These are costs incurring in the enterprise's operation whether or not the enterprise is trading. 4.2

I

Incomes (Income statement)

Money that an individual or an enterprise receives in exchange for providing a good or a service (total revenue) and/or through investing capital. The income statement is a financial statement and it specifies the enterprise's incomes and expenses. 4.3

Interest

The interest is the cost or charge to the borrowing enterprise for the use of the loan funds. The borrower therefore has to repay not just the amount borrowed but also the interest (i.e. the cost of borrowing the money). The interest rate and term (length of time) on which the loan is made are agreed in advance. The total cost or interest increases with the length of time and the amount of money borrowed. 4.1

L

Liability

Anything of monetary value owned by an individual or an enterprise. In a balance sheet, the liabilities include creditors/bills payable, dividend, loans and tax. 4.4

Liquidity

The level of cash funds or near cash immediately available to spend or to pay down debts. 4.3

Loan

It is a source for financing and represents the amount owed to anyone who has lent money to a an enterprise. The lender has no ownership or controlling interest in the enterprise. However, in the event of the business failing, the lender has a priority claim over the enterprise's assets (see also 'Interest'). 4.1

Location pricing

One of the possible [pricing](#) strategies an enterprise can use. This approach is directly related to the place where an enterprise sells its products/services e.g. sales of drinks inside a concert or ice cream in a park on a sunny day. The higher or lower price reflects the balance of need between the buyer and the seller (i.e. which of the two parties, buyer or seller, needs the transaction more). 4.2

Loss

An enterprise makes a loss when it spends more than what it earns; when it receives less [income](#) than it has incurred in its [expenses](#). 4.4

For any enterprise, it is to be expected that a loss may incur within a given period of time. For example, in the early stages of its development, an enterprise may not cover all of its costs or some enterprises may be seasonal and in the course of a year may not earn enough to cover all of its costs. It should therefore be understood that:

- In many cases, an enterprise may not make a profit in its first 12 months of trading.
- It is important for the enterprise to measure the trading performance over a 12 month period

e.g. a café might sell a cup of coffee for €1 where the cost of coffee and hot water is 60 cent (i.e. it makes a gross or trading profit expressed either as a mark-up of 66% or a profit margin of 40%). However if the café only sells one cup of coffee in a given shift or trading period it will have incurred an overall loss since the 40 cents profit from the sale of that single cup is not enough to cover the total costs of wages, rent and rates for that same shift³.

Low cost strategy

One of the possible [pricing](#) strategies an enterprise can use. For its definition, see '[Market penetration pricing](#)'. 4.2

M

Market penetration pricing

One of the possible [pricing](#) strategies an enterprise can use. This approach 4.2

³ Please notice that ESP students only need to know what a loss is. They will not be specifically asked to define, explain and demonstrate their knowledge or understanding of this definition.

is associated with a comparatively low price designed to attract a large market share, usually associated with a new product launch. The aim is to secure a customer base to gain larger profits in the longer term and also make it harder for competitors to enter the market niche. Sometimes this strategy is also called 'Low cost strategy'.

O

Operating cash cycle

Operating cash cycle relates to the time interval between: 4.4

- cash being exchanged for goods and or raw materials,
- the process of manufacture,
- the sale of goods either on credit or cash basis and finally
- payment in cash received.

The longer this time period the more cash is required; the greater the sales activity the more cash is required to fund this activity.

P

Price discrimination

One of the possible pricing strategies an enterprise can use. In this case, enterprises charge customers different prices for the same product or service. The most common examples is where enterprises can exploit technology to differentiate customers through relational databases. 4.2

Price mark-up

Represents the gross profit as a % of the cost of producing the good or service. 4.2

Price skimming

One of the possible pricing strategies an enterprise can use. This approach is the opposite to that of penetration pricing and it refers to when an enterprise raises its prices to a level so high that it feels like the market will bear. When an enterprise uses this approach, it tries to generate a psychological dimension, as the high price can in itself be part of the attractiveness to the buyers in terms of status and cachet as early adopters. Over time, this high price will have to fall, in order to attract additional sales from more *price sensitive* customers. 4.2

Pricing

Pricing products is a complex and important marketing activity, influenced by several internal and external factors. There are several pricing strategies such as [special-offer pricing](#), [location pricing](#), [time pricing](#), [customer-segment pricing](#), [price skimming](#), [price discrimination](#), [low cost strategy](#), [market penetration pricing](#), etc. 4.2

Procurement

The term refers to the purchase of goods and services. In a business organization, it involves the selection of [suppliers](#), the quality standard or specification of the product and the placing of orders. 4.4

Profit

A positive difference between [total revenues](#) and [total costs](#). A profit can be gross or net: 4.4

- Gross profit: the difference between the revenues received and variable/direct costs.
- Net profit: the remaining surplus after the indirect costs/expenses have been deducted from gross profit.

Profit Margins

Represents gross [profit](#), as a % of the [selling price](#). 4.2

R

Raw materials

The materials an enterprise needs to produce something. From a financial point of view, it refers to the cost of materials needed to make a given product. 4.4

Reserves

The part of net [profits](#) not distributed by the enterprise but reinvested in the business. This increased investment is a [source for financing](#) and it is described as shareholders' funds as it is in effect a further increase in finance contributed by the [shareholders](#). 4.4

S

Selling price

The market value of a product/service. It is the price that the person who 4.2

buys the product/service pays for it.

Share (ordinary vs preference share)

Ordinary share: the share capital of an enterprise is divided into equal parts, known as shares, that are sold to raise capital/funds. 4.4

Preference share: shares issued by an enterprise at fixed interest rates, which give their holders a prior right or claim over ordinary shareholders to payment of dividend and to repayment of capital if the enterprise is liquidated.

Share Capital

An authorised share capital is the maximum amount of money, which can be brought into an enterprise by the sale of shares in accordance with the enterprise's memorandum. Issued share capital is the amount of money actually brought into the enterprise by the sale of shares. 4.4

Sources for financing

Potential sources of funds, which are available to the enterprise. Enterprises usually raise funds from three main sources: 4.1

- Owners/Shareholders – i.e. capital or reserves (reinvestment of profits)
- Loans – i.e. borrowing
- Trade credit – i.e. loans from suppliers or other business contacts.

It is clear that the sources for financing can be internal or external: in the first case, they come from inside the enterprise (e.g. savings); in the second one from outside (e.g. bank loans) (see also 'Fundraising').

Special-offer pricing

One of the possible pricing strategies an enterprise can use. It refers to the practice by which enterprises try to increase specific sales e.g. sales or discounts at the end of a day for perishable goods or seasonal products. An examples would be BOGOF – buy one get one free. 4.2

Stock (or inventory)

Raw materials, work in progress and finished goods owned by the enterprise. Every enterprise needs to invest in stock/inventory in order to have something to sell later. The term indicates the materials needed to make the finished goods and the finished goods themselves until they are sold. In the balance sheet, the inventory is classified as an asset of the enterprise. 4.4

T

Time pricing

One of the possible pricing strategies an enterprise can use. This approach reflects the time and associated available alternatives. A reduced rate might be charged during an off-peak demand (e.g. winter clothes during summer) or, by contrast, a higher price for at peak demand times (e.g. swimming costumes during summer). 4.2

Total Cost

The sum of variable and fixed costs for a given level of activity/output/production. 4.2

Total revenues

The monetary value of the sales for a given level of activity/output/production (i.e. number of units sold multiplied by the selling price). (see also 'Turnover') 4.2

Trade credit

It is a source for financing and represents an agreement where an enterprise or a customer can purchase goods or services on account, paying the supplier at a later date. If an enterprise gives credit, i.e. allows customers a period of delay before paying for goods or services it needs to have the resources to be able to wait for payment. 4.1

Turnover

Total amount of goods sold during a given period. It can be measured in terms of units sold or revenues (i.e. number of units multiplied by the selling price). 4.4

V

Variable/direct costs

Those costs are directly related to the amount of production. They vary with activity/output/production (e.g. the cost of bread in a sandwich shop). 4.2

W

Work in progress good

The semi-completed examples of a given product. 4.4

Working Capital

This is the same as current assets less current liabilities. 4.4

Additional Resources

HP LIFE e-learning courses

www.life-global.org/go/esp

HP LIFE e-Learning is a free, online training program that enables students, teachers and entrepreneurs to gain the business and IT skills that help create jobs and stimulate economic growth.

The program is accessed directly by independent learners and is also used by educators, trainers, and mentors to enrich the curriculum. Twenty-five courses are available in seven languages, including English, French, Spanish and Portuguese, covering the key business areas of finance, marketing, operations, communication and some special topics such as social entrepreneurship, energy efficiency, effective leadership and strategic planning.

HP LIFE e-Learning courses are easy to use, fun and interactive. Teachers and students can use them as an enhancement to their current curriculum, as standalone training, as homework, or for participatory and team-based activities.

Following the results of the ESP pilot year, for the final exam, students need to focus their attention on the study of the legal requirements of running a business and on the financial issues. Therefore, we suggest to enhance their preparation by taking the following HP LIFE e-Learning courses:

- | | |
|----------------------|---------------------------|
| ▪ Financial Literacy | ▪ Marketing |
| ▪ Basic of finance | ▪ Selling online |
| ▪ Profit and loss | ▪ Setting prices |
| ▪ Finding funding | ▪ IT for business success |
| ▪ Cash flow | ▪ Social media marketing |
| ▪ Sales forecasting | ▪ Social entrepreneurship |

Completing the suggested HP LIFE e-Learning courses will help ESP students to strengthen their knowledge and be ready for the final exam.

The Virtual Guide to Entrepreneurial Learning

<http://www.tesguide.eu>

Developed in the framework of one of the largest entrepreneurship education initiatives in Europe (The Entrepreneurial School project), the Virtual Guide to Entrepreneurial Learning is a practical and useful tool for teachers in primary, secondary and vocational schools.

It includes more than 125 entrepreneurial tools and methods, but also examples of good practices, quality framework documents and assessment tools that help to apply entrepreneurial learning in any subject area and for any age group.

The Guide is available in 9 languages so far – Danish, English, Finnish, Greek, Italian, Norwegian, Portuguese, Polish and Slovak.

What you can do with the Virtual Guide?

Tools and Methods

Go to the “[Tools and Methods](#)” section and search according to age level, subject area, teaching issues or learning outcomes. Read the tools’ description and get inspiration from the reviews that teachers published on the Guide after using each tool and method!

Schools and Good Practice

Go to the “[Schools and Good Practice](#)” section to find out more about entrepreneurship activities in other countries. Have a look at good practice schools; read the case studies; find examples of visions, plans and framework you can use in your own school.

Policy and Strategy

Go to the “[Policy and Strategy](#)” and have a look into international documents and researches on entrepreneurial learning. Find the most important strategy and policy documents on entrepreneurial learning at the European or national level.

You and Your School

Go to “[You and your school](#)” and access some relevant tools you can use to assess your entrepreneurial teaching (Lappeenranta University’s Measurement Tool for Enterprise Education) and check the quality of the entrepreneurial activities of your school (University of Warwick, Centre for education and industry, CEI10 and CEI35 questionnaire).

To start using the Guide, please access the [Quick Start Guide To Enterprise Education](#). It explains ten easy steps to start working with the Virtual Guide.

Work life skills and entrepreneurial mindset

www.youtube.com/HenriAsenne

Work life skills and entrepreneurial mindset is a multimedia resource for high school students developed by Accenture in cooperation with the City of Helsinki Education Department's Stadin eKampus program. JA Europe, and JA-YE Finland in particular, is helping to deploy the resource across Europe. Work life skills and entrepreneurial mindset provides teachers with a series of videos that can be used in classroom to explain the different skills needed in the workplace.

The six work life skills and entrepreneurial mindset animated videos tell the story of an animated hero Henri who – with a superhero's help – learns different work life skills in his summer job. Each of the 6 videos discusses a different set of skills:

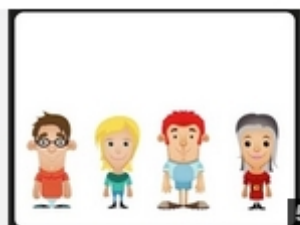


Title: Putting your skills and mindset to work for you

Main topic: The entrepreneurial mindset

Length: 3:53 minutes

Link: <https://www.youtube.com/watch?v=IHY6alTXsAA>

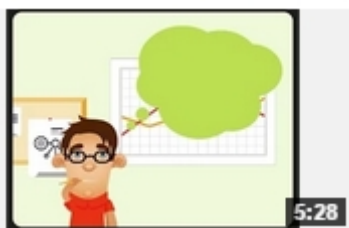


Title: Greater together

Main topic: Teamwork

Length: 5:02 minutes

Link: <https://www.youtube.com/watch?v=2WMRNB0fB3M>



Title: The ingenious idea

Main topic: Creativity and innovation

Length: 5:28 minutes

Link: https://www.youtube.com/watch?v=okJmVH_zKpQ

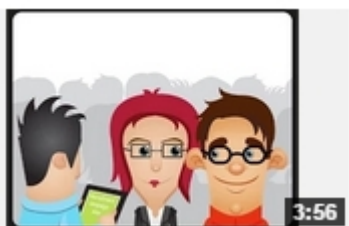


Title: From issues to success (4:47)

Main topic: Problem solving skills

Length: 4:58minutes

Link: <https://www.youtube.com/watch?v=3CflwYPNPI>



Title: Influence and impact

Main topic: Communication, networking and influencing

Length: 3:56 minutes

Link: <https://www.youtube.com/watch?v=yitFeUwgoy8>



Title: Flexibility from digital ways of working

Main topic: digital tools in the working life

Length: 4:17 minutes

Link: <https://www.youtube.com/watch?v=oL5mKhEocj0>


[If you want to know more about the impact of entrepreneurship education...](#)

European Commission – DG Growth, A compilation of evidence on the impact of entrepreneurship education strategies and measures, 2015.


Entrepreneurship education is given a significant role in supporting the main goals of the Europe 2020 strategy. Therefore, it is important to gather knowledge and evidence from across Europe and elsewhere that shows whether and how impact is achieved.

In 2013 DG Enterprise and Industry commissioned ICF International to conduct a mapping exercise of examples of research on the impact of Entrepreneurial Education. This report presents the outcome of the mapping exercise: 91 studies from 23 countries were identified.

[Final report – Entrepreneurship Education: A road to success](#)

 (2 MB)

[Case studies – Entrepreneurship Education: A road to success](#)

 (2 MB)

Published on: 28/01/2015

JA worldwide, Impact: Making a Measurable Difference. 2015

The report collects statistics and stories of JA initiatives from around the world.

Published by JA Worldwide, it gives an overview of the research and studies carried out by reputable consulting firms, academics or research institutes to better quantify JA impact on young people in several geographic areas. It also includes a number of case studies that tell the stories of various JA Alumni as well as interesting write-ups of unique JA programs from different parts of the world.

[Impact: Making a Measurable Difference](#)



(2 MB)

Published on: 15/05/2015

List of acronyms/abbreviations:

- PR = Public relation
- BOGOF = Buy One Get One Free
- CEO = Chief Executive Officer
- CFO = Chief Financial Officer
- CSR = Corporate Social Responsibility
- EWOM = Electronic Word Of Mouth
- HR = Human Resources
- ICT = Information and Communication Technologies
- IPR = Intellectual Property Rules
- KPI = Key Performance Indicators
- ROI = Return on Investment
- SWOTS: Strengths, Weaknesses, Opportunities, and Threats
- VAT = Value Added Tax

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