

**BUSINESS:** *Creating informed, discerning employees, consumers and future leaders*

## Topic 2.4.2 Understanding Business performance

### Key Vocabulary

**Line graph** – shows data represented as lines, making it easy to identify trends

**Bar graph** – data represented so that the height of the bar represents the quantity involved. Good for making comparisons

**Pie chart** – shows data represented in a circle, with each slice of the pie representing a proportion of the whole, e.g. market share

### Core Knowledge

Data can be figures or visually represented. The most common types of visual representation are graphs.

|      | <b>Line graphs</b>   | <b>Bar charts</b>   | <b>Pie charts</b>   |
|------|--|---|---|
| Pros | Good for data shown over many time periods and for comparisons with how one factor affects another | Good for data over 2-3 time periods<br>Good for comprising size / number of several different items | Good for showing proportions  |
| Cons | Too many lines can be confusing<br>Assumptions can be made about trends continuing                 | Cannot be easily used to compare data over many time periods  | Show big differences clearly but not small differences<br>Cannot show trends over a number of years |

A business can use a variety of data:

- **Financial data** – profit margins, profit levels, ARR, break-even point, cash flows
- **Marketing data** – analysis of sales figures, market research data
- **Market data** – analysis of data such as market size, changes in market size, figures for different segments

#### **Limitations of data:**

- A need to understand why trends are happening and the causes of these trends
- Bias can be in place when interpreting data
- Some numbers will be estimates not facts

### Wider Business World

**Government** – use line charts to show changes in taxation, inflation etc; pie charts to show how taxation is distributed



### Synoptic Links

**Business calculations** – profit and profit margin calculations can be used to assess financial performance

**HR** – data on staff retention and performance can be used

**Operations** – productivity and quality data can also be measures of performance

**Marketing** – data on sales figures and market research

**External influences** – economic factors may affect a business performance

**Aims** – the importance of each measure can be different depending on the aims of the business

### Don't be a "man on the street"



- Remember that data may be biased or unreliable – always check the source
- One set of data alone is not much help – a business will need to compare to previous years or competitors to put the data into context
- Financial data alone is not the whole picture – consider what external factors may have caused a change, as well as HR and Marketing data
- Don't confuse market data and marketing data