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.

	Line graphs	Bar charts	Pie charts
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 Good for comprising size / number of serval different items	Good for showing proportions
Cons	Too many lines can be confusing 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 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 difference 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

Misconceptions

- Remember that data may be biased or unreliable – always check the source
- One set of data along 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

Application

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

Topic Links

Business calculations – profit and profit margin calculations can be used to access 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