

Entrepreneurship © 2013

Chapter 18: Business Growth—Glossary

acquisition. When one company purchases another company outright, and the company that is purchased ceases to exist.

backward integration. When a company buys its vendors.

business cycle. Fluctuations in an economy over several months or years.

cash on delivery (COD). Payment option where payments for goods are made on their delivery.

contraction phase. Phase of the business cycle in which the economy as a whole is in a decline.

diversification. Way to reduce risk that involves adding different products, services, locations, or markets.

Export-Import Bank of the United States. Government agency set up to help US businesses export goods and services. Better known as *Ex-Im bank*.

Farm Services Agency (FSA). Governmental agency that provides assistance to commercial farms.

forward integration. When a company buys the wholesalers or retailers for which it is a vendor.

growth phase. Phase of the business cycle characterized by rapid business expansion.

horizontal diversification. Adding new products to a company that are not related to the current product line.

horizontal integration. When a company buys its competitors.

inflation. Increase in the price of goods and services over time.

initial public offering (IPO). Company's first public shares offered for sale.

inorganic growth. Process for growing a business through buying a product for your line, buying another business, or merging with another company.

intensive growth strategies. Processes for growing a business by taking advantage of the opportunities in the current market.

market development. Process for bringing existing product to new locations or target markets.

market penetration. Process for increasing sales in the existing target and geographic markets.

merger. When two companies agree to combine as a new company.

operating ratio. Shows the relationship of expenses to sales.

organic growth. Process for growing a business by expanding the current business.

peak phase. Phase of the business cycle between growth and contraction.

recession. When the country experiences negative economic growth for at least a six-month stretch.

retained earnings. Profits set aside from the operation of the company.

synergistic diversification. Process of adding new product lines or compatible businesses to an existing business.

trade credit. Practice of one business granting a line of credit to another business for a short time to finance the purchase of the first business' goods.

trough phase. Phase of the business between the contraction and growth.

World Bank Group (WBG). Agency that provides assistance to developing countries, which can help provide a market for goods and services from US companies.