

**Topic 2.4.2 Understanding Business performance**

**Core Knowledge**

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

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|  | **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

**Don’t be a “man on the street”**

* 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

**Synoptic 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

**Wider Business World**

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

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

**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