

Ten common mistakes when writing about business

Ian Marcousé provides a framework of ten concepts for revision

1 Confusing productivity with production

Example: 'Hiring new staff should boost the company's productivity'.

The mistake: hiring more staff might lead to an increase in production – though surely only if demand is high enough – but there is no reason why higher output should lead to greater efficiency (productivity). As the UK's NHS has found, hiring more staff can cut productivity (output per person per time period).

Underlying issue: many students see productivity as another way of saying production. It is not – production is the volume of output, while productivity is the efficiency of that output.

2 Misusing diseconomies of scale

Example: 'The fall in output means that the business will suffer diseconomies of scale'.

The mistake: forgetting that diseconomies of scale is a problem caused by growth, not decline. As firms expand, factors like co-ordination become more complex and costly, so diseconomies of scale are factors causing average costs to rise during growth.

Underlying issue: assuming that if economies of scale occur during growth, then diseconomies are a result of decline.

3 Assuming money motivates

Example: 'The company should pay bonuses to boost productivity'.

The mistake: failing to provide a timescale. Yes, money can work as a motivator if, for example, you offer people a 20% bonus to work hard this week to clear a backlog. But in 2025 Asda scrapped bonuses for 10,000 managers who had been receiving them for years despite Asda's decline. The managers complained.

Underlying issue: regular bonuses lose their effect because they become an expectation and no longer boost performance (Professor Frederick Herzberg is excellent on this topic).

4 Poor use of competitive advantage

Example: 'Offering two for the price of one would give them a competitive advantage'.

The mistake: ignoring the key: silent 'sustainable', in that it should always be (sustainable) competitive advantage. If rivals can do the same thing tomorrow, then the term competitive advantage is inappropriate.

Underlying issue: competitive advantage is a major strategic term, achieved either by sustainable cost advantages or untouchable added value – it should not be trivialised.

5 Dangers in the word 'overdraft'

Example: 'It is sensible for a small business to use an overdraft to finance growth'.

The mistake: failing to distinguish between an overdraft and an overdraft facility. The latter is an agreement with the bank about the maximum allowable cash deficit on the current account. If you are growing, you will almost certainly need to renegotiate to get a 'bigger overdraft'.

Underlying issue: struggling to grasp the truism that growth puts a strain on cash flow, and rapid growth is a serious strain.

mistakes when

6 Struggling to interpret an average rate of return figure

Example: 'An average rate of return of 20% means that they only get 20% back on the capital investment'.

The mistake: ignoring the timescale. Average rate of return is the annual average profit as a percentage of the sum invested. So the 20% is the return per year, after all costs have been allowed for. It is pure profit, expressed in percentage terms.

Underlying issue: failure to understand how many businesses survive – thrive, even – on quite low profit margins. For example, Tesco's profit margin is 5%, so 20% a year is fabulous.

7 Underestimating the power of the matrix

Example: 'Ansoff's matrix shows the risks of diversification'.

The mistake: failing to see the analytic scope of the matrix. Exam mark schemes love a two-sided argument. The axes on a matrix give those two sides, such as products and markets, so analyse Ansoff's matrix by looking at the risks involved in product and market development before looking at diversification.

Underlying issue: a matrix pushes you to analyse a business situation by applying theory to a specific business – that is grading gold.

8 Seeing cost-cutting as an easy win

Example: 'They are making losses so they should look for some redundancies'.

The mistake: making cost-cutting seem risk-free. Redundancies are actually hard to handle (the best staff may volunteer) and can leave scars of mistrust and demotivation. Staff will feel more comfortable if managers have done everything possible to boost revenue before cutting costs.

Underlying issue: many businesses operate ruthlessly, but the examiner is likely to want to see empathy for the human beings at the workplace.

9 Misusing the word 'strategy'

Example: 'A full month's price cut would be an effective extension strategy'.

The mistake: confusing short-term tactics with longer-term strategy. A strategy is a medium-to-long-term plan for meeting objectives – a month's price cut has nothing to do with that.

Underlying issue: running a business is a tough task. Quick fixes underestimate the task. Strategy takes a lot of consideration and then time to bed in.

10 Mistaking 'ethical policies' for ethics

Example: 'The company's ethical marketing approach includes its new range of vegan pastries'.

The mistake: confusing targeting with philosophy. If there are enough people who want vegan pastries, then by all means cater to them. But do not present it as 'ethical'.

Underlying issue: business ethics imply a willingness to sacrifice profit margin for a higher purpose, such as discouraging smoking. Unless there is evidence of sacrifice, the word 'ethics' should be left alone.

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