A Glossary of Business Terms for Global Health Entrepreneurs

This glossary of basic business terms was originally developed by Ashley Teo and Jocalyn Clark in 2013 for Grand Challenges Canada and its partners to help global health researchers better understand and communicate their innovations and scale-up plans in a business environment. NCIIA helped modify and supplement it. It is not meant to be comprehensive but instead to offer an introduction to common business "jargon" and terms, especially as they relate to how global health innovations may be attractive to potential funders, investors, and scaling-up partners. See also the Grand Challenges Proposal Development resource: www.grandchallenges.ca/proposaldevelopment

Angel Investor (Social Angel Investor)

An angel investor is an individual who provides mentorship and funding for a business in exchange for partial ownership in the business. Angel investors are often individuals, or groups of individuals investing their own money, and typically fund ventures before they are large enough to become attractive to venture capital.

Balance Sheet

A balance sheet is a financial statement that shows the financial condition of a company at a given point in time. It includes three parts: assets, liabilities, and ownership equity.

An asset refers to property owned by a company that has value. Examples may include: cash, equipment, real estate, or a building.

A liability refers to a debt or a financial obligation owed by a company. Examples may include: a loan or a mortgage.

Ownership equity refers to ownership share in a company.

The "balance" refers to the characteristic that the sum of all assets on a balance sheet must equal the total liabilities plus total equity.

Business Model

A business model is how an organization creates, delivers, and captures value (economic, social, cultural, or other forms of value). The process of creating a business model is part of a business strategy.

The term business model is used for a broad range of informal and formal descriptions to represent core aspects of a business, including purpose, target customers, offerings, strategies, infrastructure, organizational structures, trading practices, and operational processes and policies.

Business Plan

A business plan is a written document describing the nature of the business, the sales and marketing strategy, the financial background, and a projected profit and loss statement. It is a formal statement of a set of business goals and the plan for reaching those goals.

Competitive Advantage

A competitive advantage is an attribute or combination of attributes that allows an organization to outperform other products or services within its industry. Competitive advantages make a product or service more attractive in comparison to alternatives. A competitive advantage may be manifested in the form of a higher quality product/service, a lower cost to a customer, or faster delivery. It is sometimes referred to as your "differentiators" or what is unique or novel about your innovation.

Example: Long lasting insecticidal nets (LLINs) have a competitive advantage over insecticide treated nets (ITNs) for malaria prevention because they last longer and require less maintenance.

Cost Effectiveness

In health, cost effectiveness refers to the relative costs and outcomes between different interventions. Analyzing and determining cost-effectiveness is considered vitally important because there is usually wide variation in the costs of different interventions, and budgets to acquire such interventions are often limited or restrained.

Example: If the cost to vaccinate a person against a disease is less than the cost of treating that person against the same disease given the same health outcome, then the vaccine is more cost effective than treatment.

Cost-Benefit Analysis

A cost-benefit analysis compares the benefits and costs of a project, decision, or government policy in financial terms. It provides a basis for comparing projects. Namely, one would compare the total expected cost of each option against the total expected benefits.

Deliverables

In business, a deliverable is a quantifiable good or service that will be provided upon the completion of a project.

Examples: A final report, product or any other requirement for a project.

Differentiators

Unique features and/or benefits of a product, or aspects of a brand, that set it apart from competing products or brands. This relates to your “competitive advantage” and “value proposition” and the expressed novelty, innovativeness, or competitive advantage of your idea or solution.

There are eleven core differentiators: new needs, performance/efficiency, customization, getting the job done, design, brand, price, cost reduction, risk reduction, accessibility and convenience.

Disruptive Innovation

Disruptive innovation occurs when a product or service displaces an earlier technology, often through a lower cost, higher value offering.

Example: The mobile phone is disruptive innovation because it displaced corded phones, as a lower cost, more convenient option for customers.

Due Diligence

In investment terms, due diligence describes the investigative processes needed to make an educated financial investment decision. It often involves the process of researching a business or person.

Example: An investor performing due diligence on an opportunity to invest in a malaria bed net company might check the quality of the nets produced, examine the financial health of the organization, and learn more about the company's owners and leaders.

Earnings

Earnings are the amount of income that a company produces during a specific period (usually a quarter or a year). Earnings typically refer to after-tax net income.

End User (Consumer)

An end user is a person who uses a product or service. End users are often referred to as the consumer of a product or service. An end user is different from a customer. A customer is the person or party that pays for a product or service. Sometimes end users are simply referred to as "users" and customers are "payors."

Example: A government (customer) will purchase vaccines to be used or consumed by its population (end users).

Equity

Equity refers to ownership in a company or other asset. Equity can be measured in terms of the fraction of the asset owned, or the dollar value. For example, two founders of a startup may split ownership (or shares) in half, giving each 50% of the equity. Being a shareholder entitles one to equal distribution in any profits, if they are declared in the form of dividends, and provide voting power in deciding about a company's policies. Equity can often be sold to investors to generate operating cash for a company.

Financial Innovation

Within global health, impact investing (see definition) and financial innovations are non-traditional ways of financing global health innovations. This is in contrast to traditional funding such as public funds or user fees.

Example: UNITAID and partner countries have implemented an air ticket levy wherein $1-$4 of the price of every airplane ticket departing from a member country is put towards funding the bulk purchase of life-saving vaccines.

Financial Sustainability

Financial sustainability means having a reliable source of continuous revenue that is capable of covering all of an organization's costs. Profitable ventures are also financially sustainable.

Example: ABC Company's revenues exceed their expenses every year. In this way, they achieve financial sustainability.

Fiscal Year

A period of time used for calculating annual financial statements in businesses and other organizations. A fiscal year encompasses twelve months but does not need to be aligned with a calendar year (January to December). A fiscal year may also refer to the year used for income tax reporting. It may also be known as either a budget year or financial year.

Impact Investing

Impact Investing refers to the investment of funds (money) where some or even all the financial returns are forgone in return for an increased level of social return (social impact).

Example: An impact investor may choose to invest in a company that manufactures disposable biodegradable plates and cutlery. This investor may be willing to forgo some financial return relative to another company whose products do not biodegrade because the investor wants to support a business that is trying to mitigate the environmental damage caused by the use of non-biodegradable alternatives.

Income Statement

An income statement is a financial statement that shows the company's revenues and expenses during a particular period. The phrase "bottom line" often refers to the last line of the income statement, where the statement displays the total profit or loss for the time period. An income statement is also called "profit and loss statement" or a "P&L."

Incubator

An incubator is a program designed to support the development of early-stage companies through an array of business support and services. Sometimes these are called Accelerators.

Examples: Global Social Benefit Incubator, GrowLab, Groundwork Labs, HUB Vienna Incubation.

In-Kind

In-kind is an adjective used to describe payment or gifting in terms of goods, commodities, or services instead of money.

Example: A law firm that donates free legal services to a non-profit would be making an in-kind donation to the organization.

Intellectual Property (IP)

These are creations of the mind that are granted exclusive legal rights as intangible assets. Under intellectual property law, owners are granted these rights to intangible assets, such as musical, literary, and artistic works; discoveries and inventions; and words, phrases, symbols, and designs. Common types of intellectual property rights include copyright, trademarks, patents, industrial design rights, and trade secrets.

Licensing

Licensing involves authorizing another party to use or manufacture or use something proprietary (e.g., intellectual property, product, etc.) under specific conditions for a specified payment.

Example: For a time in the 1990's, Apple computer licensed its operating system and other core technologies to other companies manufacturing Apple-compatible systems. At the term of the licensing agreement, Apple did not renew, restoring as the sole provider of Apple technologies.

Prototype

A prototype is an early sample or model built to test a concept or process. The purpose of a prototype is to test and trial a new design to enhance precision for a real, working system rather than a theoretical one.

Public Channel

In terms of scaling up, a public channel strategy uses the public sector to distribute a product or service. This does not mean that the innovator of the technology or service does not make a profit. Instead, the innovator may be profitably selling their products to public sector buyers. Most drugs, sold to public systems, are distributed via the public channel and represent a commercial, profitable transaction between the manufacturer and the government payer.

Example: A public health education program for community health workers may be adopted by a government program and so will be scaled through a public channel.

Return on Investment (ROI)

The benefits (or profits) yielded to an investment of time or money. While many times the financial ROI is described such as the amount of growth you might experiences from investment in the stocks of a company, returns do not always have to involve financial gain. Social returns on investment could include things like environmental protection due to money spent on land acquisition and preservation, or the social gains experienced by investing in schools for children. These social returns are still often described in monetary terms.

Shared Value

Shared value is the creation of economic value in a way that also creates value for society (social value).

Stakeholders

Stakeholders are a person, group, organization, member or system that can affect or be affected by an organization's actions.

Example: A company's stakeholders will include consumers of the company's product or services, its employees and its investors, as well as partners and others.

Target Market

A target market is the group of customers to whom the business has decided to aim its product or services. A well-defined target market is the first element to a marketing strategy. Sometimes the target payor will differ than the target user.

Example: A company that produces tuberculosis diagnostic devices may target health clinics in areas where tuberculosis is endemic. While the target users are the clinics, the target payor may be the government who purchases the devices to be distributed to the clinics.

Value Proposition

The Value Proposition is the essential articulation of the value that any organization, whether business or non-profit, provides to its customers.

Example: Spring Health offers low cost, ubiquitous water purification to rural Indian villages. Villagers currently have a problem in that they are too small to merit existing systems, and therefore have no access to purification. Spring Health solves the problem by creating smaller scale franchises of affordable water purification.

Venture Capital (VC)

Financial capital (funds) typically provided to early stage companies, often in amounts of several hundred thousand to several million dollars. Venture capital firms are often investing funds provided by a third party investor, for example, a pension fund. The accountability of the venture capital fund to its investors often poses restrictions on what industries and expected returns on investment a VC can consider. There are no known venture capital funds focusing exclusively on opportunities within global health.

Sources used for this glossary include: ANDE, Businessdictionary.com, Clayton Christenson, Dictionary.com, Entrepreneur.com, Grand Challenges Canada, Investopedia, Wikipedia