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SMART AI · THE FOUNDATIONS

The Plain-Language *AI Glossary*

Every term you'll meet in your first month with AI — explained simply, without the jargon, for people who'd rather understand than pretend.

Plan with intention. Execute with precision.

Start here, *no shame*

Nobody is born knowing what a "token" is. The language around AI can feel like a members-only club — but every term has a plain meaning underneath. This glossary gives you those meanings in everyday words, so you can read, ask, and decide with confidence. Keep it beside you; dip in whenever a word trips you up.

The basics

ARTIFICIAL INTELLIGENCE *AI*

Software that performs tasks we'd normally think need human intelligence — understanding language, recognising patterns, making suggestions. **In practice:** the umbrella term for everything in this guide.

GENERATIVE AI

AI that **creates** new things — text, images, code — rather than just sorting or labelling what already exists. The difference between a tool that files your emails and one that writes them for you.

LARGE LANGUAGE MODEL *LLM*

The engine behind most AI chat tools. It's been trained on enormous amounts of text so it can understand what you write and respond in natural language. **Think of it as:** a very well-read assistant that's exceptionally good with words.

MODEL

A single trained AI system, often with a name and version number. Newer versions tend to be more capable. **Loosely:** the "brain" you're talking to.

PROMPT

Whatever you type or say to the AI — your question, instruction, or request, plus anything you paste in. **The better your prompt,** the better the result.

TOKEN

The small chunks of text AI reads and writes in — roughly a short word or part of one. Usage and limits are often measured in tokens. **Why you'd care:** it's the "word count" AI thinks in.

How it behaves

CONTEXT WINDOW

How much the AI can hold in mind at once — your conversation so far plus any documents you've shared. Once you exceed it, earlier details start to drop away. **In practice:** its short-term memory for this conversation.

HALLUCINATION

When AI states something that sounds confident and plausible but is simply wrong. It isn't lying — it's filling a gap. **The takeaway:** always verify anything that matters.

KNOWLEDGE CUTOFF

The date after which a model has no built-in knowledge, because its training stopped there. **Why it matters:** without live search, it may not know about recent events.

BIAS

Lopsided patterns in AI output that can unfairly favour or overlook certain groups or views — usually an echo of patterns in its training data. **Your job:** notice it, and don't outsource judgement.

REASONING / THINKING MODEL

A model built to work through a problem step by step before answering. Slower, but stronger on anything that needs logic or care. **Trade-off:** depth over speed.

TEMPERATURE

A behind-the-scenes setting for how predictable or creative responses are. Lower is focused and consistent; higher is varied and inventive. **Picture:** ice crystals versus a rolling boil.

MULTIMODAL

AI that handles more than just text — images, audio, documents, sometimes video. **In practice:** you can show it a photo, not only tell it.

Agents & getting things done

AGENT

AI set up to carry out a multi-step task on your behalf — not just answering, but **doing**: planning steps, using tools, and working toward a goal you set. The difference between asking for directions and handing over the wheel.

TOOL USE

When an AI reaches beyond its own knowledge to **act** — searching the web, running a calculation, calling another piece of software. How an assistant becomes a doer.

RETRIEVAL (RAG)

When AI looks information up from a trusted source before answering, instead of relying only on memory. **The benefit**: fewer hallucinations, more current answers. (RAG = retrieval-augmented generation.)

SUBAGENT

A smaller, focused agent a main agent hands a specific piece of work to — like a manager delegating to a specialist, then collecting the result.

SKILL

A packaged set of instructions or know-how an AI can draw on for a particular kind of task, so it performs it consistently and well each time.

MCP / CONNECTOR

A standard way of plugging an AI into your other apps — calendar, email, files — so it can read or act there with your permission. **Think**: a universal adaptor between AI and your tools.

API

A doorway that lets software talk to other software. It's how AI gets built into apps and workflows behind the scenes. **You rarely see it**, but it's often what makes the magic connect.

Working well with AI

PROMPT ENGINEERING

The craft of asking well — giving context, examples, and clear constraints so you get what you actually need.

Not a dark art: mostly just clear communication.

CHAIN-OF-THOUGHT

Asking the AI to show its working — to reason step by step — which often produces a more careful, reliable answer.

FEW-SHOT (EXAMPLES)

Giving the AI a couple of examples of what "good" looks like before your real request, so it matches the pattern you want.

FINE-TUNING

Extra training that adapts a general model to a specific style, domain, or task. **Loosely:** sending a capable generalist on a specialist course.

THREE MODES OF WORKING

Automation — the AI executes a set task. **Augmentation** — you think together. **Agency** — you set it up to act independently. Knowing which you're in shapes how you work.

From the AI Fluency Framework — see note overleaf.

You don't need to know how an engine works to drive well. You need to know what the controls do — and that's all this is.

You're already *more fluent*

If you've read this far, you now understand more about AI than most people using it daily. That's the whole point — fluency isn't about being technical, it's about understanding enough to make good decisions. From here, the SMART AI guides show you how to put these terms to work, using the four habits that turn AI into a genuine partner.

KEEP THIS NEARBY

Language is the first barrier to confidence with AI. Come back whenever a new word appears — and notice how quickly the club stops feeling members-only.

THEN BUILD THE HABITS

Delegation, Description, Discernment, Diligence — the four habits at the heart of SMART AI. Vocabulary gets you in the room; the habits get you results.

This glossary is original SMART content, written in plain language for newcomers to AI. Where it references the four habits and the three modes of interaction (Automation, Augmentation, Agency), these draw on the AI Fluency Framework by Rick Dakan, Joseph Feller, and Anthropic, released under the Creative Commons CC BY-NC-SA 4.0 licence, used here with attribution and gratitude.

GO FURTHER

Where the fluency gets applied

These guides build the judgement — the 4Ds you can carry into any AI tool, on any task. The natural next step is applying that judgement to the work that carries a number.

The SMART Business range puts it to work: five practical planners for commercial leaders — Key Account Director, the SaaS Commercial Playbook, Managing Change, Continuous Improvement and Emotional Intelligence. Every one now includes a built-in "Working with AI" section: ready-made prompts, each constructed on the 4Ds you've just learned, with a note explaining why it's shaped that way.

So the loop closes both ways — the guides teach you to direct AI well, and the planners hand you the exact prompts for account risk, root-cause analysis, difficult conversations, change resistance and honest deal qualification.

EXPLORE THE RANGE

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