Glossary
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absorptive capacity – the extent to which firms have appropriate organisations and cultures to acquire information and facilitate learning.

acting strategically – the ability to plan and to take actions in pursuit of long term objectives.

acquisition – the bringing together of two businesses where one is the dominant party controlling the other, and often there is a premium paid.

adaptive learning – the processes whereby an organisation can adapt to its environment, in particular to accelerating or decelerating rates of change in external conditions.

adverse selection – where the providers of capital have no reliable information to enable them to distinguish individuals who are good risks from those who are bad risks.

adverse selection - this is a class of problems where incorrect or adverse decisions may be made because of imperfect information or asymmetric distribution of information.

agency theory - Agency theory deals with situations in which one party (the "principal") delegates responsibility to another party (the "agent") to take decisions on its behalf. In the business world typical agency relationships exist between shareholders and managers; & employers and employees. The *agents* are top management, and the *principals* are the shareholders. In agency theory, the board is viewed as the major institutional device that helps to control the agents to further the interests of the principals. According to agency theory, effective boards should act on behalf of shareholders to exert leverage over any self-interested tendencies of management – the agents.

agglomeration economies – external benefits that occur from many, usually similar, firms being placed in close proximity to each other (e.g. in Motor Sport Valley, Silicon Valley, or the media industry in London.

aggregate demand – the volume of demand for goods and services in the economy as a whole.

analysis of industry and competition – the economic configuration of firms and its impact on strategic choices and long-term profitability of the participants.

analysis of markets and competition – the analysis of market rivalry, which tells us how competition takes place and the effects on prices and costs.

animation – the mobilisation of various parts of the social system, which is the organisation, acting in concert with strategic ambitions and contributing to implementation of strategy.

architectural innovation – innovation in the basic structure of a system so that its modules are largely unchanged, but the connecting elements between the modules (the jointing system) is changed; compare "modular innovation".

asperity - high asperity indicates an organizational culture which will not readily accept changes and which will cling to the ‘old’ ways of working. The higher the asperity, the greater the likelihood that changes will fail.

assessing risk – ways of judging whether a decision is worth making by taking into account the varying degrees of uncertainty surrounding the input variables to the decision.

balanced growth – a growth in the aggregate demand for goods and services that is in line with the growth in aggregate supply.

balanced scorecard – a performance measurement system that in addition to financial measures of performance also includes measures of customer satisfaction, internal processes, and innovation and improvement activities.

bargaining power – the terms on which a supplier and a buyer conduct a transaction where there are advantages to be gained due to factors such as differences in scale, threat of vertical integration or product differentiation.

board effectiveness – the ability of a board to serve shareholder interests, to exercise ultimate judgement in decision-making and corporate affairs generally, and to meet appropriate standards of corporate social responsibility.

break-even price elasticity – the price elasticity at which a cut (rise) in price would be followed by a rise (fall) in volume and a concomitant rise (fall) in variable costs so that profit remains the same.

business model - the way in which an intended strategy results in functional and operational requirements, and the performance (typically cash flows and profits) that is expected. It usually applies to single businesses where a specific competitive strategy can be identified but it can also apply to those multi-business portfolios that are linked by strong synergies and therefore have common or similar strategies.

business operations process – The main processes within a organisation on which the main business operations are based.

business value – in economic terms this is the economic rent (or surplus) which is the extent to which a firm earns revenues above the the minimum sum necessary to keep it in existence allowing for opportunity costs in addition to normal cash costs of operating.

capabilities –the ability to perform a task or activity that involves complex patterns of co-ordination and co-operation between people and other resources (compare “resources” and “distinctive capabilities”).

causal ambiguity – not knowing what is the significant element in a chain of causation: applies to situations in which the causes of a firm’s ability to create more value than its competitors are obscure and only imperfectly understood.

change agents – ways in which change is fostered by factors external to the organisation - e.g. management consultants.

change and organisation - the tension between continuity and discontinuity and the size, scale and scope of the change.

chaotic processes – exist in organisations that are in 'anarchy' - a system with chaotic tendencies- in which means and ends are unlikely to be coupled, actions do not lead to expected outcomes, and the main components of strategic decision-making interact in apparently haphazard ways.

circular flow of income – the identity between GDP as measured by incomes generated, expenditures (demand), and real output (production) in the economy.

code of governance – a set of conventions governing the behaviours of boards and the regulation of boards.

collusive strategies - where several firms in an industry co-operate to reduce industry output below the competitive level and raise prices above the competitive level. Such strategies are normally between firms in the same industry and may be perceived as a defensive strategy to minimize the threat of price competition.

Combined Code - Following the report of the Hampel Committee (1998), the first edition of the Combined Code was published by the London Stock Exchange (LSE) Committee on Corporate Governance and was added as an appendix to the LSE Listing Rules. The code superseded all previous codes for UK listed companies and was derived from Cadbury, Greenbury, Hampel and the LSE's Listing Rules. The principles behind the code were those of market and self-regulation. The code was not legally enforceable, but a company was required to explain how the principles of the code had been followed and to disclose when and why they did not follow the code.

communities of practice – groups within which individuals interact while participating in specific practices of work which may or may not mirror the formally documented rules and regulations by which work is supposed to occur.

comparative advantage – the principle that under given technological conditions the increased product available from specialisation and trade - rather than from a policy of self-sufficiency and economic isolation – will be maximised when each country (or region) specializes in the production of those goods and services in which its relative advantage is largest.

competitive advantage – the delivering of superior value to customers and in doing so, earning an above-average return for the company and its stakeholders.

competitive rivalry – the intensity of competition, more direct and stronger where there are fewer competitors and typically used to indicate a wider form of competition than price competition on its own.

complementary alliance - when the assets contributed by the partner firms are different in nature. Most commonly, one may be a manufacturer and the other a distributor.

complexity – the level of complexity inherent in an organisation is a characteristic of the system's structure and is evident where there are large numbers of individual sub-units, many different layers in the structural hierarchy, and many different business processes and by a proliferation of numbers and strengths of connections among all of these sub-units and outside economic agents.

conglomerates – Conglomerates are multibusiness corporations that have no apparent strategic fit between the activities of their constituent businesses.

consumer externalities – these arise when the demand by an individual for a product is influenced by total demand for the product class or by total demand in a complementary product class.

consumer network – displays interdependencies between consumers in their buying behaviour.

consumer surplus – the 'profit' a consumer makes from a purchase, by buying something for less than what is worth to in terms of the services it renders – the perceived net benefit minus the price actually paid.

contestable markets – in perfectly contestable markets, new firms can potentially enter costlessly and at no disadvantage relative to existing firms, and this potential competition severely limits the pricing options of existing firms.

continuous change – a gradual evolution and accumulation of changes which emanate from the current state of affairs in an organisation. Such change is incremental, taken in small steps and each change effort continuously builds upon the previous phase of change activity.

co-operative strategies – firms working together towards some common objectives - include both collusive strategies within markets and strategic alliances.

Core competence – the underlying capability that is the distinguishing characteristic of an organisation; technically it is a set of differentiated skills, complementary assets, and routines that provide the basis for a firm's competitive capacities and sustainable advantage in a particular business.

corporate failure – technically when a firm fails to earn sufficient profits to cover its cost of capital and/or goes bankrupt; generically used to cover a range of problems such as bankruptcy, closure, industry exit, loss-making, loss od maret share, and to more genral situations where objectives are not being met.

corporate social responsibility - where all strategic decisions incorporate the consideration of ethical, socially responsible and sustainable factors.

core competence – the underlying capability that is the distinguishing characteristic of the organisation.

co-specialised assets – assets that are jointly required with the strategic assets in order to produce and deliver the product or service; complementary to the specialised assets and customised to interface with them.

cost analysis – anaysis of supply conditions of a market that tells us how costs arise.

cost structure – the technical/engineering conditions of production from which the balance of costs between fixed and variable can be determined.

cost leadership – a consistent set of decisions that enable a firm to have the lowest costs in the industry over a period of time.

country-specific advantage – this refers to those elements of competitive advantage that are derived from the characteristics of the firm's home market (typically factor conditions), the strengths of related and supporting industries, the competitive characteristics of the home market and any specific demand conditions especially supportive government policies.

create value – to create a difference between the value that resides in a finished good and the value that is sacrificed to produce the finished good.

creative destruction - Schumpeter's famous description of innovation as a gale of creative destruction through which existing attractive industry structures contain the seeds of their own destruction by providing incentives for (new) firms to attack established positions using new approaches to competing.

critical mass – the minimum number of users needed for inducing all potential users to adopt the same new technology, standard or product; see also "tipping point".

cross-industry agreements - co-operations formed by companies from totally different industries to take advantage of their complementary capabilities.

cube law – the volume of a vessel (which for a process plant determines the volume of output) is roughly proportional to the cube of its radius, while its surface area (where the cost is to be found) is proportional to the square.

customer value – how customers perceive quality in a service or a good. This is unlikely to be associated with the product or service itself, but more likely to be a function of what it does for the customer (or consumer). Many firms spend significant amount of money trying to communicate (or arguably manipulate) values the customer might hold (for example the way the ideal woman is portrayed as very thin or anorexic).

decentralisation – a generic term that often refers to the extent to which strategic decisions are taken at the business or functional level (i.e. decentralization) as opposed to the corporate level (centralization).

decision process characteristics – ways of describing the process itself, such as duration, levels of discontinuity, number of recycles and complexity of information and alternatives. These characteristics also include which stakeholders (or interests) were involved in the decision process and what was their relative influence over the process and the outcome of the decision.

decision trees – a pictorial/graphic way of representing/displaying and analysing a series of decisions over time.

demand analysis – analysis of demand conditions that tells us how value is perceived and paid by customers.

demand curve – the relationship in graphical form between volume of demand and price either for the market as a whole or for individual firms in the market.

diamond of national advantage - the relationship between factor (supply) conditions, demand conditions, related and supporting industry structures, and industry structure & firm rivalry is the "diamond" concept that helps explain the success of nations and their individual firms.

differentiation – organizational differentiation refers to the breadth and diversity of individuals' perspectives in departments; also the degree of formal structure in a function or department; product differentiation occurs when firms in an industry sell products that are distinctly different in the eyes of customers e.g. on the basis of product performance characteristics, branding, advertising, distinctive packaging, and other signals such as trademarks.

discontinuous change – change processes which are characterised by a lack of incremental and smooth progress. Such processes are sporadic and usually (although not always) involve radical change.

disruptive technologies Some technologies are improved in a linear fashion or incrementally. Disruptive technologies are those which change or challenge existing paradigms. because they enable the breaking of long-held business rules which inhibit organizations from making radical business changes. see ***sustaining technologies.***

distinctive capabilities – the capacity to perform capabilities in a sufficiently unique way so as to create unique strategic positions (see "core competence").

diversification – the spread of a firm's business over several apparently disconnected businesses but in which there may be economies of combined production, financing, marketing or risk-reduction activities (synergies); see "related diversification", "unrelated diversification", "conglomerates".

division of labour – the way in which individuals concentrate on specific tasks within larger tasks thereby creating greater efficiency in production – in business this can be seen as the development and organisation of specialised factory trades, bringing an increase in the productivity of labour: also called 'specialisation'.

dominant design – a basic architecture of product or process that becomes the accepted market standard following a technological innovation and a subsequent era of ferment in an industry. Dominant designs may not be better than alternatives, nor innovative. They have the benchmark features to which subsequent designs are compared.

dominant logic - the ways in which managers perceive the organisation and the business it is in. This logic shapes the ways in which they make resource allocation decisions.

double diamond – the double diamond incorporates the role of home governments, and also allows larger multinational enterprises to incorporate benefits from other governments in their main overseas locations; see also "diamond of national advantage".

double loop learning learning which involves any modifications of an organization's underlying cultural values, assumptions and norms; compare "single-loop learning.

durable goods versus perishable goods – durable goods are not completely consumed at the time of their purchase but yield a stream of services over time.

duration (of strategic decisions) – the time taken to implement strategic decisions.

early mover advantage – Early movers can have a sustainable advantage if later movers face higher costs such as the inability to achieve simlar low cost positions due to early movers preempting the (limited) market. The strong version is "first mover advantage" where all the scale effects are gained by the first mover.

earnings per share (EPS) – reported profit divided by number of shares outstanding.

economic value added (EVA) – net operating profit after tax minus weighted average cost of capital. The resulting value of EVA can then be interpreted as a measure of the strategic value of the business and a useful metric for judging ongoing performance.

economies of scope – exist when the cost of joint production of two outputs is less than the cost of producing each output separately.

economy of massed reserves – the larger the output of a firm the lower the proportion of its capacity is required for stockholding, financial assets and service department staffing.

efficiency effect – refers to the observation that a monopolist usually has more to lose from another firm's entry than the entrant has to gain from entering; the entrant not only takes business from the monopolist but also drives down prices, so the monopolist loses both volume and margin.

emergent strategy – the sequence or stream of strategic decisions actually observed in practice often in the absence of (or in spite of) managerial intentions.

emotional intelligence - an emerging perspective on individuals, organisations and change is that strategic change is a complicated and highly emotional psycho-social drama. The ability to trust your own and others' emotions is argued to be at least as important as viewing intelligence or creativity as a set of cognitive attributes which a person 'has'. The ability to be aware of one's own mental processes lies at the heart of understanding change as an emotional activity. It is key to understanding change as a *subjective* phenomenon.

endogenous – in national accounting this is the demand (spending) that arises in the home economy from income earned in the home production of goods and services.

entrepreneur – usually a single leader with personal charge in a highly dynamic situation, such as in a new firm, or a small one in a growing market, or sometimes within a large organization facing a crisis. This individual has a clear and distinct vision of purpose and directs an organization that is structured to be as responsive as is possible to his or her personal wishes.

entrepreneurial strategy – deliberate rather than emergent. It is top-down and directive, reflecting the entrepreneur's vision.

entry point – point of entry into the market arena.

evolutionary view – emphasises competitive processes of natural selection and environmental determination; survival is everything and nature is the optimiser.

exogenous – in national accounting this is the demand arising from sources outside the circular flow of income.

expansion path – the series of strategic decisions about the path that growth should take following an entry into a market.

expectations management - when consumers choose products in network markets, their expectations play a crucial role on sales of the products or their network components, since consumer utility depends on the number of other consumers purchasing the same products. Rival firms in the network industry influence consumers' expectations in order to maximize their profits.

experience curve – an empirical estimate of the proportion by which unit costs fall as experience of production increases.

external environment – external factors which affect a business e.g. general, market, industry, political, economic, social, technological, environmental and legal.

factor conditions – Factors are the factors of production, labour and capital, and factor conditions (or factor prices) typically refers to the the costs of labour and the cost of capital. In international business this is often used to indicate differences in factor costs between countries.

final demand versus derived demand – When demand for a product is tied to the purchase of another product then this demand is said to be *derived*. Final demand refers to products whose demand is independent of other products.

financial control - financially controlled companies decentralize control of business strategy to the business units and corporate control relies on central control through regular and routine accounting mechanisms.

firm-specific advantage – this is a term used in international business to describe the unique capabilities of an organization and is similar to the concept of *core competence* .

firm-specific imperfections – those imperfections (compare "market imperfections") that are specific to a firm rather than generally characteristic of a market and enable it to be different from its competitors over a non-trivial time span.

first mover advantage – the pre-emption of a market by being the first to create scale efficient assets; relies on the existence of significant scale and experience effects, a price-sensitive market, and the willingness to commit capital ahead of competition.

five forces – the phrase coined by Michael Porter that describes the five key forces that shape the attractiveness of an industry namely, rivalry, threat of entry, supplier power, buyer power and threat of substitutes.

fixed costs – costs which do not vary with output.

flagship model – this is derived from the diamond frameworks but is distinctive in the way it parallels commercial relationships with co-operative (network-style) relationships. The power to orchestrate value from competitive and cooperative relationships is typically reserved to the largest players (the "flagship" firms) who can orchestrate networks to a degree not available to smaller players.

foreign direct investment (FDI) - capital invested in other nations by MNEs through their foreign subsidiaries and affiliates.

Freeman's stakeholder theory - a theory which helps managers identify, understand and prioritise the needs of key stakeholders. Usually depicted as **Freeman's Grid.**

game theory – the term "game" is used to refer to the interactions between a number of decision makers (players) each one having a set of possible actions or strategies available, with outcomes (payoffs) to each player depending on the actions of other players. The theory of games is the systematic understanding of how these games are played.

gap analysis – a comparison of objectives with expected business outcomes will usually lead to a performance gap between the two; gap analysis is concerned with why the gap occurs and the development of measures for reducing or eliminating it.

generic strategies – typologies of business-level strategy that illustrate the type and range of strategic options that are available in principle, typically expressed as cost leadership, diffenerentiation and focus (scope).

generative learning Proactive learning (in contract to adaptive learning) in which managers develop new ways of looking at and interpreting their environment. This is, ideally, a continuous process and the information can be used to underpin future strategies.

global – intuitively this means worldwide but, technically, we use the term global when competition in one country is influenced by competition elsewhere.

globalisation – indicates the extent to which there is economic interdependence between countries as indicated by the cross-border flows of goods, services, capital and knowledge.

global markets – intuitively the worldwide economic arena, but used in a specific way to indicate those international markets where there are standard products.

global matrix – this is used in a general sense to indicate the nature of matrix structures that MNEs use to deal with product diversity and geographic diversity when there will usually be conflicts between products and countries in organizing operations.

global strategy – a global strategy recognizes the high degree of interdependence between the elements of its operations across the world and is marked by the relatively high degree of standardization of its activities.

goals – statements about what is to be achieved and when results are to be accomplished – used interchangeably with 'objectives'.

Governance - The control and strategic leadership of an organization. Governance is about structure (for example the size of a board) and about process (for example, how the board shapes values, beliefs and culture in the organization).

growth-share matrix – relates market share to industry growth rate and is used to formulate and assess investment and cash management policies in diversified companies.

horizontal integration – the process of merger in which firms producing the same products come together, thus reducing the number of competitors in the market.

income elasticity of demand – the sensitivity of quantity sold to changes in income defined specifically as the percentage change in quantity demanded by the percentage change in an income variable.

individual demand versus market demand – the demand curve for a market is obtained by summing all the quantities demanded at each price level.

indivisibilities – The technical and/or physical characteristics of a factor of production that require that the factor be provided at a certain minimum size - much machinery and capital investment must be used in 'lumps' of miminum size.

industry life cycle – This is broadly equivalent to the product life cycle and describes the life of an industry in four phases – emergence, growth, maturity, and decline.

industry transformation –a range and extent of change in an industry such that the firms involved and the way in which they conduct their economic transactions result in a different set of industry economics.

innovation – the development of new ideas, products, markets and business relationships that will facilitate expansion of existing markets or create entirely new markets. Innovation may involve the development of new technologies such as bio-engineering and genetic engineering which define new industries, or the application of existing technologies to create new products, such as digital cameras versus 35mm cameras.

implementation (of strategies) – putting strategies into effect.

installed base – accumulated sales of product and/or users.

intangibles – resources and capabilities that not being physical cannot be touched – e.g. intellectual property rights; trade secrets; contracts and licences; databases; information in the public domain; personal and organisational networks; the know-how of employees, advisors, suppliers and distributors; the reputation of products and of the company; the culture of the organisation.

integration – organisational integration is the extent to which functions or departments collaborate.

intended strategy – a desired strategic direction deliberately planned and formulated

internal environment – all the structures, systems, processes and behaviours that take place within an organisation e.g. strengths and weaknesses, core competences and capabilities.

internal rate of return – the percentage rate of return earned by a capital project.

international business – the study of transactions taking place across national borders for the purposes of satisfying the needs of individuals and organisations.

international expansion joint ventures - formed by companies that originate in different countries. One company often has a product that it seeks to market in another country in which the other firm has privileged access.

international strategy – Companies that pursue an international strategy seek to create value by transferring valuable skills and products to foreign markets where indigenous competitors lack those skills and products.

internationalisation process – the process by which companies enter foreign markets and evemnbtually become MNEs.

interoperability – a characteristic of open networks with interconnections and compatability with surrounding networks.

interpreting strategy – strategy, as a refined and often rarefied concept, has to be translated by managers before it can be put into practice.

intrapreneurship - where employees other than 'the boss' could champion some technology or strategic issue by means of an entrepreneurial role – a role in which there are not only the ideas, but also the innovation – the doing of new things.

isolating mechanisms – the economic forces that protect an individual firm from imitation by rivals – they are to the firm what entry barriers are to an industry, the forces that inhibit other firms from competing away profits from incumbent firms.

isomorphism - a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions.

joint venture – a business enterprise undertaken by more than one company; see "strategic alliances".

Kaizen – the Japanese term "kaizen" means "continuous improvement" and is an all embracing concept covering just in time, total quality control, and kanban. It applies at all levels in Japanese corporations. A kaizen program can be subdivided into three areas based on complexity and hierarchical level, namely: ·management-oriented kaizen, ·group-oriented kaizen, ·individual-oriented kaizen.

Kanban – literally translated, kanban means "visible record"; more generally, it is taken to mean "card." The system was developed by Mr. Taichi Ohno of Toyota Motors, the founder of just in time, and based on the practice, within US supermarket groups, to replenish stocks within stores only when they were approaching levels of no stock.

Keiretsu – this is a specific structural form found in Japan. It occurs essentially in both horizontal and vertical forms, although groupings are also found in production and distribution. There are six main horizontal keiretsu; Mitsubishi, Mitsui, Sumitomo, Sanwa, Fuji, and Dai Ichi Kangyo. The first three of these are industrial groups which are based on leading pre-war Japanese zaibatsu structure; family-based industrial groups, the origins of which date back to Japan's initial industrialization. The other three major keiretsu groups developed during the 1960s, each based on the nucleus of one of the major city banks (strictly, the Dai Ichi Kangyo group is based on the merger of two groups, following the creation of the Dai Ichi Kangyo bank from the merger of the Dai Ichi and Nippon Kangyo banks). A further industrial group also exists, centred on the Industrial Bank of Japan (IBJ).

key performance indicators (KPIs) - Metrics for assessing performance. They can be financial and non-financial. They are compiled from the identification of key success factors (KSFs). Once these are known, then KPIs can be put in place to assess performance.

key success factors (KSFs) – those elements in an industry that are deemed important in the way that customers make their choices, usually seen as based on the range of competitive advantages evident in an industry.

knowledge based view - a view of the firm within the strategic management literature which emphasises knowledge as a key explanatory factor. Exponents focus on tacit versus explicit knowledge, relative roles of individuals, groups and organisations; sourcing and accessing of knowledge, transfer and integration of knowledge; knowledge can be viewed as an organizational asset (created and enhanced by learning) and can thus be deployed as part of strategic management.

knowledge creation fundamentally, knowledge creation means the genesis or origin of ideas. The term is usually employed to describe how organisations create opportunities for individuals to share tacit knowledge via shared experiences, participating in tasks together, or learning through participation in small group interactions.

knowledge transfer – occurs in organisations through processes of *socialisation, internalisation, externalisation*, and *combination*. see ***knowledge creation.***

knowledge web The various inter-linkages and arenas in an organisation where tacit, extant and other organisational knowledge is exchanged and combined.

law of diminishing returns – as additional amounts of variable factors of production are added to fixed factors (e.g. factory, production lines), unit costs of output having first decreased will then increase; sometimes known as the 'law of increasing cost'.

leakage – the loss of income within the circular flow in the home economy because of expenditure on imports.

learning curve – an empirical estimate of the proportion by which unit costs fall as experience of production increases; see also ***'experience curve'.***

learning curve effect – the effect whereby 'learning' increases a firm's capabilities and through time reduces average total cost as cumulative output increases.

legal systems – laws and rules appertaining to a particular country.

leverage – to focus limited resources of attention and effort on a specific object to the exclusion of rival objects so as to create a highly desired outcome.

lock-in – arises whenever users invest in the multiple complementary and durable assets of a physical platform and then find the costs of switching to an alternative to be prohibitive; see also "switching costs".

long run – the longer period within which the fixed factors of production may change.

m-form – the multidivisional or M-form of organization divides tasks and responsibilities into semi-autonomous operating units (divisions and profit centres) organised on brand, product or regional lines – see also "u-form".

macroeconomic forecasting - the formal, usually statistical, process of forecasting major macroeconomic aggregates such as GDP.

marginal cost – the cost of producing one extra unit of output.

market-based view (MBV) – a phrase coined by the authors that describes strategy in terms of the creation of distinctive, defensible positions within a firm's chosen product markets.

managerial agency – given absolute primacy when strategy all comes down to managers' interpretation alone.

managerial risk– a function of the choices managers make. The degree of risk is associated with the levels of uncertainty concerning outcomes.

Market imperfections - those characteristics which prevent markets being perfect typically characterized as ability of sellers to influence demand, restraints on entry of new competitors, the existence of uncertainty or imperfect knowledge, and the absence of price competition.

mechanistic – mechanistic structures are typically centralised and formal where decisions made only by a small number of top managers and the rest of the organisation implements these through routines and standard operating procedures.

merger – the act or result of joining two or more previously independent firms into a single organization – also referred to as a take-over or amalgamation.

mind traps – where individuals are locked in or limited by their own worlds of experience.

minimum efficient scale (MES) – this is the plant size below which long run average costs increase and is therefore the minimum scale at which a plant would normally be built in order to gain the available economies of scale.

mission statement – there are two approaches: one expresses the philosophy and ethics and widesn the range of actors relevant to the organisation (stakeholders) and captures organizational activities that have implications for the social good; the second expresses mission as a statement of strategy, a

definition of the organisation's strategic objectives and the scope of its business.

mobility barriers – a corollary to the existence of strategic groups; the economic forces that deter or inhibit the movement of a firm from one strategic position to another and, more generally, the expansion of firms in one group to a position held by another group.

mode of entry – the nature of the investments undertaken in order to use a particular entry point (gateway) into a new market.

modular innovation –retains the architecture of the network (its joints) but modifies the modules that connect the joints.

monopolistic competition – a market structure where there are many firms each with small market shares, but each is able to differentiate/control its product to some degree and thereby has some discretion over its pricing e.g. the restaurant business in London.

monopoly – the market structure in which one firm supplies the whole market.

multidomestic – multidomestic (or multilocal) is used to describe industries where the competition in any one country is independent of competition elsewhere; compare "global".

multinational enterprise (MNE) – MNEs are typically headquartered in one country with operations in one or (very many) more countries. Moreover they have very significant investments outside their home country, they draw on a common pool of resources made available through their affiliates & subsidiaries, and link their operations through a common strategic vision and a unified international strategy.

multiplier effect – defines the ultimate increase in national income resulting from an increase in expenditure and is significant because its value is greater than one because of the accumulation of expenditures and incomes in the "circular flow" of income; see "circular flow. More generally it can be seen as the substantial benefit of one industry on the local, regional and global economies.

national competitive advantage – gained when a economy has a strong trade performance and this is reflected in an increase in their share of world trade.

national competitiveness – a phrase used to loosely describe countries with strong trade performance such as increases in share of world trade.

national differences – see "factor costs" .

natural monopoly – Natural monoplies exist where there are such large economies of scale that the miminum efficient scale of output is greater than the market size; therefore, there is room in the market for only one efficient firm.

natural strategic thrusts – Given an initial starting strategy these are natural consequences for the next strategic decisions.

negative feedback systems – a process in which the strong get weaker at the margin and the weak get stronger, thus providing a drive towards a competitive

equilibrium. This is captured in economics by the concept of diminishing marginal utility as consumption grows.

neo-institutionalism - a perspective on organisaitons which emphasises the embeddedness of routines, legitimacy and taken-for-granted behaviours which influence all processes including strategy formulation and implementation.

net present value – the expected net monetary gain or loss from a project obtained by discounting all expected future cash inflows and outflows to the present day. This process generally also specifies a predetermined minimum desired rate of return.

network externalities – consumers' preferences are said to exhibit network externalities if the utility of each consumer increases with an increase in the total number of consumers purchasing the same or compatible brand. The difference from consumer externalities only arises in the sense that many of these effects were first identified in network industries; see also "consumer externalities".

network industries – those industries where the firm or its product consists of many interconnected nodes, where a node is a unit of the firm or its product, and where the connections among the nodes represent trade within the industry.

new economy – an intuitive phrase describing the contemporary economic environment arising from advances in information, computing and telecommunications.

new entry strategies – strategic and operational decisions regarding a firm/product's entry into the market.

new game strategy – a particular strategy for entry into a market where the costs and the uncertainties are very high to the extent that the strategy employed has very different economic characteristics compared to incumbents' strategies.

non-executive directors – 'outside' and/or part-time directors who are not full-time executives of the company.

objectives – *see* ***goals.***

objectified knowledge - Knowledge viewed from a particular epistemological perspective, where it is assumed that it is a resource which is known collectively and which can be managed much in the way of other tangible resources (such as cash or machinery).

offer curve – this is the relation between price and product performance and shows what is on offer to customers at each combination of product performance and price.

opacity – low opacity occurs when there is limited foresight about how different units in the organization are interconnected and work together. The lower the opacity, the higher the likelihood of changes becoming out of control and beyond the capacity of the organization to deal with them when things go wrong.

open standards - A standard that all firms can use without having to replicate the initial sunk costs; see "standards".

opportunity cost – the sacrifice of alternatives foregone in producing goods and services.

Options. – strategy options are the choices available to decision makers. They arise from the need to create a balance between creating and maintaining an option and the likely pay-offs of choosing a particular option.

organic – decentralised, informal structure with strategic decisions made where the relevant expertise lies and internal communication tends to take place as required rather that through prescribed (mechanistic) routes.

organisational context – the specific company background/setting.

organisational process view – the perspective that observes strategy as emerging from organisational characteristics such as cultures, routines, and standard operating procedures. Contrast with the 'evolutionary view'.

organisational risk the levels of uncertainty created where organisations face turbulent and unpredictable environments. The greater the uncertainty, the greater the organizational risk.

orientation – formulating ambitions and visions.

own price elasticity of demand – the percentage change in quantity demanded for a firm's own product divided by the percentage change in its own price.

path dependency – learning and experience accumulktaed in a specific way over time, which is difficult to replicate in other circumstances.

physical platforms – the tangible infrastructure (such as computers, telephones, satellites, digital TV and local area networks) that delivers a service to consumers.

planned strategy – see 'intended strategy'.

portfolio management - the strategies for acquisition and divestment of businesses that make up the portfolio and the resource allocation decisions for channelling investments to the different businesses in the portfolio.

positioning – *see* ***market-based view.***

positive feedback systems – where an initial stimulus is followed by progressively stronger stimuli; can be seen as the strong becoming stronger and is the essential characteristic of network externalities: see als "negative feedback systems" and "network externalities".

post-acquisition integration – the post-acquisition period in which there are deliberate strategies to extract the value expected from acquisition.

power of suppliers and buyers – the ability of suppliers and/or buyers to raise their prices so as to earn an above average rate of return.

price/earnings ratio (P/E) – ratio of stock price to reported income.

price elasticity – a measure of the effect of a price fall or increase on revenue. Perfect elasticity means firms can raise prices and customers continue to buy as much as before (hence revenue increases for the same number of sales). Perfect inelasticity described the opposite effect, where a price rise means customers will buy less (put another way, they will not tolerate any price increase).

process innovation Originating in Japan in the 1950s, this describes of the processes whereby firms get better at what they do and in the way they do things – their practices and processes. Continuous improvements in the ways organisations manufacture products (or provide services) can be an important source of competitive advantage.

producer goods versus consumer goods – this distinction concentrates attention on who makes the purchase decision, i.e. producers compared to consumers.

product life cycle – this describes the process by which products are born, their sales grow, they reach maturity, and they eventually decline and maybe die.

prospect theory – a theory of decision making which argues that decision makers make choices on two criteria - the magnitude and the probabilities of outcomes.

punctuated equilibria – Periods of stability are punctuated by periods of change within which strategies are changed, new positions taken up, and rivalry adjusts in response.

pure network good – a network product that has no value as a standalone product.

quality control Systems in an organisation which monitor and assess key processes both internal and external to the firm (such as inventory, supply, distribution logistics and manufacture).

quality matrix a checklist of key factors identified as those which directly influence quality. The list can be used to ensure that each business unit and product category are continually assessed and monitored to try and achieve the production of the highest quality products.

quasi-concentration alliance – where the assets and skills brought by each partner are similar in nature and the goal is to benefit from economies of scale by concentrating these assets together.

real and virtual networks - in real networks the interconnection between nodes (users) is tangible; in virtual networks it is intangible; see also "network industries".

realised strategy – a blend of intentions and emergence which can be interpreted by reference to the strength of pressure from the external environment.

relatedness - the way in which the synergies between businesses can be managed and exploited.

relevant costs – only those costs affected or changed by a decision.

rents – economic rent (also called “economic surplus”) is the earnings of a factor of production (or firm) in excess of the minimum sum necessary to keep it inits existing use and prevent it moving to other uses.

replacement effect – first formulated by Arrow (1962) in considering who has the greater propensity to invest, the monopolist or the new entrant. The incentive for the monopolist to invest in a radical new technology requires a comparison of the new stream of monopoly profits with the existing stream. However, for the new entrant who, if successful will become the new monolopist, the incentive is simply the new stream of monopoly profits. Through innovation an entrant can replace a monopolist but a monopolist can only replace itself, hence this is called the replacement effect. Thus, established firms under this thinking are less willing to stretch themselves to innovate.

reputational assets – intangible assets e.g. the company name, its identity, brands, brand image and customer-based loyalty, the reputation of the firm’s products/services and the integrity of its relationships.

resource-based view – the view that organisational resources are important to a firm’s competitive position and its performance, in particular that competitive advantage stems from the creation of ‘distinctive assets’ (‘core competences’).

resources – generically these are inputs into a firm’s operations so as to produce goods and services – e.g. labour, materials.

restructuring – the act of direct corporate- level intervention into the whole corporation or some or all of its business units in order to change structures, systems and business processes to achieve major improvements in business performance.

return on assets (ROA) – net income divided by assets employed in business .

return on equity (ROE) – net income divided by shareholders’ equity.

return on investment (ROI) – net income divided by capital employed.

return on sales (ROS) – net income divided by sales revenue.

risk – The assessment, severity, amount and nature of losses which an action may incur, whether such actions are generated within an organization (such as a decision,) or are imposed upon it (such as a natural disaster). Risk is the measurable consequence of uncertainty for an organization.

risk indices – these risk indicators tend to select a range of variables covering a range of political, economic and financial or operational aspects of the country. The variables will be weighted.

scenario planning – a way of visualizing alternative futures, and thus of designing flexible strategies that can be developed to cope with these visions of the future.

scope – the breadth of product range within a firm; also used to describe the breadth and range of businesses within a corporate portfolio.

sequential entry strategy – takes place gradually over time and has four main elements - a 'gateway to entry', an 'initial entry point', a 'mode of entry' and an 'expansion path'.

sensitivity analysis - a technique for investigating what happens if the assumptions underlying a strategic decision are questioned and changed.

shared supply alliance – these alliances enable partners to benefit from sharing activities upstream in their value chains.

shareholder value approach (SVA) - the company's dominant strategic goal is to maximize its shareholder wealth. In essence, this means that corporate and business strategies should focus on the economic gains they produce for shareholders, i.e. in terms of maximizing the value of their shares through dividend policies and share price rises.

sharing activities – an activity sponsored and encouraged from the corporate-level in order to encourage the utilization of cmmon or rletaed facilities, services, processes or systems therby gaining scale, scope or differentiation benefits.

sharpbender – A term used to describe firms that have experienced a serious decline followed by a sharp upturn in performance.

short run vs. long run – the long run is the minimum time within within which the fixed factors of production cannot be changed whereas the short run is that period of time during which at at least one input in production is fixed and cannot be changed. More generally the short run is a phrase used to distinguish those changes that can be expected to take place quickly compared to those that might occur more slowly.

single-loop learning – where learning enables the organization to carry out its present activities and goals without disturbing existing cultural values and norms, it is termed single-loop learning.

six-sigma concept – principles proposed by many quality theorists. Six Sigma is a disciplined, data-driven approach and methodology for eliminating defects (driving towards six standard deviations between the mean and the nearest specification limit) in any process -- from manufacturing to transactional and from product to service.

social value - This term embraces a range of qualities for spiritual, traditional, economic, political, or national qualities which are valued by the majority or minority group of that place. Social values include contemporary cultural values. In brief, social values are what the majority of the citizens agree with and/or operate by in daily life.

specialisation – *see **division of labour***.

Standards - a standard is a recognized and definable characteristic sometimes set de facto because of a common need and sometimes created de jure by a standards committee.

standards versioning – the process of upgrading standards progressively.

storytelling - a way in which complex links within a structure (such as an organisation) can be described by recounting how events happen and who were the actors involved. The story thus created can sometimes reveal more and richer information about organizational processes than more formal methods.

strategic alliance –a cooperative arrangement between two companies where a common strtagey is developed in unison and where a pooling of resources risks and investments occurs for mutual gain.

strategic assets – the set of difficult to trade and imitate, scarce, appropriable and specialised resources and capabilities that underpin the firm's competitive advantage - resources and capabilities that can earn rents; *see* ***core competences.***

strategic choice a measure of voluntarism/determinism in the degree of autonomy managers have in making strategic decisions. A narrow margin of strategic choice is where most or all choices are pre-determined by the operating context of the firm (determinism). A wide range of choice is where managers can make decisions without such influences (voluntarism).

strategic control – this involves corporate-level executives in influencing business-level strategies and monitoring financial results while leaving the responsibility for initiating business strategies with the business units.

strategic decay a description of where current decisions are failing or not doing as well as they might. Indicators include diminishing returns, high profits but low share price and revenue growing faster than profits.

strategic fit – the way in which a firm's current resources are suitable matched with the industry environment.

strategic groups – substructures within industries that represent groups of firms with same or similar strategies

Strategic maps – two-dimensional graphical replications of the different strategic groups within an industry.

strategic intent – *see* ***intended strategy*** **strategic maps -** two-dimensional replications of the larger group structure within which the important strategic dimensions can be seen and through which key opportunities and threats can be depicted.

strategic market segments – substructures within markets that represent clusters (segments) of customers with the same or similar characteristics.

strategic planning – corporate executives defining and monitoring corporate and business strategies.

strategic position – the way in which firms enter and compete in their chosen product markets.

strategic space – this is the idea that within a industry the existing configuration of strategic groups may not completely fill the industry space leaving unoccupied strategic groups which we call strategic space – empty strategic groups.

strategic stretch – a deliberately cultivated gap between ambition and resources in order to impel a firm to adapt and expandits stock of resources and create new ones.

strategic tensions a way of describing strategic change by emphasising the wider context in which stakeholders operate (such as infrastructure, culture, sector, nation etc.).

strategic thinking – the ways in which managers interpret the environment and instigate changes in their organisations.

strategy-as-systems perspective – where managers and organisations look forward and make effective plans; rests on notions of social 'embeddedness' and the organisation being seen as part of a greater whole.

strategy and practice – literally the practice of strategy; what managers do when they think and act strategically and the embedded routines which may influence such processes. IN a more limited perspective, practice is often equated with strategy implementation.

strategy processual view – *see* ***organisational process view.***

structural coupling a description (based upon systems theory) which examines the nature of the interactions of actors and agents in the system (e.g. recurrent or not). - see ***systems theory.***

stuck in the middle – This is Porter's term for firms that are not distinctive in any of the dimensions of the Porter generic strategies i.e. cost leadership, differentiation, or focus.

supply chain – the build-up and flow of goods to the final customer.

sunk costs – these are costs that have been incurred and are not recoverable.

Supply chain - supply refers to the flow of goods coming onto the market and the economic conditions that affect this flow. The supply chain refers to the nature of the economic actors and organizations that provide this flow of goods and the way their activities are linked and coordinated through market relationships and contracts.
Sustainable advantage –see "sustainability".

sustainability – refers to the extent to which competitive advantage can be maintained over time.

sustainable competitive advantage – a competitive advantage that persists despite efforts by competitors or by potential entrants to duplicate it or surpass it.

sustaining technologies - these are technologies which underpin improved product performance in firms. They are usually technologies-in-use which are gradually improved over time to ensure improved performance. see ***disruptive technologies.***

switching costs – given an investment in a physical platform there are costs of changing to a different service or to a new technology – these are called switching costs; see also "lock-in".

systems theory A theoretical perspective which argues that one can view an organisation or an individual as part of a wider set of inter-relationships, the sum total of which represent the 'system'. Based originally on biological theories, looking at how organisms inter-relate with their environment, systems theory was developed in organisation theory to show that any one organisation is actually an interdependent part of a much larger whole.

tacit knowledge – The knowledge that is in people's heads, their experience. It is knowledge that people carry in their minds and is, therefore, difficult to access. Often, people are not aware of the knowledge they possess or how it can be valuable to others. Tacit knowledge is considered valuable because it provides context for people, places, ideas, and experiences. Effective transfer of tacit knowledge generally requires extensive personal contact and trust. It is knowledge that has not yet been codified, but remains embodied in individuals throughout the organisation.

technical platform – a standard for the hardware of eg. a computer system.

theory of value – deals with the determination of final market prices (as opposed to factor prices, which are determined by the theory of distribution).

threat of entry – the potential for a new firm (a new entrant) to enter and industry and earn a rate of return above its cost oif capital.

threat of substitutes – the potential for new products with a different benefit-cost ratio for the customer to compete alongside and eventually replace existing products.

tipping point - when the installed base (or size of network) tips expectations sharply towards one player (or one network) and away from its rival.

total quality management a technique introduced in the 1970s and 80s which attempted to improve the quality of organisational operations (via codified procedures) toward a goal of perfection ultimately aimed at improving competitiveness, customer satisfaction and loyalty. Procedures include productivity, flexibility, timeliness, customer responsiveness, benchmarking, improving supplier relationships, improving internal communications and re-engineering.

transaction cost economies (TCE) – transaction costs are the costs involved in any transaction between two parties relating to the transfer or exchange of goods and services: transaction costs economics concerns the way in which these costs affect the internal organization structure, its mode of operation and its efficiency.

transaction cost theory - transaction costs are the expenses in time and resources other than price that are associated with the process of buying and selling. Transaction cost theory is concerned with the efficiency of organisational forms – given alternative ways to structure economic activity by balancing transactions costs against the cos on internalizing operations within the firm (as in make or buy decisions).

transferring skills - the way in which the corporate centre sets out to develop and promote linkages and interdependencies between businesses by deliberately moving skills and competences across the business units.

transnational - this describes strategies that deploy the elem nts of a global strategy and at the same time pay attention to pressures for local responsiveness.

turnaround strategies – "Operating turnarounds" are about doing things differently so as to improve efficiency. "Strategic turnarounds" are about doing different things so that the firm's strategy is adjusted to meet the demands of the market. Turnaround strategies are usually a combination of both of these approaches in order to generate corporate recovery from crisis.

u-form - the unitary or U-form is the traditional form of organization where all the business functions report directly to the chief executive; see also "m-form".

uncertainty – used in its everyday meaning of unpredictability or imperfect foresight.

unfair advantage – where a successful strategy exploits and defends firm-specific imperfections in the market vis-à-vis competitors; a colloquial simile for ***competitive advantage***.

utility theory - firmly rooted in economics, utility theory argues that individuals will act to maximise the benefits they gain from making decisions.

value-based management - an approach to management where the drivers of performance are acknowledged to be more than financial techniques. One of the most well-known value-based techniques is the balanced scorecard. Value can include factors such as operational efficiency or high-quality production engineering and design.

value – what an organisation is 'worth', both in real terms and in strategic competences and capabilities.

value chain – that subset of the supply chain that is controlled by a firm.

value innovation instead of concentrating on the competition, strategists following the value innovation principles make the competition irrelevant by creating a leap in value for buyers, thereby opening up new and uncontested market space.

value maps – illustrate in graphical form the price-quality combinations available to customers.

variable costs – costs which vary with output.

vertical integration – refers to the expansion of a firm into earlier or later stages in the supply chain.

vertical partnership – this brings together companies that operate at successive stages in the same production process.

world trade – transactions involving international exporting and importing.