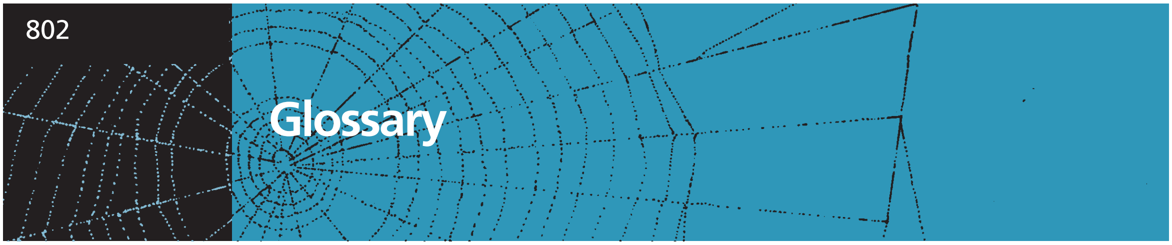

Glossary

Acquisition The process of acquiring by purchase other enterprises, assets or business units.

Advantages of agglomeration The benefits that come from having as many economic activities as possible occurring in close proximity.

Adverse selection The tendency of those at low risk not to insure against that risk.

Agent The person who acts to complete a particular strategic task under delegation from a principal.

Alliance capitalism The type of capitalism based on a proliferation of strategic alliances which is said to prevail today.

Allocentric strategy A strategy which takes account of the actions of other strategic players.

Anti-monopoly legislation Laws intended to prevent the creation of monopoly elements in a market.

Aspirational good One whose consumption provides status or the feeling of consuming a luxury good.

Assessing The evaluation of the relevance for strategy making of information about any future change. The fourth step in reading the general environment.

Asset specificity A situation in which there is a close link between the nature of certain assets and a particular activity and/or enterprise.

Asset stripping The act of breaking up and selling the assets of a business unit which has been acquired.

Asymmetrical information A situation in which strategic players have differing access to information.

Asymmetrical investment A situation when the partners to a transaction make different commitments of resources in order to try to achieve a successful conclusion.

Attribute A particular characteristic of any product or service which might create a demand for that product or service.

Backward (reverse) engineering Gaining an understanding of a product or technique by taking the product to pieces in a systematic manner.

Backward-sloping demand curve A curve which slopes the opposite way to that which is normal, that is, which shows higher demand associated with a higher price for at least some part of the curve.

Balancing The ability to keep all the resources used in a blend in appropriate proportions and in good condition.

Balanced portfolio of products One which includes products at different points in their life cycles.

Balanced scorecard A complex method of monitoring the performance of a strategy.

Benchmarking The practice of establishing performance indicators which enable strategists to measure the performance of an organization relative to best practice.

Best strategy The strategy which performs best on the relevant performance indicators.

Bilateral monopoly A situation where both parties to a transaction have a monopoly.

Bilateral relations The political and economic links between two countries.

Blending The combining of resources to maximum effect in achieving competitive advantage.

Boundary The border of an organization, enterprise or department or any other unit relevant to strategy making.

Bounded rationality The constraint put on the application of reason to the solution of problems by the existence of limited information or a limited capacity to process that information.

Branding The process by which a person, product or region becomes known by its name alone because there are certain desirable qualities attached to that name.

Bubble An excessive price increase for a particular type of asset such as property or shares over a short period of time.

Business landscape A simplified expression of the opportunities and threats facing an enterprise, with performance represented by height above sea level and risk by the rapidity of change in gradient. In making strategy the enterprise moves through the landscape with the aim of gaining greater height but avoiding the precipices.

Business plan A plan, usually covering a short period such as a year, which sets out the targets for achievement, particularly the financial targets.

Capability An ability to carry out a potentially value-adding activity made possible by a particular combination, or blending, of the resources available to an organization.

Cause An event(s) or circumstance(s), or their combination, from which follow further events or circumstances.

Chaebol The Korean equivalent of a *keiretsu*.

Characteristic A distinguishing feature which helps to define the meaning of or identify a concept or object.

Chief learning officer The organization official put in charge of the process of knowledge acquisition by all the staff of that organization.

Civil foundation The laws, conventions and customs relating to behaviour with respect to the environment and society in general.

Civil society The mix of societies, clubs, associations or voluntary groups of various kinds which exists between government and commercial organizations.

Classical approach A deliberate, explicit and rational process with an emphasis on the strategist formulating and passing down the strategy for managers to implement.

Closed problem A problem which is articulated in an explicit way and requires a particular solution.

Cluster A network in which enterprises are located in close proximity to each other.

Codification The detailed articulation of the main features of some process or procedure, for example the codification of the strategic intent.

Coevolution The tendency of different parts of a whole system to develop in a way which makes them compatible with each other.

Command The issue of instruction.

Commitment The dedication of assets or resources to a particular task or activity.

Commoditization The process by which any product, including manufactured goods, can become a 'commodity'.

Commodity A homogeneous product, formerly one produced in mining or agriculture, but the term is now extended to the manufacturing sector.

Commons Any asset which is available for less than its real cost.

Communication The transfer of information to an appropriate point in an organization, without distortion.

Competencies Capabilities which assist an organization to implement its strategy.

Competition policy A policy of deliberately fostering increased competition.

Competition reducing alliance A cooperative venture intended to reduce the forces of competition in a market.

Competition response alliance A cooperative venture intended to assist in meeting new competition.

Competition risk The risk which arises from the uncertainty created by the existence of competitors with their own strategies.

Competitive advantage A perceived association with a commodity or service of a tangible or intangible attribute or condition of supply, which makes that product or service more attractive to consumers than the goods or services of competitors.

Competitive environment The immediate competitive context in which an organization or enterprise operates.

Competitive strength matrix A growth share matrix with more dimensions on the growth and share scales.

Complementary alliance A cooperative venture to which the partners bring assets which are different but potentially combine well.

Complementor An individual or organization which provides a product or service which promotes either a reduction in costs or an increase in value of a product. The opposite of a competitor.

Conflict Disagreement which persists beyond an immediate confrontation and is significant enough to influence behaviour.

Consensus Agreement on the main points of a strategy.

Consequence The result of a circumstance or an event, or a combination of such circumstances or events.

Contingency testing The testing of a strategy for its robustness in the event of the occurrence of an event which has a potentially negative impact.

Contingent strategy That part of a strategy which is not likely to be part of any alternative strategy.

Contrarian A person who deliberately takes the opposite view to that adopted by the general market, notably with respect to future movements in that market.

Control Direct or indirect guidance of other players within an organization to behave in a certain way.

Convergent problem A problem which, according to a generally accepted criterion, has either only one, or rather only one obviously best, solution.

Conversion A synonym for implementation.

Coopetition A strategy which combines both cooperation and competition.

Coordination The harmonizing of the actions of separate departments or individuals.

Core activities Those activities which assist significantly in the production and sale of the main products or services of an organization.

Core (distinctive) competency A competency which is made necessary by the strategy of an organization and is central to the making of that strategy.

Core resources Those resources necessary to support the core activities of an organization.

Core strategy That part of a strategy which is likely to be part of any other feasible strategy.

Corporate culture The set of attitudes, values and behavioural patterns which characterize a particular enterprise.

Corporate plan Usually a synonym for a business plan.

Corporate social responsibility The notion that there is an obligation to take account of the interests of all the stakeholders of an organization.

Cost drivers The factors which determine the level of the costs of production or distribution.

Cost leadership A generic strategy which aims to produce and sell a commodity or service at a cost lower that that of competitors.

Country risk The risk which arises for business transactions from the existence of separate countries with their own sovereignties and currencies.

Created assets Assets which are the product of human creativity.

Creating the future Remaking the environment of an enterprise by strategic activity.

Creative destruction The simultaneous process of destruction of the old by the creation of the new.

Creativity The ability to develop a new idea or to innovate.

Creativity driver Any motivation which causes an individual to be creative.

Critical uncertainties Areas of uncertainty concerning variables of change critical to a particular problem.

Crony capitalism A form of market economy in which the impersonal links of the market are superceded by personal links based on the relationships of those in government with business-people.

Cultural cluster A group of countries sharing the same culture.

Culture The set of attitudes, values and patterns of behaviour which characterize a particular society and the artefacts which are deemed typical in some way of that society.

Definition The drawing out of the technical and marketing implications of a new venture initiative.

Deflation The general tendency for prices to fall.

Demand curve A curve which represents for a given moment in time the relationship between the level of demand for a product or service and the price which a purchaser is willing to pay for it.

Demand-based explanation An explanation which focuses on consumption or the consumer.

Demerger The opposite of a merger. It represents the separation of business units which previously existed within one conglomerate.

Despotic power The ability of a political leader to satisfy a personal whim, but not necessarily to implement policy.

Development state A government which actively promotes the process of economic development.

Differential pricing The varying of price according to the demands of individual consumers.

Discovery-driven planning A form of planning which makes space for as yet unknown discoveries and innovations.

Disruptive innovation An innovation which marks a decisive break with either the technology or the pattern of demand which has prevailed before in an area of the economy.

Divergent problem A problem which has more than one solution, the choice of which reflects divergent criteria.

Diversification A technique for spreading risk by holding a range of assets or engaging in a range of activities; assets or activities which are subject to independent risk elements.

Diversifying strategic alliance A cooperative venture intended to widen the range of products or services produced.

Divestment The sale or spinning off of business units not regarded as strategically necessary to the enterprise.

Dominant strategy One which is clearly preferred by all players.

Downscoping The divestment of activities or business units not regarded as part of the core activities of the business.

Driving forces The main independent variables which influence the rate and direction of change in an area of the economy.

Duopoly The existence of two sellers in a market or industry. A *duopolist* is an enterprise which sells in such a market.

Eclectic theory A theory which is complex since it borrows and combines elements from other existing theories.

E-commerce Economic transactions organized through the Internet.

Economic value added (EVA) The value added to the initial raw material inputs in the process of preparing a product for final consumption.

Economism The tendency to interpret all human motivation in terms of economics.

Economy of learning A saving in costs which results from the process of discovery or learning experienced in the operation of a business facility.

Economy of scale A saving in costs which arises when an enterprise increases the level of its production.

Economy of scope A saving in costs which arises from the synergies when an enterprise produces more than one product or service.

Efficient price A price whose determination takes into account all the information which is currently available.

Egocentric strategy A strategy which fails to take into account the strategy of other players.

Elaboration The translation of objectives into strategic actions designed to achieve those objectives.

Elasticity of substitution The degree to which one product is substituted for another when their relative prices are changed.

Embedded process An activity whose organization is specific to the organization, but whose exact nature is unclear.

Emergent strategy A strategy which is always in the process of being articulated – it emerges through a process of learning.

Empowerment The granting to all staff of an organization of as much scope for decision making as is feasible within the framework of a strategy.

Enrichment Empowerment.

Entrepreneurship The ability to innovate and create a viable new enterprise.

Environment The context, surroundings or conditions of an organization or enterprise.

Environment segments The various parts of the environment as conventionally classified, e.g. political or economic.

Equidistance The notion that the communications and transport revolutions have removed the significance of location, leaving every place equally distant from every other.

Equilibrium price A price which equates demand and supply of a product or service.

Equity The value of ownership in an enterprise net of any debts – the value of the shares.

Equity strategic alliance A cooperative venture which involves equity ownership by one or both partners.

Ethnocentric Oriented towards a national or local perspective.

Event pacing The setting of a speed of strategy implementation which is determined by outside events.

Evolutionary approach A process by which a dominant strategy is the result of a process of competition in which those strategies failing to perform well are culled.

Evolutionary stable strategy A strategy which persists in being chosen as best.

Experience curve The curve which describes the relationship between the level of output and the level of unit costs. It assumes the relationship is an inverse one, in which learning from increased activity levels progressively reduces the level of unit costs.

Explicit strategy An explicit strategy is one whose main outline is spelt out.

External environment The external environment is the context, outside the boundary of an organization, in which that organization has to operate.

Extreme events Events which cause large fluctuations in the behaviour of important performance indicators.

Extrinsic motivation Motivation based on a pecuniary reward.

Feasible strategy A strategy which can be implemented.

First-mover advantage The advantage reaped by the first to innovate in a particular area.

Fixed costs The costs which are incurred irrespective of the level of output.

Floating exchange rate The relative price of two currencies left free to be determined by the movement of supply and demand. A *dirty float* is when there is some intervention by a government authority to smooth out the abrupt movements which can occur in an uncontrolled market.

Focusing A pronounced orientation towards one strategy, policy or activity rather than others.

Focused cost leadership Occurs when an enterprise concentrates on getting the costs of a particular product or activity below those of competitors.

Focused product differentiation Occurs when an enterprise concentrates on marketing or branding of a certain product or products from the whole range it produces and/or sells.

Forcing mechanism A device which compels an organization to carry out a certain activity at a particular time.

Forecasting The process of making predictions relevant to strategy. The third step in reading the general environment.

Foreign direct investment (FDI) An active form of investment in productive facilities in a country other than one's own.

Foresight The ability to read well, and influence significantly, the future.

Formal structure The design framework of an organization which indicates the links between different specialized units.

Formulation The activity of articulating a strategy.

Founder enterprise An enterprise still run by its founder.

Franchising A form of licensing in which the franchisee pays to use the name and all or some part of the business model of the franchisor.

Free rider Someone who exploits the existence of public goods or the commons.

Function A discrete area of management activity, such as finance or marketing.

Game theory An approach to conceptualizing business problems which sets them up as games with defined rules.

Gearing The ratio of debt to equity.

General environment The overall context of an organization, including all the various environment segments.

Generic strategy A group of broad strategies which have significant characteristics in common.

Geocentric Oriented towards a global perspective.

Global enterprise An enterprise which has very significant international activities.

Globalization The process of movement towards a global world.

Gorilla strategy A strategy in which the enterprise seeks to dominate every part of the value-adding chain of production and sales.

Governance The way in which management control of an organization is exercised by key stakeholder groups, notably but not only the shareholders: it is often used to refer in particular to the way in which the owners control the managers of an enterprise.

Graduated entry A systematic movement from small and less risky modes of entry into international markets to decisive and much more risky modes.

Greenfield project A project which starts from scratch.

Group thinking The tendency for the views of any group of people to converge.

Growth share matrix A matrix which relates the growth potential of a market to an enterprise's existing market share and therefore competitiveness.

Guerrilla strategy A strategy in which the enterprise positions itself to dominate a key point in the value-adding chain of production and sales.

Guidance planning A form of national planning in which the government guides private strategists in the direction it desires by providing information and using persuasion.

Hardware The physical equipment in an area.

Hedging A means of gaining cover against particular kinds of risk, such as transfer or economic risk.

Home country bias The tendency to favour one's own country in consumption, savings, investment or employment decisions.

Honda effect The tendency with hindsight to read a clear and deliberate strategy into a set of opportunistic actions.

Horizontal alliance A cooperative venture which involves potential competitors.

Horizontal fracturing A failure to maintain links between departments at the same level within an organization.

Horizontal integration The combining into one enterprise of business units or companies operating at the same point in the value-adding chain or the same markets.

Hybrid A mix of at least two different types.

Hybrid organization An organization based upon at least two different design principles.

Hyper-competition A heightened and intensive competition which is often associated with globalization.

Hypothesis The statement or assertion which is to be tested in any piece of research.

Ideal type A pure form of structure or principle which rarely exists in practice.

Imitation The tendency to copy what is perceived as existing best practice.

Imperfect information Information which is less than perfect, that is, less than full, or inadequate for the purpose required.

Impetus The successful championing of a new venture initiative.

Implementation The activity of putting into effect a strategy.

Implicit strategy A strategy whose main outline is left unsaid and unwritten but tacitly expresses the intent of the strategist.

Income elasticity of demand The responsiveness of the demand for a product to a rise in income. As a ratio it is the proportional increase in demand over the proportional increase in income.

Incrementalism A tendency to engage in marginal or gradual change.

Indeterminateness The lack of a unique and predictable price or output level in a market.

Industrial organization (positioning) model A set of procedures for strategy making which start with the positioning of an enterprise with respect to product, value-adding activities or markets.

Industry risk This is the risk characteristic of a particular industry.

Inflation The general tendency for prices to rise.

Inflection point A point at which an enterprise needs to change its business model and/or strategy.

Informal structure The unofficial way in which an organization functions and the patterns of interaction which this involves.

Information strategy The strategy for discovering information necessary in making a strategy.

Infrastructural power The ability of a government to use its administrative penetration of a society and economy to implement its policies.

Innovation The introduction of a significant new element into business activity, whether a new process, a product or even a new method of organization.

Intellectual property rights Ownership rights in ideas with a commercial relevance.

Interactive process A process of mutual influence and of action, response and reaction by interacting players.

Intermediate products Products intermediate between raw materials and the final product, sometimes called components.

Internal environment Anything which is internal to an organization, that is, within its boundary, including resources, structures and culture.

Internalization The process by which economic transactions are taken out of the market and organized as transactions within the boundaries of an enterprise.

Internationalization The increased interaction between national units, most often in international business transactions, taking the form of exports or foreign direct investment.

Intrapreneurship The deliberate encouragement of entrepreneurship within an existing organization.

Intrinsic motivation Motivation which is based on pride in doing something well, without material reward.

Iron law of oligopoly The tendency for any market to be dominated by a few sellers.

Iteration The process by which information is passed backwards and forwards between players in the making of a strategy.

Joint production economies Either economies of scale or economies of scope.

Joint venture A cooperative enterprise, which may involve the creation of a separate enterprise, jointly owned.

Just-in-time The practice of minimizing inventory by delivering inputs as and when they are required.

Keiretsu Large conglomerate enterprises which have dominated the Japanese economy since 1945, the successors of the *zaibatsu*.

Key performance indicators Specific measures of performance which are critical to the implementation of a strategy.

Lateral thinking This is a mode of thinking which is creative or intuitive rather then rational.

Law of large numbers The tendency of a variable to converge to an anticipated value as more cases are considered.

Law of one price The process by which riskless exchange or arbitrage equalizes the price of homogeneous products or services.

Lean production The practice of minimizing the costs of production by continuous improvement (*kaizen*).

Leverage (1) The ability to make the most of a resource available to the organization and to use that resource to improve performance to the maximum degree. (2) The ability to incur increased debt.

Licensing The use of another's name, product or process in return for a payment.

Liquidity trap The inability of the monetary authorities to reduce the rate of interest below zero.

Logical incrementalism The tendency to make marginal change which follows from and is compatible with the existing organizational strategy and structure.

Long-tailed risk An event whose negative consequences become evident long after the original event.

Luxury good A good the price of which excludes consumption by all but a few wealthy consumers.

Macro-invention An invention with the capacity to change radically the technology in key areas of an economy.

Managing change The process of accurately reading the nature of change in the environment and responding appropriately to that change.

Market The use of price to allocate resources, dispose of products and distribute income between independent transactors. Or such a mechanism as it operates in a particular part of the economy.

Market failure An inability for a market to function in the normal way.

Market imperfection Anything which prevents a market from functioning with maximum efficiency.

Market structure The rules of market activity, the number of players operating in the market and the nature of the interaction between these players.

Market value added (MVA) The net addition to the market value of an enterprise over a given period of time net of all fresh injections of money from any source.

Matrix A matrix represents combinations of two characteristics, often expressed by a simple diagram with vertical and horizontal axes.

Matrix design structure A design which embodies two different principles, for example product and regional principles.

Merger The voluntary fusion of two or more enterprises.

Meta-routine A flexible timetable under which there is space allowed for activities which by their nature cannot be timetabled exactly, for example innovation.

Metatheory The underlying theory which establishes the assumptions on the basis of which strategists, or those commenting on or writing about strategy, think.

Micro-invention An invention which assists in realizing a macro-invention or continues the general process of innovation in an incremental way.

Mission statement A statement of how an organization sees itself and where it hopes to go in the future.

Mode of entry The way in which an enterprise participates in international business and enters an international market.

Model A well-formulated theoretical framework or system.

Monitoring (1) The process of following an interesting development as it develops over time and the drawing out of its implications. The second step in reading the general environment. (2) Alternatively it is the activity of checking on the implementation of a strategy.

Monopolistic competition A situation in which there are a number of sellers in a particular market who compete by differentiating their products.

Monopoly The existence of a single seller in a market or industry.

Monopsony The existence of a single buyer in a market or industry.

Moral hazard The tendency of those who are given automatic cover against risk to engage in riskier behaviour than they would otherwise do.

Multidomestic strategy A strategy, particularly a marketing strategy, which is tailored to suit the conditions of different countries.

Multilateral institutions The international institutions which set the rules of international behaviour, for example the World Trade Organization and the International Monetary Fund.

Negative reference group A group by which a person identifies undesirable characteristics.

Network A web of strategic alliances which persists over a significant period of time.

New economy That part of the economy which is being established as a result of significant innovation and the application of new technology.

No-frills model Reduction of the attributes of a product or service to the minimum possible number.

Non-equity strategic alliance A cooperative venture in which there is no cross-ownership.

Normal profit Either the minimum rate of profit which would ensure the continuing presence of an enterprise in a particular market or the opportunity cost of using the capital invested in the enterprise, that is, what could be earned in the next best alternative use.

Old economy The set of industries which have reached maturity or adulthood.

Oligopoly The existence of only a few sellers in a market or industry.

Open problem A problem which is not articulated explicitly and requires definition, and therefore has a multitude of possible solutions.

Opportunistic behaviour Behaviour which exploits the possibility of short-term gain at the expense of long-term advantage.

Opportunity An opportunity is a possibility for advancing the aims of an organization, notably by making a profit or improving performance in another way.

Opportunity cost The value of any benefit lost by making a particular choice rather than the next best.

Optimization The process of finding the optimum solution to a problem, usually involving the achievement of a maximum or minimum value of a variable.

Option A future possibility for action kept open, usually at some cost.

Organic growth Growth which results from activities having their origin and location within the enterprise.

Organizational slack The failure of an organization to work with the full efficiency which is possible, with a resulting surplus of resources above what is strictly necessary.

Output gap The degree to which aggregate supply tends to run ahead of demand in an economic system.

Outsource To purchase an input from outside the enterprise rather than to make it.

Paradigm The unique set of attitudes, beliefs and behavioural patterns which characterize any organization.

Paradigm shift A major change in the unique set of attitudes, beliefs and behavioural patterns which characterize any organization.

Participation strategy The strategy for entering an international market.

Partitioning The development of separate specialized units or activities.

Path dependency The tendency for the present state of any organizational unit to reflect its unique history or experience. Sometimes referred to as *hysteresis.*

Perception device A mechanism for improving the ability to read and understand a situation.

Perfect competition The existence of so many sellers and buyers in a market or an industry that no single one can influence the level of price.

Peripheral vision The ability to recognize strategic information which is to be found outside the main focus of attention.

Person culture A corporate culture which stresses the role of the individual.

Pillar industry A sector of the economy which is of critical importance to that economy.

Point-based concurrent engineering system A system in which different activities, design, manufacturing and engineering, are conducted at the same time.

Point-based serial engineering system A system in which the different activities are conducted in a defined sequence.

Political clout The ability to influence government agencies in their decision making.

Political risk That which arises as a consequence of political uncertainties and which can involve the imposition of a cost or reduction of revenue from an investment abroad.

Polycentric approach One which recognizes the existence of many different cultures and therefore markets.

Portfolio A group of assets or products.

Portfolio investment A passive form of investment in paper assets such as shares or bonds.

Positioning The location, whether deliberate or not, of an organization with respect to product, industry, activity or market segment.

Power culture A corporate culture which stresses the role of the person or persons in power.

Practical reason This is the application of the principles of reason to action rather than thought.

Predetermined elements Those features of a strategic environment which are unchanging.

Predict Anticipate a future event or series of events.

Present value This is the value today of a stream of net benefits which will accrue in the future.

Price elasticity of demand The responsiveness of demand for a product to a change in price. As a ratio it is the proportional change in demand for the product over the change in price.

Price leadership Price leadership is a generic strategy in which an enterprise uses price to outcompete its competitors.

Pricing strategy The deliberate use of price as part of a business strategy.

Primary activities Those activities which are central elements in a value-adding chain.

Principal The person responsible for initiating or organizing a particular strategic act.

Prisoner's dilemma The dilemma common in situations in which there is a lack of communication and/or trust between players which leads each of them to seek to maximize their advantage at the cost of a loss to all.

Procedural rationality The application of reason to the process of deliberation relevant to a particular problem.

Processual approach An approach to strategy making which stresses the constraints on the process itself.

Product bundle A set of attributes associated with a particular product.

Product differentiation A generic strategy in which an enterprise persuades its customers that its product or service is superior to that of its competitors.

Production function The formula by which economists interpret the conversion of inputs into outputs in the act of production.

Public good A good to which the exclusion principle cannot be fully applied, that is, one which is available at less than full cost.

Pure reason The system of reasoning which uses the criteria of logic to draw inferences from initial axioms.

Quasi-integration A limited degree of integration of the value-adding chain in which there is not full ownership of the units in the chain.

Rationality This is the belief in the consistent and systematic application of reason to the solution of problems.

Reading the general environment The process of identifying information in the external environment of an organization.

Reader The person who does the reading.

Reference group A group by which a person measures him or herself.

Regionalism The tendency for countries which are in close proximity to integrate economically and politically.

Reinsurance Where the insurer obtains partial or complete insurance coverage from another insurer for a risk on which a policy has already been issued.

Rent seeking Behaviour which seeks to redistribute existing income in one's own favour rather than to create new income by innovation.

Resource Anything which directly or indirectly adds ultimate value to a final product or service.

Resource audit A review and listing of all the resources to which an organization has access.

Resource-based model A system of procedures for making strategy which takes as its starting point the resources to which the enterprise has access.

Revenue management policy This involves charging different prices according to the intensity of customer demand for the product.

Risk The calculable probability of a harmful event or outcome occurring.

Risk appetite The degree to which individuals are willing to bear risk.

Risk assessment The process of assessing and measuring the level of risk in different areas of the economic system.

Risk aversion A distaste for engaging in risky activities.

Risk avoidance The deliberate avoidance of any activities which seem to be risky.

Risk control The attempt to reduce the level of uncertainty confronting an enterprise by avoiding, managing or mitigating risk, and limiting the possible impact of any threat or shock which occurs.

Risk management The process of protecting an organization against the various threats in its environment by redistributing the risk to others, by a commercial transaction or a strategic alliance.

Risk mitigation The attempt to reduce the level of risk confronting an organization.

Risk premium The additional return required of a project or activity which justifies exposure to additional risk.

Risk-generating events Events which can potentially cause a large negative fluctuation in a performance indicator.

Role culture A corporate culture which stresses the importance of specialized positions.

Rolling (flexible) plan A plan which is adjusted according to changing circumstances.

Satisficing The strategy of aiming to produce outcomes which satisfy all stakeholder groups, rather than aiming at a single maximizing outcome for a performance indicator such as profit, which satisfies the owners alone.

Scanning The process of quickly casting an eye over a mass of information relating to the future. The first step in reading the general environment.

Scenario A possible path of future development with respect to an area or performance indicator.

Scenario building The process of constructing scenarios.

Scenario planning The process of making strategy on the basis of scenario building.

Search costs The costs of searching for partners in any market transaction.

Self-organization The capacity of any disorganized system to develop systematic and persistent patterns of organization.

Sensitivity analysis The testing of the sensitivity of a strategy to a change in the value of a variable.

Serendipity The recognition of a chance discovery as potentially useful.

Shock An unexpected event with a significant negative impact on economic performance.

Signal An indication by one strategic player to others of what action is intended, an indication which may be correct or not.

Signal effectiveness The effectiveness with which any signal is given.

Signal reaction The way in which a player reacts to a signal.

Small numbers contracting A situation where there are few potential partners to a desired transaction.

Social web The complex network of human interactions which occur within an organization.

Software Whatever makes hardware operate to the benefit of a consumer, for example the instructions of a computer program, or comprises the content of what is being communicated, for example music, film or data.

Staging The choice of a pathway by which to implement a set of strategy objectives.

Stakeholder Any individual or group with a significant interest in the performance of an organization.

Stock option An option to buy a share at a fixed price and usually at a fixed time.

Strategic action A series of acts informed by a strategic intent.

Strategic activities Conceptually separate activities relevant to the making of a strategy, such as formulation, implementation, monitoring, thinking, management or planning.

Strategic alliance A systematic act of cooperation between separate organizations.

Strategic audit A systematic evaluation of the success of a strategy, notably the appropriateness to environments and the effectiveness of implementation.

Strategic business unit The units responsible for making strategy in a particular product area.

Strategic canvas A visual method by which an organization can show its relative success in achieving different attributes for a product or service.

Strategic centre enterprise An enterprise which is at the centre of a network of strategic alliances.

Strategic coherence The alignment of all the elements of strategy making in a way which makes them consistent with each other.

Strategic context The aspects of a strategy relevant to a particular activity.

Strategic danger Any negative influence of a failure to properly formulate, implement or monitor a strategy on the economic performance of the organization.

Strategic dilemma A potentially recurrent situation in which there are strategic decisions to be made.

Strategic domain The area of decision making relevant to the particular employee.

Strategic drift The growing gap between the strategy being implemented and a strategy appropriate to the changed environment.

Strategic empowerment The giving of power to individuals or groups to make strategic decisions in their 'domain' area.

Strategic inertia A failure to adjust strategy to suit changing circumstances.

Strategic intent An expression of the aims and objectives of a strategy.

Strategic management The carrying out of various management functions in order to further the achievement of the strategic intent.

Strategic management system A means for ensuring the coherence of different functional areas of an organization in strategic management.

Strategic orientation The underlying view of the nature of strategy making held by the strategists.

Strategic planning The spelling out in detail of comprehensive written plans.

Strategic player Any individual or organization whose behaviour is likely to influence the outcome of a strategy.

Strategic risk A combination of country and competition risk.

Strategic situation A situation in which the decisions made should be informed by a strategic orientation.

Strategic thinking The combined use of creativity and rationality in the development of an innovatory strategic framework.

Structural context The formal context of an activity.

Structure The formal framework of an organization.

Substantive rationality The application of reason in the achievement of given goals when any action is subject to constraints.

Super-additivity A condition in which combination of two units results in profits greater than the aggregated separate profits of the two units.

Super-brand status A brand which has a particularly high power to attract purchase on a continuing basis.

Supply-based explanation An explanation which focuses on the production or cost side.

Supply curve A curve which represents the relationship between the level of output and the level of costs at a given moment of time.

Support activities Those activities which assist in the successful operation of the primary activities but are outside the value-adding chain.

Supranationalization The ability of business transactions to become genuinely global, moving beyond national influence.

Sustaining innovation An innovation which represents a change which is within the existing technical or market parameters.

Swing producer The producer who can change price by varying its supply to the market.

Switching The act of moving from one activity, supplier or consumption good to another.

Switching costs The costs incurred, whether financial or psychological, in changing from the use or consumption of one product to that of another or from one source of supply to another.

Synergistic alliance A cooperative venture intended to lead to a significant reduction in costs by the partners.

System This is a complex set of interacting elements which have some overall coherence, such as an engineering system.

Systemic approach A perspective which stresses the influence of cultural difference on the nature of strategy.

Taper integration The retention of alternative sources of supply by an integrated enterprise.

Task culture A corporate culture which stresses the importance of the particular job or project.

Technique The process by which certain inputs are converted into outputs and the way in which such a process is organized.

Technology A set of techniques which belong to the same system.

The five Cs Command, control, coordination, communication and conflict (consensus).

The triad The three centres, or poles, responsible for most economic activity in the world – North America, the European Union and Japan.

Threat Any event which could damage the profitability or viability of an organization.

Three pillars The three elements of lifetime employment, promotion by seniority and enterprise unions which are alleged to have constituted the essence of the Japanese employment relations system.

Time activity rate A measure of some quantitative indicator over a conventional period of time.

Time horizon The time period which is relevant to strategy making.

Time pacing The setting of a speed of strategy implementation according to the requirements of the strategy itself and the enterprise implementing that strategy.

'Tit-for-tat' strategy A strategy in which a player repeats the play of the other player.

Tokenism The tendency to do something for the sake of form but not to do it with real intent to achieve its basic purpose.

Total factor productivity A measure of the efficiency with which all factors of production are used.

Total value added The difference between the opportunity cost of all inputs and the prices consumers are willing to pay for the final product.

Transaction costs The costs associated with a particular transaction, usually defined to include search, negotiation and enforcement costs.

Transaction cycle The pattern of stages through which a typical product passes during its lifetime.

Transaction economies Reductions in transaction costs.

Transfer risk That which arises as a consequence of uncertainties concerning the value of a currency and which can involve a reduction in the income arising from an international transaction.

Transformation situation A set of circumstances which make necessary a radical change in the organization, whether of structure or strategy or both.

Triple bottom line Performance as measured by profit, plus some measure(s) of environmental impact and some measure(s) of social impact.

Turnaround A situation in which the performance of an organization has deteriorated so badly that it makes necessary a transformation.

Turnkey project One in which an organization carries out all the activities from design to operational testing before turning the project over to another enterprise to operate. Sometimes called BOOT (build, own, operate, transfer) and, in some economies, such as China, BOT (build, operate, transfer).

Uncertainty A state of ignorance of what might happen in the future.

Uncertainty reducing alliance A cooperative venture intended to reduce risk.

Uniqueness drivers The factors which differentiate one product or service from another.

Utility A set of perceived wants related to a feature such as luxury or youth which is a powerful source of value to the consumer of a product.

Valuation ratio The relationship between the market and the book values of an enterprise.

Variable costs The costs whose level changes with the level of output.

Variance A measure of the variability of a performance indicator.

Vertical alliance A cooperative venture which involves enterprises operating at different points on the value-adding chain.

Vertical fracturing A failure to maintain links between the different levels of decision making within an organization.

Vertical integration The combining into a single enterprise of activities at different points in the value-adding chain.

Vertical thinking The application of rationality, or sustained reason, in the solution of a problem.

Virtue matrix A representation of the degree of corporate responsibility set out in a matrix.

Vision The core of a strategic intent which envisages a significant remaking of both external and internal environments as an aim of the organization.

Wicked problem A problem of some complexity with divergent solutions requiring creative lateral thought for a solution.

Winner-takes-all politics The mechanism by which the winners, those in power, systematically ensure that the distribution of any rewards favours them and disfavours the losers.

World enterprise An enterprise which has broken its connections with a particular country and has become truly global.

Zero-sum game A game or transaction in which if one wins the other loses, rather than a non-zero-sum game in which both can win.