A Short Introduction to Strategic Management – Terms and Definitions

Brush up on the strategy jargon and sound more convincing and professional!

An overview of key strategy concepts – know the terminology to use when you mingle with managers at professional '*tea parties*' in the business establishment.

Ambidexterity – The ability to use both arms simultaneously. In business; the ability to improve current practices (exploit) and explore new ways (explore) at the same time. There are two forms of ambidexterity: (1) *Structural ambidexterity* where development activities are separated from current operational activities; (2) *Contextual ambidexterity* where employees can take responsive initiatives in between their fulfillment of day-to-day routines and work tasks.

Autonomous strategy – The allocation of organizational resources through decentralized pursuit of business opportunities where lower-level employees, e.g., absorb external knowledge, build internal competencies, improve existing processes, enhance product features, attract new customers, etc.

Balanced scorecard – a mixture of financial and non-financial measures reporting on essential customer values, operational efficiencies, internal resources and financial performance ratios thereby articulating strategic priorities in the form of key performance indicators (KPIs).

Blue Ocean strategy – creating products and services that cater to *uncontested market space* emphasizing new favorable market needs with true customer value while discarding conventional but irrelevant product-service features.

Business model – how a company selects its customers, differentiates its offerings, construes the tasks it performs itself and those that are outsourced, configures its resources, goes to market, creates customer value and secures a profit for the firm. In short, it is the entire system for delivering utility to customers and earning a profit from those activities.

Competitive advantage – internal resource combinations and/or external market conditions that enhance the firm's ability to realize excess returns compared to their peers in the industry.

Competitive analysis – assessing how peers in the industry will act in different market situations and respond to competitive moves based on their stated purpose, aims and strategic goals, the strategic initiatives they pursue, and the resources and competencies they posses.

Complementors – firms that offer complementary goods and services to the existing core members of the industry.

Co-opetition – conditions where industry participants can gain value from a firm's proactive competitive efforts as opposed to competition where these moves increase rivalry and fight for market share.

Core competencies – a higher order construct formed by firm capabilities and/or competencies that may be used across different corporate products catering to different product-markets.

Corporate entrepreneurship – describes entrepreneurial behavior inside established mid-sized and large organizations and reflects vision-directed organizational reliance on entrepreneurial initiatives to rejuvenate organizational activities and exploit new business opportunity.

Discount business strategy – see Red Ocean strategy.

Disruptive strategies – orchestrate dramatic changes in internal operations and business processes to reshape the firm and respond to and/or drive changes in the competitive environment.

Dominant logic – describes the norms and beliefs that drive corporate activities and more specifically refers to the cognition and mental maps the executives develop from their experiences around the core business.

Dynamic capabilities – The organization's ability to sense emerging changes in the environment, seize new opportunities, and reconfigure the organization to exploit new opportunities offered by the changing competitive context

Emergent strategy – initiatives taken throughout the organization in view of ongoing developments that arise between planning cycles allow the firm to engage in new strategic actions as business conditions change and thus cause strategy to emerge along the way.

Entrepreneurial effectuation – Effectual logic provides some principles for transforming the business environment in the face of ambiguous emerging conditions. This logic of entrepreneurial expertise implies that the world is seen as being *in-the-making,* opportunities are *fabricated* rather than discovered, new markets are *made* rather than found, and seeks to *create success* rather than avoid failure.

Five-forces model – a model explaining how superior returns can be ascribed to the competitive dynamic of the industry by assessing the fundamental competitive forces of competitive rivalry, entry conditions to the industry, substitution alternatives, and the market powers of suppliers and buyers.

Game theory – a systematic approach to analyze situations where the strategic position of one firm depends on choices made by another firm (or other firms) and describes the moves of competing or interacting firms over a time-bound sequence of decisions to assess potential consequences of alternative tactical moves.

Garbage Can model – a behavioral model of decision making as organized anarchy where agents propose their solutions to emerging problems and are matched by happenstance in a dynamic and uncertain environment characterized by diverse preferences, ambiguous information, and poorly understood environmental conditions.

Hypercompetition – a conceptualization of a rapidly changing competitive business environment where ongoing innovation makes the industry definition based on a given product market obsolete.

Induced strategy – The allocation of organizational resources through centralized decisions made by top management in accordance with the official strategy expressed in formal strategic plans pursuing stated corporate aims announced in official company communications.

Integrative strategy-making – the combined process of a central 'long-cycled' forward-looking strategic planning considerations interacting with decentralized 'short-cycled' experiential initiatives where local managers respond to emerging strategic challenges.

Knowledge-based view – considers the increasing need for organizational resources and capabilities that depend on knowledge and the ability to integrate and deploy this knowledge in the firm.

Logical incrementalism – general purpose and goals that give direction but without detailed plans of action and thus allow redirection of activities when there is a need to react to new competitive conditions. Hence, business development arises from many incremental initiatives rather than a single planned project.

Mission statement – a mission statement is formally comprised by: (1) A vision for the business and *purpose* for organizational activities setting aspirations for the future, (2) long-term *goals* with tangible objectives to aim for, and (3) essential corporate *values* to guide corporate behavior and business conduct.

PEST analysis – assessing the firm's external macro-environment by considering the potential influences of political, economic, social, and technological developments in the global business context.

Red Ocean strategy – adherence to a discount business strategy where an existing established market is captured by being the cheapest no-frills producer of basic customer offerings.

Resource-based view – argues that sustainable value creation depends on unique firm-specific competencies built by resource bundles comprised by different types of financial, physical, human and organizational capital invested in the firm's business activities.

Six-forces model – a model explaining the competitive dynamic in the industry by assessing the influences of existing competitors, potential competitors, existing customers, suppliers, and complementors as well as the possibility that the industry transforms so business is done differently and in a new ways.

Scenario planning – a consistent description of future business environments used to inspire strategic thinking and challenge conventional assumptions, which may be particularly relevant for companies operating in rapidly changing and uncertain industry contexts.

Social capital - resources bound in social relations between entities in business networks facilitating collective actions that gain mutual advantages and economic benefits for all entities in the network.

Strategic control – the monitoring of strategic outcomes and comparing results with the intended outcomes from the planning process, where discrepancies and deviations may instigate new responses and updated actions plans.

Strategic evolution – individuals' pursuit of strategic initiatives at the organization's grass roots that creates intra-organizational variation in activities that are selected through administrative and cultural mechanisms in the resource allocation process and eventually feeds potential strategic options to the official strategizing of top management.

Strategic fit – internally consistent structure of functional activities aligned to deliver a strategic offering that complies with current market conditions for higher operational efficiency, effectiveness through compatibility of activities creating incremental value to the customers.

Strategic inflection points – arise when the competitive environment undergoes a major change and requires the firm to change its business strategy and adapt business operations to accommodate the new situation. It can be a demanding managerial process of changing the way business is conceived and completely change the way the firm operates in the industry.

Strategic planning – a rational analytical approach to strategy-making comprised by development of a mission statement, analyzing the external environment with its competitive conditions and internal firm competencies, identifying strengths, weaknesses, opportunities and threats to determine strategic options, evaluating alternatives and outlining actions to pursue for a chosen strategic path.

Strategic response capabilities – the organizational ability to respond fast when change and surprise happen and enable the firm to adapt and improve environmental fit for survival.

Strategic responsiveness – the ability to observe changing environmental conditions, identify internal resources that can be assembled into viable responses to these changes, and the subsequent execution of responses that allow the firm to adapt to the environmental changes.

Strategic risk management – conscious identification, assessment, handling and monitoring of all events and circumstances, including hazards, financial, operational and strategic risk factors, that can have an adverse effect on firm performance or that can develop new business opportunities.

Strategy execution – the concrete activities pursued by organizational members throughout the firm to realize the strategic aims expressed in the strategic plan.

Strategy formulation – the formal strategy-making process first engages in thorough analyses of business conditions to identify a favorable strategic position to aim for and subsequently develops a plan intended to move the organization towards that position.

Strategy implementation – the actions taken by organizational members and middle management in accordance with a strategic plan to realize specified strategic outcomes, goals and aims.

Strategy practice – is an activity-based perspective of strategy-making concerned with what people do in relation to strategy and how this is influenced by and influences the organizational contexts in which they operate. It conceives of strategy as something people do, it is an activity.

Strategic options – inherent flexibilities that give the firm opportunities, without obligations, to pursue one or more strategic activities or projects at a future point in time, or over an extended time period.

Sustainable competitive advantage – internal resource combinations and/or external market conditions that enhance the firm's ability to realize excess returns compared to their peers on the industry over extended periods of time.

SWOT analysis – determine *strengths* and *weaknesses* identified from internal analysis of firm resources and competencies, and *opportunities* and *threats* uncovered from external analysis of macro-economic trends, socio-political developments, and industry specific conditions.

TOWS analysis – outline potential strategic actions by holding *treats* and *opportunities* against *weaknesses* and *strengths* and consider how the firm can reduce weaknesses to withstand threats (mini-mini) or accommodate opportunities (mini-max) and how strengths can be used to reduce threats (maxi-mini) or exploit opportunities (maxi-maxi).

Value chain – a collection of activities performed to develop, produce, sell, and support the firm's products and services. The generic form refers to so-called *long-linked technologies* that are typically observed in manufacturing companies.

Value migration – how value creation gradually shifts among players in an industry with different business models where firms with successful business models absorb value from other industry participants in the first phase, whereas firms experience value outflow and loose out in the third phase.

Value network – refers to so-called *mediating technologies* where customers are linked in large interacting pools that apply to firms in businesses that link customers in large networks including, e.g., telecommunication, Internet provisions, energy distribution, retailing, insurance, banking and transportation.

Value shop – refers to so-called *intensive technologies* that apply to advisory and diagnostic services among firms that solve problems for their customers including professional services firms in, e.g., medicine, law, architecture, engineering, oil exploration, construction, investment banking and consulting.

Values-based management – the use of moral principles as a basis for corporate values and use of moral standards to guide organizational tasks and activities when organizational members deal under complex, ambiguous and unpredictable conditions.

VRIO criteria – assessing resources and competencies based on whether they are valuable, rare, inimitable and organizable to determine the extent to which they fulfill the criteria for driving sustainable competitive advantage.