

Glossary

3M Minnesota Mining and Manufacturing Company.

4 Ps See *Marketing mix*.

Absorption costing A traditional method of allocating overhead or indirect costs in which, usually, the total cost is divided according to the volume of activity in each cost centre.

ACAS (Arbitration, Conciliation and Advisory Service) This comprises members representing employers, trade unions and the academic community and is funded by the UK government to influence the conduct of industrial relations and assist employers and employees to achieve speedy, mutually satisfying agreements and resolutions of conflict.

Accepted sequence Coined by Galbraith (1972) it refers to the consumer-oriented view of marketing. See also *Revised sequence*.

Accounting Standards Committee (ASC) A UK body made up of representatives from the various accounting professions, which issued Statements of Standard Accounting Practice (SSAPs), which govern financial reporting. From 1990, the SSAPs are being gradually replaced by Financial Reporting Standards (FRS).

Accumulation A key aspect of a capitalist system in which profit is *accumulated* by more efficient production methods or through new products and markets. Accumulation is generally linked to expansion. See also *Commodification*.

Acquisitions See *Mergers and acquisitions*.

Activity-based costing A system of allocating costs that focuses on the activity that drives the cost rather than simply apportioning overhead costs on a pro-rata basis.

Advertising A form of promotion that involves four major considerations: the design of the message, the selection of the

media, the cost of both production and exposure and the evaluation of its effectiveness.

AMC American Motor Corporation, acquired in the 1980s by Chrysler.

Anglo-Saxon capitalism A belief in the workings of the free market, individualism and private property. A system in which shareholders play a major role. Found in the USA and UK.

Appraisal A formal system of employee evaluation to assess the contribution of individuals to the organization.

Asian capitalism Free market capitalism but with strong state intervention. Based around Asian values of hard work, duty, the role of the family and the importance of savings. A bureaucratic state but weak social welfare provision. Found across Asia but especially in Japan.

Asian tigers A group of countries with, since the 1970s, rapidly developing economies. The initial tigers were Hong Kong, Singapore, Taiwan and South Korea. They have been joined by a second wave of tigers including Malaysia, China and Vietnam. A 'tiger' economy is now a name given to any rapid growth economy.

AUEW Amalgamated Union of Engineering Workers.

Autonomous work groups The creation of a group of staff, who are given responsibility for the completion of a part of the operation.

Backward integration Obtaining control over the source of raw materials or the supply of components to the firm either by acquisition or establishing close ties with suppliers. See also *Forward integration* and *Vertical integration*.

BAIC Beijing Automotive Industry Company.

Balance of payments The difference over a given time between the income and expenditure of the economy in its dealings

with other nations, involving exports, imports and other transactions.

Balance sheet The summary of a firm's financial position at a fixed point in time. The balance sheet is a statement of a firm's assets and liabilities at the end of the last day of the accounting period.

Barrier to entry This prevents new firms from entering a particular market. In most cases, cost and experience are the main factors although in some countries, notably China, there are legal and political barriers to entry.

Basic research Fundamental research directed at advancing the state of knowledge in a particular applied field with the very real hope that it will prove useful. See also *Pure research*.

BCG matrix A method of portfolio analysis developed by the Boston Consulting Group. Products and/or markets are classified as cash cows, stars, question marks or dogs. See also *Portfolio analysis*.

Below-the-line See *Sales promotion*.

Benchmarking The comparison of performance in one organization or part of an organization against that in another with a view to finding ways of improving performance.

BJC Beijing Jeep Corporation.

Bolton Report The influential report of the UK Committee of Inquiry on Small Firms, published in 1971, that noted both the decline and economic importance of the small firms sector.

Bounded rationality A concept developed by Cyert and March (1963) linked to decision-making. Information and the choice of strategic direction are taken from a limited range of options due to both complexity and time.

Brand See *Branding*.

Brand equity The value of the brand, which may add substantially to a firm's assets and acts as a major consideration in the price of acquisitions.

Brand loyalty The desired aim of branding, occurring when consumers make repeat purchases of the same branded product.

Branding The process through which the product is given a name, logo or symbol to distinguish it from the range of other products on offer. It is used to create

awareness and build up customer loyalty to ensure repeat purchases.

Bretton Woods A conference held in the USA in 1944 by the Second World War Allied Nations, which agreed to set international exchange rates to achieve a measure of regulation and stability. The agreement also established the International Monetary Fund (IMF) and the World Bank. See also *International Monetary Fund* and *World Bank*.

British Standards Institute (BSI) An association that sets standards for units of measurement and technical terminology. It has been particularly influential in setting standards pertaining to functionality, safety and quality. The international equivalent is the International Standards Office (ISO).

'Bubble' economy The term given to an economy built on speculation as was the case in Japan in the 1980s.

Budgeting The setting of standards for income and expenditure and establishing mechanisms through which activities can be measured against the standards. Budgeting is a means of allocating funds and resources, of delegating authority and of motivating employees and is, above all, a vital control of activities.

Bureaucracy A system of organization for large complex organizations that operates through hierarchies of control and a detailed series of rules for all activities.

Business ethics Business ethics is the concern for moral standards and individual choices of right and wrong in the conduct of business affairs. It is a function of individual values, corporate culture, prevailing social norms and the laws of the land. See also *Corporate social responsibility*.

Business Link An organization set up and partly funded by the UK government to assist in the development of small and medium sized enterprises.

Business process re-engineering (BPR) A radical approach to adding value for the customer at each stage of the value chain. The aim is for dramatic improvements, which inevitably involves a fundamental rethinking of the organization and its operations.

Business strategy The strategy of a firm in a single business. See also *Corporate strategy*.

CAD (computer aided design) A computer-based system that enables the designer, through the use of computer graphics and memory, to evaluate the consequences of various design alternatives. This has assisted in both the speed and accuracy of the design stage.

CADCAM systems A linked system of computer aided design and computer aided manufacture. The system has a memory bank of standard designs, and the appropriate machines and tools required for manufacture.

Call centre A centralized facility for dealing with customers by phone or email to handle purchases and/or enquiries. In a global economy the call centre may be located to take advantage of low-cost labour or accommodation and calls are re-routed accordingly.

Capacity planning A process to determine the capacity required to fulfil market demand. The capacity could be measured in terms of space, people, machinery and so on.

Cash flow The movement of cash into and out of an organization. A healthy cash flow is essential for survival.

Cash-flow statement A requirement of UK financial reporting that details the movement of cash during an accounting period and is very useful for planning and control purposes.

CBI (Confederation of British Industry) An employers group that addresses a range of economic and general business and labour issues.

Centrally planned (state controlled) economy State control of the supply and demand of goods and services and targets given to individual enterprises. Control of prices, wages and levels of employment. See also *Transitional economy*.

Chapter 11 bankruptcy A USA form in which a firm, although bankrupt, can retain its assets if it can develop a payment plan to satisfy creditors. It is a means of offsetting debts against future cash flows.

CIM (Computer integrated manufacturing) Links flexible manufacturing systems to CAD/CAM and computer-controlled order and distribution systems. See also *Flexible manufacturing systems*, *CAD/CAM* and *CNC*.

Classical organization theory This is associated with the work of Weber and Fayol and offers a rational (and some would say prescriptive) approach to management and organizations. See also *Bureaucracy*.

Closed shop A situation where all employees must belong to a trade union as a condition of employment. A compulsory closed shop is not allowed under current UK employment law.

CNC (Computerized numerical control) Comprising machines with the capability of performing a number of different machine-tool operations.

Collective bargaining A process in which the representatives of employers and the representatives of employees (usually trade unions) negotiate wages, conditions and other related aspects.

Command economy See *Centrally planned state controlled economy*.

Commodification The development of new goods and services to broaden the nature of consumption and to accumulate profit in a capitalist system. See also *Accumulation*.

Company limited by guarantee A type of UK company owned by a group of members, whose liability is limited to their financial contribution. Such a company is often found in the voluntary sector.

Company unions Trade unions operated by the company, as is the case with unions in Japan.

Competitor-push The pressure to produce goods and services similar to those offered by competitors.

Confucian dynamism A term coined by Hofstede and Bond (1988) to define core Asian values, which include future orientation, perseverance and an importance attached to savings. It is sometimes referred to as long-term orientation.

Consumerism A social movement to inform and assist consumer choice and to act as a

pressure group to represent the interests of consumers. These interests are presented to organizations in an attempt to influence product design, price and distribution. Significant concerns are unsafe products and dishonest producers.

Contingency approach An approach to organization theory that sees organization behaviour and practices as a function of a number of influencing variables. In particular, the contingency approach sees successful organizations operating in harmony with their environment.

Convergence A process in which countries become more like one another. Causal factors include technology transfer and the use of similar productive technologies and the expansion of global products, global markets and multinational firms. See also *Globalization* and *Culture free*.

Core competences Core competences refer to those activities of an organization that give it an advantage over its competitors. Such advantages could derive from such as an effective R&D department, an efficient operating system, good internal and external communications, the presence of key individuals or reputation and a loyal customer base.

Corporate accountability Where firms are accountable for their actions to the general public. Firms that transgress socially acceptable standards can expect to be punished, usually by the imposition of fines. In some cases, board members can be held responsible and prosecuted as individuals.

Corporate culture Sometimes referred to as organization culture, although we see *corporate* culture as the product of management as part of a change and control strategy. See also *Organization culture*.

Corporate social responsibility Corporate social responsibility (CSR) involves the application of business ethics. CSR is concerned predominantly with the firm and its relationship to its various stakeholders, such as shareholders, customers, employees, supplier and the community, and its relationship to the environment. The assumption is that in all these relationships business decisions are influenced by moral

and ethical considerations. See also *Business ethics* and *Stakeholder theory*.

Corporate strategy The overall strategy of a firm operating in a number of different businesses.

Cost accounting The analysis and allocation of costs. See also *Direct* and *Indirect costs*.

Cost control The collection and analysis of accounting information about all aspects of the business and the use of comparisons, which are either historical and/or based on benchmarking against another organization.

Cost leadership The aim of being the lowest cost producer.

Cost-plus pricing A standard mark-up after all costs have been taken into consideration.

Creditors Those to whom the firm owes money.

Culture All human activity that is socially rather than genetically transmitted. It comprises values, norms and beliefs that are displayed in business behaviour and can result in different approaches and business practices in different parts of the world.

Culture free A situation in which culture is less significant than other factors, particularly technology. In a culture-free situation, business ideas and practices can be transferred between nations. See also *Convergence*.

Culture specific Each culture is differentiated by its own core values and business ideas. Practices can only be successfully transferred between nations with similar core values.

Current assets Assets that are short term and transitory, such as cash and stock.

Cyclical markets Such markets display alternating periods of high and low demand or periods of varying demand. Many product markets, e.g. automobiles, in mature industrialized economies are cyclical.

Debentures Negotiable instruments that can be bought and sold on the stock market. They are issued in return for loans secured on the fixed assets of a company.

Debtors Those who owe money to the firm.

De-industrialization The decline of the manufacturing sector of the economy.

- Delayering** The flattening of the organization by removing levels of supervision and management. It is usually accompanied by restructuring and redundancies among the management groups. See also *Restructuring*.
- Demand–pull** The development of new products and processes as a direct result of market demand. See also *Technology–push*.
- Deregulation** The lifting of government restrictions and controls usually aimed at increasing levels of competition.
- Derivatives** Financial instruments that are derived from an asset or a product. Their purpose is to allow companies to offset financial risk. The two main types of derivative are futures and options. A future is a contract that places an obligation to buy or sell at a set price on a given future date. An option is similar to a future except that the contract offers the right but not the obligation.
- Design** The final stage in the R&D process that translates the development into the final product for the consumer. See also *Design mix* and *Product design*.
- Design mix** Part of the design process incorporating elements such as effective operation, safety, easy maintenance, value for money and aesthetic considerations. These are all focused on satisfying customer needs.
- Deskilling** The process of reducing the skill content of work, usually through the introduction of new forms of technology.
- Development** Takes research a stage further by translating the outcome of research into something more tangible. At this stage in the design of a new product, a prototype or a sample would be produced.
- Differentiation** A strategy that aims to produce goods and services with certain unique dimensions that make them attractive to customers.
- Direct and indirect costs** Costs that can be directly ascribed to a specific product. See also *Indirect costs*.
- Direct marketing** Dealing directly with the customer, without using intermediaries such as retail outlets, as with mail shots, mail-order catalogues, telephone sales, and electronic commerce. See also *Personal selling*.
- Distribution** The process through which goods and services reach the customer. It involves the use of distribution channels and networks.
- Diversification** Adding new products or markets to the existing portfolio. Diversification can be *related* to the existing business or *unrelated*.
- Dividend** The payment made to shareholders of a proportion of profit after tax. See also *Ordinary shares* and *Preference shares*.
- Divisionalization** A form of organization structure that breaks the organization down according to product groups or market territory to form a series of profit centres. A form of organization often found in large complex multinational companies. See also *Profit centre*.
- Dominant coalition** The interest group(s) that have the most power and influence in an organization.
- Down-sizing** Reducing the number of people employed in an organization.
- Dual apprenticeship system** Developed in Germany for the training of young people and involving a combination of time spent in work and time spent in apprentice school each week.
- Economic Order Quantity Model (EOQ)** A decision model which establishes a trade-off between the cost of acquisition and the cost of holding stock.
- Economies of scale** The achievement of cost reduction through the volume of operation. In manufacturing the higher the volume produced of a single product then generally the costs of producing that item are reduced. The concept is sometimes linked to that of *Experience curve*.
- Economies of scope** A form of horizontal integration when the product range is extended to incorporate similar items. The economies of scope include shared central functions such as finance, marketing and R&D. See also *Horizontal integration*.
- EDB (Economic Development Board)** An arm of the Singapore government concerned with economic development and the attraction of inward investment.

EETPU The Electrical, Electronic, Telecommunications and Plumbing Union.

Electronic business (e-business) Similar to *e-commerce below*, e-business involves a much broader range of activities, incorporating all business activities. It enables the various elements of global firms to work more closely together and can form the basis of much business to business activity.

Electronic commerce (e-commerce) This involves the connection of suppliers and buyers directly through computer-based systems. E-commerce generally relates to trading activity involving information, goods and services. The initial point of contact is electronic although, in the case of goods and services, delivery is made using more conventional systems. The growth of e-commerce and e-business is directly associated with the development of the Internet and company-wide intranet systems.

Emerging markets These are markets where it is believed there is considerable potential for growth. Such markets can include newly industrialized nations, such as Malaysia, less developed nations with large populations, such as China and India, and those nations changing from a centrally controlled economy, as in East Europe.

Employee relations See *Industrial relations*.

Enterprise culture A movement that developed in the UK in the 1980s that emphasized individualism, entrepreneurship, innovation and self-help through self-employment. It was associated with the politics of the Thatcher era. See also *Thatcherism*.

Entrepreneurship The activity of entrepreneurs, who are responsible for the creation of new products, processes, services and markets. They develop new ways of doing business and managing people and create new forms of organization.

Environmental scanning A process of strategic analysis involving the search for opportunities and threats. See also *SWOT analysis*.

Ethical audit An audit of all the firm's activities and relationships, including

products and services, processes, terms of employment and conditions for employees and the firm's relationships with its suppliers, local community and the environment. The audit checks that ethical practices are being pursued and establishes action plans where they are not.

Ethical investors There are investors who seek out companies in which to invest, that pursue demonstrably ethical strategies and practices.

Ethics A branch of moral philosophy; the study of morals and principles governing the rights and wrongs of human conduct. See also *Business ethics*.

EU The European Union, currently made up of 15 nation states, many operating with a single currency: the euro. Over the next few years the EU will expand to 25 member states.

European Exchange Rate Mechanism (ERM) An agreement among member states of the EU to keep exchange rates within fixed limits as a precursor to monetary union.

European Monetary Union (EMU) The creation of a single European currency, now the major currency used in 12 of the 15 EU member states.

Excellent company A term derived from the influential work of Peters and Waterman (1982). They define 'excellent companies' in terms of eight characteristics including closeness to the customer, hands on, value driven, autonomy and entrepreneurship and simple form, lean staff. Such companies usually have strong, well-defined corporate cultures. See also *Corporate culture*.

Experience curve An advantage gained over time from producing goods or services or operating in particular markets. Cost advantages associated with economies of scale can often be attributed to the experience curve. See also *Economies of scale*.

Explicit knowledge Knowledge that is available within a firm that is usually obtained through rational processes of data collection and is often contained in documentation. Such knowledge is often available to all and, as a consequence, is

rarely a source of competitive advantage. See also *implicit knowledge*.

Factoring A means of raising capital by selling debts owed at some 70–80 per cent of their real invoice value. While money is lost on the value of the invoice, this can be a useful way of improving cash flow.

Family firm A firm owned and managed by family members. Although there are examples of large family firms, most tend to be very small businesses.

Financial management Part of the finance and accounting function that is concerned with the financing of an organization's activities.

Financial reporting The collection and presentation of data for use in financial management and management accounting. In most countries there are minimum legal requirements governing the kind of statement that must be produced.

Financial services A sector of the economy that includes banking, insurance, pensions and investment activities.

Five Forces model Developed by Porter (1990) to assess the bargaining power of suppliers and buyers, the threat of entry from competitors, substitute products and, ultimately, the competitive rivalry of the firm.

Fixed assets Assets that remain on the books for a significant period of time, such as land, buildings and machinery.

Flag of convenience A term used in shipping when a ship owner registers a ship in another country for cheaper insurance or to avoid restrictive laws.

Flexible firm A response to the demands of globalization, competition and cost reduction. Flexibility within organizations occurs in a number of different ways including the employment of part-time and contract workers, out-sourcing, multiskilling and introducing variations in pay and times of attendance.

Flexible manufacturing system (FMS) An integrated system comprising the various elements of advanced manufacturing engineering to solve the problem of offering consumer choice and a quick response to market changes using a

minimum of working capital. FMSs enable a range of different models to be built using the same assembly line and pieces of equipment. See also *CAD/CAM*, *CNC* and *CIM*.

Foreign direct investment (FDI) The full or partial ownership and control of a firm located in one country by investors in another country. See also *Multinational corporation*.

Forward integration This occurs when producers diversify to control the onward processes of delivering their goods to the consumer, as in the case of a manufacturer setting up a transport or retail operation. See also *Backward integration* and *Vertical integration*.

Free market A market in which firms compete on the same basis with little or no government interference. In reality such a system tends to favour large firms and leads to the creation of monopolies or oligopolies. See also *Monopoly* and *Oligopoly*.

FRS Financial Reporting Standard. See *Accounting Standards Committee*.

Futures See *Derivatives*.

G7 (Group of Seven) An economic alliance of the world's major economic nations; Canada, France, Germany, Italy, Japan, UK and USA.

GAAP (Generally Accepted Accounting Practice) An amalgam of legislation, SSAPs and the FRSs, to form sets of practically based accounting rules. There is a UK GAAP and a USA GAAP. See also *Accounting Standards Committee*.

Gap analysis A strategic assessment of the difference between what managers want to achieve and what they can achieve with the resources available.

Gastarbeiter A name given, originally in Germany, to foreign migrant workers. The meaning is literally, 'guest worker'.

GATT The General Agreement on Tariffs and Trade set up by the Bretton Woods' Agreement to facilitate global trade as a means to peace and prosperity. See also *Bretton Woods* and *WTO*.

GDP (Gross Domestic Product) The sum total of the net outputs of each sector of the

economy, including those of foreign firms but excluding earnings from overseas. GDP is often expressed *per capita* (per head of population).

GMB General, Municipal and Boilermakers' trade union.

GNP (Gross National Product) The sum total of the net outputs of each sector of the economy together with the earnings by its residents from overseas investments. Like GDP, GNP is often expressed *per capita*.

Global market The sale of a product or service in most countries in the world. Coca Cola and McDonald's can be said to have a global market.

Global production system See *globally organized production*.

Globalization A process of economic, political and cultural convergence in which national borders become less significant. The process has been speeded up greatly by developments in information and communications technology.

Globally organized production The coordination of activities in various locations across the world to produce goods or services. Most manufactured goods are now assembled from parts made in different areas of the world to achieve maximum cost effectiveness.

Goals Organization goals give direction to the activities of organization members both as broad statements of intent and detailed objectives. Goal formulation can be a highly political process and source of conflict.

Golden shares Shares retained by governments after privatization issue, usually to prevent a hostile takeover.

Greenfield site This relates to the siting of a business operation in a completely new location. It usually implies a new building with all modern facilities and new infrastructure.

Hard and soft HRM Hard HRM focuses on business values and management strategy, whereas soft HRM focuses upon the selection, development, involvement and the reward of people.

Hawthorne Studies A series of highly influential studies carried out in the 1920s at the Hawthorne plant in Chicago of the

Western Electric Co. The studies are associated with human relations and Elton Mayo, although he was not one of the primary researchers. The studies focused on communications, group behaviour and participation. See also *Human relations management*.

Hierarchy of needs A theory of motivation attributed to Abraham Maslow. The theory states that we are motivated by unsatisfied needs and these are arranged in a hierarchy. We must first satisfy our basic physical needs, but our ultimate goal is self-actualization.

Holding company An organization whose main purpose is the ownership and overall control of a group of semi-autonomous companies.

Horizontal integration This occurs most commonly when a firm adds to its portfolio of products by acquisition of companies operating in similar markets. See also *Economies of scope*.

Hostile takeover See *Mergers and acquisitions*.

Human relations management A set of theories and approaches originating from the early part of the 20th century and, in particular, the work of Elton Mayo. The approach emphasizes group approaches to work, employee involvement, democratic leadership and effective communication. The approach developed throughout the 20th century and is still influential in some forms of management training.

Human resource management Management decisions and actions that affect the nature of the relationship between the organization and its employees. A strategic approach to ensuring that people in the organization achieve its goals. It involves recruitment, selection, training, reward systems, industrial relations and employee involvement as an integrated strategy. Also known as HRM and HR. It is considered to be a more business oriented and strategic approach to personnel management. See also *Personnel management* and *Hard and soft HRM*.

Implicit knowledge The sum total of knowledge acquired by organization

members throughout the lifetime of the organization and passed on to subsequent generations of employees. It is rarely documented and is difficult for outsiders to penetrate. It is often a source of competitive advantage. See also *explicit knowledge*.

Indirect costs Costs that relate to general overheads such as labour, heating, lighting and so on. See also *Direct costs*.

Individualism–collectivism An accepted measure of cultural difference used in major studies by Hofstede and Trompenaars. Individualistic societies focus on self and the immediate family, while collectivistic societies are more group oriented and focus on the extended family. Industrialization and globalization are usually accompanied by a shift towards greater individualism.

Industrial relations The relations between employers and employees and their respective representatives with a focus on pay, conditions, job security and participation. They involve negotiation and bargaining. Also known as employee relations. See also *New industrial relations*.

Inflation An increase in the general level of prices and usually accompanied by rises in wages.

Information and communication technology The use of developments in computers and telecommunications to enhance the quantity, quality and speed of information transfer. See also *Internet*.

Innovation The discovery or creation of something new, such as a product, process, strategy or structure, and turning it into economic reality. An innovation is an invention that is economically relevant. See also *R&D*.

Interaction–influence model This sees all business activities as a complex series of interactions that are mutually influencing, hence business activities influence the national economy, that also influences business activities. The *Business in Context* model is an example of an interaction–influence model.

Interest group A grouping within an organization of people with similar goals. Management, the marketing department, a

trade union, a work group, etc. are all examples of interest groups. Interest groups can combine to form coalitions.

International Monetary Fund (IMF) Part of the United Nations established by Bretton Woods to control the international financial system. The IMF can intervene when changes in a nation's economy threaten to destabilize the economies of other countries. Interventions in the 1990s included those in Mexico and South Korea. See also *Bretton Woods*.

Internet A global web of computer networks providing information and a means of communicating via email.

Invention See *Innovation*.

Investment appraisal A process of calculating whether an investment is cost effective in the short, medium or long term. See also *NPV*.

Investors in People A standard introduced by the UK government for the development of staff.

ISO The International Standards Office. See *British Standards Institute*.

Japanese management A set of practices and techniques associated with businesses in Japan, such as just-in-time, quality circles, single-status firms and company unions. Such practices have been associated with the success of Japanese firms and have been copied in other countries.

Japanese transplants These are Japanese manufacturing or service organizations operating in an overseas location and using predominantly Japanese business methods.

Japanization This involves both the process of Japanese foreign direct investment and the adoption or adaptation of Japanese business practices by non-Japanese firms.

Job enrichment The application of the theories of Herzberg to create more challenging and meaningful work. See also *Motivation–hygiene theory*.

Joint ventures Two or more firms working together to achieve mutually beneficial objectives. These can include sharing resources, establishing a joint R&D project or setting up a third company with shared ownership. A joint venture is similar to a *strategic alliance*, except that in a joint

venture there is usually an element of shared ownership.

Just-in-time (JIT) This is a method of manufacture developed initially in Japan. Starting with customer demand, goods and services are produced at each stage of the operation only as required. It is a pull-through system that eliminates the need for large stocks but requires close cooperation with suppliers.

Kaizen A Japanese system of continuous quality improvement.

Kanban An integral part of a just-in-time system. A *Kanban* is a card or signal, which informs how much is to be produced by each process and the precise quantity each process should withdraw from the previous stage, which may be either another process, a materials store, or even a supplier.

Keiretsu A business group in Japan, typified by a number of cross-holdings. This is typical of all major Japanese firms and *Keiretsu* dominate the Japanese economy. *Keiretsu* are very similar to the *Zaibatsu*, similar business groups, which dominated the Japanese economy prior to the Second World War and had considerable political influence.

Keynesian policy A economic policy involving state investment in the economy to create employment.

Kigyo Shudan A business group in Japan organized around a bank. See also *Keiretsu*.

Labour markets These provide labour for organizations and vary in terms of size and prevailing skills.

Laissez-faire A model of capitalism emphasizing the free market. See also *Anglo-Saxon capitalism*.

Late development effect The advantage enjoyed by newly industrialized countries, whereby they can learn from the mistakes of others, benefit from greenfield sites and catch up economically. See also *Newly industrialized countries (NICs)* and *Greenfield site*.

Leadership Influencing the direction of the organization through a focus on change and

inspiring the group to improved performance.

Lean production (or manufacture) A totally integrated system of manufacture, developed initially by Toyota in Japan. The emphasis is on the integration of state-of-the-art techniques, a flexible approach and teamwork. Advocates claim dramatic improvements in efficiency and effectiveness.

Leasing A process through which a firm can acquire assets that it has not bought, but leased from another firm. Many company cars, security systems and photocopiers are acquired in this way.

Liberal pluralism A belief in the free market and the recognition that society is made up of different interest groups. The state helps to smooth out difficulties in the operation of a free market and regulates the cooperation and exchange between different interest groups.

Liberalization This process is part of an economic transition to a free market. It involves the removal of state control on wages and prices: changes that can result in inflation and increasing levels of unemployment. For this reason, some countries favour the retention of a number of state-owned enterprises in each sector to preserve jobs and keep a control of prices.

Licensing A process whereby the owner of a patent on a product allows another firm to produce that product upon payment of an agreed royalty fee.

Lifetime employment A system under which individuals commit their working life to one firm and whereby the firm guarantees them a job for life. Although associated with Japan, lifetime employment is common in other countries, notably Germany. It is threatened by economic recession.

Limited company See *Public limited company (plc)* and *Private company (Ltd)*.

Loading A technique in operations management to determine the amount of work that can be allocated to a particular work centre, be it a department, unit or person.

Loan capital Finance raised by borrowing money from a third party such as a bank or other financial institution.

Long-term versus short-term orientation

See *Confucian dynamism*.

Long-wave economic cycles Cycles of economic growth and decline spanning over 40 years. Upswings are related to the development of particular industries over time and downswings are the result of saturated and contested markets.

Machine tools Tools used in manufacturing and seen by some as a means of developing innovative processes and products.

Management The shaping of activities, strategy and organization, coping with the external environment and organizing people to ensure the long-term survival of the firm.

Management accounting The application of accounting techniques to provide management with the information to assist in the processes of planning and control. It involves budgeting, costing, investment appraisal and the management of cash flows.

Management by objectives (MBO) A system of management whereby individual managers are set targets and their performance is judged against target achievement.

Managerial grid An approach to leadership developed by Blake and Mouton, which enables managers to plot their leadership style in terms of their concern for people and their concern for completing the task.

Manpower planning The analysis of a company's manpower needs in light of its current manpower resources and the nature of the labour market.

Market research The collection and analysis of information about present and future products, markets, competitor strategies and tactics and consumer preferences.

Market segmentation The process through which the total market is broken down to create distinctive consumer groups. The criteria used to form such groups varies and may include geographical location, social class, occupation, gender, lifestyle, and so on. Products can be developed which focus upon the needs of a particular group.

Marketing The design, pricing, promotion

and delivery of goods and services to meet or exceed customer needs.

Marketing channel A flow of goods and services, which may comprise several stages, involving intermediaries such as transporters, agents, wholesalers and retailers.

Marketing mix This is the development of a marketing strategy on the basis of product, price, promotion and place (distribution). These are sometimes referred to as the *4 Ps*.

Marque A brand name usually applied to cars.

Masculinity–femininity An accepted measure of cultural difference used in major studies such as that by Hofstede. Masculine societies tend to be assertive and have clearly defined gender roles. Feminine societies have less well-defined gender roles and are more concerned for the welfare of people.

Matrix organization This is a structural device to manage two or more elements of the organization: be they size, products, markets or customers. In a typical matrix an employee is a member of a functional group and of a product or market grouping. The system works best when two or more elements need to be emphasized but it can cause confusion and dissatisfaction.

Mechanistic organization An organization best suited to stable conditions and similar to classical bureaucracies. High degrees of specialization and operations governed by rules. Clear hierarchies of authority and emphasis on vertical communication. See also *Bureaucracy*.

Mergers and acquisitions These occur when two or more firms come together to form a single firm. A merger implies a coming together of equals while an acquisition implies a dominant partner. An acquisition of one firm by another, when the firm that is being acquired does not welcome it, is referred to as a *hostile takeover*.

Method study A set of techniques which focus on improving how the job is carried out and includes not just the methods involved in the tasks themselves, but also equipment design.

Mission A statement of core values which define the purpose of the organization.

MITI The Ministry of International Trade and Industry, an influential branch of the Japanese civil service.

MOF The Ministry of Finance in Japan, which controls the Bank of Japan and investment strategy.

Monetarism The control of the economy by the control of the amount of money in the economy.

Monetary Union See *European Monetary Union*.

Monopoly The control or dominance of a market by a single producer or provider.

Motivation–hygiene theory An approach to motivation developed by Frederick Herzberg. Hygiene factors such as pay, conditions and style of supervision will either result in an acceptable performance or lead to sub-standard performance. Real motivation is the product of interesting work and the opportunity for achievement, involvement and recognition. See also *Job enrichment*.

MRP1 (Materials requirement planning)

A computerized planning system that enables managers to determine the requirements for the quantity of materials needed and the timing of that need, particularly where there is a high degree of complexity.

MRP2 (Manufacturing resource planning)

A computerized planning system offers dealing with materials requirements, capacity planning and scheduling. See also *MRP1*, *Capacity planning* and *Scheduling*.

Multinational corporation (MNC) A multinational firm is one that operates and is managed from bases in a number of different countries. While small firms can and do operate multinationally, most multinationals are large corporations with diverse interests coordinated by a centrally planned global strategy.

Multinational enterprise (MNE) Same as the *Multinational corporation (MNC)* (see above).

New industrial relations A term that appeared in the 1980s, associated with

practices brought in by Japanese transplants. Such ‘new’ approaches embraced a legally binding contract between the firm and the unions and a peace clause where employees agree not to strike while the contract is in force.

New Labour A name used by the UK Labour Party to rebrand itself and gain political support as a ‘modern’, business-friendly party.

New public management The increasing use of private sector firms by managers in the public sector to provide essential services. This is also referred to as *Public private partnership (PPP)*.

New technology The use of computers and electronic circuits to process information for greater control, speed, flexibility and quality in work operations.

Newly industrialized countries (NICs)

These are countries, like the Asian tigers, that have developed industrial economies later than the advanced nations of the USA, Europe and Japan. They are able to learn from the advanced nations. See also *Late development effect*.

NGA The National Graphical Association, a trade union representing print workers.

Non-executive directors Directors with no direct involvement in the management of the enterprise who are able to provide experience from elsewhere and can operate as an impartial voice in influencing strategic direction.

No-strike deal This is an agreement by a group of employees, usually as members of a trade union, not to withdraw their labour at any time for the duration of an agreed contract period. See also *New industrial relations*.

NPV (net present value) A popular method of investment appraisal since it estimates future returns on investment, but assesses them on current values.

OECD The Organization for Economic Cooperation and Development, a grouping of 21 industrial nations for the furtherance of trade.

Oil shocks These refer to two periods in the 1970s (1973 and 1979) when the oil producing nations made major price

increases with a significant impact on the costs of most businesses around the world.

Oligopoly The control or dominance of the market by a small number of firms. Several global markets, such as those for automobiles, oil and pharmaceuticals, can be called oligopolies.

OPEC Organization of Petroleum Exporting Countries established in 1961.

Open systems A view of the organization using the systems approach in which the inputs and the outputs interact with the environment in which the organization operates. See also *Systems approach*.

Operations A central role in most organizations, transforming materials, finance, information and the like into goods and services wanted by customers.

Operations planning A process to ensure that sufficient goods or services are produced to meet demand in terms of quantity, quality, timing and the degree of flexibility.

Operations research (OR) The application of mathematical models to solve complex organizational problems.

Options See *Derivatives*.

Ordinary shares These represent the majority of all share capital. Dividend is not guaranteed but holders are normally entitled to a share of the profits after deductions for tax and payment to preference shareholders. See also *Preference shares* and *Dividend*.

Organic organization An organization suited to dynamic changing conditions. Emphasis on flexibility and a loose definition of roles and responsibilities. Typified by delegated authority and free flows of communication both horizontal and vertical.

Organization culture Sometimes referred to as corporate culture, although we see *organization culture* as the product of a large number of variables, including history, the economy, technology, product market, strategy, management style, nature of employees and so on. See *Corporate culture*.

Organizational development (OD) A change strategy popular in the 1970s that used an external or internal consultant to achieve

planned change through the development of individuals and groups.

Organizational marketing Business to business marketing.

Organization structure The grouping of activities and people to achieve the goals of the organization.

Outsourcing An increasing trend involving the use of another organization to provide essential goods and services. Many manufacturers outsource a proportion of their operations, usually to lower cost operators. Firms often outsource functions such as catering, cleaning and even payroll to other firms.

Over-capacity Having more factory or office space, machines and people than required to satisfy market demand for goods and services. Over-capacity is expensive in that resources are wasted.

Oversupply When the supply of goods and services is greater than the demand. Oversupply usually results in price falls that can be dramatic, as in the case of microchips in the 1990s.

Partnership A legal form of ownership found especially in the professions. Partners have unlimited personal liability, which may be reduced by forming a *limited liability partnership*.

Patent A form of intellectual property granted for an innovative product and giving the inventor a monopoly of production over a stated period (usually around 20 years). See also *Licensing*.

Paternalism A system of management popular in the UK among Quaker employers, such as Cadbury and Lever, which focused on employee welfare. Essentially paternalism takes responsibility for the individual and is sometimes associated with a loss of freedom.

Payment by results Payment tied to increased output subject to quality, wastage and machine utilization.

Pendulum arbitration A system of arbitration in which the arbitrator must favour one side or the other.

Penetration A pricing strategy that involves setting a low price to attract a mass market at the outset.

Personal selling A specialized form of direct marketing, favoured by the sellers of industrial goods, recognizing the importance of building up good personal relations between seller and buyer. See also *Direct marketing*.

Personnel management A traditional approach to the management of human resources which focuses on selection, training, payment and industrial relations. It has been largely superseded by a more strategically focused HRM. See also *Human resource management*.

Picketing An act of protest and persuasion during times of strike, where (usually) trade union members gather at the entrances to workplaces to persuade others to join them. The activity in the UK is regulated by law.

PIMS (Profit Impact of Market Strategies) Established by the Strategic Planning Institute in Britain and the USA offers assistance in strategic choice by identifying those strategies most likely to result in increased profit levels. A record is kept of strategic options and their links to profit levels.

Pluralist frame of reference See *Unitarist and Pluralist frames of reference*.

Portfolio analysis This is used in firms operating within a number of different businesses and markets or in the same market with a number of different products. The technique enables management to assess the relative attractiveness of their businesses and products in their current markets and assist decisions on the direction of future investment. See also *BCG Matrix*.

Positioning Choosing the right market segment for the product and finding the appropriate niche in that market to differentiate it from its competitors, on such matters as price and quality.

Power distance An accepted measure of cultural difference developed by Hofstede. High-power-distance societies accept status differences exist and build upon them. Low-power-distance societies introduce measures to reduce such differences in power and status.

Preference shares Shares which attract a

fixed rate of dividend irrespective of the financial performance of the company.

Private company Different from a plc in that shares are not openly available and the company does not have a stock market listing. Shares are owned by the founders, family members or by management. Denoted by *Ltd* after the company name. The equivalent type of company in Germany is a *Gesellschaft mit beschränkter Haftung* (GmbH). See also *Public limited company*.

Privatization The selling of state-owned businesses.

Process innovation The development of a new way of making products or delivering them to the customer.

Procurement The activities engaged in the acquisition of the various resource inputs to the primary activities of the organization.

Product differentiation A means of gaining competitive advantage through the development of a product that is different from those produced by competitors.

Product design This involves consideration of styling and function and the range of products and the degree of standardization. See also *Design* and *Design mix*.

Product innovation The development of a product such as a new model of car or a new form of insurance policy.

Product life-cycle This assumes that all products have limited lives during which they pass through a series of stages, all of which have implications for sales and profitability.

Product line The total number of variations of the same basic product, differentiated by quality, cost or extra features.

Product management The organization of the firm around its products: each brand or group of brands has its own manager.

Product mix The total number of different products offered by the firm, sometimes referred to as the product portfolio.

Profit and loss account This provides detail of a firm's income and expenditure throughout a stated period of time, known as the accounting period.

Profit centre A sub-set of an organization that operates as an independent business with profit targets. These are common in

divisionalized structures. See also *Divisionalization*.

Pseudo-innovation No real change in the product or process has occurred but claims are made to revitalize a stagnant market. Pseudo-innovations are often the product of marketing campaigns to change the fortunes of a flagging product.

Public limited company (PLC) A UK company that is a legal entity separate from the owners in which liability is restricted. Unlike a private (limited) company, shares are traded and the company is listed on the stock market. An *Aktiengesellschaft* (AG) is the German equivalent of the UK plc.

Public private partnership (PPP) See *New public management*.

Public sector A very broad area that includes central and local government, hospitals, universities, schools and nationalized industries.

Public-sector borrowing requirement (PSBR) The extent to which borrowing exceeds income in the public sector.

Pure research The advancement of the state of knowledge in a particular field with little immediate concern for its commercial application. See also *Basic research*.

Quality circles A method of quality improvement that involves all employees in discussions to solve problems and implement solutions to improve quality.

Quality control A process that ensures the quality of the finished product or service meets the standards set in the design stage and also meets with the approval of the customer.

Quantity control A process that ensures the throughput of goods and services goes according to the planned schedule. This is sometimes known as production control and sometimes as progress chasing.

R&D See *Research and development*.

R&D intensity Expenditure on R&D as a proportion of sales revenue.

R&D Scoreboard An annual publication of the UK Department of Trade and Industry showing UK and world annual expenditure on R&D by firm and sector.

Rational knowledge Knowledge that is

derived from scientific and objective methods.

Recession A period of time when the economy stops growing and goes into reverse. A prolonged recession turns into a depression.

Research and development (R&D) This is the organization function that is the focus for innovation within a firm. R&D refers both to the activity and the name of a department.

Restructuring This refers to a number of measures generally associated with cost-cutting. Such measures include plant or office closure and reducing the number of employees.

Reverse engineering A process whereby products, usually those of competitor firms, are systematically taken apart to see how they were made.

Revised sequence Coined by Galbraith (1972) it refers to a system of innovation and marketing in which product development is led by technology and associated costs and not consumer preferences. See also *Accepted sequence*.

Sales promotion This incorporates a wide variety of different techniques, including free samples, money-back coupons, special offers on loyalty points, contests and so on. Sales promotion is sometimes referred to as *below-the-line* advertising.

Scenario planning A flexible approach to strategy formulation which looks at a number of possible changes in the environment and asks the question 'what if?'.

Scheduling The balancing of the costs of production against demands for goods and services; ensures that demand is met in the most efficient way possible.

Scientific management A highly influential approach to management developed by F. W. Taylor at the beginning of the 20th century. Scientific management is sometimes called *Taylorism*. The key elements are the separation of planning and doing, the scientific analysis and design of work, the application of work study and work measurement and the scientific selection of staff.

Segmentation See *Market segmentation*.

Seniority payment A system favoured in Japan whereby pay increases occur with age and length of service.

Share capital Funding raised through the issue of shares offering shareholders part ownership in the firm and an annual payment in the form of dividend.

Skimming A pricing strategy of setting a high initial price. It is used with products that appeal to a market segment where price is not an important consideration.

Small business See *SME*.

SME (Small- and medium-size enterprise) The EU classifies SMEs as any enterprise employing fewer than 250 people. SMEs play a key role in the development of the business enterprise and in their contribution to the economy.

Social ethics The belief that ethical standards will vary between societies reflecting different histories and influences.

Social market capitalism Free market operation but carefully regulated by the state. A mix of public and private ownership with emphasis on social welfare and employee involvement with legal regulation. Found in Germany and Scandinavia.

Societal marketing The satisfaction of consumer needs through the provision of goods and services that are socially acceptable, non-harmful and non-polluting.

Socio-technical systems The interaction of technology and the social system at the workplace. An underlying assumption is that work is most effective when the social system and the prevailing technology operate in harmony.

SOGAT Society of Graphical and Allied Trades, a trade union representing workers in the print industry.

Sole trader An individual running a company with unlimited personal liability. A common form of business ownership and typical of many small firms.

SSAPs (Statements of Standard Accounting Practice) See *Accounting Standards Committee*.

Stakeholder theory The recognition that the organization is responsible to various groups in society. These may include

shareholders, employers, suppliers, government, the community and so on. Stakeholder theory usually includes the responsibility of the firm for the natural environment. See also *Corporate social responsibility*.

State Comprises a number of institutions including government, Parliament, judiciary, the civil service, police and armed forces.

Strategic alliance See *Joint ventures*.

Strategic fit A consideration in the choice of strategy or in the choice of a partner. Does the strategy fit with the prevailing organizational and environmental context of the firm? Do prospective partners in a strategic alliance or joint venture offer complementary rather than conflicting or duplicating products and markets? See also *Contingency approach* and *Joint ventures*.

Strategy A set of objectives and methods of achieving them. Usually formulated by senior management involving a mix of analysis and negotiation.

Sub-contracting A system in which part of the job is done by another firm.

Supply chain This is comprised of suppliers, producers and distributors. In modern business there has been increased emphasis on the management of the supply chain as a route to more cost-effective business and improved customer service.

Supply chain management An integrated set of activities including purchasing and supply, materials handling, stock control and distribution.

Supply-side economics The stimulation of economic growth by cutting taxes and encouraging people to work by cutting social welfare benefits.

Supranational organization These are political or trade organizations that comprise nation states as their members and therefore cross national boundaries. Examples include the *European Union (EU)*, North American Free Trade Association (NAFTA) and the World Trade Association (WTO).

Supraterritoriality A phrase coined by Scholte (2000) to define globalization. The idea is that thoughts, behaviour and practices in the modern world extend

beyond national borders and that former constraints imposed by geography become irrelevant.

Sustainability The extent to which an organization's strategy is difficult to copy and is therefore the source of competitive advantage over time.

SWOT analysis An acronym for strengths, weaknesses, opportunities and threats. A simple method of strategic analysis.

Synergy The collective influence of the various activities of the company producing an overall effect that is greater than the sum of the parts.

Systems approach A view of the organization as a set of interrelated parts. Also, a view of organizational activities as a series of inputs, processes and outputs. See also *Open Systems*.

Tacit knowledge See *Implicit knowledge*.

Tactical ethics The assumption that people pursue ethical standards only because it suits them to do so in particular situations.

Taguchi method A procedure which tests the robustness of the design of a product in extreme conditions.

Target-profit pricing involves establishing the price in accordance with projected demand using some form of break-even analysis. Price is a function of both the minimum sales required to cover production costs and the required profit margins based on estimated sales figures.

Taylorism See *Scientific management*.

Technology A broad concept referring to the application of available knowledge and skills to create and use materials, processes and products.

Technology control The maintenance of plant or equipment.

Technology-push The utilization of known technologies to develop innovative products and processes. Many innovations, for example the CD player, are developed as a result of both demand-pull and technology-push. See also *Demand-pull*.

Technology transfer The process of obtaining technology from another firm or country. A number of methods can be used such as *Joint ventures*, *FDI* or *Licensing*.

Telemarketing The offering and selling of

products and services over the phone or via the Internet.

Telesales See *Telemarketing*.

TGWU The Transport and General Workers' Union, one of the largest UK trade unions.

Thatcherism A political and economic philosophy that emerged under the UK Prime Minister Margaret Thatcher (1979–91). It espoused the free market, privatization, individualism, self-help and entrepreneurialism. A series of laws were passed to curb the power of trade unions.

Third-party intervention A phrase usually applied to the intervention of the government in disputes between management and labour.

Total quality management (TQM) A strategic approach to quality that permeates the entire organization. It goes beyond control and assurance in that it incorporates a number of different techniques and approaches, and is linked to culture change in the organization that focuses on the needs of the customer by building quality into every aspect of the operation.

Trade barriers These are mechanisms erected by national governments to prevent or restrict imports or to place a high tax on imports to protect home producers.

Trademark A name or symbol used to differentiate goods and services of a particular producer.

Trade union A group of employees who formally come together to achieve mutual goals of job protection, improvements in pay and conditions or a widening of industrial democracy.

Transcendental ethics The belief that there are absolute concepts of right and wrong that apply across all societies.

Transfer pricing The process through which goods and services produced in one section of the organization are sold internally for use by another.

Transitional economy An economy that is changing from one where there is central control by the state towards a free-market model.

Transnational corporation A transnational corporation integrates global resources to achieve economies of scale while still having the capability of responding to local

markets. Flexibility, responsiveness and innovation replace control and cost as primary strategic objectives. Such firms generally have weakened ties with their country of origin.

TUC The Trades Union Congress, a national UK organization representing all affiliated trade unions.

Uncertainty avoidance An accepted measure of cultural difference developed by Hofstede. High uncertainty avoidance denotes a reluctance to take risks.

UNISON Trade union representing public sector workers in the UK.

Unitarist and pluralist frames of reference The unitarist perspective emphasizes shared goals among all members of the organization and managers find it difficult to acknowledge that trade unions have a legitimate role in their organization. A pluralist frame of reference acknowledges that different groups within the organization may have different goals. Within such a perspective, trade unions are seen as legitimate representatives of the wishes of employees.

Universalism versus particularism A measure of cultural difference used by Trompenaars. A universalistic culture favours rules over relationships. A particularistic culture favours relationships over rules.

Unlisted securities market Part of the UK stock exchange through which small firms can raise investment capital.

Value added The difference between the value of sales and the cost of the inputs to achieve those sales.

Value chain The value chain offers a view of the organization as a cumulative build-up of added value for the customer through the interaction between key operations activities. The end result is greater than the sum of its parts and, for profit-seeking organizations, means increased margins. The value chain was developed as a model by Porter (1985).

Value engineering The rigorous analysis of the product to investigate where cost savings can be made in the design or manufacture or perhaps where the element can be substituted by one of lower cost.

Vertical integration An integrated system of backward and forward integration. See also *Backward integration* and *Forward integration*.

Virtual organization This refers to a modern organizational form in which members of a team remotely work together using electronic communication devices such as email, video conferencing, web-cam, etc. Such a structure enables people in the same organization in different locations or even countries to work together in real time.

Whistleblowing A process whereby employees report any practice or incident where members of the company have been behaving unethically.

World Bank An organization set up by the 1944 Bretton Woods conference to initiate and fund development projects around the world. See also *Bretton Woods*.

Work measurement The formulation of standard times needed for an average worker to complete the various tasks involved in a single job and is thus a vital component in planning.

Work study An analysis of work. See also *Method study* and *Work measurement*.

Works council A forum for employee representation in organizations that often exist independently from trade unions. A works council represents all employees and can be involved in strategic discussions. It is an important feature of the German system.

WTO (World Trade Organization) An organization set up by the *General Agreement on Tariffs and Trade (GATT)* in the 1980s to promote free trade, to establish rules for international trade and to persuade member countries to remove trade barriers.

Zaibatsu See *Keiretsu*.