Extended glossary

A B C D E F G H I J K L M N O P Q R S T U V W Z

A

ABC model: A tool used in Rational Emotive Behavior Theory to challenge irrational beliefs about adverse situations.

ABCDE monitoring chart: A tool that allows managers to get an overview of key factors that can influence the sustainable performance of an organization.

A/B test: A controlled experiment in which two groups with similar characteristics (a treatment group and a control group) are exposed to two different versions of a product or marketing method in order to find out which version is more effective (e.g. at yielding revenue or attracting more users).

Accountability: The obligation to take responsibility for your actions and give defendable reasons for them.

Accountable: Being obliged to take responsibility for your actions and give defendable reasons for them.

Accruals: Accounting entries for expenses or revenue that have already been incurred in a certain period without having been invoiced or paid yet.

Actively open-minded thinking: A form of reflective thinking in which we are open to reaching different conclusions than the one we initially favored.

Adaptive self-regulation of unattainable goals: Actively disengaging from unattainable goals while focusing efforts on new ones.

Affective conflict: A conflict that arises from incompatibilities in interpersonal relationships.

Affirmative action: Policies that favor members of groups that have been disadvantaged or discriminated against in the past.

Agency dilemma: In agency theory, the agency dilemma (also known as the "principal-agent problem") describes a situation in which the "agent" (who makes decisions and works on behalf of the "principal") is motivated to follow their own best interest which might come into conflict with the principal's best interest.

Agency theory: An approach from economic theory that explains how to best organize the relationship between one person or entity (the "agent") who makes decisions and does work on behalf of another person or entity (the "principal").

Agenda setting: The activity of defining priority issues for the organization.

Agent: In agency theory, an “agent” is a person or entity who makes decisions and does work on behalf of another person or entity (the “principal”).

Agile: An approach to organizing that is based on using self-managed multi-disciplinary teams to tackle tasks in short iterative cycles and in close interaction with customers.

Agile development: A software development concept that is characterized (a) by close collaboration between cross-functional teams and customers and (b) by an incremental approach in which functionalities and designs are continuously revised and adapted in short feedback cycles.

Ambidexterity: An organization’s ability to balance exploration (preparing for future opportunities and challenges) and exploitation (efficiently managing its current activities).

Ambiguity: The quality of having more than one possible meaning and being open to several different interpretations.

Amortization: The allocation of the decrease in value of an intangible asset over its estimated useful life. The amount of amortization that is allocated to a certain period is recorded as an expense on the income statement for that period.

Analogy: Finding parallels between one thing and another (that is quite different from it) with the purpose of explaining something or finding new solutions to a problem.

Anchor point: A first offer (or a counteroffer) that sets a reference point for the negotiation process.

Anchor price: The price of a product or service that is frequently used by customers to make price comparisons and determine the overall relative price level of an organization.

Ansoff’s growth strategies: A strategic planning tool (proposed by Igor Ansoff) that helps an organization to examine four different growth paths: market penetration, product development, market development, and diversification.

Antidiscrimination laws: Laws that are designed to ensure that people are treated equally, regardless of their gender, nationality, ethnicity, religion, or other diversity-related characteristics.

Artificial intelligence: IT systems and machines in which human intelligence is simulated with the help of algorithms that are able to learn from experience and improve their ability to recognize patterns in data.

Assets: Resources of measurable economic value that are owned by an individual or organization.

Assignment: The act of giving work or assigning a task to someone else.

Asynchronous media: Means of conveying messages in a way that does not require the sender and the receiver to be present at the same time.

Attitudes: Mental positions (or opinions) that people form about certain issues, people, or things in an evaluative way.

Augmented reality (AR): Technologies that "augment" or superimpose the physical world with digital data.

Automatic (or experiential) information-processing system: An unconscious and fast way of thinking that requires little energy and mainly relies on associations with prior experience.

Autonomy: The freedom to decide how to perform your work.

Availability heuristic: A mental shortcut in which more salient and immediate examples more easily come to mind, thus potentially biasing our decision-making process.

B

Balanced scorecard: A management tool (developed by Robert S. Kaplan and David P. Norton) for translating a strategy into a limited set of traceable key financial and non-financial indicators.

Balance sheet: A financial statement that summarizes what an organization owns (assets) and owes (liabilities), as well as the amount of funds that shareholders have invested in the organization (shareholders' equity), at a particular point in time.

Bargaining power: The capacity to dominate another party in a negotiation (e.g. because of size advantage or because the other party does not have adequate alternatives).

BATNA: An acronym for "best alternative to a negotiated agreement" — the most favorable alternative option for a particular negotiation party in case agreement cannot be reached in a negotiation.

BCG matrix (also known as growth/share matrix): A tool for displaying the business portfolio of an organization. It was introduced by Bruce Henderson, founder of the Boston Consulting Group (BCG).

Behavioral control: A type of control that tries to directly monitor and influence the behavior of people.

Benchmarking: The practice of comparing the key metrics of your own organization with other (often best-in-class) organizations in order to identify opportunities for improvement.

Biased: Being prejudiced either for or against something.

Big data: Extremely large sets of both structured and unstructured real-time (or near real-time) data that are integrated from different sources in order to be analyzed with the help of computer technology.

Black swan events: An unpredictable event that has a high impact. The term was used by Nassim Nicholas Taleb based on the Latin poet Juvenal's reference to a "bird as rare as the black swan."

Blockchain: A technology in which records (also known as "blocks") are cryptographically secured and linked with each other. This technology allows transactions between different parties to be recorded in a way that is permanently stored and non-manipulable.

Blue ocean: New market space (devoid of competition) that is created by offering a set of customer benefits that no one else is offering.

Born global: A new business venture that from its launch pursues a strategy of operating across national borders and aims to globalize its business rapidly.

Bottom-up: Initiated or organized by people in lower levels of the organizational hierarchy (and then proceeding up into higher levels).

Bounded rationality: The idea that decision makers work under certain constraints including, in particular, limited information, the limited information-processing capacity of the human brain, and the limited time that is available for decision making.

Brainstorming: A creativity technique for groups in which group members spontaneously contribute ideas for solving a problem without criticizing the ideas of others during the process.

Bricolage: Using whatever is at hand to create something new.

Budget: An estimate of revenues and expenditures for a certain period of time (used for planning and performance control purposes).

Budgeting games: Managers' attempts to propose either unrealistically high or low estimates for budgets in order to easily achieve favorable variances between the budget and actual performance figures.

Business idea: A concept for generating economic value, for example, through offering a product or service that matches an unmet market need.

Business cycle: Fluctuations in the level of economic activity over time.

Business intelligence: A strategic approach that uses technology to collect, integrate, and analyze large amounts of data for the purpose of supporting decision making in organizations.

Business level strategy: Setting direction on how to create value and how to compete in a certain product or service market.

Business model: A representation of the main business decisions and the logic behind how a business generates value (for both customers and the organization).

Business model canvas: A template developed by Alexander Osterwalder and Yves Pigneur (often used in the form of a visual chart) for describing a business model (including customer segments, the value proposition, revenue streams, distribution and marketing channels, customer relationships, key activities, key resources, key partners, and the cost structure of the business).

Business plan: A document that describes in quite a detailed way how a business opportunity will be pursued. It usually includes a description of the opportunity, a strategy for exploiting the opportunity, information about the entrepreneurial team, a marketing plan, an operations plan, and financial forecasts.

Business presentation: The act of speaking in front of an audience in a business setting.

C

Calculated risks: Risks in which the probability and potential effects of negative outcomes are minimized.

Capabilities: The skills and routines used by an organization to combine resources in order to create value.

Capital budgeting: The process of planning and determining large (long-term) investments for an organization.

Capital expenditure (CAPEX — also known as capital investment): Money that an organization spends to acquire or add value to fixed assets that are used for creating future benefit beyond one taxable year.

Cash: In accounting terms, cash is used for money in hand (coins and banknotes that were issued by the government) and in bank accounts as well as payment tools such as checks or money orders. Sometimes the term cash also includes *cash equivalents*, highly liquid assets that can be quickly converted into cash (e.g. marketable securities).

Cash conversion cycle: A financial metric that measures the time that it takes for an organization to convert cash outflows for stocking up its inventory into cash inflows from sales to customers.

Cash cow: One of the four categories of the BCG matrix that includes business units (or products and services) with a strong market position in a low-growth (mature) market. It is called "cash cow" because it ought to generate high amounts of cash that can be "milked" by the organization.

Cash flow forecasting: Predicting the timing and amount of cash inflows and outflows over a specific timeframe.

Cash flow from financing activities: A summary statement of the amount of cash that an organization receives or pays in its external financing activities, for example, raising new share capital (e.g. through issuing more stock) or repaying investors (e.g. in the form of dividends or repurchasing stock), issuing or paying off bonds, and increasing or repaying loans.

Cash flow from investment activities: A summary statement of the amount of cash that an organization receives or pays in selling and purchasing long-term assets.

Cash flow from operating activities: A summary statement of the amount of cash that an organization generates and uses in its regular business activities.

Cash flow statement: A summary statement of the cash transactions (sources and uses of cash) of an organization during a certain period. It is usually divided in three parts: cash flow from operating activities, cash flow from investment activities, and cash flow from financing activities.

Categorical imperative: An ethical principle (proposed by the German philosopher Immanuel Kant) that postulates (a) that we should always act in such a way that the general principle (or "maxim") behind our actions could become a universal law, and (b) we should never treat humanity as a means but always see it as an end in itself.

Categorical thinking: A fast thinking mode (a sub-category of System 1 thinking) in which we quickly react to stimuli through the use of heuristics and simplified categorizations.

Causal ambiguity: Uncertainty about the cause-effect relationship between different variables (e.g. about the factors that determine the performance of an organization).

Causality: A cause–effect relationship between different variables.

Cause and effect web: Multiple causal relations (and interrelations) between different factors and elements in a complex system.

Cause-effect attribution: Assuming a link between two phenomena in which one causes the other.

Center of influence: People who play a central role in an organization in terms of their power to influence other people's opinions.

Change formula: A change management concept that describes, in quasi-mathematical terms, how the combination of **d**issatisfaction with the current state of an organization, a compelling **v**ision for a better future, and the **f**irst concrete steps taken toward the vision need to exceed **r**esistance to change in order for a change management effort to succeed (**D x V x F > R**).

Change management: A systematic approach of initiating, coordinating, and controlling transition and transformation efforts in an organization.

Channel richness: The extent to which a communication channel or technology allows the transmission of verbal and non-verbal information.

Circadian rhythm: The "internal clock" that determines the daily cycle of waking and sleeping in human beings.

Cloud: A metaphor for the Internet (used in the context of the delivery of information technology services over the Internet).

Cloud computing: The use of computing services (e.g. software applications, data storage and exchange, or computing power) over the Internet (the "cloud").

Coach: A person who helps another person to reach their potential, usually through discussing work-related issues and providing guidance and advice.

Coaching: A development process in which one person helps another person to reach their potential, usually through discussing work-related issues and providing guidance and advice (often through asking questions that help the other person to thoroughly reflect on an issue).

Co-acting group: A group that is working toward achieving a common goal without much personal communication and interaction.

Coalition: An alliance between different people with the aim of achieving a common goal.

Code of conduct: A set of general rules of behavior for a certain group of people (e.g. for all members of an organization).

Co-evolution: A process in which two or more systems (or a system and its environment) change state as they successively influence each other.

Cognitive: Related to mental action (thinking processes).

Cognitive limitations: Limitations of the human brain, particularly its limited capacity for attention, memory, and comprehension and its tendency to use heuristics (or "mental shortcuts").

Cognitive restructuring: The process of identifying and disputing negative and irrational thoughts and beliefs.

Collaborative software: Digital tools that are specifically designed to help teams accomplish their common tasks.

Collective bargaining: A negotiation of terms of employment (e.g. salaries or work hours) between an employer and union members who are negotiating on behalf of a group of employees.

Collectivism: A cultural dimension that describes the tendency to emphasize group interests as well as identification with and loyalty to a group.

Communication codes: A system of symbols and rules that is used for transmitting information (e.g. graphical signs, spoken language, or digital data).

Communication conventions: Norms about how and when different communication codes are typically used in a communication situation.

Competencies: The abilities, skills, and expertise that allow an individual or an organization to effectively perform and develop.

Competency trap: The (false) belief that the practices that were effective in the past will also continue to work in the future (despite changing environmental circumstances).

Competitive empathy: The ability to see the world through the eyes of the competitors and to understand their motives, interests, and typical patterns of behavior.

Confirmation bias: The tendency of the mind to seek and favor information that confirms existing beliefs.

Conflict: A serious disagreement based on diverging interests, different points of view, or other incompatibilities.

Conflict management: The practice of finding solutions that maximize positive outcomes and minimize negative outcomes in conflict situations.

Conglomerate: Large corporations with subsidiaries that operate in a variety of different markets and business areas.

Consignment: A trust-based trading arrangement whereby party A hands over goods to another party B who is supposed to sell the goods. The goods remain in the legal ownership of party A until party B has actually sold them.

Constructive conflict: A situation in which different interests or opinions collide, albeit in a way that all parties involved actively and respectfully work together to resolve the issue.

Constructive dialogue: A conversation in which all parties are focused on working together for the organization's benefit.

Contribution: In cost accounting, contribution is the difference between product-related revenue and product-related variable costs.

Control system: Procedures that are designed to ensure that either behaviors or outcomes conform to certain standards or remain within pre-defined limits.

Cooperative strategy: The sum of decisions about whether, with whom, and how an organization cooperates in order to reach its strategic goals / a strategy in which two or more organizations work together to achieve a common goal.

Coordination mechanisms: The means to ensure that people in an organization work in a coordinated way toward achieving common goals.

Core competency: Key organizational capabilities which can be used for creating value and achieving a sustainable competitive advantage in a variety of different markets.

Corporate entrepreneurship: Entrepreneurial activities in larger, established organizations.

Corporate level strategy: Setting the general direction for a multi-business organization, especially deciding where (in which industries or markets) to compete, how to grow the organization, and how to cooperate with other organizations.

Corporate social performance: Outcomes of pro-social behavior by organizations that are beneficial for society and the environment from the perspective of key stakeholder groups.

Corporate social responsibility (CSR): A management concept that orients businesses toward making positive impacts on society and the natural environment.

Corporate strategy: Short for *Corporate level strategy*.

Correlation: A measure that indicates the extent to which two or more variables are statistically related to each other. When variables correlate, they occur or fluctuate together. This does not automatically imply that they are also causally connected.

Cost accounting: The process of recording, classifying, and analyzing all costs that are incurred in an organization's activities in order to establish a basis for controlling and managing costs.

Cost allocation base: A variable that is used for allocating indirect costs to specific cost objects (e.g. products, projects, or departments).

Cost leadership: A generic strategy that is oriented toward producing a product or service at a lower cost than the competition.

Cost of goods sold (COGS): Costs that are directly attributable to the production of goods (or the provision of services) which have been sold in a certain period.

Counseling: A therapeutic process in which one person helps another person to resolve personal problems.

Co-variation: Two or more variables are changing at the same time (in correlation with each other).

Creative destruction: This term (attributed to the political economist Joseph Schumpeter) describes the introduction of innovative products, services, and methods of organizing and creating value that "destroy" the business model of incumbent firms in an industry.

Creativity: The process of using imagination to generate new, useful ideas about how things could be done.

Credit review: An assessment of a person's or organization's creditworthiness.

Critical processes: Business processes with high relevance for customers, a high share of the total costs, and high potential for improvement.

Critical tasks: The most important tasks that need to be accomplished in order to be able to perform well in a certain role or objective.

Critical uncertainties: Those external events beyond the decision maker's influence that have the highest possible impact on the variation of the outcome of decisions.

Cross-cultural communication: The act of conveying information and meaning between people from different cultural backgrounds.

Crowdsourcing: Obtaining certain resources (e.g. ideas, services, or content) from a large group of people (usually via the Internet).

Cultural control: A type of control that tries to shape people's behavior through creating and maintaining a system of shared values and beliefs.

Cultural dimensions: A generalized framework of relatively enduring sets of values and norms that are used to describe differences and commonalities between different cultures.

Cultural fit: Achieving a good match between the values, attitudes, and behavior of a person and the prevailing culture of an organization.

Cultural intelligence: The ability to interact effectively with people from different cultural backgrounds.

Culture: Basic assumptions, values, beliefs, norms, and tendencies in behavioral patterns that are shared among the members of a certain group or community.

Cycle time: The total time that it takes to complete one "cycle" of a process or operation (i.e. how long it takes from the start to the end of the process).

D

Data warehouse: A large, central database that is used as a repository of data generated by all parts of an organization for analytical or reporting purposes.

Days in inventory: A measure for the average number of days that an organization holds inventory before it is sold.

Days payable outstanding: A measure for the average number of days between the date when an organization receives goods and services from suppliers and the date when the suppliers are paid.

Days sales outstanding: A measure for the average number of days between the delivery of goods and services to customers and the receipt of payment for these goods and services.

Decision: A situation in which managers need to choose what to do and what not to do.

Decisional roles: Managerial roles related to making decisions.

Decision support system: A computer-based information system that is used to support managers in their decision-making process.

Decision tree: A tool for visualizing the options, critical uncertainties and their probabilities, and potential outcomes of decisions.

Delegation: The transfer of both responsibility and authority for completing a task to another person.

Deliberate practice: A learning process in which the learners try to enhance their performance through repeating activities with a conscious focus on improving certain aspects of these activities and reflecting on feedback that they receive on how they performed the activities.

Demand variability: A measurement for how strongly customer demand fluctuates over time (i.e. changes from one period to another).

Depreciation: The allocation of the decrease in value (or "write-off") of a tangible asset over its estimated useful life. The amount of depreciation that is allocated to a certain period is recorded as an expense on the income statement for that period.

Derived problem: A problem that occurs as a consequence of an underlying problem, but is not itself the root cause of the symptoms that the manager wants to deal with.

Design thinking: A systematic approach to solving complex problems that is based on methods that designers use in the design process.

Development cycle: A four-step process (Challenge — Act — Feedback — Reflect & Correct) that describes how people can effectively develop skills and competencies.

Development plan (also known as a professional development plan): A document that includes objectives and activities to develop a team member's skills and competencies.

Dialectic thinking: The ability to see both sides of a situation and weigh arguments ("thesis") and counter-arguments ("antithesis") in order to find a solution that integrates both points of view ("synthesis").

Dichotomy: A division between two groups or concepts that are clearly distinct or in opposition with each other.

Differentiation: In an organization science context, differentiation describes the division of work within an organization into subunits. In Michael Porter's generic strategies, differentiation describes a strategy that is oriented toward offering distinct benefits for customers that the competition is not able to offer.

Digital competence: The ability to spot trends in digital technology that might have a potentially disruptive or enhancing effect in your industry, and to integrate digital technology in value-enhancing activities for the organization.

Digital procurement: Using digital technologies to obtain or acquire goods and services.

Digital strategy: A high-level plan for using digital information and communication technologies for improving business performance and creating competitive advantage.

Discounted cash flow method: A method for analyzing the value of a company or an asset by means of calculating the present value of all anticipated future cash flows using the estimated cost of capital as a discount rate. It is based on the idea of the time value of money — that cash flows today are worth more than cash flows in the future (because today's cash flows can be invested to generate more returns in the future).

Discount rate: In discounted cash flow analysis, the discount rate is the estimated cost of capital that is used to determine the net present value of future cash flows. A frequently used discount rate is the average rate of return that the shareholders and lenders expect to receive from the company.

Discourse ethics: An ethical principle that emphasizes the value of reaching agreements about moral norms through a fair process in which all parties who are affected by the norm can put forward their viewpoints free of constraints and coercion.

Disseminator: One of Mintzberg's ten managerial roles in which the manager is expected to pass on relevant information to other people.

Distribution channel: The network of all people and organizations that are involved in delivering a product (or service) from the producer to the customers and final consumer.

Distributive justice: Perceived fairness in distributing benefits and burdens within a certain group or society.

Disturbance handler: One of Mintzberg's ten managerial roles in which the manager is expected to solve (immediate) problems.

Distributive justice: Perceived fairness in the distribution of goods, benefits, and duties.

Distributive negotiation: A competitive negotiation in which all parties try to gain the larger share of a fixed amount of resources.

Diversification: In strategic management, diversification describes the process of entering into new markets with new products or services. In risk management, diversification is the strategy of increasing variety (e.g. of assets, markets, customers, or suppliers) to avoid an overreliance on one or few alternatives.

Diversity: Variation among people in visible and invisible characteristics (including, for example, age, gender, ethnicity, social class, religion, sexual orientation, values, personality, or physical ability).

Diversity awareness training: Training activities that are focused on familiarizing people with the value of diversity and inclusion, and trying to develop a higher degree of sensitivity and openness toward people with different backgrounds and characteristics.

Diversity climate: The extent to which members of an organization share the opinion that fostering diversity and inclusion should be valued and supported in the organization.

Diversity council: A group of people who provide advice to senior management on diversity- and inclusion-related issues.

Diversity manager: A person who has the task of developing and implementing policies and practices that foster diversity and inclusion in an organization.

Diversity policies: A system of goals and principles that are used as a guideline for fostering diversity in an organization.

Diversity practices: A set of practices that are used to foster diversity in an organization.

Diversity signals: Information about an organization's focus on promoting diversity.

Diversity skills training: Training activities that are focused on improving the ability to constructively and effectively communicate and collaborate with people with different backgrounds and characteristics.

Diversity training: Training activities that are focused on developing the diversity awareness and diversity skills of members of an organization.

Divisional structure: An organizational arrangement that combines all the tasks related to a certain product, customer group, or geographical region in distinct subunits.

Dominant coalition: Powerful actors who together determine the overall strategic direction of an organization.

"Double multiplicity" of management: The phenomenon that in organizations that are complex open systems with many interrelated elements, one decision can lead to multiple consequences and multiple actions are often needed to reach one goal.

Dual focal value theory: James G. March and Zur Shapira put forward this theory that posits that people tend to change their risk preferences at two key reference points: the target level of performance (the point where they have actually achieved what they aspired to) and the survival level (the point where they could lose everything).

Dynamic capabilities: The skills and routines that allow an organization to learn and create new or adapt existing resources or capabilities.

Dynamic social system: A constantly changing, interdependent set of human relationships that together form a unified whole.

Dynamic system: A system which rapidly evolves over time.

E

EBIT: Short for *earnings before interest and taxes*. It is an indicator of the profitability (in terms of operating performance) of an organization. EBIT is calculated as revenue minus all expenses (excluding taxes and interest on debt) in a certain period.

EBT: Short for *earnings before taxes*. It is an indicator of the pre-tax profitability of an organization. EBT is calculated as revenue minus all expenses (including interest on debt but excluding taxes) in a certain period.

Economies of scale: Cost advantages that result from higher production or sales volumes (leading to lower unit costs).

Economies of scope: Cost advantages that result from using one resource base for producing or selling two or more distinct products (leading to lower unit costs).

Effectiveness: The degree to which desired results or effects are reached.

Efficacy: The power or capacity to produce a certain effect.

Efficiency: The state of doing something in the most economical way.

Elimination by aspects: A tool that allows decision makers to choose between different options by setting threshold values for their objectives and successively eliminating those options that do not meet these threshold values.

E-mail overload: Feeling stressed by receiving too many e-mails.

Emergent strategies: Strategies that result from a (previously unintended) pattern of decisions which together propel the organization in a certain direction.

Empowerment: The leadership practice of giving a person or a group of people more autonomy so that they can set their own priorities, make decisions, and solve problems independently.

End node: In a decision tree, the term "end node" stands for the point where all critical uncertainties have been considered for a certain option. It is possible to define the outcomes of the decision at this point.

Energy zones: A classification of the current or desired energy state of an organization along the dimensions *quality* (positive or negative energy) and *intensity* (low or high energy).

Entrepreneur: An individual who discovers, evaluates, and exploits opportunities for creating or developing a business.

Entrepreneurial manager: A manager who is engaged in entrepreneurial activities (i.e. in recognizing, creating, and pursuing opportunities for value creation), regardless of whether these activities are performed in new ventures or established organizations.

Entrepreneurial opportunities: Previously unexploited ways of creating economic value through matching innovative solutions with unmet market needs.

Entrepreneurial role: One of Mintzberg's ten managerial roles in which the manager is expected to actively adapt an organizational unit to the opportunities and challenges of a changing environment.

Entrepreneurship: The process of engaging in innovative activities which are oriented toward creating and exploiting new business opportunities.

Environment: The sum of the external factors and forces that can influence the performance and development of an organization.

Equal employment opportunities: Legislation or policies that protect employees from discrimination in all aspects of employment.

Ethical action: A course of action that is clearly defensible with ethical reasoning, following conscious thought about the ethical issues involved in the decision.

Ethical ethnocentrism: The general belief that the ethical standards and values of one's own group or society are the "right" ones.

Ethical intelligence: The intellectual ability to make decisions based on principles of morality.

Ethical relativism: The general belief that the ethical standards and values of one society are just different, but not necessarily better or worse than those of another society.

Ethical responsibility: The obligation to decide and act in a way that is morally correct.

Ethical situation: A situation in which a decision needs to be made as to which course of action is morally right or wrong.

Ethical standards: Principles of what is considered morally right behavior in a certain group or culture.

Ethical universalism: The general belief that there are moral values and a universal ethic that apply to everyone in the world, regardless of their cultural background or any other diversity-related characteristic.

Ethics: The process of conscious deliberation about what is morally right or wrong.

Ethics of care: An ethical principle that postulates that people who are close to us and dependent on us should be treated with particular consideration and care.

Event-driven: Reacting to whatever happens during the day, rather than actively working toward your goals.

Execution: In a business context, execution refers to the decisions and actions that are taken to implement a strategy effectively.

Executive: A person who has the responsibility and authority to manage an organization or a part of an organization at a senior hierarchical level.

Expectancy theory: A theory of human motivation that suggests that people are motivated to put in more effort when they expect that their effort leads to higher performance that, in turn, can lead to positive outcomes that they value.

Expected value: In probability analysis, the expected value is computed by multiplying the value of each possible outcome with the probability that this particular outcome will occur, and then adding together all the resulting values.

Expenses: Costs that are incurred in order to generate revenue in a certain period. There are accounting rules about what qualifies as an expense. In addition to cash expenses there are also non-cash expenses related to the depletion of assets (e.g. depreciation or amortization) or incurrence of liabilities.

Experimental approach to management: Being open to revising managerial decisions in light of changing evidence.

Expertise: High-level knowledge and skills in a particular domain.

Exploitation: Organizational activities that are oriented toward efficiently exploiting existing competencies.

Exploration: Organizational activities that are oriented toward ensuring the future viability of an organization (e.g. through exploring new opportunities, building new competencies, learning, or innovating).

Extrinsic motivation: The drive to do something because of external rewards or control mechanisms.

F

Family business: A commercial organization in which ownership and decision making are strongly influenced by a family (usually involving several generations).

Feedback: Information that is given to an individual or a group of people about their prior behavior with the aim to either adjust or reinforce the behavior.

Feedback analysis: The self-evaluative practice of comparing the outcomes of your decisions or actions with your prior expectations.

Femininity: A cultural dimension that describes a preference for values that are often attributed to the female gender, e.g. cooperation, modesty, seeking harmony, and caring for quality of life.

Figurehead: One of Mintzberg's ten managerial roles in which the manager is expected to perform ceremonial duties on behalf of the organization.

First-level effectiveness: The state of achieving a certain goal or desired outcome.

Fixed costs: Costs that do not vary over a certain period of time, regardless of a change of volume of either an activity or output during that period.

Focus: A generic strategy that is oriented toward serving a niche market with highly specialized products or services.

Focus group: A market research technique in which a small number of people from a certain target group participate in a structured discussion with the aim of finding out more about the target group's perception of a certain product or topic of interest.

Focusing illusion: A cognitive bias in which we attach too much weight to only one aspect of a particular situation or choice.

Framing: Setting a problem within a particular context that can determine the set of potential options to address the problem.

"F-R-E-P" model: A model for structuring a termination meeting in four phases: facts (coming straight to the point), reasons (inform the person about the reasons for terminating the employment contract), empathy (accept and understand emotional reactions), and perspective (provide information about future steps).

Frequency of good and bad aspects: A tool that allows decision makers to choose between different options by finding the option which meets the most threshold criteria set for the objectives that the decision makers want to achieve.

Friedmanite perspective: The idea (attributed to Milton Friedman) that the only responsibility businesses have in society is making and increasing profits (within the boundaries of the law).

Functional structure: An organizational arrangement that leads to the creation of subunits based on their primary function (e.g. purchasing, production, marketing, sales, or finance).

G

Game theory: The process of (mathematically) analyzing situations in which two or more parties make interdependent decisions.

Generic strategies: A model (proposed by Michael Porter) of three basic strategies that can generally be used to achieve a competitive advantage (cost leadership, differentiation, focus).

Global Reporting Initiative (GRI): An international organization that sets standards for sustainability reporting through a multi-stakeholder dialogue.

Global virtual teams: Geographically dispersed teams composed of team members from different countries who are interacting primarily with the help of modern communication technology.

Goal-setting theory: A theory of human motivation that suggests that people are motivated when they (a) have specific, challenging, and accepted goals; and (b) regularly receive feedback on whether they are getting closer to reaching these goals.

"Golden Rule": The universal ethical principle of treating others as you would like to be treated yourself.

Governance structures: Systems and processes by which organizations are directed and controlled in a way that ensures accountability.

"Greenwashing": Trying to give the impression (for marketing purposes) that your company cares for the environment.

Gross profit: The difference between total revenue and cost of goods sold.

Gross profit margin: A financial metric that describes what percentage of the money received as revenue is left after deducting the cost of goods sold. It can be calculated in two steps: (1) deduct cost of goods sold from revenue; and (2) divide the result by revenue and express the resulting proportion as a percentage.

Group decision support system: A computer-based information system that is used to support groups in their decision-making process.

Group norms: Standards for what is considered "normal" or "correct" behavior in a certain group.

Groupthink: A term introduced by social psychologist Irving Janis to explain the phenomenon of forced conformity and consent in groups in which diverging opinions are suppressed.

Growth strategy: An overall plan and specific strategic initiatives to grow an organization in size.

Guānxi: The Mandarin Chinese word for 'relation' or 'connection' — it is often used to describe the importance of a close personal network when doing business in China.

Gut feeling: An instinctive feeling for which we cannot give a clear reason (usually based on intuition).

H

Helicopter view: The ability to see a problem in its overall context, while still being able to attend to details if necessary.

Heuristics: Simple rules or "mental shortcuts" by which decisions are made on the basis of learning from prior experience in similar situations.

High-context culture: A culture in which the context of how a message is delivered (e.g. body language, the tone of voice, facial expressions, or what is not said) provides important additional clues about what the sender really wants to convey.

Hindsight bias: The (false) perception that an event or development has been predictable, although this perception was only formed after the event.

HiPPO: "The highest paid person's opinion" — the term is used to describe the tendency of a group to follow the opinion of its most powerful members.

Holacracy: A decentralized organizational approach that is based on the distribution of decision-making rights across the organization. The basic elements of a holacracy are autonomous, self-managing teams (called "circles") in which people fill well-defined roles and work according to a specific set of rules.

Holistic pattern-recognition process: Recognizing regularities, overall shapes, and general principles in a context that is characterized by many different interrelated elements.

House of Digital Strategy: A framework that includes the main foci of interest for developing a digital strategy.

Human dignity: The idea that every single person has an inherent value and the right to be treated with respect and equal to everyone else.

Human rights: A set of rights that every human being is entitled to without discrimination. The most important document that summarizes our human rights is the Universal Declaration of Human Rights (adopted by the United Nations General Assembly in 1948).

Humility: The value of being humble, modest, and free from arrogance.

"Hybrid" strategies: A business strategy that combines distinct benefits for customers (differentiation) with low production costs (and thus relatively low prices for customers).

Hypothesis-driven entrepreneurship (or lean start-up): An approach to pursuing entrepreneurial opportunities that is based on setting up hypotheses about how an opportunity could be exploited, testing these hypotheses directly in the market, and then adjusting the business model accordingly.

I

Implementation path: Five key activities that managers need to undertake in order to transform a strategy into actual organizational performance: identify critical tasks, match tasks and people, coordinate, energize, and control.

Inclusion: The act of creating an environment in which differences are valued and no one feels marginalized or excluded.

Inclusivity: The practice of including people from all diversity-related backgrounds without marginalizing or discriminating against any group of people.

Income statement: A summary statement of total revenue and expenses that led to the profit (or loss) of an organization over a certain timeframe (e.g. a month, quarter, or year).

Indirect costs: Costs that cannot be directly attributed to a specific cost object (e.g. a product, department, or project). Indirect costs are usually distributed between different cost objects by means of a cost allocation base.

Individualism: A cultural dimension that describes the tendency to prefer a society in which individuals care mainly for themselves and their immediate family.

Industry: A group of organizations that provide the same kind of value to the same target market.

Industry life cycle: The typical development of an industry through different stages (usually start-up/introduction, growth, maturity, and decline).

Influence: Having an effect on the opinion, beliefs, or behavior of other people.

Influence map: A tool for displaying who has more or less influence within a certain group of people.

Informal leader: A person who influences and leads other people in the organization without holding a formal authority position.

Informational justice: Perceived fairness in receiving adequate information about organizational decisions and processes.

Informational roles: Managerial roles that involve obtaining, processing, and disseminating information.

Information asymmetry: A situation in which one party has access to more information than other parties that are acting in the same domain.

Innovation: The development and actual implementation of new ideas for products and services, practices, or organizational procedures that create value for customers and the organization, respectively.

Innovation management: Managerial practices that are oriented toward fostering innovativeness and initiating, designing, and managing innovation processes in organizations.

Innovation process: A social process in which different people interact in order to create new value offers or accomplish changes in the value creation system within an organization or across organizational boundaries.

Innovativeness: An organization’s capacity to innovate.

Inquiry: A group decision process that is oriented toward openly examining the facts to find the best solution in a certain situation.

Insolvency: The inability of an organization to meet its financial obligations when they become due.

Insourcing: A business practice in which non-core tasks or activities of an organization are performed internally instead of being outsourced to another organization (although this would be possible for these particular tasks or activities).

Institutional environment: The sum of all norms, regulations, and governance structures in a certain place (e.g. in an organization or a country) which have a potential impact on an organization’s behavior and success.

Instrumental values: According to Milton Rokeach’s theory of values, instrumental values are desirable modes of behavior that we should follow in the attempt to achieve our life goals.

Integration: In an organization science context, integration describes the endeavor to combine the efforts of different subunits to enable them to work in a coordinated way toward a common goal.

Integrative negotiation: A joint problem-solving approach in which the negotiation partners try to find a “win–win” solution that creates value for all parties.

Intention-driven: Taking the actions that you had planned to take beforehand.

Interactional justice: Perceived fairness and respect in the way that people treat one another in an organization.

Intercultural negotiations: Negotiations between people from different cultural backgrounds.

Intergroup conflict: A conflict between different groups of people.

Intermodal thinking: Using a combination of different thinking modes to come to a conclusion; for example, first listening to our intuition and then consciously using a rational-analytic approach to make a decision.

Internal customer: A person or organizational unit that uses goods or services supplied by another person or unit within the same organization as inputs to their work.

Internet of Things (IoT): The network of all physical objects, devices, and machines that are able to exchange data over the Internet.

Interpersonal conflict: A conflict that arises from personal differences (e.g. in values, attitudes, or personality) between two or more individuals.

Interpersonal roles: Managerial roles that involve interacting with other people.

Intragroup conflict: A conflict between members of a group.

Intra-organizational market: A coordination mechanism in which resources are allocated between different units through letting the forces of supply and demand set *transfer prices* (prices for transactions between organizational units under a common ownership).

Intrapreneur: An employee who exhibits entrepreneurial behavior (i.e. discovers, evaluates, and exploits opportunities for creating or developing a business) within a larger organization.

Intrapreneurship: A synonym for *corporate entrepreneurship*.

Intrinsic motivation: The drive to do something because performing the activity is in itself rewarding for an individual (including in the absence of any external rewards or control).

Introversion: A personality trait that is characterized by being predominantly interested in internal thoughts and feelings rather than contact with other people (introverts are often seen as shy by others).

Intuition (or intuitive thinking): A fast thinking mode (a sub-category of System 1 thinking) in which we quickly react to stimuli through the use of an experience-based holistic pattern-recognition process that leads to an emotional response.

Inventory management: Activities that are undertaken to ensure the availability of an optimum amount of inventory of the right quality, at the right time, in the right place, and at the lowest possible cost.

Input-output analysis: An analysis of the physical flows of materials and energy into and out of an (organizational) entity.

I-O/O-I analysis (short for Inside-out/ Outside-in analysis): A tool that helps to link the results of the external and internal strategic analyses through finding out (a) which opportunities can be exploited with an organization's existing resources and capabilities, and (b) which resources and capabilities an organization should develop in order to be able to exploit major opportunities.

J

Job profile: A description of the tasks, responsibilities, and required qualifications and skills for a particular position in an organization.

Just-in-time: A strategy for inventory management in which organizations aim to receive goods from their suppliers exactly at the point in time when they are needed in the production process in order to reduce inventory costs.

K

Key account management: A systematic approach to building and maintaining good relationships and coordinating all activities related to particular key customers.

Key performance indicator (KPI): A measure of performance that allows the management to monitor to what extent a person or an organization achieves major goals.

Knowledge worker: A person whose job is mainly oriented toward creating, handling, or using knowledge.

L

Layoff: A term that was originally used for temporary suspension of employment, but is now more often used for the termination of an employment contract by the employer.

Leader: A person who is able to convince others to follow them (in thought and action) in order to achieve certain goals / One of Mintzberg's ten managerial roles in which the manager is expected to positively influence other people's performance.

Leadership: A process of social influence in which one person is able to convince other individuals or groups of people to accomplish certain tasks or achieve certain goals.

Lead users: Forerunners of market trends and early adopters of new technologies, products, services, or processes with a strong tendency to innovate.

Lean manufacturing: Management principles that are used by manufacturing companies to minimize or eliminate waste in order to increase efficiency.

Lean start-up (or hypothesis-driven entrepreneurship): An approach to pursuing entrepreneurial opportunities that is based on setting up hypotheses about how an opportunity could be exploited, testing these hypotheses directly in the market, and then adjusting the business model accordingly.

Legacy: Handing something down from one person to another or from one generation to the next.

Liabilities: Obligations of an organization that are expected to lead to cash outflows in the future (e.g. amounts that a company owes to lenders and suppliers).

Liaison: One of Mintzberg's ten managerial roles in which the manager is expected to act as a contact person for other people and organizational entities from outside the manager's own unit.

Liaison roles: Individuals or units that act as a coordinative link between other organizational units.

Licensing: A business arrangement in which one organization (the "licensor") grants another organization (the "licensee") the right to use certain legally protected properties (e.g. patents or copyrights), usually in exchange for paying a license fee.

Life cycle assessment: A method for analyzing the environmental impacts (e.g. inputs and outputs of materials and energy) at all stages of a product or service life cycle from raw materials extraction, though the supply chain, production process, distribution, and use, to disposal and recycling.

Line management: Management functions with subordinates who are directly involved in the core business activities of an organization.

Lingua franca: Also known as a "bridge language," a *lingua franca* is a language that is often used by people with different first languages to communicate with each other.

Liquidity: The ability of an organization to meet all immediate and short-term payment obligations.

Long-term impact responsibility: The obligation of a manager to consider the long-term societal and environmental consequences of their decisions and actions.

Long-term orientation: A cultural dimension that describes the extent to which people focus on the future and feel that perseverance will help to change things.

Low-context culture: A culture in which the information that is transmitted in oral or written form usually does not carry implicit meanings (i.e. people mean exactly what they say).

M

Macro environment (general environment): External factors (outside of an organization's control) that can influence an organization's strategy, value creation process, or performance (including political, economic, socio-demographic, technological, environmental, and legal influences).

Majority of confirming dimensions: A tool that allows decision makers to choose between different options through pairwise comparisons of options according to their relative performance against different objectives.

Manager: A person who is responsible for the performance and development of a group, an organizational unit, or an organization as a whole.

Margin (also called *profit margin*): The ratio of profit to total revenue in a certain period (usually expressed as a percentage).

Marginal cost: Additional costs that accrue when one additional unit of a good or service is produced.

Market capitalization: The value of a company on the stock market, calculated by multiplying the total number of shares outstanding by the current market price per share.

Market penetration: The activity of increasing the market share of an existing product or service in an existing market.

Masculinity: A cultural dimension that describes a preference for values that are often attributed to the male gender, e.g. assertiveness, achievement orientation, or competitiveness.

Mastery experience: Successfully performing (somewhat) challenging tasks.

Matrix structure: An organizational arrangement in which two organizing principles are combined, which means that employees have more than one superior (e.g. a functional manager and a country manager).

McKinsey 7-S Framework: A management model that suggests that organizations must align seven factors in order to be effective (the "hard" factors strategy, structure, and systems, the "soft" factors staff, style, and skills, and the superordinate goals of the organization).

Meaning: The significance or purpose that people find in their lives.

Meeting: An event in which people come together to discuss or decide on different issues.

Mental model: Simplified understanding of a cause–effect relationship that a person holds about a certain phenomenon.

Mentoring: A relationship in which a more experienced person (the mentor) offers personal and career guidance to a less experienced person (the mentee).

Mergers and acquisitions (M&A): The area in strategic management that deals with combining different organizations into one organization (mergers) or purchasing other organizations or parts thereof (acquisitions).

Micro environment (industry environment): Factors in the immediate surroundings of an organization that can influence an organization's strategy, value creation process, or performance (e.g. customers, suppliers, distribution partners, investors, or competitors).

"Mindguards": Group members who filter out information that could contradict the mainstream views and beliefs held by the group.

Minimum viable product: A simplified version of a product that is just good enough to deliver value for customers. It is usually used to test and refine product ideas.

Minutes: Written records of a meeting (usually including a list of attendees, the main issues that were discussed, the decisions that were taken, and the timeline and people responsible for implementing these decisions).

Mission: A short statement that describes the core purpose or *raison d'être* of the organization.

Mobility barrier: Difficulties or challenges that organizations face when they would like to move from one strategic group to another.

Monitor: One of Mintzberg's ten managerial roles in which the manager is expected to identify and obtain relevant information from within and outside of the organization.

Monitoring: The activity of identifying and obtaining relevant information to understand what is going on both within and outside the organization.

Monitoring process: A conscious thought process in which we actively monitor the way in which we think about an issue.

Moral dilemma: A decision situation in which moral principles come into conflict.

Moral philosophy: The branch of philosophy that deals with studying justifications for the rightness or wrongness of certain actions.

Moral standards: Norms and beliefs that individuals or groups hold about what kind of actions are deemed right or wrong.

Motivation: The inner drive to do something and to follow certain goals.

Multitasking: The practice of doing more than one thing at the same time.

N

Natural employee turnover: The "normal" percentage of employees who leave an organization without being forced to leave within a certain timeframe.

Negotiation: A process in which two or more parties try to reach a mutually acceptable solution for an issue in which they have diverging interests or goals.

Negotiator: One of Mintzberg's ten managerial roles in which the manager is expected to achieve the best possible outcome for their unit during negotiations.

Negotiator's dilemma: The problem that disclosing information to a negotiation partner could help to maximize gains for all sides, but at the same time also put the party who discloses the information in a worse position for claiming value.

Net profit: Also referred to as the "bottom line," "net income," or "profit after tax," it represents the actual profit that an organization makes in a certain period after deducting all expenses (including taxes and interest on debt) from revenue.

Network: A group of people with whom managers connect for the purpose of exchanging information and services.

Network structure: A flexible organizational arrangement in which a part of the tasks that an organization wants to accomplish are outsourced to other legally independent organizations while a coordinative role is retained.

"New leadership approach": An ideology of organizational leadership that emphasizes the importance of leaders positively influencing the commitment and performance levels of their followers.

"No regrets" test: As a final stage in a decision-making process, the outcome of the decision is assessed for potential negative consequences together with a judgment by the decision makers of whether they would be willing to cope with these consequences.

Normative: Prescribing how something should be.

Norms: Standards for what is considered "normal" or "correct" behavior in a certain group.

O

Objectives comparison matrix: A tool that allows decision makers to compare and rank the objectives that they would like to achieve through one-by-one comparisons.

OLAP: Online analytical processing: Computer-based tools that allow an ad-hoc analysis of large amounts of multidimensional data.

Open innovation: The idea (popularized by Henry Chesbrough) that organizations should combine internal and external ideas to find new solutions for creating value, and also think about offering their innovations to the market with the help of other organizations.

Open receivables: Legally enforceable (but usually unsecured) claims for the payment of goods and services that an organization has already delivered, but which have not yet been paid by the customer.

Open system: A system that interacts with its environment (e.g. by exchanging information or other resources).

Operating expenses (OPEX): Ongoing costs that are incurred in running the day-to-day business operations. OPEX are exhausted within one taxable year.

Operating process: A conscious thought process in which we actively try to find the right thinking approach for dealing with an issue.

Operating profit: Profit that an organization earns from its core activities; often used as a synonym for EBIT.

Operations: An organization's activities that are oriented toward transforming inputs (resources and competencies) into outputs (goods and services that create value for customers).

Opinion leader: People whose opinions have a strong influence on the opinions of other people in the group.

Options space: The total number of options that are available to solve a problem.

Organic growth: Expanding a business through using its own resources (rather than through mergers and acquisitions).

Organizational culture: Basic assumptions, values, beliefs, norms, and tendencies in behavioral patterns that are shared among the members of a certain organization.

Organizational design: The process by which managers create structures, processes, and systems that together help to coordinate the decisions and actions of the members of an organization in order to achieve a common goal.

Organizational justice: Employees' perceptions of how fairly they are treated within an organization.

Organizational structure: The allocation of tasks, responsibilities, and hierarchical relationships within an organization.

Organizational systems: Institutionalized practices that provide information and feedback, or are used to control and reward people in organizations.

Organizational transformation: A fundamental change in the way that an organization creates value (e.g. a major change to organizational structures, culture, processes, or strategies).

Organization chart: A visual representation of the organizational structure (including the main positions or organizational subunits and the reporting relationships between them).

Output control: A type of control that measures the outcome of activities after they were performed.

Outsourcing: A business practice in which non-core tasks or activities of an organization are performed by another organization on a contract basis.

Overloading: Putting more things in your schedule than you can realistically work on to an adequate standard.

P

Perceived organizational support: The extent to which employees feel that their organization values their contributions and cares about their needs and well-being.

Perceived supervisor support: The extent to which employees feel that their manager values their contributions and cares about their needs and well-being.

Performance potential: The capacity to perform in the future.

Performance responsibility: The obligation of a manager to ensure that their organizational unit reaches its economic performance goals.

Performance review (or appraisal interview): A formal discussion (usually conducted annually) between a manager and an employee about their performance and development.

Performance standard: Expectations regarding employees' behavior or the outcome of their work.

Personality type: A classification for certain patterns of psychological characteristics that commonly occur together.

Personal productivity: A measurement for the ratio between the output that a person achieves and the efforts (e.g. in terms of working time) that are needed to achieve this output.

Personal task management system: A system for managing tasks, to-do lists, and priorities.

Persuasion: The process of influencing or changing another person's opinion or beliefs about an issue.

PESTEL analysis: A tool for systematically analyzing political, economic, socio-demographic, technological, environmental, and legal factors that can have an influence on an organization's strategy, value creation process, or performance.

Platform business model: A business concept that is based on creating value through providing a platform on which different individuals or groups (e.g. consumers and producers) can exchange goods or services.

Political behavior: In an organizational context, political behavior refers to behavior that is oriented toward influencing the power relationships in an organization.

Politicking: Undertaking activities that are oriented toward gaining power and support for yourself or your own group.

Pooled interdependence: A situation in which different organizational units use the same resource pool.

Porter's five forces: A strategic tool developed by Harvard Professor Michael Porter for analyzing the competitive intensity in an industry. The "five forces" are the extent of rivalry within an industry, the bargaining power of suppliers, the bargaining power of buyers, the threat of new entrants, and the threat of substitutes.

Portfolio: In a strategic context, a portfolio (or *business portfolio*) is a set of business units that make up an organization or a set of products and services that an organization provides.

Portfolio of heuristics: A set of simple rules that people or companies use to solve problems.

Portfolio strategy: As part of corporate level strategy, portfolio strategy comprises high-level decisions about which business units an organization invests in.

Posteriorities: Those issues or tasks that are regarded as less important than others.

Potential: Latent abilities that a person or organization could be capable of developing in the future.

Potential-building responsibility: The obligation of a manager to build the potential for the future performance of their organizational unit (e.g. through investments that will reap benefits in the future).

Power: The capacity (or ability) to exert influence on other people.

Power distance: A cultural dimension that describes the extent to which inequalities and an unequal distribution of power are accepted in a society.

Price elasticity of demand: The degree to which demand changes as a response to a change in price (usually calculated as percentage change in demand quantity divided by percentage change in price).

Price-to-earnings ratio (P/E ratio): A financial ratio that is calculated by dividing the share price by the earnings per share of a company. It describes how many times the stock price is higher than the earnings (usually defined as net income minus dividends for preferred stock) that are allocated to each outstanding share of common stock.

Primary desired objectives: Objectives in a trade-off situation that are very important for the decision maker, albeit not in a "meet or die" sense (as for the required objectives).

Primary stakeholders: Stakeholder groups that are in frequent direct contact with an organization and that are crucial for its continuing existence (e.g. customers, suppliers, employees, or shareholders).

Principal: In agency theory, "principals" are people or entities who authorize other parties or entities (the "agents") to make decisions and work on their behalf.

Priorities: Those issues or tasks that are regarded as more important than others.

Priorities management: The systematic process of first classifying issues and tasks into more or less important ones and then allocating more time to the important ones.

Prioritize: Deciding which issues or tasks are more important than others.

Prisoner's dilemma: A situation where two individuals who are acting rationally (with the aim of maximizing their self-interest) may prefer not to cooperate despite the fact that collaboration from both sides could lead to a better overall outcome.

Probability: The extent to which it is likely that a certain event will occur.

Problem: A difficult situation that needs to be dealt with or solved (the gap between a desired and an existing state).

Procedural justice: Perceived fairness in the process of reaching and implementing a decision.

Process (or business process): A clearly defined sequence of activities that are carried out to transform inputs into outputs.

Process-based organization: An organizational arrangement that is oriented toward optimizing the efficiency and effectiveness of business processes.

Process management: A systematic approach to identify and optimize the flow of activities that transform inputs into outputs.

Process optimization: A systematic endeavor to reduce the costs and cycle time and increase the quality and flexibility of business processes.

Productivity: A measure of efficiency commonly defined as the ratio of outputs to inputs.

Product-market fit: The degree to which a product or service is able to attract sufficient market demand to create a viable business.

Profitability: The extent to which a business (or an activity) yields profits (i.e. generates revenues that exceed expenses).

Profit and loss account: A synonym for *income statement*.

Profit multiples: A (relatively simplistic) method of valuing a business by means of multiplying profit figures by a factor that reflects the ratio between profits and the market value of comparable businesses.

Project: An interrelated set of tasks that need to be accomplished over a limited period of time in order to achieve a goal.

Prototype: In categorical thinking, this is a typical or representative example of a certain category.

Psychological traps: Faulty thinking that leads to the wrong conclusions in decision-making processes.

Q

Qualified intuition: Intuition based on extensive domain-relevant experience.

Qualitative growth: A strategy that is oriented toward achieving a higher quality standard.

Quantification trap: Focusing on quantifiable objectives and neglecting qualitative factors that are not easy to capture in numbers.

Quick wins: Visible improvements that can be achieved quite quickly and easily.

R

Rational actor: A person who aims to maximize their utility (the benefits gained from their actions).

Rational-analytic approach: An approach to decision making that involves a logical chain of reasoning.

Rational Emotive Behavior Theory (REBT): An approach to psychotherapy (developed by American psychologist Albert Ellis) that is based on the idea that very often the emotional consequences that result from adverse situations are not caused by the adversity itself, but by the beliefs that we form about it.

Rational (or deliberate) information-processing system: A slow and controlled way of thinking that requires deliberate attention and focused energy in order to consciously follow a particular line of thought.

"Real value": A contribution to improving the material and immaterial quality of life of different stakeholder groups.

Reciprocal interdependence: A situation in which different organizational units require inputs from each other in order to be able to work effectively.

Reciprocity: The practice of two parties giving something to each other for mutual benefit.

Red ocean: Crowded market space with strong competition.

Referee: A person who is consulted to obtain information about the abilities and character of a job candidate.

Reflection: The process of carefully thinking about something (e.g. the "lessons learnt" from an event or activity).

Reporting relationship: An organizational relationship in which one person is directly accountable to another person (as part of the organizational "chain of command").

Representativeness heuristic: A mental shortcut in which we base our judgments of people or objects on their similarity to people or objects that we already know (viewing the examples that come to mind as "representative" of a certain population).

Resilience: The ability to adapt to or bounce back from adverse situations.

Resource allocator: One of Mintzberg's ten managerial roles in which the manager is expected to decide on who gets which resources.

Resource base: The total amount of factors (including land, labor, information, and capital) which are available to an organization as the basis for performing its business processes and achieving its purpose.

Resource-based view (RBV): A general theory of management that postulates that having access to and being able to make use of specific resources and capabilities is the key factor for achieving competitive advantage.

Resources: Factors (including land, labor, information, and capital) which are available to an organization as the basis for performing its business processes and achieving its purpose.

Responsibility: The obligation to take care of something or someone.

Résumé (or curriculum vitae (CV)): A written summary of a person's education, work experience, and skills.

Revenue: The total income that an organization receives from its normal business activities (usually from selling goods and services) before expenses are deducted.

Revenue model: A description of how the organization generates income from selling products or services.

Revenue stream: The money that an organization receives from providing a particular value offer to customers.

Reverse delegation: A situation in which subordinates delegate tasks to their managers.

Reward systems: Procedures for allocating monetary compensation and other benefits based on the performance of employees.

Risk: In a managerial context, risk is mostly seen as the potential of losing something that is of value. Sometimes, the term risk is used in a wider sense that can include the potential of gaining something.

Risk assessment matrix: A tool for prioritizing risks, usually along the two dimensions of likelihood of occurrence and severity of impact.

Risk intelligence: The ability to assess risks based on experience.

Risk preferences: The tendency to either be willing to take risks or to try to avoid risks.

Role expectations: Expectations that other people hold about how individuals should behave in a certain role.

S

Salient analogy: An analogy (a comparison of one thing with another) that is made on the basis of one particularly memorable situation.

Satisfice: Accepting the first solution that is "good enough" to fulfill the minimum criteria instead of looking for the optimal solution.

Scalability: The distinct ability of an organization to grow without facing major obstacles due to the basic structures of the organization inhibiting or limiting further growth.

Secondary desired objectives: Objectives in a trade-off situation that decision makers would ideally want to achieve, but which do not rank among the most important ones.

Secondary stakeholders: Stakeholder groups who are not very often in direct contact with an organization, but still have an interest in or are affected by its actions.

Secondary structural layer: Organizational units that bridge or complement the hierarchies of the primary organizational structure in order to enable the organization to accomplish important tasks that are not adequately covered by the primary organizational structure.

Second-level effectiveness: The ability to set the right goals.

Self-discipline: Practicing self-control in order to persevere with activities or maintain standards.

Self-managing teams: Teams that are operating autonomously without being under the constant supervision of a formally appointed manager.

Semi-integrated group: A group in which the group members have not yet developed the ability to effectively communicate and collaborate with each other.

Semi-structured discussion guideline: A general list of questions and topics to be discussed during an interview. The list does not have to be slavishly followed, however. It is possible to divert from the pre-defined interview structure if the interviewer sees it as appropriate in a particular interview situation.

Sensemaking: The process of giving meaning to and trying to understand the potential impact of the events and developments that are going on both within and outside the organization.

Sensitivity analysis: A test of the robustness of a decision through calculating different scenarios of what would happen if the probabilities of critical uncertainties or the outcome values of different options change.

Sequential interdependence: A situation in which one organizational unit uses the outputs of another organizational unit as inputs for its own activities.

Shared value: Proposed by Michael E. Porter and Mark R. Kramer in 2011, the concept of shared value describes strategies and practices that simultaneously create economic value for a business (through enhancing its competitiveness) and social value for the communities in which the business operates (through having a positive impact on societal conditions).

Shareholder: A person or legal entity who owns a share of a company's stock (also called a "stockholder").

Shareholders' equity: In a balance sheet, shareholders' equity is the difference between total assets and total liabilities. It represents the total amount that shareholders have invested in a company, either directly (in the form of capital stock) or indirectly through retained earnings.

Shareholder value: The total monetary value that shareholders obtain from their investment in a company (including dividend payments, gains from share price increases, or any other payouts).

Shareholder value paradigm: The idea that maximizing the wealth of shareholders is the ultimate purpose of a business, and that management should first and foremost consider shareholders' interests when making business decisions.

Short-time work: An agreement between the organization and its employees that everyone works less hours for less pay in order to avoid layoffs.

Skills matrix: An overview of the knowledge, skills, and competencies of all members of a team.

Small wins: Moderately important tasks that can be completed within a short timeframe.

Social acceleration: The trend of social life speeding up in modern societies.

Social conformity: The tendency to change a certain belief or behavior in order to stay in line with a group standard.

Social contract perspective: The idea that there is an implicit "contract" in which both society and businesses have certain obligations toward each other (e.g. society providing businesses with a functioning legal system, the right to own resources, infrastructure, an educated workforce, and businesses providing jobs, taking care of workers' interests, or doing no harm to the environment).

Social control mechanism: A system for ensuring that people's behavior conforms to certain group standards.

Social enterprise: A for-profit organization with a distinct social mission.

Socialization: The process of acquiring attitudes, behaviors, and values by means of learning from what others do or deem acceptable in a certain group or society.

Social loafing: The tendency of certain group members to "free ride" — to put in less effort in a group situation (because they expect others to do the work).

Social network: The complete set of contacts and personal relationships of an individual or an organization.

Spin-off: Splitting off part of an organization into a legally separate organizational entity.

Spokesperson: One of Mintzberg's ten managerial roles in which the manager is expected to keep stakeholders informed about developments inside the organization.

Staff function: Organizational functions that support line managers (e.g. with analysis, advice, or other forms of assistance) in performing effectively in their role, but do not directly work on the main purpose of the organization.

Staffing: The activity of finding and appointing the right people for any open positions in the organization.

Stakeholders: All the parties that have an interest in an organization or are affected by the actions of an organization.

Stakeholder responsibility: The obligation of a manager to keep stakeholders' interests in mind in their decisions and actions.

Start-up companies: Recently founded entrepreneurial ventures with an innovative business idea and high growth potential.

Stereotyping: An oversimplified (and often prejudiced) way of attributing certain characteristics to a group of people and individual group members, respectively.

Steward: A person who is responsible for taking care of something on behalf of others.

Stewardship theory: A theory that suggests that managers are intrinsically motivated to act in the best interest of the entity for which they are responsible.

Strategic alignment: A "fit" (in the sense of a good match) between a strategy and the organizational design.

Strategic alliance: A partnership agreement under which two separate organizational entities join forces to reach a common goal.

Strategic business unit (SBU): An independently managed part of an organization that offers products and services in one particular market.

Strategic group: A group of organizations with a similar strategic position.

Strategic group map: A tool for identifying organizations with similar strategic positions.

Strategic management: The process of defining major goals for the organization and setting initiatives for reaching these goals.

Strategic planning: A systematic process of setting major goals for the organization and planning initiatives for achieving these goals.

Strategic position: A set of fundamental choices that determines where and how an organization creates and offers value and how the value creation and value offer model can be sustained in the face of competition.

Strategic positioning: The act of finding the right strategic position for an organization relative to other organizations that offer products and services in the same market.

Strategizing: The process of finding the right strategy for an organization.

Strategy: A general direction for an organization in terms of how to create and offer value and develop the potential to successfully follow this direction in the face of competition, and under changing environmental circumstances.

Strategy formulation: A deliberate process in which top management decides on the strategic position of the organization.

Stress: Physical and mental tension resulting from excessive pressure or other demanding circumstances.

Structural interruptions: Unexpected shifts or changes in trends.

Subgroup: A part of a larger group with common interests (that are not necessarily in congruence with the interests of the larger group) and a high degree of interaction between its members.

Substantive conflict: A conflict that arises from task- or content-related disagreements.

Substitutes: Different products or service offers that create equivalent value for customers.

Success: The achievement or accomplishment of particular goals or aims.

Sunk costs: Costs that cannot be recovered as they were incurred in the past.

Supply chain: The entire network of individuals and organizations that are involved in the process of creating and distributing a product or service (from the provider of source materials to the end consumer).

Supply chain management: Activities that are oriented toward optimizing the entire network of individuals and organizations that are involved in the process of creating and distributing a product or service (from the provider of source materials to the end consumer).

Sustainability: The ability to meet current needs while at the same time retaining the capacity for meeting future needs. In an organizational context, sustainability means trying to ensure that current economic, social, and environmental demands and requirements are met without compromising the organization's ability to meet such demands and requirements in the future too.

Sustainable competitive advantage: An ability that allows an organization to outperform other organizations in the same domain and which is hard for competitors to duplicate or bypass.

Sustainable performance: The ability to consistently achieve organizational goals over time.

SWOT matrix: A strategic tool that helps to identify the strengths and weaknesses of the organization as well as opportunities and threats in the environment.

Synchronization: The coordination of two or more processes to enable them to happen at the same time.

Synchronous media: Means of conveying messages in real time (i.e. the sender and receiver of the message are present at the same time).

Synergies: The benefits that result from collaboration between two or more organizations (or organizational units or processes) to achieve a combined effect that is greater than the sum of its parts.

System 1 thinking: A fast thinking mode in which our brain uses the automatic information-processing system.

System 2 thinking: A slow thinking mode in which our brain uses the rational information-processing system.

T

Tacit competencies: Competencies that are not easy to codify, thus making it difficult to transfer them from one context (or organization) to another.

Tactics: The art of finding the right means to achieve an end (e.g. to reach a strategic goal).

Taxonomy: A system for classifying things or concepts.

Team-oriented interdependence: A situation in which different organizational units need to combine skills and collaborate closely in order to be able to accomplish a certain task.

Team process: The way in which team members work together to achieve the team's objectives.

Team's repository: A virtual (computer-based) central place in which all the important documents that a team needs for effective collaboration are stored and to which all team members have access.

Team role: A certain set of behaviors that a person usually shows in a team setting.

Teleconferences: Meetings in which participants in different locations use telephone systems or cell phones to communicate with each other.

Temporal orientation: The relative importance that managers place on the long-term versus short-term effects of their decisions.

Temporal predispositions: Cognitive tendencies regarding the degree of future- and long-term-orientation.

Temporary advantage: A competitive advantage that lasts only for a certain (rather short) period.

Terminal values: According to Milton Rokeach's theory of values, terminal values are desired end states or higher goals that we want to achieve in life.

Termination meeting: A meeting in which a manager informs an employee that their employment contract will be cancelled.

Theme-centered interaction (TCI): A method for working in groups developed by the psychotherapist Ruth Cohn. Part of TCI is the four factor model in which team leaders should keep the needs of individuals ("I"), the needs of the group as a whole ("WE"), the focus on the task ("IT"), and the consideration of outside influences and requirements ("GLOBE") in a dynamic balance.

Thinking in hypotheses: Being open to the possibility that what we think or believe about something could be wrong.

Thinking modes: General ways in which our mind can approach the thinking task.

Time management: The systematic process of allocating time to different activities.

Time wasters: A person, event, or anything else that stops you from working on your priority tasks.

Top-down: Initiated or organized by people in higher levels of the organizational hierarchy (and then proceeding down into lower levels).

Trade-off: A situation in which it is not possible to attain all objectives at the same time. In a trade-off situation, we need to give up something that we value in order to get something else that we value.

Triple bottom line: A term used by John Elkington to point out that organizations do not only have one results category (the financial "bottom line"), but that three dimensions of organizational performance should be taken into account: financial, environmental, and social.

U

Uncertainty: An external event that can have an effect on the outcome of a decision, but which is beyond the decision maker's influence.

Uncertainty avoidance: A cultural dimension that describes a preference for avoiding ambiguity and unknown situations.

Underlying problem: A core problem that causes other (derived) problems and leads to certain symptoms that a manager wants to deal with.

Undistorted: Truly and completely representing the facts.

Unethical behavior: Behavior that violates general principles of what is deemed as morally right or proper behavior.

UN Global Compact: A United Nations policy initiative that proposes ten basic principles for doing business in an ethically correct way.

UN Guiding Principles on Business and Human Rights: A set of guidelines for organizations to avoid human rights violations.

Utilitarianism: An ethical principle that postulates that we should act in a way that maximizes "utility" (benefits over burdens) for society as a whole.

V

Valence of solutions: The tendency of a group to adopt the first solution that receives a high number of positive comments, regardless of its actual quality or capacity to solve the problem.

Validity: The extent to which a model or measurement accurately represents a real-world phenomenon.

Value: What something (for example, a business or an asset) is worth — in business often measured in monetary terms (i.e. what someone is willing to pay for it).

Value-based strategy: A strategy that is oriented toward maximizing shareholder value.

Value chain: A set of interlinked activities that are performed in order to create value through converting inputs into outputs (from basic raw materials to consumer purchase).

Value congruence: A fit between the values of a person and the values of an organization.

Value curve: A tool for visualizing value propositions (the benefits that a certain group of customers get from a product and/or service offer).

Value for customers: A measure of the difference between the benefits that customers get from a product or service and what they need to pay for it.

Value innovation: A systematic approach to achieve both differentiation and cost reduction through creating unique product and service offers that outperform the competition in some (important) aspects, while deliberately reducing the performance on other (less important) aspects.

Value offer: A unique combination of customer benefits that an organization creates through providing certain products or services.

Value proposition: A statement that clearly describes the benefits that a certain group of customers get from the product and/or service offers of an organization.

Values: Lasting beliefs of a person or group about what is right or wrong, good or bad, or desirable or undesirable.

Variable costs: Costs that vary depending on the changing volume of an activity or an output (e.g. the amount of units produced).

Videoconferences: Meetings in which participants in different locations use audiovisual technology (e.g. webcams and Internet video chat platforms) to communicate with each other.

Virtual meeting: A meeting in which people do not meet in person, but remain in different physical locations and connect with each other with the help of technological means (e.g. videoconferencing software).

Vision: A short statement that describes what the organization wants to become or would like to accomplish in the (distant) future.

VRIO model: A framework for analyzing whether an organization's resources and capabilities can be used as a basis for achieving competitive advantage. VRIO stands for resources or capabilities that are **v**aluable, **r**are, **i**mperfectly imitable, and suitable to be exploited by a particular **o**rganization.

W

Weak ties: People you know personally, but do not have a strong relationship with (e.g. acquaintances or former colleagues).

"Weaving": A technique to summarize the main points of a discussion thread, relating them to each other, and making conclusions about the next steps that need to be taken.

Weighted scoring model: A tool that allows decision makers to choose between different options by means of evaluating their relative performance on meeting the weighted objectives that the decision makers want to achieve in a decision situation.

Whistle-blowing: The act of reporting suspected unethical or unlawful behavior by other people within the organization.

Working capital: A financial measure (usually calculated as current assets minus current liabilities) that indicates whether an organization can cover its short-term obligations with its short-term assets (in accounting terms, short-term means less than 12 months).

Z

Zero-based budgeting: A method for preparing a budget that starts from scratch (or "from zero"). Under the zero-based budgeting approach, all expenses need to be justified for the new budgeting period without using prior years' budgets or actual figures as a basis.

Zone of price indifference: The price range (usually expressed as a percentage of price increase or decrease) in which no significant change to demand is expected.