Unit 2 Key Terms

**Acquisition:** One firm buying another.

**Barriers to Entry:** Conditions that prevent new companies from entering an industry.

**Benchmarking:** The process of comparing an organization’s practices and technologies with those of other companies.

**Buffering:** Creating supplies of excess resources in case of unpredictable needs.

**Competitive Environment:** The immediate environment surrounding a firm; includes suppliers, customers, rivals, and the like.

**Competitive Intelligence:** Information that helps managers determine how to compete better.

**Cooperative Strategies:** Strategies used by two or more organizations working together to manage the external environment.

**Defenders:** Companies that stay within a stable product domain as a strategic maneuver.

**Demographics:** Measures of various characteristics of the people who make up groups or other social units.

**Diversification:** A firm’s investment in a different product, business, or geographic area.

**Divestiture:** A firm selling one or more businesses.

**Domain Selection:** Entering a new market or industry with an existing expertise.

**Empowerment:** The process of sharing power with employees, thereby enhancing their confidence in their ability to perform their jobs and their belief that they are influential contributors to the organization.

**Environmental Scanning:** Searching for and sorting through information about the environment.

**Environmental Uncertainty:** Lack of information needed to understand or predict the future.

**External Environment:** All relevant forces outside a firm’s boundaries, such as competitors, customers, the government, and the economy.

**Final Consumer:** Those who purchase products in their finished form.

**Flexible Processes:** Methods for adapting the technical core to changes in the environment.

**Forecasting:** Method for predicting how variables will change the future.
**Independent Strategies:** Strategies that an organization acting on its own uses to change some aspect of its current environment.

**Inputs:** Goods and services organizations take in and use to create products or services.

**Intermediate Consumer:** A customer who purchases raw materials or wholesale products before selling them to final customers.

**Macroenvironment:** The general environment; includes governments, economic conditions, and other fundamental factors that generally affect all organizations.

**Merger:** One or more companies combining with another.

**Open Systems:** Organizations that are affected by, and that affect, their environment.

**Organization Culture:** The set of important assumptions about the organization and its goals and practices that members of the company share.

**Outputs:** The products and services organizations create.

**Prospectors:** Companies that continually change the boundaries for their task environments by seeking new products and markets, diversifying and merging, or acquiring new enterprises.

**Scenario:** A narrative that describes a particular set of future conditions.

**Smoothing:** Leveling normal fluctuations at the boundaries of the environment.

**Strategic Maneuvering:** An organization’s conscious efforts to change the boundaries of its task environment.

**Supply Chain Management:** The managing of the network of facilities and people that obtain materials from outside the organization, transform them into products, and distribute them to customers.

**Switching Costs:** Fixed costs buyers face when they change suppliers.