

HSC Business Studies

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Business Management and Change

The Nature of Management

- Importance of effective management
 - Society could not function without some form of business management or organisation.
 - Managers must effectively and efficiently meet the goals of the business.
- Management Roles
 - Functions - plan, lead, organise, co-ordinate and control
 - Interpersonal - Figurehead, liaison, leader
 - Information - Monitor, information disseminator, spokesperson
 - Decisional - Entrepreneur, disturbance handler, recourse allocator, negotiator
- Skills of Management
 - People skills, strategic thinking, vision, flexibility, self-managing, teamwork, problem solving and decision making
- Responsibility to Stake-holders
 - Managing change, social justice, ecological sustainability, compliance with the law and reconciling conflicts of interest.

Understanding Business Organisations and Management Theories

- Management Theories
 - Classical Scientific
 - Emphasises the best way to organise work more efficiently so to improve productivity. Studies the job in order to find the best way to perform it. Emphasises extensive and rigid rules and regulations based on the hierarchy of authority.
 - Small spans of control
 - One way communication channels
 - Well defined management hierarchy
 - High level of direction
 - Little or no participation in decision making by employees
 - Behavioural
 - Productivity can be improved if managers pay more attention to psychological factors and social factors affecting employees
 - Work can be satisfying
 - Employees can be self motivated and self directed
 - Groups of workers need to interact and develop a sense of belonging
 - Structure for two way communication channels
 - Democratic decision making process
 - Flatter management structures
 - Staff involvement in planning process
 - Political
 - Five types of power; legitimate, expert, referent, reward and coercive
 - Emphasises negotiation and bargaining
 - Emphasises the need for business to understand the different groups within a business and the owner and politics that each group uses and possess.
 - Stake-holder view involves identifying all parties that could be affected by the business's performance and decisions.

- Strengths and Weaknesses of Management Theories
 - Classical Scientific
 - Strengths
 - Efficient on specialised tasks
 - Total control of the business
 - Skilled employees and highly ordered
 - Clear roles and responsibilities
 - Weaknesses
 - Little input from staff
 - Low morale of workers
 - Employees may rebel or strike
 - Difficult to adapt to change
 - Behavioural
 - Strengths
 - Work becomes satisfying
 - Good communication channels
 - Workers get sense of responsibility
 - Support for employees and intrinsic motivation
 - Weaknesses
 - Not focused on efficiency
 - Employees can take advantage of freedom
 - Results are not always immediate
 - People change
 - Political
 - Strengths
 - Knowledge of business problems
 - Groups accomplish tasks quicker
 - Empowers employees
 - Explains power-base
 - Provides a strategy and direction
 - Weaknesses
 - Possible loss of focus on business objectives
 - Harder for managers to control business
 - Does not change power relationships

Managing Change

- Nature and Sources of Change
 - External Factors
 - Changing nature of markets, globalisation, communications, lower transport costs, and unrestricted trade turn the world into a single global market producing a more integrated global economic system. Downsizing leads to workplace staff reductions thus eliminating jobs.
 - Economic Influences - fluctuating of the economy on a national basis is macroeconomics, Individual components of economy dealt with in isolation is microeconomics.
 - Financial Markets - deregulation of financial markets and globalisation allow business to access finance worldwide.
 - Geographical influences
 - Social Influences - environmental concerns, ageing population, healthy lifestyles
 - Legal influences - regulations and deregulation
 - Political Influences - frequent elections cause instability

- Technological influences
- Internal Factors
 - Technological developments - changes to training and development and job design
 - New systems and procedures - worlds best practices
 - New business cultures - the vision of managers, the need for new business cultures
- Structural responses to change
 - Outsourcing - the contraction of some business operations to outside suppliers
 - Flat structures - improve communications and more responsibility and accountability transferred to staff
 - Strategic alliances - tow or more businesses join together and pool resources
 - Network structures - provide administrative control for another business or a set of businesses that perform all functions needed to produce and sell the product.
- Reasons for Resistance to Change
 - Financial Costs - purchasing new equipment and technology, redundancy pay-outs for employees who are retrenched, retraining of employees and reorganising of the plant lay-out.
 - Inertia of manager and owners - unenthusiastic response to change.
 - Cultural incompatibility in mergers - culture clash may results when two companies come together.
 - Staffing
 - Deskilling - employees are no longer able to perform skilled tasks due to changes in work methods.
 - Acquiring new skills due to changing work methods
 - Loss of career prospects
- Managing Change Effectively
 - Identifying the need for change - done using SWOT analysis, financial statements
 - Setting achievable goals - requires information and communication
 - Creating a culture of change - done using change agents and the development of teams
 - Change Models
 - Force Field Analysis
 - Driving and restraining forces are identified and restraining forced are minimised and weighed against driving forces.
 - Unfree-Change-Refreeze
 - The need is explained and the business is prepared for the change, then the busi-ness is refrozen after the change is implemented.

Change and Social Responsibility

- Business awareness of its actions and their respective consequences.
- Ecological Sustainability
- Quality of working life and consideration of physical environment
- Technology including the changes in communication methods
- Globalisation / diversity - equal opportunity employment, honouring of customs and tradi-tions
- E-commerce - privacy issues and the responsible use of the internet

Financial Planning and Management

Role of Financial Planning

- The Role of Financial Management
 - Financial planners must estimate the cost of business activities, cost and allocate resources and make decisions on funding options.
- Objectives of Financial Management
 - Increase dividends to shareholders
 - Maintain environmentally friendly organisation
 - Prepare financial reports
 - Main roles: liquidity, profitability, efficiency, growth and return on capital
- The Planning Cycle
 - Addressing the present financial position
 - Determining the financial elements of the business plan - balance sheet, ratios, etc.
 - Developing budgets - statement of resources allocated to specific areas in the business
 - Planning cash flows - forecast inflows and outflows to ensure debts can be paid
 - Preparing financial reports
 - Interpreting financial reports
 - Maintaining record systems - mechanism used to ensure all data is accurate, reliable and efficient.
 - Planning financial controls
 - Minimising risk and loss

Financial Markets Relevant to Business Financial Needs

- Major Participants in Financial Markets
 - Banks - largest provider of funds to businesses
 - Finance companies - get funds by issuing debentures to the public, provide short to medium terms funds to business.
 - Insurance companies - provide payment if a future event occurs
 - Merchant banks - get funds from short term borrowing, lends mainly to large corps.
 - Superannuation - get funds from people preparing for retirement
 - Companies - have surplus funds from operations and invest funds into money market
 - Government - ensures gaps in supply of funds are filled
- Role of the Australian Stock Exchange
 - Allows new businesses to raise necessary capital
 - Designed for individuals and institutions to invest their savings
 - Allows businesses to exchange ownership of other businesses
 - Governed by uniform rules and regulations
- Overseas and Domestic Market Influences
 - Technological developments
 - Globalisation of financial markets
 - Taxation, GST, capital gains tax
 - Commodity prices
 - Risk management securities
 - Share ownership & accounting standards

Management of Funds

- Sources of Funds
 - Internal
 - Owners equity - funds contributed by the owners of the business
 - Retained profit - all profit kept within the business
 - External
 - Bank overdraft - bank allows the business to exceed their current balance up to a certain agreed level
 - Bank bills - bill of exchange given for large amounts in short term
 - Mortgages - loan secured by the property of the borrowers
 - Debentures - issued by a company for a fixed amount and a fixed rate of interest
 - Leasing - involves payment of money for use of equipment owned by another party
 - Factoring - Selling of accounts receivable for a discounted price to a finance company
 - Venture capital - funds supplied by private investment org for innovative / new ideas
 - Grants - funds given by the government to promote business and ideas
- Financial Considerations
 - Set-up costs
 - Interest costs
 - Availability of funds
 - Flexibility of funds
 - Level of external control
 - Match the terms and source of finance to the business purpose and structure
- Debt and Equity Financing
 - Short term debt expenditure by short term finance
 - Long term finance funded by long term finance
 - Debt financing
 - Provides tax deductible interest payments
 - Loan has to be repaid
 - Provider of finance don't own part of the business
 - Equity financing
 - No interest payable
 - Non-Tax-Deductible payments must be made
 - Providers of finance own part of business

Using Financial Information

- The Accounting Framework
 - Provides most of the information for the decision making process
 - Financial statements
 - Revenue statement - summarises the activities of an organisation over a period of time, showing operating results and revenue.
 - Balance sheet - represents an organisation's assets and liabilities at a point in time
 - Accounting equation - shows the relationship between assets, liabilities and owners equity.

$$\text{Assets} = \text{Liabilities} + \text{Owners Equity}$$

- Types of Financial Ratios
 - Liquidity - the ability of an organisation to pay its debts as they fall due

$$\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$$

- Solvency - the extent to which the business can meet it's long term financial commitments

$$\text{Debt to Equity} = \text{Total Liabilities} / \text{Owners Equity}$$

- Profitability - the economic performance of a business and indicates the capacity to use it's resources to maximise profit.

$$\text{Gross Profit Ratio} = \text{Gross Profit} / \text{Revenue}$$

$$\text{Net Profit Ratio} = \text{Net Profit} / \text{Revenue}$$

$$\text{Return on Equity} = \text{Net Profit (After Tax)} / \text{Owners Equity}$$

- Efficiency - The ability of a firm to use it's resources effectively in ensuring the financial stability and profitability of the business.

$$\text{Expense Ratio} = \text{Expenses} / \text{Revenue}$$

$$\text{AR Turnover Ratio} = 365 / (\text{Revenue} / \text{AR})$$

- Comparative Ratio Analysis
 - Used to indicate trends, strengths, weaknesses and relationships between financial items
 - Time comparison - compares current period to prior financial periods
 - Industry average - business results are compared to industry averages
- Limitations of Financial Reports
 - Historical costs - process of valuing the business assets by their cost at the time the transaction took place
 - Value of intangibles - rights, rather than objects, not generally recorded on the balance sheets unless the business has been or will be purchased.

Effective Working Capital (Liquidity) Management.

- Working Capital Ratio

$$\text{WC Ratio} = \text{Current Assets} / \text{Current Liabilities}$$

- Control of Current Assets
 - Cash controlled using budgets, which detail expected inflows and outflows
 - Accounts receivable controlled using credit checks on borrowers, and offer incentives for early payment while using factoring as a last resort.
 - Inventory controlled by detailing acceptable inventory policies or JIT if suited.
- Control of Current Liabilities
 - Accounts payable are controlled by paying as late as possible and choosing suppliers carefully
 - Incorrect use of overdrafts can cost money in high interest payments
 - Short term loans should be controlled by planning borrowing carefully and finding alternate sources of finance.
- Strategies for Managing Working Capital
 - Leasing - hiring of an asset owned by another company or person who has purchased the asset and retains ownership.

- Factoring - Improves working capital by selling accounts receivable to a third party
- Sale and lease back - selling an asset to a lessor and leasing it back through fixed payments.

Effective Financial Planning

- Effective Cash Flow Management
 - Cash flow statements - financial statements indicating the flow of cash resulting from transactions
 - Management Strategies
 - Distributing of payments - involves spreading payments over a period of time to coincide with surpluses of cash
 - Discounts for early payments - business provides a percentage reduction from the purchase price if the buyer pays within a certain period of time.
- Effective Profitability Management
 - Cost Control
 - Cost centres - departments in a business to which costs can be directly attributed
 - Expense minimisation - improves competitive position of the business while maintaining production levels, e.g.. downsizing.
 - Revenue Controls
 - Sales objectives - set objectives in revenue budgets by forecasting sales
 - Sales mix - the range of products offered for sale, financial managers need to analyse the breakdown and contribution margins for each product.
 - Pricing policy - The aim is to protect or increase market share while meeting profitability objectives, managers have to ensure products are correctly priced.

Ethical and Legal Aspects

- Audited Accounts
 - Independent check of the accuracy of financial reports / records and accounting procedures
- Inappropriate Cut Off Periods
 - A business incorrectly matches the period in which revenues occur with when major outflows occur
- Misuse of Funds
 - Business funds are used for purposes other than originally delegated
- Australian Securities and Exchange Commission
 - Enforces and administers corporations law and protects consumers in the areas of investments, superannuation, life insurance, etc.
- Corporate Raiders
 - The process of buying an undervalued company and increasing profit or selling off the businesses assets.

Marketing

Nature and Role of Markets and Marketing

- Role of Marketing
 - Market Penetration - Selling more of an existing product in an existing market place by attracting customers of competitors.
 - Market Development - Selling an existing product or service to new customers through new locations.
 - Product Development - Selling a new or improved product to existing customers
 - Diversification - Move into new line of business with new products, selling to new customers.
- Types of Markets
 - Resource - buying and selling of all forms of primary production
 - Industrial - purchase of products for use in production and other products
 - Intermediate - wholesalers and retailers who purchase finished products for resale
 - Consumer - Individuals who use the products they buy
 - Mass - the seller mass produces, mass distributes and mass promotes one product to all buyers
 - Niche - created when the mass market is finely divided into smaller markets
- Production-Selling-Marketing Orientation
 - Production Approach - 1820s - 1920s - taking orders and delivering goods, demand for goods is greater than supply.
 - Selling Approach - 1920s - 1960s - advertising and personal selling, demand is less strong and emphasises on selling goods
 - Marketing Approach - 1960s - present - co-ordinated efforts aimed at satisfying customers needs, emphasises on marketing products and customer relationships.
- Marketing Concept
 - Business philosophy stating that all sections of the business are involved in satisfying a customer's needs and wants while achieving the businesses goals.
 - Customer Orientation - occurs when a business bases its marketing decisions and practices on customer wants.
 - Relationship Marketing - The developing of long term and cost effective relationships with individual customers
- Marketing Planning Process
 - System for organising the marketing of a firm through clear objectives, decisions, or strategies, actions and budgets for expenditure and revenue.
 - Contents of a marketing plan
 - Executive summary
 - Analysis of research
 - Plan, including objectives, strategies, financial analysis, control structure

Elements of a Marketing Plan.

- Situational Analysis
 - SWOT analysis
 - Two questions must be answered

- Where is the business now?
- Where will the business be in the future?
- Establishing Marketing Objectives
 - Increasing market share
 - Increasing geographical expansion
 - Targets may be differentiated by total and specific performance targets
- Identifying the Target Market
 - Segments at which the whole marketing process is to be directed
 - Niche market
 - Multiple segment market
 - Undifferentiated mass market
 - Market Potential - total expected sales of a product by all sellers over time
 - Sales Potential - potential market share for a particular firm
 - Sales response function - relationship between marketing expenditure and increases in sales revenue.
- Developing Marketing Strategies
 - Product - brand name, packaging, positioning
 - Price - list price, discounts, credit terms
 - Promotion - advertising, sales promotion
 - Place - location of markets, distribution
- Implementation, Monitoring and Controlling
 - Regulatory Requirements - Business activity takes place within the context of regulations, the purpose of legislation is to:
 - Protect consumers from unfair business activities
 - Protect businesses from unfair attempts to reduce competition
 - Protect long term interest of society
 - Current trading and product performance indicated by measures of profit, market share, promotion results.
 - Financial Strengths - determines method of distribution, products may be deleted instead of renewing interest through expensive marketing campaigns
 - Assets base - expensive assets operating below capacity may encourage attempts to increase their usage through promotion or varying the product mix.
 - Monitor and modify - After implementation of the marketing plan, management should compare planned and actual results with emphasis on financial costs and benefits.

Market Research Process

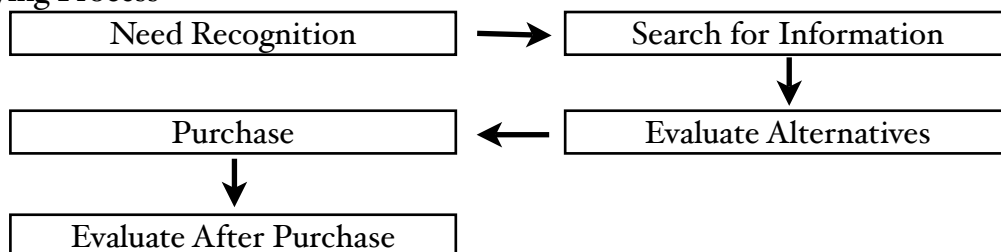
- Determining Information Needs
 - Information must be relevant to the situation or problem
 - Information is useful if:
 - Results in marketing strategies that meet the needs of the business's target market
 - Assists the business to achieve its marketing objectives
 - May be used to increase sales and profits
- Data Collection
 - Marketing data - information, usually expressed as facts and figures, relevant to the defined marketing problem

- Primary data - facts and figures collected from original sources for the purpose of the specific research problem, three main methods:
 - Survey
 - Observation
 - Experimentation
- Secondary data - information which already been collected by some other person or organisation
 - Internal data - information which has already been collected from inside the business
 - External data - published data from outside the business
- Data Analysis and Interpretation
 - Drawing conclusions from data
 - Statistical interpretation analysis - the process of focusing on the data that represents average, typical, or deviations from typical patterns
 - Interpretation is largely based on the marketers judgement, experience and intuition.

Customer and Buyer Behaviour

- Types of Customers
 - Individuals
 - Households
 - Firms - retail businesses, manufacturers & service providers
 - Educational institutions
 - Government
 - Clubs and Societies
 - Religious organisations

- The Buying Process



- Buyer - individual or group who purchases the product
- User - Individual or group who uses the product
- Factors Influencing Consumer Choice
 - Psychological
 - Influences within the individual
 - Perception, motives, attitudes and personality
 - Sociocultural
 - Forces exerted by other people and groups that affect customer behaviour
 - Peer or reference groups
 - Social class, culture and subculture
 - Economic
 - Changes in real income - the amount a level of income will buy
 - Changes in inflation and unemployment - inflation is measured through the consumer price index, inflation refers to the sustained increase in the general price level over time.

- Government
 - Governments implement economic policies designed to expand or contract the level of economic activity depending on current conditions.

Developing Marketing Strategies

- Market Segmentation
 - Segments of a market are identified and evaluated
 - Total market can be broken down into segments based on:
 - Demographic
 - Psycho-graphic
 - Geographic
- Product Differentiation
 - Process of developing and promoting differences between the business products and those of its competitors
- Product and Service
 - Positioning
 - Developing of a products image as compared with the image of competing products
 - Branding
 - Name, term, symbol or design, or any combination of these that identifies a specific product and distinguishes it from the competition.
 - National / manufacturers brands are those owned by the manufacturer
 - Private or house brand - owned by a retailer or wholesaler
 - Generic brands - products with no brand name at all
 - Packaging - involves the development of a container and the graphic design for a product
- Price and Pricing Methods
 - Pricing Methods
 - Cost plus margin - total cost of production determined then profit is added
 - Market pricing - prices are set according of the level of supply and demand
 - Competition based - price directly related to the prices of competitors producing similar products
 - Pricing Strategies
 - Price skimming - highest price possible charged for innovative products
 - Price penetration - lowest possible price charged, used to quickly gain market share
 - Loss leader - products sold below cost price in order to attract people to a store
 - Price lining - also called price points, it is used mainly by retailers- it is where the business sets lines of products at key prices
 - Price and Quality Interaction
 - Normally products of superior quality are sold at higher prices due to increased production costs. Therefore people associate a higher price with higher quality or prestige, the converse is also true.
- Promotion
 - Elements of the Promotion Mix
 - Personal selling - activities of the sales person influencing the sale
 - Advertising - paid form of non-personal presentations

- Below the line promotion - promotional activities for which the business does not make use of an advertising agency
- Public relations - maintaining a favourable image between the customer
- Communications Process
 - Opinion leaders - when a person of status endorses a product
 - Word of mouth - people giving their opinions of products
- Place / Distribution
 - Distribution Channels
 - Linkage between the producer or supplier and the customer
 - Producer to customer - no intermediaries, most sources use this method
 - Producer to retailer to customer - retailer buys from producer and sells to customer
 - Producer to wholesaler to retailer to customer - most common method for consumer goods, wholesalers buy in bulk
 - Producer to agent to wholesaler to retailer to customer - agent distributes products to wholesalers
 - Channel Choice
 - Intensive - product made as widely available as possible
 - Selective - only a few channels are used and availability is limited
 - Exclusive - only one distributor of the product
 - Direct - selling directly to the consumer
 - Physical Distribution Issues
 - Transport - aims to deliver the right goods to the right people at the right time in the right quantities
 - Warehousing - Set of activities involved in receiving, storing, and dispatching goods
 - Inventory control - a system that maintains quantities and varieties of products appropriate for the target market
- Environmental Effects on Distribution
 - Technology
 - Non-store retailing - retail activity conducted away from the traditional store
 - Telemarketing - use of a telephone to make a sale
 - Internet marketing - use of the world wide web for promotion and sales
 - Local Governments
 - Businesses feel over-regulated, business must fulfil all obligations to government organisations.

Ethical and Legal Aspects

- Environmentally Responsible Products
 - Environmentalism - the organised movement of concerned businesses, consumers and government agencies to protect and improve the physical environment
 - People are more concerned with quality of life and the physical environment
- Other Issues
 - Creation of needs - marketing may have contributed to the creation of our materialistic society
 - Impact of Retail Developments
 - Linking of direct marketing and electronic databases
 - Automated checkout scanning systems that do not require an operator
 - Use of in-store television presentations

- Provision of internet ordering systems
- Transformation of shopping malls into entertainment centres
- Sugging - selling under the guise of research, a sales technique disguised as market research
- Role of Consumer Laws
 - Deceptive and misleading advertising is constrained by the trade practices act '74
 - Bait and switch advertising - advertising products at reduced prices then the consumer is enticed to purchase higher priced items.
 - Price discrimination - setting of different prices in separate markets
 - Implied conditions - unwritten and unspoken terms of a contract, they are assumed to exist
 - Merchant-able quality
 - Fitness of purpose
 - Warranties - promise of the business to replace or repair the product
 - Resale price maintenance - manufacturer or supplier insists the retailer sell the product at a certain price

Employment Relations

The Nature of Employment Relations

- Stake-holders in the Employment Process
 - Employers
 - 2.4 million businesses in Australia, 880,000 of which employ people
 - Employees
 - 7.3 million employees in Australia
 - Employer Associations
 - Formed to:
 - Counteract activities of unions
 - Represent employers at negotiations and tribunal hearings
 - Offer advisory services concerning awards and industrial relations
 - Organisational Structures
 - Industry Associations
 - Autonomous - found in larger industries of banking, mining and manufacturing
 - semiautonomous - employ full time staff who as as 'jack of all trades'
 - Dependent - do not employ staff, rather rely on another organisation for secretarial and specialist services
 - Umbrella Associations
 - Take membership from any industry
 - Trade Unions
 - An association of employees in a particular industry or occupation which aims to improve wages and working conditions.
 - Government
- Managing the Employment Relations Function
 - Line managers - responsible for the management of staff contributing to the prime function of the business
 - Specialist managers - responsible for recruitment, selection and induction, managing and implementation of legislation

Key Influences on Employment Relations

- Social Influences
 - Changing work patterns - jobs are no longer for life, changes driven by the need to reduce costs, people today may have periods of full time work followed by periods of part time work, many businesses hire more casual workers.
 - Population shifts - the number of females in the workplace is increasing, thus businesses are realising the benefit of family friendly workplaces
 - Changing attitudes - today's workforce is well educated and employees increasingly want challenging work, greater responsibility and autonomy
- Legal Influences
 - Contracts between employees and employers
 - Common law - governs such things as leave and holidays
 - Federal acts help enforce common and statute law
 - Superannuation Guarantee Act '92
 - Industrial agreements include awards, enterprise agreements and workplace agreements
- New Organisational Behavioural Influences

- Flat Management and Team Structures
 - Allows workers to develop a shared identity with the commitment to the goals of the firm.
 - Flatter structures allow for more responsive and adaptable management structures and networks of self managing teams which encourages innovation, improved productivity and greater efficiency.
 - Job enlargement - involves increasing the breadth of tasks in a job
 - Job rotation - moving of staff from one task to another over time
 - Job enrichment - involves increasing the responsibilities of a staff member
- Economic Influences
 - Economic cycle - demand for labour determined by demand for goods and services in the economy, changes to taxation also affect business activities.
 - Structural change - changes in the pattern and composition of production and unemployment in an economy such as the rapid growth of the services sector which accounts for 70% of workers.
 - Globalisation
 - The combined, cumulative expression of trade, investment, finance and labour on a global scale
 - Businesses must manage diverse workforces across countries
 - Some businesses have standardised employment packages for all countries
 - ILO and trade blocs promote trade between countries which adhere to social justice principles

Effective Employment Relations

- Role of Employment Relations
 - To manage the relationship between employer and employees effectively in order to develop competent, flexible, productive employees committed to the organisation.
- Communications Systems
 - Methods of Communication
 - Daily walk-around by managers
 - Regular meetings
 - Staff bulletins and newsletters
 - Suggestion boxes and surveys of staff
 - Use of email
 - Grievance Procedures
 - Mainly used to deal with personality conflicts and disciplinary matters
 - They provide an avenue for both employers and employees to settle disputes arising in the workplace.
 - Worker Participation
 - The consulting of workers in the making of decisions that are normally made by management alone
 - Team Briefings
 - Utilising the skills of workers by placing them in semiautonomous workgroups
- Rewards
 - Intrinsic - those that the individual derives from the task or job itself such as a sense of achievement
 - Extrinsic - rewards given outside the job itself, they may be monetary or non-monetary
 - Monetary - rewards with a direct financial value

- Non-monetary - rewards such as employee satisfaction, decision making power and autonomy in the workplace
- Training and Development
 - Aim of training is to seek a long term change in employees skills, knowledge, attitudes and behaviour in order to improve work performance.
 - Induction - introduces the worker to the job, co-workers, organisation and it's culture. The majority of employees who leave, do so in the first three months.
 - Training programs - designed to keep employees up to date with the business and it's environment. Five steps include:
 1. Access to needs of all parties, this includes performance appraisals
 2. Determine the objectives of the training program
 3. Consider internal and external influences
 4. Determine the process of training
 5. Evaluate the training program
- Flexible Working Conditions
 - Ensures the satisfaction of all employees
 - Family friendly programs allow for employees to raise families and take time off and still remain in a job
- Measures of Effectiveness
 - Levels of staff turnover - people may leave organisations for reasons such as low pay and low morale, improving working conditions can help stop staff from leaving the organisation.
 - Absenteeism - unhappy workers have higher levels of sick leave which disrupts operations
 - Disputation - dissatisfied workers are involved in more industrial disputes
 - Quality - An emphasis on quality saves money since the costs of not making quality standards a high priority include more rejects, more material costs, more management time checking and rectifying problems, poor customer relations and low productivity.
 - Quality circles - groups meet to examine ways of improving the quality of their output
 - Benchmarking
 - The use of standards to compare business products and services to industry standards
 - Best practices program - the application of the best practices business goals and methods, internal organisation and relations with suppliers and customers that form an integrated strategy for improving competitiveness.

Legal Framework of Employment

- The Employment Contract
 - Common Law
 - The law of employment is based on common law with many statutes modifying the legal situation
 - Two main types of employment contract
 - Contract of service - employer has control over the employee and can dictate over the employee and can dictate how the work is to be performed.
 - Contract for service - generally an agreement to perform a specified task for a certain sum of money
 - Responsibilities of the Employer
 - Provide work
 - Payment of income and expenses

- Meet requirements of industrial relations legislation
- Duty of care
- Responsibilities of the Employee
 - Obey lawful and reasonable commands
 - use care and skill in work
 - Act in good faith and in the interests of the employer
- Statutes
 - Laws made by the federal and state parliaments such as laws relating to employment conditions, wage and salary determinations and dispute resolution.
- Awards
 - Legally binding agreements which set out minimum wages and conditions of employees
 - Cover over 80% of all workers
- Agreements
 - Workers are covered by certified enterprise agreements or Australian workplace agreements
 - Certified agreements are made between an employer and a union or valid majority of employees
 - Australian workplace agreements cover incorporated businesses and are for individual employees
 - Individual contracts exist when an employer and an individual employee negotiate a contract covering pay.
- Type of Employment Contract
 - Casual employees - hired for as long as services are required
 - Part-time employees - work a proportion of the full time workload, contract usually stipulates a maximum number of working hours
 - Flexible employment conditions - allows for job sharing and for businesses to operate shifts at more intensive levels at peak times, with benefits such as longer holidays during slow times.
 - Permanent - regular or continuing employee can be full or part-time, required to work a specified number of hours per week and entitled to a range of entitlements

Industrial Conflict

- Definition and Causes
 - Industrial relations - the behaviour and interaction of people at work
 - Causes of Industrial Disputes
 - Wage demands - wages are income to employees and a cost to the business
 - Working conditions - refers to the organisational environment of the workplace including hours, amenities, and the physical environment.
 - Management policies - division of labour, sharing of tasks, alienation and new technology
 - Political goals - ensuring a certain party wins or protests against our or foreign governments
 - Social issues - includes services and rewards which benefit society
- Perspectives on Conflict
 - Unitary - assumes that each work organisation is an integrated entity with a common purpose or goal. Industrial relations based on mutual co-operation and a common goal.

- Pluralist - accepts the inevitability of conflicts as there are competing interest groups within the business.
- Radical or Marxist - sees worker and business relations as a class war and recognises inherent conflicts while advocating an over-throw of the power base.
- Types of Industrial Action
 - Overt Action
 - Lockouts - when employers close the entrance to a workplace and refuse to let workers in.
 - Pickets - protests which take place outside a workplace and are generally associated with a strike
 - Strike - where workers withdraw their labour
 - Sympathy strikes - those called in support of a group of workers
 - Rolling strikes - occur over a period of time, in between working periods
 - Rotating and revolving strikes - occurs when workers at different locations take turns to strike
 - Political strikes - taking action in response to political issues
 - Wildcat Strikes - those which take place without union approval
 - General strikes - involve a larger number of workers striking simultaneously
 - Stop work meetings - involves workers stopping work to conduct a meeting
 - Work bans - refusal to work overtime, handle a product or work with particular individuals.
 - Work-to-rule - employees refuse to perform tasks not required in an award
 - Covert Action
 - Absenteeism - difficult to distinguish from genuine sick leave
 - Sabotage - malicious damage of equipment or production process
 - Turnover - refers to the number of employees who leave work voluntarily
 - Exclusion from decision making - decreases worker satisfaction as it achieves the opposite reaction as worker participation
- Role of Stake-holders in Resolving Disputes
 - Workers and Management
 - resolution of industrial relations matters rest with employees and managers. Resolution should take place at the lowest level and only proceed to industrial courts after all other avenues have been exhausted.
 - Unions and Peal Union Organisations
 - At the state level - trades and labour council
 - Federal level - Australian Council of Trade Unions
 - Government and Industrial Tribunals
 - Industrial tribunals tried to control disputes and the parties involved. Government, in turn have tried to regulate and control tribunals. Constitution guarantees autonomy for AIRD and have therefore, at times, been in conflict.
- Dispute Resolution Process
 1. Conciliation - involves bringing in an impartial third party to reconcile the dispute
 2. Arbitration - The settlement of a dispute through the decision of an independent third party
 3. Grievance procedures - agreed steps which should be taken when a dispute arises
 4. Negotiation - requires the parties to discuss the issues hence coming to an acceptable compromise agreement
 5. Mediation - involves a third party being involved to enter negotiations or collective bargaining processes to assist in resolving the dispute.

6. Common law action - parties may make claims for damages resulting from disputes
 7. Business / division closure - closure of establishment may occur if no resolution is reached
- Costs and Benefits of Industrial Conflicts
 - Costs
 - Financial
 - Lost wages to employees
 - Lost profits and contract to employers
 - Personal
 - Stress and associated health problems
 - Social
 - Bitterness, destruction, police action and disruption of lifestyle
 - Political
 - Action prior to elections can influence the voters
 - International
 - Loss of export markets because of higher costs and unreliability of suppliers
 - Benefits
 - Financial
 - Increases empowerment of all parties who have an agreement resulting in increased productivity
 - Personal
 - Conflict helps workers gain management's attention on bothersome issues
 - Social
 - Jobs can be saved and employees can gain new skills while OHS problems may be reduced
 - Political
 - Governments can change policy in response to workplace conflicts
 - International
 - Work practices following conflict can increase competitiveness internationally

Ethical and Legal Aspects

- Issues in the Workplace
 - Working Conditions
 - Flexibility of leave
 - Rostered days off
 - Extended or staggered hours of work
 - Job sharing
 - Part time employment
 - Occupational Health and Safety
 - Employers are responsible for providing a safe and healthy work environment
 - Anti-Discrimination
 - Ensures that no practice disadvantages a person or group because of a personal characteristic which is irrelevant to the performance of work
 - Equal Employment Opportunities
 - Refers to the equitable practices in recruitment and selection
 - Unfair Dismissal
 - Occurs when dismissal was harsh, unjust or unconscionable
 - Reinstatement - returning the employee to their old job
 - Compensation - payment to the employee not exceeding six months wages

Global Business

Globalisation

- Nature and Trends
 - Growth of the Global Economy
 - The process of globalisation has been assisted by advancements in technology, mainly in communications and computers.
 - Changes in Markets
 - Financial
 - Deregulation of financial markets and the removal of exchange rates in the '80s
 - Development of international finance and equity markets
 - Foreign exchange market - electronic network that connects worlds major financial sectors
 - Trading value in excess of 4.2 trillion dollars per day (US)
 - Labour
 - Legal barriers to free movement known as immigration
 - Trans-national corporations have encouraged labour movement
 - Consumer
 - Developing of similar needs and wants 'world culture'
 - Driven by technology such as pay TV and internet
 - Reduction of trade barriers results in reduced prices for foreign goods
 - TNCs sell standardised products to consumers around the world
- Trends in Global Trade Since World War II
 - Tariff Reductions, for manufactured goods the tariffs decreased from 40% to 4%
 - Agricultural products used to amount for half of all trade, now they amount to less than 11%
 - Rising incomes have increased demand for services and manufactured goods
 - Most capital transfers occur between already wealthy countries
 - Global financial transactions have increased at a faster rate then trade in goods and services
- Drivers of Globalisation
 - Role of Trans-national Corporations
 - Bring world economies closer together as they try to maximise sales, obtain resources and invest money
 - TNC's in an increasingly competitive business environment seek new market opportunities in conjunction with more efficient and less costly production methods
 - Global Consumers
 - Increase contact between people from around the world and the impact of media have reduced cultural differences and the preference for local products
 - This benefits TNCs through large scale production and marketing efforts
 - The rise in incomes allows people to afford more internationally made products
 - Impact of Technology
 - Developments in information technology and transport have made movements of goods, information, equipment, ideas and people easier, faster and cheaper
 - Email and video conferencing co-ordinates business activities across different countries
 - Role of Government

- Governments have promoted international trade through the reduction of trade barriers in the form of tariffs and duties
- Policy changes such as privatisation and deregulation have created opportunities for globalisation
- Specific trade agreements have been made between countries to lower trade barriers
- Deregulation of Financial Markets
 - Australia removed controls over interest rates and regulations which prevented entry of foreign banks.
 - Australian dollar was floated on the foreign exchange market
 - Government restrictions on the movement of capital were lifted in the '80s to stimulate economic growth
- Interaction Between Global and Australian Business
 - Competition
 - AU businesses face greater competition from overseas suppliers of goods and services due to the reductions in trade barriers and tariffs.
 - Foreign Investment
 - Australia is seen as a low risk country for investment with relatively good rate of return
 - Global Networks
 - Sydney is a significant world city in terms of global business links
 - Qantas's membership of the One-World Alliance
 - Global Business Co-operation
 - Australian businesses have established links with overseas businesses to achieve market and production economies
 - Exports of Goods and Services
 - Export has always been important to the rural and mining industry however it is increasingly more important to elaborately transformed manufactures and service businesses

Global Business Strategy

- Methods of Internal Expansion
 - Exporting
 - Low cost, low risk way of becoming a global business
 - Types of exporting
 - Indirect - business sells products to domestic consumers
 - Direct - Sells products to agents or intermediary
 - Intra-corporate - products sold within the company
 - Foreign Direct Investment
 - When a business in one country owns property, assets or business interests in another country
 - Can result in a variety of business agreements
 - Wholly owned subsidiaries
 - Joint ventures
 - Strategic alliances
 - Currency fluctuations may eliminate any cost efficiencies
 - Relocation of Production
 - Reasons for may include:
 - Reduced labour costs
 - Avoidance of trade barriers

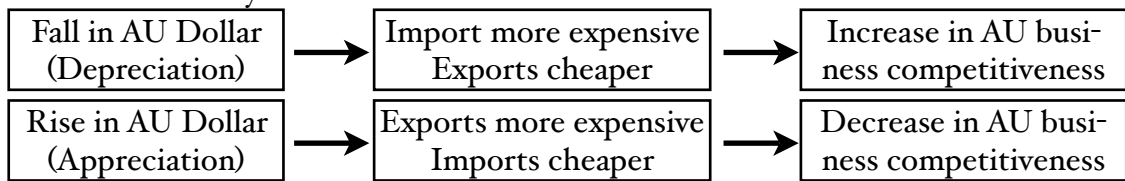
- Closure proximity to customers
- Possibility of consumer backlash if exploitive work practices are used
- Decreased production costs may lead to increased profit
- Management Contracts
 - An arrangement under which a global business provides managerial assistance and technical expertise to a second or host business for a fee
 - Provides extra income with little capital outlay and potentially opens new markets in foreign countries
 - Host business does not gain any managerial training
- Licensing / Franchising
 - Licensing is an agreement in which one business permits another to produce and market its product
 - Franchising is a specialised form of licensing in which the franchisor grants the franchisee the right to use a company's trademark and distribute its product
- Reasons For Expansion
 - Increase Sales / Find New Markets
 - Due to Australia being a relatively small market it is important for AU businesses to export their products overseas
 - Acquire Resources and Access to Technology
 - Due to climactic, geological and historical factors, many resources are unavailable or difficult to obtain locally
 - Some economies have high levels of technology and efficient production methods, expansion into these economies can provide great advantages to a company.
 - Diversification
 - Expanding production and activities overseas in order to reduce risk
 - Three types
 - Geographic - operating in foreign locations
 - Product - entering into a foreign market in an effort to increase the range of products sold
 - Supplier - having multiple suppliers of materials
 - Minimising Competitive Risk
 - By expanding into a wide range of diverse markets a business reduces the risk it faces from internal competition
 - Economies of Scale
 - The reduction in costs of production caused by increasing the size or scale of the production facility and spreading overhead costs over a larger output.
 - By expanding overseas, the business acquires a larger customer base which allows the volume of production to increase
 - Cushioning Economic Cycles
 - Economies fluctuate between boom and recession, by selling in multiple markets, a recession in any one market will not affect the business as much as if it were the business's only market.
 - Regulatory Differences
 - Government regulations vary depending on the country, this allows the business to exploit reduced regulations in different countries. Such regulations may include taxation, environmental protection and wages.
 - Tax Minimisation
 - Every tax payer is entitled to minimise their taxes legally, business try to evade taxes
 - Tax holiday - scheme where no company or personal tax is paid for a period of time
 - Tax haven - a country which imposes little or no tax on business income

Specific Influences on Global Business

• Financial

• Currency Fluctuations

- The conversion of currency is done through the foreign exchange market
- The exchange rate is the value of one currency compared to the value of another's.
- Effects of Currency Fluctuations



• Interest Rates

- Due to the deregulation of the financial markets, businesses can negotiate countless options for borrowing money in international financial markets.
- The risk of using overseas institutions is fluctuating currencies which can eliminate any financial gains.

• Overseas Borrowing

- Occurs through international capital markets
- International bond market enable lenders to sell bonds to international borrowers
- Euro-Currency - any currency that is banked outside its country of origin
- Offshore financial centres - cities or countries which provide large amounts of funds to countries other than their own

• Political

• Tensions Between Protectionism and Free Trade

- Protectionism - the practice of creating artificial barriers to free trade, in order to protect domestic industry and jobs
 - For: Protects domestic jobs
 - For: Protect health of citizens by banning products not meeting regulations
 - Against: Causes higher prices for consumers
 - Against: Leads to lower economic growth rates
- Free trade - the free flow of goods and services across countries unobstructed by tariffs or trade barriers

• International Organisations and Treaties

- United Nations - plays a controlling role in world affairs and international peacekeeping
- World bank - provides low interest loans for developing countries
- International monetary fund - fosters an orderly foreign exchange agreements and a workable international monetary system
- Bank of international settlement - Meets ten times a year in Switzerland to discuss the global financial system
- World trade organisation - responsible for managing world trade and investment activities and works to eliminate barriers on international trade

• Trade Agreements

- A negotiated relationship between countries that regulates trade between them
 - NAFTA - (North American Free Trade Agreement) - free trade zone incorporating Mexico, Canada and the United States
- Trading bloc - An organisation of nations formed to promote free trade among it's members and to create common policies.

- European Union - trading bloc with the European nations which has its own parliament, courts, commission and currency
- Regionalism
 - A focus on securing trade agreements between groups of countries in a geographic region
- War and Civil Unrest
 - In unstable regions, the political and social environment must be closely monitored to ensure the safety of all personnel.
 - Department of Foreign Affairs and Trade - provides up to date information about the level of political risk for each country in the world
- Legal
 - Contracts
 - A legally enforceable agreement
 - Outlines the details of the agreement and the rights and obligations of each of the parties involved
 - Contract law refers to those laws that govern the enforcement of contracts
 - Common law - based on tradition, judges decisions and custom
 - Civil Law - a very detailed set of laws which is organised into codes which list what is and is not permissible.
 - Dispute Resolution
 - Negotiation
 - Parties enter into private discussion to resolve and contractual disputes
 - Mediation
 - Guiding of a discussion between parties in an effort to resolve their disputes without resorting to legal action
 - Arbitration
 - The process which involves the settlement of a dispute before an impartial umpire, such as a judge, who makes a binding decision.
 - Intellectual Property
 - Refers to monopoly rights that a person acquires over a 'product' generated by intellectual activity.
 - Copyright - the protection of intellectual ideas put in permanent form, it gives certain people exclusive rights to deal with certain works.
 - Patent - gives the inventor the exclusive right to make, use or sell, as well as licence other to make or sell, a newly invented product or service.
 - Trademark - a brand name or design that is officially registered, they may be such things as headings, names, signatures, words, labels, etc.
- Sociocultural
 - Languages
 - Not being able to understand a foreign language may prevent a person from fully understanding a country's culture.
 - Non-verbal communication refers to the messages we convey through body movements, facial expressions and the physical distance between individuals.
 - English is the most common language in business
 - Tastes
 - Global business needs to modify products to suit local tastes
 - Colour can be related to a culture's taste
 - Food preferences are influenced by culture
 - TNC's must maintain consistency in quality and integrity of brand name

- Religion
 - Affects business relationships and types of products consumed
 - Food styles religious holidays and prayer time must also be considered
- Varying Business Practices and Ethics
 - Countries have their own standards of acceptable business standards
 - In certain countries, making payments or providing gifts to government officials to get services or contracts is considered normal.
 - Business practices can require the exchange of gifts, business cards, gestures, etc.
 - Entertainment can play a significant role in the business relationship

Managing Global Business

- Financial
 - Methods of Payment
 - Payment in advance - method allows the exporter to receive payment and then arrange the goods to be sent
 - Letter of credit - a commitment by the importers bank which promises to pay the exporter a specified amount when documents proving shipment of the goods are presented
 - Clean payment - (remittance) - occurs when the payment is sent to, but not received by the exporter before the goods are transported
 - Bills of exchange - a document drawn up by the exporter demanding payment from the importer at a specified time
 - Open credit - allows the importer access to the goods with a promise to repay at a later date
 - Credit Risks
 - Risks for global business
 - Default on payment
 - Partial payment
 - Slow payment
 - Failure to supply goods
 - Supply of poor quality goods
 - Hedging
 - Hedge contract - contraction a company enters into to limit foreign exchange losses
 - Forward exchange contract - contract to exchange one currency for another currency at an agreed upon rate on a future date
 - Options contract - gives the purchaser the right, but not obligation to buy or sell a certain amount of foreign currency as a set exchange rate within a specified amount of time
 - Swap contract - an agreement to exchange currency in the spot market with an agreement to reverse the transaction in the future.
 - Used when a business needs to raise finance in a country in which they are not well known and therefore would be required to pay a higher interest rate.
 - Insurance
 - Protects businesses from other risks such as non-payment of goods
 - Export Finance and Insurance Corporation - provides insurance to exporters, the insurance can cover non-payment of goods and also political risk, however it only applies in countries where Australia has signed treaties.
 - Marine insurance - covers shipments by air, road, sea and rail
 - Product liability insurance - protects manufactures from liability due to damage caused by the use of the product

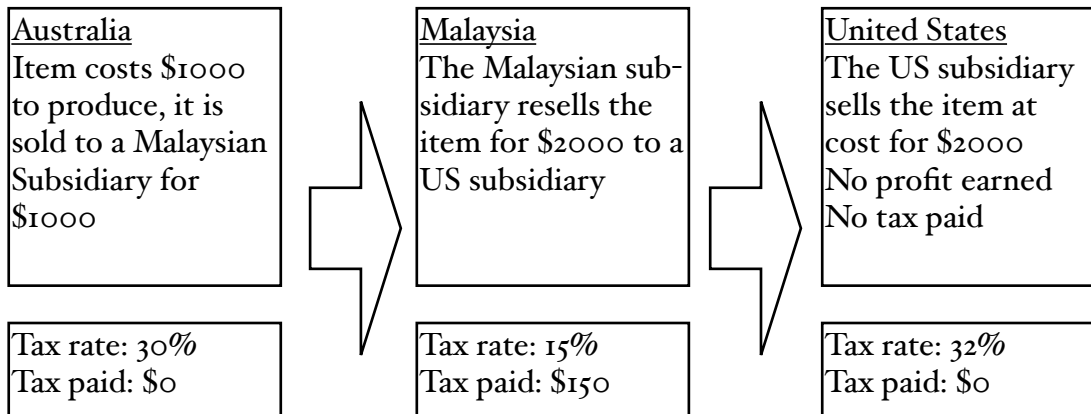
- Currency risk insurance - protects exporter from losses due to currency fluctuations
- Obtaining Finance
 - Domestic capital market - a facility for organising finance through domestic financial institutions
 - International capital market - services provided by international banks include working capital loans, finance, cash management services, finance for mergers and joint ventures
 - Eurocurrency - currency of a country that is placed in the bank of another country
- Marketing
 - Research of Market
 - Problems with secondary data:
 - Not readily available or reliable
 - Could be altered to promote foreign investment
 - Most countries do not have a regular census to provide demographic information
 - Problems with primary data:
 - May be difficult to collect
 - Researchers need to be very familiar with the local language and dialect in order to prepare questions and interpret answers correctly
 - Social structures, attitudes and values vary from country to country
 - People may be reluctant to provide information
 - Global Branding
 - The worldwide use of a name, term, symbol or logo to identify products from one seller and differentiate them from those of competitors
 - Reasons for usage:
 - Cost effective as one advertisement can be used in a number of locations
 - Provides a uniform worldwide image
 - The successful brand name can be linked to new products being released on the market
 - Standardisation
 - Offering of a common product on a worldwide basis
 - Global business can gain economies of scale, savings on research and development
 - This assumes that the way a product is used and the need it satisfies are the same the world over
 - Differentiation
 - A business develops a marketing mix that makes it stand out from its competitors
 - Can be based on factors such as reliability, quality, fashion, product design or brand image
- Operations
 - Sourcing
 - Business must decide whether it should make or buy the resources needed to create their products
 - Outsourcing - the business buys component parts from either a domestic or overseas supplier, this may result in:
 - Lower prices
 - Higher quality and better designed components
 - More advanced technology
 - Vertical Integration - the expansion of the business's production in related but different areas
 - Global Web

- A network of production sites located around the world, each specialising in the part of the production process which it can most efficiently perform
- Employment Relations
 - Organisational Structure
 - Centralised decision making - the extent to which decision making is controlled at a high level at a single location
 - Decentralised decision making - subsidiaries closer to markets have a better understanding of local culture, policies, laws and competitors, therefore decisions are made at a much lower level
 - Staffing
 - International employment relations managers are responsible for:
 - Managerial and executive staff
 - Production workers and office staff
 - International operations will require bicultural managers who understand the culture, customs and practices of the host and home countries
 - Shortage of Skilled Labour
 - It may be difficult for the business to find skilled employees and managers overseas
 - Labour may be cheap in a foreign country however the employees may require training
 - Labour Law Variations
 - Laws relating to the following areas differ across countries
 - Minimum age a person can work full time
 - Maximum hours of work per day
 - Legal minimum wage
 - Sick leave and holiday pay
 - OHS regulations
 - Minimum Standards of Labour
 - Employment relations management considerations
 - Level of education in mathematics
 - The ability of employees to speak English
 - The speed at which local people can attain new skills
 - The current skill level of employees
 - Staffing Systems
 - Ethnocentric
 - All key staffing positions at all company locations are filled by parent company personnel
 - Poly-centric
 - Personnel from the host country manage the subsidiaries, while the parent company personnel fill the key roles at company headquarters
 - Geocentric
 - Seeking the best people for key jobs throughout the entire organisation, irrespective of nationality
- Evaluation
 - Involves comparing actual performance with planned performance
 - The business must analyse it's strategic plan to determine what it wants to achieve
- Modification of Strategies
 - Strategies must be modified according to evaluations based on political, social and economic influences of the period

- Changes in strategies may be influenced by:
 - Employment relations
 - Supplier difficulties
 - Policy changes
 - Ecological sustainability

Management Responsibility in a Global Environment.

- Ethical Practice
 - Tax Havens
 - A country that imposes little or no taxes on business income
 - Tax paradise - no relevant company tax
 - Tax Shelter - tax may be levied on some internal transaction, low rates of tax in profits from internal sources
 - Tax privilege - no tax for some types of businesses
 - Transfer Pricing
 - The prices one subsidiary of a company charges a second subsidiary for goods and services



- Minimum Standards of Labour
 - Labour standards - the conditions that affect a business's employees, or those of its suppliers, subcontractors, or others in the production chain.
- Dumping Illegal Products
 - Types of products
 - Harmful or illegal products that cannot be sold in other markets
 - Harmful chemicals
 - Poorly designed machinery
 - Inappropriate food stuffs
 - The environmental laws in some developing countries are lax so that the material isn't properly stored or treated
- Ecological Sustainability
 - The use of methods of production that conserve the Earth's resources for future generations
 - Economic growth should not occur at the expense of the environment
 - International standards organisation - series of voluntary environmental standards

Business Keyword List

1. **Absenteeism:** When workers purposely fail to attend work- they may or may not be sick. (*location: 17.3*)
2. **Accounting Equation:** Forms the basis of the accounting process and shows the relationship between assets, liabilities and owners equity. (*location: 7.1*)
3. **Accounting Framework:** Consists of the raw data that is processed, stored, and then summarized, in a meaningful form. (*location: 7.1*)
4. **Acquisition Strategy:** Occurs when one business acquires, through a takeover or merger, an existing business already operating in the foreign country. (*location: 20.2*)
5. **Advertising:** A paid, non-personal message communicated through a mass medium. (*location: 12.5*)
6. **Advertising Media:** Refers to many forms of communication used to reach an audience. (*location: 12.5*)
7. **Affirmative Action:** Measures taken to eliminate direct and indirect discrimination and for implementing positive steps to overcome the current and historical causes of lack of equal employment opportunity for women. (*location: 18.6*)
8. **Ambit:** Represents the extreme ranges of claims by each party, not what they actually expect to get, it gives both parties room to negotiate. (*location: 17.5*)
9. **Analysis:** Involves working the financial into significant and acceptable forms that make it more meaningful and highlight relationships between different aspects of an organization. (*location: 7.2*)
10. **Arbitration:** The process which involves the settlement of a dispute before an impartial umpire, such as a judge, who makes a binding decision. (*location: 21.4*)
11. **Asia-Pacific Economic enforceable (APEC):** An agreement between 18 Asia-Pacific countries to promote open trade and practical economic cooperation. (*location: 19.6*)
12. **Attitude:** A person's overall feeling about an object or activity. (*location: 11.7*)
13. **Audit:** An independent check of the accuracy of financial records and accounting procedures. (*location: 8.3*)
14. **Autocratic Leadership style:** Manager tends to make all decisions, dictating work methods, limiting worker knowledge about what needs to be done to the next step to be performed, and sometimes giving feedback that is punitive (inflicting punishment). (*location: 2.2*)
15. **Award Simplification:** The process of reducing the number of allowable matters in each award to twenty, and eliminating inefficient work practices. (*location: 14.2*)
16. **Awards:** Legally enforceable and formal agreements which are made collectively between employers and employees and their representatives at the industry level and are determined by an industrial court or tribunal. (*location: 14.2*)
17. **Awards (statutes):** Legally binding agreements which set out minimum wages and conditions of employees. (*location: 16.1*)
18. **Bait Advertising:** Involves advertising a few products at reduced and therefore enticing prices to attract customers. (*location: 13.6*)
19. **Balance Sheet:** Provides information on the business for a particular period of time and includes figures for current and fixed assets, current and long term liabilities and share capital and reserves. (*location: 3.4*)
20. **Balance Sheet:** Represents an organization's assets and liabilities at a particular point in time, expressed in monetary terms, and represents the net worth of the business. (*location: 7.1*)

21. **Bank Overdraft:** Bank allows a business or individual to overdraw their account up to an agreed limit and for a specified time, to help overcome a temporary cash shortfall. (*location: 6.1*)
22. **Below-the-Line Promotions:** Promotional activities for which the business does not make use of an advertising agency. (*location: 12.5*)
23. **Best Practice:** Refers to practices that are regarded as the best or of the highest standard in the industry. (*location: 18.1*)
24. **Bill of Exchange:** A document drawn up by the exporter demanding payment from the importer at a specified time. (*location: 22.2*)
25. **Brand:** A name, term, symbol, design or any combination of these that identifies a specific product and distinguishes it from its competition. (*location: 12.3*)
26. **Brand Name:** That part of the brand that can be spoken. (*location: 12.3*)
27. **Brand Symbol:** A graphic representation that identifies a business or product. (*location: 12.3*)
28. **Budgets:** Provide information in quantitative terms (facts and figures) about requirements to achieve a particular purpose. (*location: 4.3*)
29. **Bureaucracy:** The rules and regulations that control a business. (*location: 2.2*)
30. **Bureaucratic Law:** A system where the country's bureaucracy establishes the rules. (*location: 21.4*)
31. **Business Culture:** Refers to the combination of assumptions about how employees think, feel and act. (*location: 3.2*)
32. **Business Sales Forecast:** The amount of a product that a business expects to sell as the result of a specific marketing strategy. (*location: 10.7*)
33. **Buyer Behavior:** May be defined as the decisions and actions of people involved in buying and using products. (*location: 11.5*)
34. **Capital Expenditure:** What is spent on an Centralized non-current fixed assets. (*location: 4.3*)
35. **Cash and Securities Markets:** Comprise both short term and long term debt instruments usually with a fixed interest rate or yield. (*location: 5.1*)
36. **Cash Flow:** The movement of cash in and out of a business over a period of time. (*location: 8.2*)
37. **Cash Flow Budget:** Records the expected receipts of cash (cash inflows) and expected payments of cash (cash outflows) over a period of time. (*location: 4.3*)
38. **Centralized System:** A collectivist approach in which disputes are referred to industrial tribunals, such as the AIRC, for conciliation and arbitration. (*location: 14.4*)
39. **Chain of Command:** A system that determines responsibility, supervision and accountability of members of the organization. (*location: 2.2*)
40. **Change:** Any alteration in the business or work environment. (*location: 3.1*)
41. **Change Agent:** A person or group of people who act as catalysts, assuming responsibility for managing the change process. (*location: 3.4*)
42. **Channel:** Any method used for carrying a message. (*location: 12.5*)
43. **Civil Law:** The world's most common legal system. It is based on a very detailed set of laws and is organized into codes which list what is permissible and what is not. (*location: 21.4*)
44. **Classical:** Perspective on management emphasizes how best to manage and organize work more efficiently so as to improve productivity. (*location: 2.2*)
45. **Clean Payment:** Occurs when the payment is sent to, but not received by the exporter before the goods are transported. (*location: 22.2*)
46. **Coalition:** Two or more people who combine their power to push or gain support for their ideas. (*location: 2.4*)

47. **Code of Conduct:** A statement of acceptable and unacceptable behaviors in the business. (*location: 18.1*)
48. **Code of Practice:** A statement of the principles used by a business in its operations. It generally refers to practices that are seen as ethical or socially responsible. (*location: 18.2*)
49. **Commodity Markets:** Developed in order to protect the purchase against changes in the price of commodities which businesses produce or purchase. (*location: 5.1*)
50. **Common Law:** Developed by courts and tribunals, under common law, judges make decisions based on the facts of a case, guided by precedent. (*location: 16.1*)
51. **Common Law:** Law based on tradition, judges' decisions and custom. (*location: 21.4*)
52. **Communication:** The exchange of information between people; the sending and receiving of messages. (*location: 2.3*)
53. **Concentrated Market Approach:** Requires the business to direct its marketing mix toward one selected segment of the total market. (*location: 12.2*)
54. **Conflict:** Refers to disputes, disagreements or dissatisfaction between individuals and/or groups. (*location: 16.2*)
55. **Consumer Buying Behavior:** Refers to the process of purchasing goods and services for personal or household use. (*location: 11.5*)
56. **Consumer Markets:** Consist of individuals, that is, members of a household, who plan to use or consume the products they buy. (*location: 9.4*)
57. **Consumerism:** The act of buying goods and services (*location: 1.5*)
58. **Contract:** A legally enforceable agreement. It outlines the details of the agreement and the rights and obligations of each of the parties involved. (*location: 21.4*)
59. **Control Process:** Establishing standards in line with the objectives of the organization, measuring the performance of the organization against those standards or benchmarks and making changes where necessary to ensure that the objectives of the organization are being met. (*location: 2.2*)
60. **Controlling:** Monitoring the planning, leading, and organizing processes to ensure that the objectives of the organization are met. (*location: 2.2*)
61. **Controlling (Marketing):** The comparison of planned performance against actual performance and taking corrective action to make sure the objectives are achieved. (*location: 10.7*)
62. **Copyright:** The exclusive right of an author, artist, musician or publisher to publish, perform, copy or sell and original work. (*location: 21.4*)
63. **Cost Centers:** Particular areas, departments, or sections of a business to which costs can be directly attributed. (*location: 8.2*)
64. **Cultural Diversity:** The multitude of individual differences that exist among people. (*location: 3.5*)
65. **Currency Swap:** An agreement to exchange currency in the spot market with an agreement to reverse the transaction in the future. (*location: 22.2*)
66. **Current Assets:** Assets that a business can expect to convert into cash within the current accounting period. They usually include cash, accounts receivable, inventories, and short term investments. (*location: 7.3*)
67. **Customer Orientation:** Occurs when a business bases its marketing decisions and practices on its customer's wants. (*location: 9.6*)
68. **Customer Service:** The responding to the needs and problems of the customer. (*location: 10.3*)
69. **De-skilling:** Occurs when employees are no longer required to perform skilled tasks due to changes in work methods, usually resulting from new technology. (*location: 3.3*)
70. **Debentures:** Issued by a company for a fixed rate of interest and for a fixed period of time. (*location: 6.1*)

71. **Debt Finance:** Refers to the short term and long term borrowing from external sources by an organization (*location: 6.2*)
72. **Decentralized System:** Employers and employees negotiate wages and working conditions in the individual workplace through collective or individual bargaining without the involvement of tribunals. (*location: 14.4*)
73. **Decision Making:** The process of identifying the options available and then choosing a specific course of action to solve a specific problem. Decision making is a fundamental part of management because it requires choosing an alternative course of action. (*location: 1.4*)
74. **Decision-making Role:** Involves solving problems and making choices. (*location: 1.3*)
75. **Delegation:** Handing over of certain tasks or responsibilities to an employee who is suitably capable and qualified to carry them out. (*location: 2.3*)
76. **Deregulation:** The removal of government regulation from industry, with the aim of increasing efficiency and improving competition. (*location: 3.2*)
77. **Deregulation:** The process of removing government regulations from industry in order to achieve efficiency, through greater competition. (*location: 19.6*)
78. **Derivatives:** Financial instruments used to hedge against risk by businesses that have to deal with uncertain prices of their own products or purchases. (*location: 5.4*)
79. **Derivatives:** Simple financial instruments which may be used to lesson the exporting risks associated with currency fluctuations. (*location: 22.2*)
80. **Derivatives Markets:** Developed to provide flexibility for the business needs. Derivatives markets involve a number of financial instruments that can be interchanged and altered to suit the needs of participants. (*location: 5.1*)
81. **Differentiated Approach:** An international marketing strategy that assumes the way a product is used and the needs it satisfies are different between countries. (*location: 22.3*)
82. **Direct Exporting:** Involves the exporting business selling its products to an agent, intermediary or final consumers in another country. (*location: 20.2*)
83. **Direct Securities:** Are financial instruments that are issued in the marketplace for the first time by the issuer (borrower) of funds. They include government debentures, stocks or bonds, company shares or debentures and options. (*location: 5.1*)
84. **Discretionary Income:** Refers to disposable income that is available for spending and saving after an individual has purchased the basic necessities. (*location: 9.5*)
85. **Discrimination:** Occurs when a policy or a practice disadvantages a person or a group because of a personal characteristic that is irrelevant to the performance of the work. (*location: 18.5*)
86. **Dispute:** A disagreement, in industrial relations, a dispute officially exists when workers withdraw from work or place bans on work. (*location: 17.1*)
87. **Disturbance Handler:** Manager must make decisions necessary to keep the business operating under extraordinary circumstances. (*location: 1.3*)
88. **Diversification:** A process of spreading the risks encountered by a business. There are three different types of diversification, they include: geographic, product, and supplier. (*location: 20.3*)
89. **Division of Labour:** Degree to which tasks are subdivided into separate jobs. (*location: 2.2*)
90. **Downsizing:** Involves workplace staff reductions, with the elimination of jobs and positions. (*location: 3.2*)
91. **Driving Forces:** Forces which initiate, foster, encourage and support the change. (*location: 3.4*)
92. **E-commerce:** The use of electronic communications to do business. (*location: 3.2*)
93. **Economies of Scale:** The reduction in costs of production that arise from increasing the size or scale of the production facility and spreading overhead costs over a larger output. (*location: 20.3*)

94. **Effectiveness:** Measures the degree to which a goal has been achieved. (*location: 1.1*)
95. **Efficiency:** Weighs the resources needed to achieve a goal (the costs) against what was actually achieved (the benefits). (*location: 1.1*)
96. **Efficiency:** Ability of the organization to manage its assets to maximize profits with the lowest possible level of assets. (*location: 4.2*)
97. **Efficiency:** The ability of the firm to use its resources effectively in measuring financial stability and profitability of the business. (*location: 7.2*)
98. **Employee:** A worker under the employer's control, may have control over: the location of the workplace, the way in which the work is performed, the degree of supervision involved. (*location: 14.1*)
99. **Employer:** Has the legal responsibilities of: exercising control over employees, has responsibility for payment of wages, holds the power to dismiss employees. (*location: 14.1*)
100. **Employer Associations:** Organizations that represent and assist employer groups, they were originally created to counter unions and to represent employers in the making of awards. (*location: 14.2*)
101. **Employment Contract:** A legally binding, formal agreement between employer and employee. (*location: 16.1*)
102. **Employment Relations:** Refers to the total relationship between an employer and employee. (*location: 14.1*)
103. **Enterprise Agreements:** Also known as certified agreements at the federal level, they are agreements about wages and conditions made at the enterprise level. Each agreement is made between an employer and a union or a majority of employees in the workplace. (*location: 14.2*)
104. **Environmentalism:** The organized movement of concerned businesses, consumers and government agencies to protect and improve the physical environment. (*location: 13.3*)
105. **Equitable Reward:** Seen as fair or one that is deserved by employees. Equity may be seen from an internal or external viewpoint. (*location: 15.3*)
106. **Equity:** The provision of equal opportunities for all employees to gain access to jobs, training and career paths in the workplace. (*location: 16.1*)
107. **Equity Finance:** Relates to the internal sources of finance in the organization. (*location: 6.2*)
108. **Ethical Behavior:** consistent with society's standards about what is morally acceptable and conforms to society's judgement about what constitutes right and wrong actions. (*location: 1.4*)
109. **Ethics:** Personal moral principles and values. (*location: 13.1*)
110. **Ethnocentric Approach:** All key management positions at all company locations are filled by parent company personnel. (*location: 22.5*)
111. **Ethnocentricity:** The belief in the superiority of one's own ethnic group and cultural practices. (*location: 21.5*)
112. **Eurocurrency:** The currency of one country that is placed in a bank in another country. (*location: 22.2*)
113. **Exchange Traded Markets:** Those traded on an authorized exchange, such as the Australian Stock Exchange, or the Sydney Futures Exchange. (*location: 5.1*)
114. **Expatriate:** A citizen of one country working in another country. (*location: 22.5*)
115. **Exporting:** When a business manufactures its products in its home country and then sells them in foreign markets. (*location: 20.2*)
116. **External Business Environment:** Factors and characteristics that are largely outside the direct control of owners, directors, and managers. (*location: 3.2*)
117. **External Data:** Refers to published data from outside the business. (*location: 11.3*)
118. **External Finance:** Funds provided by sources outside the business, including banks, other financial institutions, governments, suppliers or financial intermediaries. (*location: 6.1*)

119. **Extrinsic Rewards:** Those given or provided outside the job itself. They may be monetary, for example, incentive payments, or non-monetary, for example, flexible work schedules. (*location: 15.3*)
120. **Factoring:** The selling of accounts receivable for a discounted price to a finance of factoring company. (*location: 6.1*)
121. **Financial Budgets:** Relate to financial data and include the budgeted revenue statement, balance sheet, and cash flows. (*location: 4.3*)
122. **Financial Controls:** Are the policies and procedures which ensure that the plans of an organization will be achieved in the most efficient way. (*location: 4.3*)
123. **Financial Decision Making:** Requires relevant information to be identified, collected, and analyzed, to determine an appropriate course of action. (*location: 6.1*)
124. **Financial Intermediaries:** Receive money from those with excess funds and provide finance to those wishing to borrow money. (*location: 5.1*)
125. **Financial Markets:** Are made up of the individuals, institutions and systems supplying excess funds to those who require them. The term 'financial' relates to money and 'market' indicates trading activity. (*location: 5.1*)
126. **Financial Resources:** The funds the business uses to meet its obligations to various creditors. (*location: 1.1*)
127. **Financial Risk:** The risk to the firm of being unable to cover its financial obligations. (*location: 4.3*)
128. **Financial Statements:** Summarize the activities of an organization over a period of time. (*location: 7.1*)
129. **Firms Market:** Consists of all those businesses that purchase goods and services for further processing or for use in their production process. (*location: 11.6*)
130. **Fitness of Purpose:** Means that the product is suitable for the purpose for which it is being sold. That is, it will perform as the instructions or advertisement implies. (*location: 13.6*)
131. **Fixed Costs:** Costs that are not dependent on the level of operating activity in a business. (*location: 8.2*)
132. **Flatter Organizational Structures:** Evolved due to a 'de-layering' of management structures resulting in the elimination of one or more management levels. (*location: 2.3*)
133. **Force-Field Analysis:** Requires identifying, analyzing balancing the driving and restraining forces. (*location: 3.4*)
134. **Foreign Direct Investment (FDI):** Investment made for the purpose of actively controlling companies, assets or property outside a business's home country. (*location: 19.6*)
135. **Foreign Exchange Markets:** These involve the purchase and sale of currencies within Australia and overseas. (*location: 5.1*)
136. **Foreign Exchange Rate:** The ratio of one currency to another; it tells how much a unit of one currency is worth in terms of another. (*location: 21.2*)
137. **Forward Exchange Contract:** A contract to exchange one currency for another currency at an agreed exchange rate on a future date, usually after a period of 30, 90 or 180 days. (*location: 22.2*)
138. **Franchising:** A specialized form of licensing in which the franchisor grants the franchisee the right to use a company's trademark and distribute its product. (*location: 20.2*)
139. **Generic Brands:** Products with no brand name at all, carrying only the name of the product and in plain packaging. (*location: 12.3*)
140. **Geocentric Approach:** Seeking the best people for key jobs throughout the entire organization, irrespective of nationality. (*location: 22.5*)
141. **Geographical Representation:** Refers to the presence of a business and the range of its products across a suburb, town, city, state or country. (*location: 10.3*)

142. **Global Branding:** The worldwide use of a name, term, symbol, or logo to identify products of one seller and differentiate them from those of the competitor. (*location: 22.2*)
143. **Global Economy:** Refers to the economic activity going on in the world. It includes the flow of all trade, finance, technology, labour and investment. Consequently, it is the total economic activity within and between countries. (*location: 19.1*)
144. **Global Web:** A network of production sites located around the world, each specializing in the part of the production process which it can most efficiently perform. (*location: 22.4*)
145. **Globalization:** The process whereby hi-tech communications, lower transport costs and unrestricted trade and financial flows are turning the whole world into a single market, producing a more integrated global economic system. (*location: 3.2*)
146. **Globalization:** The movement across nations of trade, investment, finance and labour. In the business world, globalization refers to the process of businesses becoming transnational and locating and conducting their operations in many countries. (*location: 19.2*)
147. **Globalization of Markets:** The combining of once separate and distinct national markets into one huge global marketplace. (*location: 19.2*)
148. **Globalization of Production:** The way many businesses purchase their inputs from around the globe and tend to manufacture components in low-cost locations. (*location: 19.2*)
149. **Green Marketing:** Development, pricing, promotion and distribution of products that either do not harm or have minimal impact upon the environment. (*location: 13.3*)
150. **Greenfield Strategy:** Involves commencing a new business venture from scratch. (*location: 20.2*)
151. **Grievance Procedure:** Agreed steps that should be taken when a dispute arises, for example, reporting of a dispute, discussion at a low then high level, and if not successful, notifying the appropriate industrial tribunal of the dispute before conciliation or arbitration occurs. (*location: 15.2*)
152. **Growth:** Ability of the organization to increase its size in the longer term. (*location: 4.2*)
153. **GST:** The goods and services tax is a broad tax of 10 percent on the supply of most goods and services consumed in AUstralia (*location: 3.2*)
154. **Hedging:** The process of minimizing the risk of currency fluctuations. (*location: 22.2*)
155. **Historical Cost:** A form of accounting which states that values stated at the cost incurred at the time of purchase or acquisition. (*location: 7.3*)
156. **Household Spending:** Refers to the combines purchases of individuals living together. (*location: 11.6*)
157. **Human Resources:** The employees of the business and are generally the most important asset. (*location: 1.1*)
158. **Implementation (Marketing):** The process of putting the marketing strategies into operation. This involves the daily, weekly, and monthly decisions which have to be made to make sure the plan is effective. (*location: 10.6*)
159. **Implied Conditions:** The unspoken and unwritten terms of a contract. (*location: 13.6*)
160. **Indirect Exporting:** The most basic level of exporting where a business sells its products to a domestic customer, who then exports the product. (*location: 20.2*)
161. **Individual Contracts:** Exist when an employer and an individual employee negotiate a contract covering pay and conditions. (*location: 16.1*)
162. **Induction:** A program designed to introduce an employee to the job, their coworkers, the organization and its culture. (*location: 15.4*)
163. **Industrial Market:** Includes industries and business organizations that purchase products to use in the production of other products or in their daily operations. (*location: 9.4*)
164. **Inertia of Management:** Refers to an unenthusiastic response from management to proposed changes. (*location: 3.3*)
165. **Information Resources:** Knowledge and data required by the business such as market research, sales reports, economic forecasts, technical material, and legal advice. (*location: 1.1*)

166. **Informational Role:** The manager gathers and disseminates information within the business, also providing it to the outside world. (*location: 1.3*)
167. **Input Tax Credit:** An allowable tax deduction that a business can claim for any GST included in the price of business inputs. (*location: 3.2*)
168. **Institutional Customers:** Consists of schools, hospitals, clubs, churches and other non-profit organizations. (*location: 11.6*)
169. **Intangible Assets:** Includes licenses, patents, trademarks, brand names, intellectual property and goodwill. (*location: 7.3*)
170. **Intellectual Property:** Refers to property such as a brand name, a new drug formula, a computer program or an artistic work, that is created by an individual's intellect. (*location: 21.4*)
171. **Intermediate Market:** Consists of wholesalers and retailers who purchase finished products and resell them to make a profit. (*location: 9.4*)
172. **Internal Business Environment:** Factors and characteristics that are within direct control of owners, directors, and managers. (*location: 3.2*)
173. **Internal Data:** Refers to information which has already been collected from inside the business. (*location: 11.3*)
174. **Internal Finance:** The funds provided by the owners of the business (capital) or from outcomes of business activities (retained earnings). (*location: 6.1*)
175. **International Monetary Fund:** Established in 1946 to provide international liquidity on a short and medium term and encourage liberalization of exchange rates. (*location: 21.3*)
176. **Interpersonal Role:** A role in which the manager deals with people. (*location: 1.3*)
177. **Interpretation:** Making judgments and decisions using the data gathered from analysis. (*location: 7.2*)
178. **Intracorporate Exporting:** The selling of a product by a firm in a one country to subsidiary firm in another. (*location: 20.2*)
179. **Intrinsic Rewards:** Those that the individual derives from the task or job itself, such as a sense of achievement. (*location: 15.3*)
180. **Inventory Control:** A system that maintains quantities and varieties of products appropriate for the target market. (*location: 12.6*)
181. **Job Enlargement:** Involves increasing the breadth of tasks in a job. (*location: 14.4*)
182. **Job Enrichment:** Involves increasing the responsibilities of a staff member. (*location: 14.4*)
183. **Job Rotation:** Involves moving staff from one task to another over a period of time. (*location: 14.4*)
184. **Job Sharing:** Involves two employees voluntarily sharing one permanent full-time job. This arrangement is now popular with women returning to the workplace after having children, but requires commitment and communication between the two jobholders to be effective. (*location: 15.5*)
185. **Joint Consultative Committees:** Formally established groups consisting of employees and management representatives and may or may not include union representatives. (*location: 15.2*)
186. **Joint Venture:** Two or more businesses agree to work together and form a jointly owned but separate business. (*location: 20.2*)
187. **Judicial Power:** Refers to the power of courts to interpret and apply laws. (*location: 14.2*)
188. **Labour Standards:** Refers to those conditions that affect a business's employees, or those of its suppliers, subcontractors, or others in the production process. (*location: 23.2*)
189. **Laws:** Society's values and standards which may be protected by the courts. (*location: 13.1*)
190. **Leading:** Having a vision of where the business should be in the long run and being able to direct and motivate the human resources in an organization to achieve its objectives. (*location: 2.3*)

191. **Learning Organization:** Monitors and interprets its environment, seeking to improve its understanding of the interrelationship between its actions and the business environment. All its employees are involved in developing knowledge and insights that allow the organization to continuously grow and improve. (*location: 15.4*)
192. **Leasing:** A long-term source of borrowing for businesses. It involves the payment of money for the use of equipment that is owned by another party. (*location: 6.1*)
193. **Legal System:** Refers to the laws, or rules, that regulate behavior and the procedures used to enforce the laws (*location: 21.4*)
194. **Letter of Credit:** A commitment by the importers bank, which promises to pay the exporter a specified amount when the documents proving shipment of the goods are presented. (*location: 22.2*)
195. **Leverage:** The proportion of debt (external finance) and the proportion of equity (internal finance) which is used to finance the activities of a firm. (*location: 6.2*)
196. **Liaison:** Individual managers often interact with other managers inside and outside the business (*location: 1.3*)
197. **Licensing:** An agreement in which one business (licensor) permits another (licensee) to produce and market its product. (*location: 20.2*)
198. **Line Manager:** Responsible for the management of staff contributing to the prime function of the business, for example, a production manager, service manager or sales manager. (*location: 14.3*)
199. **Liquidity:** The ability of an organization to pay its debts as they fall due. (*location: 4.2*)
200. **Lockout:** When employees close the entrance to a workplace and refuse admission to the workers. (*location: 17.3*)
201. **Log of Claims:** A list of demands made by workers (often through their union) against their employers. These demands cover specific wages and conditions. Employers may also serve a counter-log of claims in the union. (*location: 14.2*)
202. **Loss Leader:** Involves deliberately selling a product below its cost price to attract customers to the store. (*location: 12.4*)
203. **Macroeconomics:** Deals with the functioning of the economy on an aggregate or national basis. It's concerned with the aggregate income, expenditure, investment, saving, inflation, employment and balance of payments. The relationship between these aggregates and the achievement of stabilization and economic growth is also part of microeconomic analysis. (*location: 3.2*)
204. **Management:** The process of with and through other people to achieve the goals of the business in a rapidly changing environment. (*location: 1.1*)
205. **Management Contract:** An agreement under which a global business provides managerial assistance and technical expertise to a second or host business for a fee. (*location: 20.2*)
206. **Management Function:** Planning, Organizing, Leading, Coordinating, and Controlling. (*location: 1.3*)
207. **Management Hierarchy:** Is the arrangement that provides increasing authority at higher levels of management. (*location: 1.1*)
208. **Manager:** The process of coordinating a business's resources to achieve the goals of the organization. (*location: 1.1*)
209. **Manufacturer's Brand:** Those owned by the manufacturer, they have high appeal with customers due to wide availability and consistent quality. (*location: 12.3*)
210. **Market Coverage:** Refers to the number of outlets a firm chooses for its product. (*location: 12.6*)
211. **Market Research:** The process of systematically collecting, recording and analyzing information concerning a specific marketing problem. (*location: 11.1*)

212. **Market Research Process:** Consists of three steps: determining information needs, collecting data from primary and secondary sources and analyzing and interpreting data. (*location: 11.1*)
213. **Market Segmentation:** Occurs when the total market is subdivided into groups of people who share one or more common characteristics. (*location: 10.4*)
214. **Market Share:** Refers to the business's share of the total industry sales for a particular market. (*location: 10.3*)
215. **Marketing:** Process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives. (*location: 9.2*)
216. **Marketing Channels:** Routes taken to get the product from the factory to the customer. (*location: 12.6*)
217. **Marketing Concept:** Is a business philosophy which states that all sections of the business are involved in satisfying a customer's needs and wants while achieving the business's goals. (*location: 9.6*)
218. **Marketing Cost Analysis:** A method in which the marketer breaks down the total marketing costs into specific marketing activities. (*location: 10.7*)
219. **Marketing Data:** Refers to the information, usually expressed as facts and figures, relevant to the defined marketing problem. (*location: 11.3*)
220. **Marketing Management:** The process of monitoring and modifying the marketing plan. (*location: 9.7*)
221. **Marketing Mix:** Refers to the combination of the four elements of marketing, the four Ps - product, price, promotion and place - that make up the marketing strategy. (*location: 9.7*)
222. **Marketing Objective:** A statement of what is to be achieved through the marketing activities. (*location: 9.7*)
223. **Marketing Strategies:** Actions undertaken to achieve the business's marketing objectives. (*location: 9.7*)
224. **Marketing Strategy:** A plan that outlines how the business will use its resources to achieve its objectives. (*location: 10.5*)
225. **Mass Market:** The seller mass produces, mass-distributes and mass-promotes one product to all buyers. (*location: 9.4*)
226. **Mass Marketing:** An approach which seeks a large range of customers. Products that can be marketed using the mass marketing approach include basic food items, water, gas and electricity. (*location: 12.2*)
227. **Materialism:** An individual's desire to constantly acquire possessions. (*location: 13.4*)
228. **Mediation:** The confidential discussion of issues in a non-threatening environment, in the presence of a neutral, objective third party. (*location: 17.5*)
229. **Mediation:** The guiding of a discussion between parties in an effort to resolve their dispute without resorting to legal action. (*location: 21.4*)
230. **Merchandise Exports:** The sale of domestically made products to customers in another country. (*location: 19.5*)
231. **Merchantable Quality:** The product is of a standard a reasonable person would expect for the price. (*location: 13.6*)
232. **Microeconomics:** Deals with the individual components of an economy in isolation. Microeconomics would be concerned with the output of a firm or industry, the price of a product, competition between firms and within an industry, or the income of a household. (*location: 3.2*)
233. **Model:** Simplifies version of reality, they are useful when dealing with complex issues. (*location: 3.4*)

234. **Monitoring (Marketing):** The checking and observing the actual progress of the marketing plan. This will require the marketing department personnel as well as other employees to gather information and report on important changes. (*location: 10.7*)
235. **Mortgage:** A loan secured by the property of the borrower. (*location: 6.1*)
236. **Motivation:** The individual, internal process that energizes, directs and sustains an individual's behavior. It is the personal force that causes a person to behave in a particular way. (*location: 2.3*)
237. **Motive:** The reason that makes an individual do something. (*location: 11.7*)
238. **Negotiating / Bargaining:** A decision making process among people with different expectations. (*location: 2.4*)
239. **Negotiating Role:** Requires the manager to arrange for, or bring about discussions, the settlement of an issue. (*location: 1.3*)
240. **Net Working Capital:** The difference between current assets and current liabilities. It represents those funds that are needed for the day-to-day operations of an organization to produce profits and provide cash for short term liquidity. (*location: 7.3*)
241. **Network Structure:** Exists solely to provide administrative control of another business or set of businesses that perform all the functions needed to produce and sell the product. (*location: 3.2*)
242. **Niche Market:** Also known as a concentrated or micro market, is created when mass market is finely divided into smaller markets consisting of buyers who have specific needs or lifestyles. (*location: 9.4*)
243. **Noise:** Any interference or distraction that affects any or all stages in the communication process. (*location: 12.5*)
244. **Non-Store Retailing:** Retailing activity conducted away from the traditional store. (*location: 12.7*)
245. **Non-Verbal Communication:** The messages we convey through body movements, facial expressions and the physical distance between the individuals. (*location: 21.5*)
246. **Open Credit:** Allows the importer to access to the goods, with a promise to repay at a later date. (*location: 22.2*)
247. **Operating Budgets:** Relate to the main activities of an organization and may include budgets relating to sales, production, raw materials, direct labour, expenses and the cost of goods sold. (*location: 4.3*)
248. **Operational Planning:** Provides specific details of the way in which the firm will operate in the short term. (*location: 2.2*)
249. **Opinion Leader:** A person who influences others. (*location: 12.5*)
250. **Option:** Gives the buyer (option holder) the right, but not the obligation, to buy or sell foreign currency at some time in the future. (*location: 22.2*)
251. **Orders:** Decisions handed down by tribunals, such as the AIRC, which require employees or employers to carry out a direction from the tribunal. They may be inserted in awards or agreements. (*location: 17.5*)
252. **Organization Process:** Range of activities that translate the objectives if a business into reality. (*location: 2.2*)
253. **Organizational Buying Behavior:** The purchasing of goods and services by producers, resellers, government departments and institutions such as schools and religious organizations. (*location: 11.5*)
254. **Organizational Politics:** The unwritten rules of work life. They involve the pursuit of self-interest through informal methods of gaining power or advantage. (*location: 2.4*)
255. **Organizing:** Structuring of the organization to translate plans and the business's objectives into action. (*location: 2.2*)
256. **Organizational Objectives:** Break the business operations into achievable and manageable outcomes which can be measured and evaluated. (*location: 4.1*)

257. **OTC Markets:** OTC (over-the-counter) markets are not traded on an exchange but transactions take place via telephone and other means of communication. (*location: 5.1*)
258. **Outsourcing:** The contracting of some business operations to outside suppliers. (*location: 3.2*)
259. **Outsourcing:** The process of purchasing component parts from either a domestic or overseas supplier. (*location: 22.4*)
260. **Owner's Equity:** Funds contributed by owners or partners to establish and build business. (*location: 6.1*)
261. **Packaging:** Involves the development of a container and the graphic design for a product. (*location: 12.3*)
262. **Participation Rate:** Refers to the proportion of women aged 15-69 employed or actively looking for work. (*location: 14.4*)
263. **Participative / Democratic Leadership style:** The manager consults with employees to ask their suggestions and then seriously considers those suggestions when making decisions. (*location: 2.3*)
264. **Patent:** Gives the inventor exclusive rights to make, use or sell, as well as license others to make or sell, a newly invented product or process. (*location: 21.4*)
265. **Payment in Advance:** Allows the exporter to receive payment and then arrange for the goods to be sent. (*location: 22.2*)
266. **People Skills:** Those skills needed to work and communicate with other people and to understand their needs. (*location: 1.4*)
267. **Performance Appraisals:** Strategies used by management to evaluate the performance of employees. In some cases, employees evaluate the performance of managers too. They are usually taken annually or biannually and may be conducted using such methods as staff surveys, ratings and reports based on observations, interviews and analysis of critical incidents. (*location: 15.4*)
268. **Performance Standard:** A forecast level of performance against which actual performance can be compared. (*location: 10.7*)
269. **Personal Selling:** The activities of a sales representative directed to a customer in an attempt to make a sale. (*location: 12.5*)
270. **Personal Spending:** Refers to consumer purchases by individuals. (*location: 11.6*)
271. **Physical Distribution:** All those activities concerned with the efficient movement of the products from producer to the customer. (*location: 12.6*)
272. **Physical Resources:** Includes equipment, machinery, buildings, and raw materials. (*location: 1.1*)
273. **Picket:** Protests which take place outside the workplace, generally associated with a strike. (*location: 17.3*)
274. **Planned Obsolescence:** Refers to the built-in, predetermined life of a product that will thus require it to be replaced. (*location: 1.5*)
275. **Planning:** The preparation of a pre-determined course of action for a business. (*location: 2.2*)
276. **Planning Processes:** Involves the setting of goals and objectives, determining strategies to achieve those goals and objectives, identifying and evaluating alternative courses of action and choosing the best alternative for the organization. (*location: 4.3*)
277. **Plant Layout:** The physical arrangement of people and machinery in the business. (*location: 3.3*)
278. **Pluralist Approach:** Recognizes the active roles played by unions and employer associations and framework developed by the government. This 'employment relations/industrial relations' approach sees conflict as a legitimate outlet for pressures and tensions between the stake-holders and their competing interests. (*location: 17.2*)

279. **Political Risk:** Any political event which results in a drastic change to the country's business environment and which ultimately has a negative impact upon business operations and profit. (*location: 21.3*)
280. **Politics:** The use of methods, sometimes unstated and/or unethical, to obtain power or advancement within an organization. (*location: 2.4*)
281. **Polycentric Approach:** Personnel from the host country manage the subsidiaries. While the parent company personnel fill the key roles a company headquarters. (*location: 22.5*)
282. **Power:** Ability to gather together to get something done. (*location: 2.4*)
283. **Prestige Pricing:** A pricing strategy where a high price is charged to give the product an aura of quality and status. (*location: 12.4*)
284. **Price Discrimination:** Setting of different prices for a product in separate markets. (*location: 13.6*)
285. **Price Lining:** A pricing strategy used mainly retailers where a limited number of prices, or price points, are set for selected lines or groups of merchandise. (*location: 12.4*)
286. **Price Penetration:** Occurs when a business charges the lowest price possible for a product or service to achieve a large market share. (*location: 12.4*)
287. **Price Skimming:** Involves charging the highest price possible for innovative products. (*location: 12.4*)
288. **Primary Data:** The facts and figures from original sources for the purpose of the specific research problem. Primary data can be collected through questionnaires, observation and/or experimentation (*location: 11.3*)
289. **Primary Markets:** Deal with the new issue of debt instruments by the borrower of funds. (*location: 5.1*)
290. **Primary Target Market:** The market segment at which most of the marketing resources are directed. (*location: 12.2*)
291. **Private / House Brand:** One owned by a retailer or wholesaler, they are often cheaper as the retailer can buy at lower costs. (*location: 12.3*)
292. **Privatization:** The process of transferring the ownership of a government business to the private sector. (*location: 3.2*)
293. **Proactive:** Refers to a management style that incorporates dynamic action and forward planning to achieve particular objectives. (*location: 1.2*)
294. **Problem Solving:** A broad set of activities involved in searching for, identifying and then implementing a course of action to correct an unworkable situation. (*location: 1.4*)
295. **Product:** A good or service, an idea or any combination of the three which can be offered in an exchange. (*location: 12.2*)
296. **Product Deletion:** The elimination of some lines of products. (*location: 10.7*)
297. **Product Differentiation:** The process of developing and promoting differences between the business's products and those of its competitors. (*location: 12.2*)
298. **Product Mix:** The total range of products offered by a business. (*location: 10.3*)
299. **Product Mix Depth:** Refers to the number of similar products offered in a specific product line. (*location: 10.3*)
300. **Product Mix Width:** Refers to the number of different products, or product lines, offered by a business. (*location: 10.3*)
301. **Product Positioning:** The development of a product image as compared with the image of competing products. (*location: 12.3*)
302. **Productivity Sharing:** The practice of rewarding employees for productivity levels above specific targets. (*location: 15.5*)
303. **Profit and Loss Statement:** Provides information for a particular period of time regarding sales, operating profit before and after tax and extraordinary items, as well as dividends to be paid and retained earnings. (*location: 3.4*)

304. **Profit Sharing:** The practice of calculating an employee's portion of a monthly profit pool. (*location: 15.5*)
305. **Profitability:** The ability of an organization to maximize its profits. (*location: 4.2*)
306. **Project Budgets:** Relate to the capital expenditure and research and development. (*location: 4.3*)
307. **Promotion:** Describes the methods used by business to inform, persuade and remind a target market about its products. (*location: 12.5*)
308. **Promotion Mix:** Various promotion methods a business uses in its promotional campaign, these include: personal selling, advertising, below-the-line promotions, publicity and public relations. (*location: 12.5*)
309. **Protectionism:** The practice of creating artificial barriers of free trade, in order to protect domestic industries and jobs. (*location: 21.3*)
310. **Psychological Factors:** Influences within an individual that affect his or her buying behavior. (*location: 11.7*)
311. **Public Relations:** Those activities aimed at creating and maintaining favorable relations between a business and its customers. (*location: 12.5*)
312. **Publicity:** Any free news story about a business's products. (*location: 12.5*)
313. **Quality Circles:** Involve employees meeting voluntarily on a regular basis to discuss, analyze and solve specific problems. (*location: 15.2*)
314. **Radical (Marxist) Approach:** Recognizes conflict as inevitable and reflects the traditional view of an 'us versus them', conflict based relationship between employer and employees. (*location: 17.2*)
315. **Record Systems:** The mechanisms employed by an organization to ensure that data are recorded and information provided by record systems is accurate, reliable, efficient, and accessible. (*location: 4.3*)
316. **Reference / Peer Group:** A group of people with whom a person closely identifies, adopting their attitudes, values and beliefs. (*location: 11.7*)
317. **Regionalism:** There is a focus on securing trade agreements between groups of countries in a geographic region. (*location: 21.3*)
318. **Regulations:** Restrictions placed on the activities of either individuals or businesses by governments. (*location: 20.3*)
319. **Relationship Marketing:** Is the developing of long-term and cost-effective relationships with individual customers. (*location: 9.6*)
320. **Relocation of Production:** Occurs when the domestic production facility is closed down and then set up in a foreign country. (*location: 20.2*)
321. **Resale Price Maintenance:** Occurs where the manufacturer or supplier insists that a retailer sell the product at a certain price. (*location: 13.6*)
322. **Resource Allocator:** Role requires the manager to share out or allocate the limited resources of the business. (*location: 1.3*)
323. **Resource Market:** Consists of those individuals or groups who are engaged in all forms of primary production, including mining, agriculture, forestry and fishing. (*location: 9.4*)
324. **Respondents:** All the union parties and employers registered as included in the award at the federal level. (*location: 17.5*)
325. **Restraining Forces:** Those forces which work against the change, thus creating resistance. (*location: 3.4*)
326. **Restrictive Covenants:** Set down what a borrower can or cannot do for a period of a loan, essentially these are the conditions set down by the lender. (*location: 6.2*)
327. **Retrenchment / Redundancy:** Refers to employees losing their jobs as they are no longer needed in an organization, that is, they exceed the organization's needs. (*location: 18.7*)

328. **Revenue Statements:** Shows the operating results for a period. It shows the revenue earned and expenses incurred over the accounting period with the resultant profit or loss. (*location: 7.1*)
329. **Role:** A part that someone plays. (*location: 1.3*)
330. **Sabotage:** Involves the employee taking action to harm or destroy the image of a firm. (*location: 17.3*)
331. **Safety Net Increases:** Increases in wages awarded by the AIRC to all employees on awards who are not covered by enterprise agreements, to ensure that they do not miss out on the economic gains achieved or fall too far behind. (*location: 14.2*)
332. **Sale and Lease Back:** The selling of an owned asset to a lessor and leasing the asset back through fixed payments for a specified number of years. (*location: 8.1*)
333. **Sales Analysis:** The comparing of actual sales with forecast sales to determine the effectiveness of the marketing strategy. (*location: 10.7*)
334. **Scientific Management:** Approach that studies a job in great detail to discover the best way to perform it. (*location: 2.2*)
335. **Secondary Data:** Refers to information which has already been collected by some other person or organization. (*location: 11.3*)
336. **Secondary Markets:** Deal with the purchase and sale of existing securities. (*location: 5.1*)
337. **Secondary Target Market:** Usually a smaller and less important market segment which is also likely to purchase a specific product or service- however not as much so as those in the target demographic. (*location: 12.2*)
338. **Self Managing:** Involves adopting techniques that allow people to manage their own behavior so that less outside control is necessary. (*location: 1.4*)
339. **Severance:** Money paid out due to the termination of the employment contract to cover entitlements built up by the employee for each year of service. (*location: 18.7*)
340. **Situational Analysis:** Investigates the marketing opportunities and potential problems (*location: 9.7*)
341. **Social Class System:** The societal ranking of people in higher or lower respect, generally based on income. (*location: 11.7*)
342. **Social Justice:** The business being responsible or behaving in a fair and ethical manner towards their employees, customers and the broader community. (*location: 14.4*)
343. **Social Responsibility:** The awareness of a business's management of social, environmental and human consequences of it's actions. (*location: 3.5*)
344. **Social Wage:** The improvements in social benefits, such as better health care, education, welfare and taxation reform, which act like a wage increase. (*location: 14.2*)
345. **Sociocultural Influence:** Forces exerted by other people and groups that affect the customer behavior. (*location: 11.7*)
346. **Solvency:** The extent to which the business can meet its financial commitments in the longer term. Solvency is measured using leverage or gearing ratios. (*location: 7.2*)
347. **Sourcing Decisions:** Decisions made about whether a business should make or buy the resources that are needed to create its own products. (*location: 22.4*)
348. **Spot Exchange Rate:** The value of one currency in another currency on a particular date. (*location: 22.2*)
349. **Staffing System:** A system concerned with the selection of employees for particular jobs. (*location: 22.5*)
350. **Stakeholder Audit:** Involves identifying all the parties that could be affected by the business's performance decisions. (*location: 2.4*)
351. **Stake-holders:** Are groups and individuals who interact with the business and thus have a vested interest in it's activities. (*location: 1.5*)
352. **Standardized Approach:** An international marketing strategy that assumes the way a product is used and the needs it satisfies are the same the world over. (*location: 22.3*)

353. **Statement of Cash Flows:** A financial statement that indicates the movement of cash receipts and cash payments resulting from transactions over a period of time. (*location: 8.2*)
354. **Statistical Interpretation Analysis:** The process of focusing on the data that represents average, typical or deviations from typical patterns. (*location: 11.4*)
355. **Statutes:** Laws made by federal and state parliaments, for example, laws relating to employment conditions, wage and salary determinations and dispute resolution. (*location: 16.1*)
356. **Strategic Alliance:** Occurs when two or more businesses join together and pool their resources. (*location: 3.2*)
357. **Strategic Marketing Planning:** The process of developing and implementing marketing strategies to achieve marketing objectives. (*location: 9.7*)
358. **Strategic Plan:** Encompasses the strategies that an organization will use to achieve its goals. (*location: 4.1*)
359. **Strategic Planning:** Long term planning to determine where in the market the firm wants to be, and what the firm wants achieve in relation to its competitors. It involves setting mission statements and determining organizational objectives. (*location: 2.2*)
360. **Strategic Thinking:** Allows a manager to see the business as a whole - as a complex of parts that depend on and interact with each other, like the gears in a machine. (*location: 1.4*)
361. **Strategy:** A major tool that is adopted by an organization to achieve its goals. (*location: 4.1*)
362. **Strike:** Where workers withdraw their labour, the aim is to attract publicity and support for the employee's cause. (*location: 17.3*)
363. **Structural Change:** Refers to changes in how the business is organized, that is the organizational structure. (*location: 3.2*)
364. **Structural Change:** Refers to changes in the pattern and composition of production and employment in an economy. (*location: 14.4*)
365. **Sugging:** Selling under the guise of a survey, is a sales technique disguised as market research. (*location: 13.4*)
366. **Survey:** Method of gathering data by asking or interviewing people. (*location: 11.3*)
367. **System:** A set of interrelated parts that operate as a whole in order to achieve a common goal. (*location: 2.6*)
368. **System's Management Approach:** Views organization's as an integrated process where all individual parts contribute to the whole. (*location: 2.6*)
369. **Tactical Planning:** Flexible, adaptable, short-term planning usually one or two years, which will assist in implementing the strategic plan. (*location: 2.2*)
370. **Target Market:** A group of customers with similar characteristics who currently, or who may in the future, purchase a product. (*location: 10.4*)
371. **Tariff:** Tax placed on imported goods. (*location: 19.6*)
372. **Tax Haven:** A country that imposes little or no taxes on business income. (*location: 20.3*)
373. **Tax Haven:** A country that imposes little or no taxes on business income. (*location: 23.2*)
374. **Tax Holiday:** A scheme where no company or personal tax is paid for a certain period of time. (*location: 20.3*)
375. **Team / Group Dynamics:** Interaction of individuals within teams or groups. (*location: 1.4*)
376. **Teamwork:** Involves people who interact regularly and coordinate their work toward a common goal. (*location: 2.3*)
377. **Tendering:** A process where firms submit quotes to supply a good or service. The lowest bid which meets the specifications is usually accepted. (*location: 11.6*)
378. **Trade Agreement:** A negotiated relationship between countries that regulates trade between them (*location: 21.3*)

379. **Trade Unions:** Organizations formed by employees in an industry, trade or occupation to represent them in efforts to improve wages and the working conditions of their members. (*location: 14.2*)
380. **Trademark:** Signifies the brand name or symbol that is registered and the business has the exclusive right to use. (*location: 12.3*)
381. **Trademark:** A brand name, or design that is officially registered. (*location: 21.4*)
382. **Trading Bloc:** An organization of nations formed to promote free trade among its members and to create common economic policies. (*location: 21.3*)
383. **Trading Company:** A business that buys and sells products in many countries. (*location: 20.2*)
384. **Training and Development:** Changing employees' attitudes and behaviors; this may involve teaching specific skills. (*location: 3.3*)
385. **Transfer Pricing:** Refers to the prices one subsidiary of a company charges a second subsidiary for goods and services. (*location: 23.2*)
386. **Transnational Corporation:** Any business that has productive activities in two or more countries and which operates on a worldwide scale. (*location: 19.6*)
387. **Triple Bottom Line:** Refers to the economic, social, and environmental performance of the business. (*location: 1.5*)
388. **Triple Bottom Line:** Refers to the economic, environmental and social performance of a business. (*location: 23.1*)
389. **Turnover:** The voluntary labour resignation rate which is often linked with absenteeism rates as indicators of conflict and dissatisfaction. (*location: 17.3*)
390. **Unitary Approach:** Assumes stake-holders, such as employees and their employers, work 'hand in hand' to achieve shared goals. (*location: 17.2*)
391. **Universal Product Code:** A number used to identify each product. (*location: 11.3*)
392. **Variable Costs:** Costs which change in proportion to the level of operating activity in the business. (*location: 8.2*)
393. **Variance Reports:** Show the difference between budgeted and actual performance. (*location: 4.3*)
394. **Venture Capital:** The funds supplied by private investors or specialist investment organizations, either to new businesses (sometimes referred to as seed capital) or to established businesses ready to grow or diversify. (*location: 6.1*)
395. **Vertical Integration:** Refers to the expansion of a business's production in different but related areas. (*location: 22.4*)
396. **Vision:** Clear, shared sense of direction which allows people to attain a common goal. (*location: 1.4*)
397. **Warehousing:** A set of activities involved in receiving, storing and dispatching goods. (*location: 12.6*)
398. **Warranty:** Promise by the business to repair or replace faulty products. (*location: 13.6*)
399. **Word-of-Mouth Communication:** Occurs when people influence each other during conversations. (*location: 12.5*)
400. **Work Bans:** A refusal to work overtime, handle a product, piece of equipment, process or even a refusal to work with particular individuals. (*location: 17.3*)
401. **Work-to-Rule:** Workers refuse to perform any duties additional to the work they normally are required to perform. (*location: 17.3*)
402. **Working Capital:** Funds available for the short term financial commitments of an organization. (*location: 7.3*)
403. **Working Capital Management:** Determining the best mix of current assets and current liabilities needed to achieve the objectives of the organization. (*location: 8.1*)

404. **World Bank:** One of the world's largest sources of development assistance, the World Bank works in more than 100 developing economies with the primary focus of helping the poorest people and the poorest countries. (*location: 21.3*)
405. **World Trade Organization:** An international organization that regulates trade and tariffs between nations in order to ensure that trade flows smoothly, predictable and as freely as possible. Based in Geneva, the WTO functions by negotiating multilateral agreements, which are then ratified by the member nations in order to protect their trading rights. (*location: 21.3*)