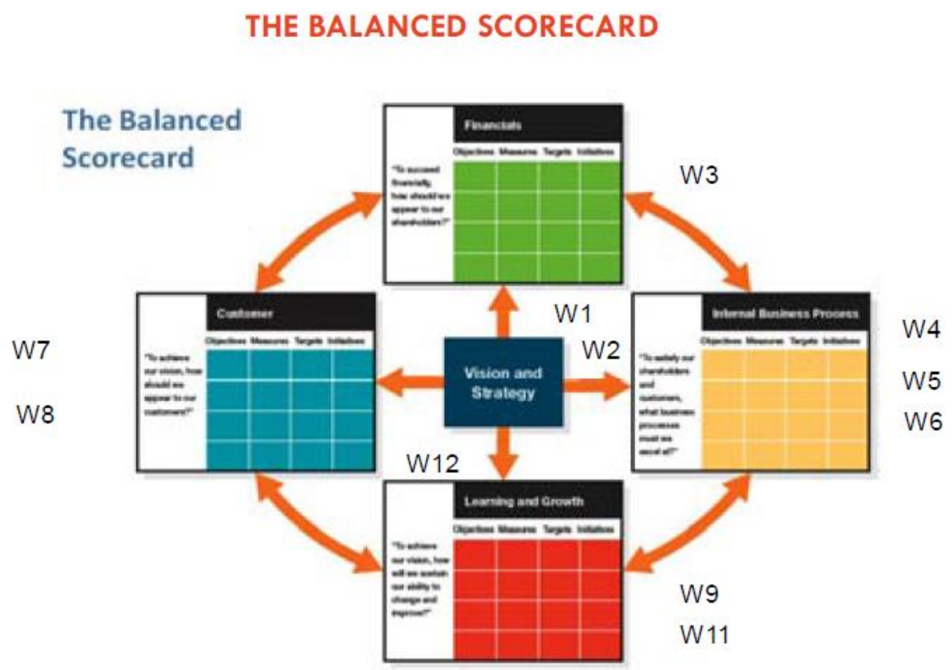
BUSS1001 – WEEK 1 - INTRODUCTION TO BUSINESS (Chapters: 5 & 6)

nb!! BALANCE SCORECARD (was in the final exams last semester)



Entrepreneurship

Business start-up options:

- create a new, independent business
- buy an existing independent business
- buy into a franchise system

Financing your ideas:

- From high to low risks -> self, grants, business angels, co-investments, venture capital, IPO Exits (Initial Public Offering).
  (Def.: **Business Angel investors** are often retired entrepreneurs or executives, who may be interested in angel investing for reasons that go beyond pure monetary return.) (Def.: **Venture capital (VC)** is financial capital provided to early-stage, high-potential, growth startup companies. The venture capital fund earns money by owning equity in the companies it invests in.)

Choice of ownership affects:

- the tax you are liable to pay
- assets protection
- ongoing costs
- your clients

Ownership Forms

Sole traders: A business owned by a single person.

- Simplicity
- Taxation at personal rates

- Privacy
- Flexibility and control

Partnerships: two or more people carry on a business in common with a view of profit.

- Simplicity
- Taxation at personal rates
- More resources
- Cost sharing
- Broader skill and experience base
- Longevity – owners can transfer ownerships and the business will keep running.

Limitations of sole traders and partnerships:

- Small in scale
- Indifferentiable from the human actors who drove them and thus impermanent
- Limited capacity to raise and retain capital
- Limited capacity to diversify or manage risk
- Unlimited liability

Corporation / Company

- A corporation is a separate legal entity
  - Can sue or be sued in their own names
  - Enter into and enforce contracts
  - Hold title to and transfer property
  - Be found civilly and criminally liable for violations of law
- Characteristics of corporation:
  - Perpetual succession (Def.: perpetual succession is the continuation of a corporation's existence despite the death, bankruptcy, insanity, change in membership or an exit from the business of any owner or member, or any transfer of stocks ,etc.)
  - Limited liability (Def.: where a person's financial liability is limited to a fixed sum, most commonly the value of a person's investment in a company.)
  - Transferability of shares
  - Separate property
- Private company
  - Limited liability for shareholders
  - Shares not traded on an exchange
  - Often family owned
- Public company
  - IPO – Initial Public Offering, selling shares in a company to the public. (IPO is generally at high costs – auditors, accountants, other fees)
  - Usually via an exchange like ASX, NYSE, LSE.
  - Expands the investor base
  - Creates greater compliance and reporting burden (financial reports are transparent to the public)

Growth

Growth options: Organic Growth & Non-organic Growth

- Think about scale, efficiency (importance of innovation), resources, influence, and returns.

- **Organic Growth** – extend customer base, generate more revenue, company expansions, e.g. Westfield.

Pros	Cons
• Deeper client base relationships • Harmony/opportunity • Internal innovation • Lower cost	• Retention • Vulnerability • Scale • Speed

  (Vulnerable – putting all eggs in one basket, too risky as the industry or the business itself may crash.)

- **Non-Organic Growth** options: Mergers and acquisitions, joint ventures, Strategic alliances.
- Mergers – two companies becoming a single entity
- Acquisitions – one company buying another company
- Motives for acquisitions – **Synergy** is the increase in performance of the combines firm over what the two firms are already expected to accomplice as independent firms.
- Synergy is :
  - Increased market power
  - Control of supplier
  - Consolidation of excess productive capacity (merge the available productivity)
  - Key people / technologies as the focus of activity
  - Key customer acquisition

- The KPMG Global M&A Survey – reasons for acquisition
  - No goal – 35% , New markets – 20%, market share – 19%, economies of scale - 18%, diversification – 8%.
  - No goal leads to high possibility of failure – researches says the more you pay the more likely to fail as you are mostly paying for the hypothetical better performance in the future, which is not fully reliable.

- Drivers of post-acquisition performance: Performances that leads to Money
  - Strategic readiness, Relative size, Method of acquisition, Method of payment, Previous acquisitions

- Joint Ventures and Alliances
  - Joint venture: "two or more firms working together to achieve mutually beneficial objectives. This usually involves an element of shared ownership" - separate legal entity between multiple firms.
  - Strategic Alliances: "two or more companies agreeing to cooperate on a specific venture, often involving shared facilities or services" - long-term partnership between firms to develop, produce or sell products.

<u>Week 2 – Business Strategy (chpt.7)</u>

- **Vision** – **where we want to be (big direction, long-term)**
  - Clear and powerful statement about the direction in which the organisation needs to move
- **Mission statement** – **how we get there and why we chose this route (more specific)**
  - How the organisation relates to its public and communities
  - What services it provides
  - Who benefits as a result of its work
  - How it improves the quality of life
- **Sustainable competitive advantage**
  - outperforming your competitors for the long run (e.g. fast runner rely on technology because he loses his competitive advantage to a cheetah)
- **Strategy** – a game plan to get from current situation to our mission through strategies. Not just about achieving your goals but also how to fix current situations. However, does not guarantee success.
- **Importance of the strategies:**
  - Helps set goals and objectives
  - Allows to control and monitor performance
  - Helps allocate resources in an optimal way
  - Integrates different parts of organization
  - Can be an internal change driver
  - Helps develop the workforce
- **Strategic planning and performance:** E.g.Telstra's strategy are:
  - Improving customer satisfaction
  - Retaining and growing customer numbers
  - Simplifying the business
  - Developing new growth businesses
  - Managing our risks
- **Two dominant views of strategy creation:**
  1. **Rational approach**
  2. **Incremental (emergent) approach**

  (Business is dynamic – continuously adapting to the environments and changing factors)

Business strategy: tools for analysis

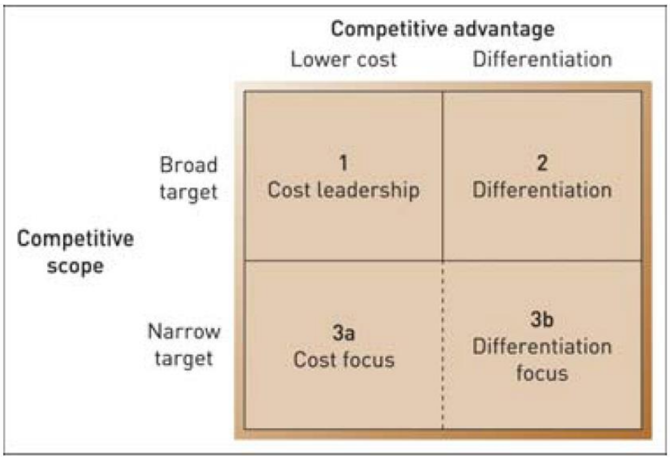
Internal: Core competence	External: Porter's 5 forces	External and Internal: SWOT
Those activities of an organization that give it an advantage over its competitors	Measures a degree of competitiveness in an industry 1. Competitive rivalry 2. Power of suppliers 3. Power of customers 4. Threats of substitutes 5. Threats of new entrants	1. Strengths: positive internal 2. Weaknesses: negative internal 3. Opportunities: positive external 4. Threat: negative external External – PEST S & W – within your control O & T – outside your control
E.g. selling a wide angle camera than a normal digital camera	E.g. 2) supplier for Quantas is only Boeing or Airbus – switching cost is high and not much bargaining power	S – loyalty program, services W – industrial distributes O – decline fuel, immigrants T – decline of AUD, rise in fuel

E.g. Quanta's core competence - services		

Formulating a strategy

- Analysis -> Formulation -> Implementation
- Use: Porter's Generic Strategies, Means-ends Analysis

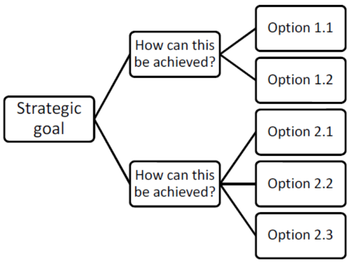
Michael Porter's approach to strategy



- Provide same quality of services at a lower cost than your competitors
- provide different and special services than competitors

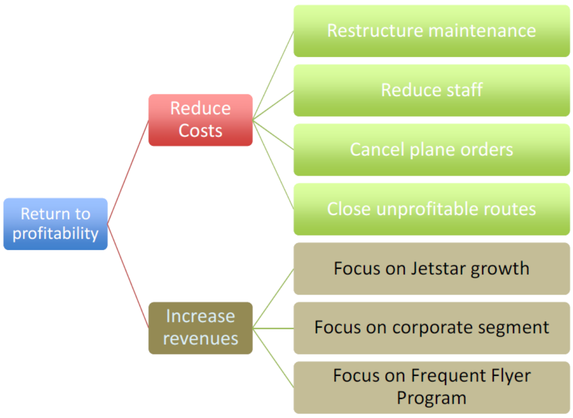
COST LEADERSHIP STRATEGIES	DIFFERENTIATION STRATEGIES	FOCUS STRATEGIES
Becoming the lowest-cost organisation in a domain of activity. • Cost-leader with **parity** (sell same product at same price for a lower cost) • Cost-leader with **proximity** (provide lower quality product at a lower price)	Differentiation involves uniqueness along some dimension that is sufficiently valued by customers to allow a price premium.	A focus strategy targets a narrow segment of the domain of activity and tailors its products or services to the needs of that specific segment to the exclusion of others.

Means-ends



- Identify strategic goal
- Examine each option in which this goal can be achieved
- Evaluate strengths and weaknesses of each option
- Implement the best option

Qantas Strategy



Implementing strategy: leading and organizing

- Ensuring strategy becomes a reality
- Managing people
- Allocating resources, selecting structures and making decisions

Implementation failure reasons:

- Lack of clear communication from the top to the frontline
- Lack of clear planning
- Lack of monitoring and control
- Lack of accountability and reward

Contingency planning: have a plan B (and C)

- Play out possible scenarios that might arise following implementation
- Have a second and third best option in mind

Week 3 - Accounting and financial management (Chpt. 17-19)

Concepts:

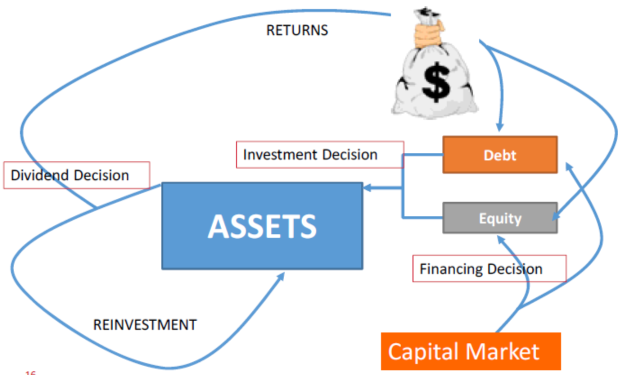
- Financial management:

- planning for a firm’s money needs and managing the allocation and spending of funds to achieve firm’s objectives and maximize its value (maximize shareholder wealth).

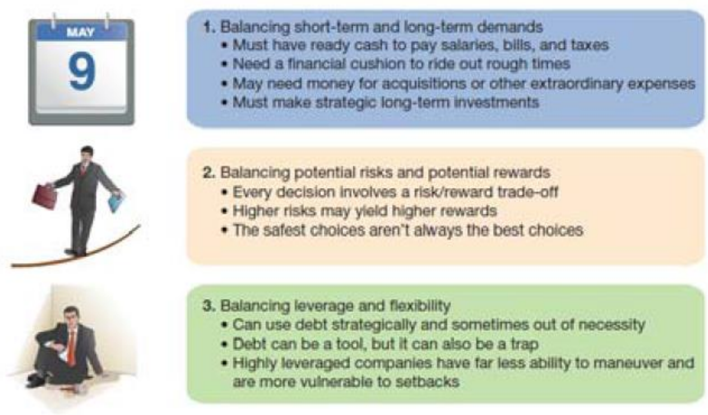
Using scarce resources (capital and labor) in the most efficient manner possible.

- Risk/ return trade off: the balance of potential risks against potential rewards.
- Assets: future economic benefits controlled by the entity as a result of past transactions or other past events.
- Return: is a gain or loss on an investment.
- Risk: is the probability or likelihood or occurrence of losses on an investment.
- Interest rate, cost of capital, expected return
- Time value of money: argues that money available at the present time is worth more than the same amount in the future due to its potential earning capacity.
- Financing: is acquiring funds from external sources, including debt financing and equity financing.
- Leverage: is the technique of increasing the rate of return on an investment by financing it with borrowed funds.
- Capital structure: is firm’s mix of debt and equity financing.

Financial Management Decisions



Financial Management: Three Fundamental Concepts



Budgeting challenges:

- Every company has a limited amount of money to spend
- Revenues and costs are often difficult to predict.

- It is not always clear how much should be spent.

Types of budgets

- Start up budget - money needed to for a new business to launch operations
- Operating budget (a.k.a. master budget), identifies all sources of revenue and coordinates the spending
- Capital budget:outlines expenditures for real estate, new facilities, major equipment, and other capital investments.
- Capital investments: money paid to acquire something of permanent value in a business.
- Project budget: the costs needed to accomplish a particular project.

Financing alternatives: Factors to consider:

- Debt financing: arranging funding by borrowing money.
- Equity financing: arranging funding by selling ownership shares in the company, publicly or privately.

Foundations and biases in financial decision-making

- **Expected utility theory -** Says that individuals *should* act when confronted with decision-making under uncertainty in a certain way. Theory is really set up to deal with risk, not uncertainty:
    - Risk is when you know what the outcomes could be, and can assign probabilities
    - Uncertainty is when you can't assign
- **Prospect theory -** base on observing actual behaviour. Experimental evidence says that people often behave contrary to expected utility theory.
    - Expected utility theory is normative – What people should do
    - Prospect theory is positive - What people do
    - risk aversion - weigh losses more than gain, avoid risks

Prospect Theory

	Gains	Losses
High probability (certain effect)	95% to win $10,000 vs. 100% to win $9,499 Risk averse Take unfavorable settlement	95% to lose $10,000 vs. 100% to lose $9501 Risk seeking Reject favorable settlement
Low probability (probability effect)	5% to win $10,000 vs. 100% to win $501 Risk seeking Reject favorable settlement	5% to lose $10,000 vs. 100% to lose $499 Risk averse Take unfavorable settlement

Heuristics and Biases in Decision Making

Cognitive biases: – Mental/Psychological accounting – Framing – Gambler's fallacy – Anchoring and adjustment	Heuristic approach: when decision needs to be made in a short time – quick decisions

– **Overconfidence; Mood**	Rational approach: slow process as it takes into account of all the surroundings and possible factors
Prospect Theory and mental accounting • Prospect theory was set up to deal with one-shot gambles – what if there's prior gains or losses? • go back to zero (segregation), or move along curve (integration)? the movie ticket example	**Framing of the problem** – the way the question is phrased – 20 out of 50 die / 30 out of 50 alive **Gambler's fallacy** - people are fairly sure about nature of population. They think even small samples should always look like population.
Anchoring and Adjustment • People anchor on a starting value and adjust from there; • Expectations influence perceptions. If most people are saying good/bad things about a company, you will 'find' good/bad things **Process of De-biasing:** 1. Awareness of bias 2. Motivation 3. Direction and magnitude awareness 4. Ability	**Overconfidence (**Men, Highly educated, high income) • when you have an inflated sense of your abilities. • Confirmation bias may contribute - tendency to search out evidence consistent with one's prior beliefs and to ignore conflicting data. • Impact on financial decision-making: – Investments are under diversified – Too ready to enter markets; Overinvest – Allow cash flows to dictate investment – Acquire other companies too quickly – Take on too much debt

ACAR

Currently, healthy potion drink is obtaining a large following basis. To make run this business successfully, from pricing perception, to meet customer requirement would require a pricing strategy, in turn accounting and financing management are vital to conduct. As healthy potion drink belongs to a newly starting business, operating budgets is the basic need. Further, with the expansion of the business, capital gathered from investors would require a capital budget management. Also it is vital to balance the potential risk and rewards.

Though decision-making in process would bring heuristics and biases in businesses, managers are easy to be overconfident when facing the investment decisions, which would lead to overinvest.

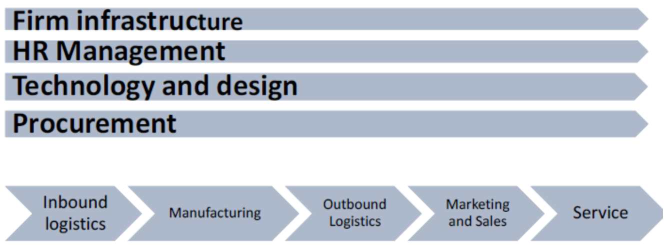
This situation could be conquer by making the accurate accounting and financial management, which could be identifying the money needs and its allocation. The role of financial management is aiming at dealing with funding allocations to give a clue on how much and where to put the funding into use.

Week 4 - Product management

Value chain and supply chain:

- Value chain: all the elements and processes that add value as raw materials are transformed into the final products made available to the ultimate customer. (firm infrastructure, human resources management, technology, procurement)

Apple Value Chain



But what is Apple really good at?

(Apple outsourced manufacturing to Foxconn in China – their key assets are labour and machinery)

Foxconn manufactures at low costs and Apple sells at high prices – creates big profits

- Outsourcing: contracting out certain business functions or operations to other companies.
- Offshoring: transferring a part or all of a business function to a facility in another country. (Apple purchase from their Ireland office (tax% 2%), and makes small profits where they have to pay a higher tax rate, an earn most profits from the Irish office.)
- Value web: multidimensional networks of suppliers and outsourcing partners.
- Supply chain: a set of connected systems that coordinates the flow of goods and materials from suppliers all the way through to final customers.
- Supply chain management: managing risks, managing relationships, managing trade-offs, promoting sustainability

Vertical integration	a strategy used by a company to gain control over its suppliers or distributors in order to increase the firm's power in the marketplace, reduce transaction costs and secure supplies or distribution channels.
Benefits: • Lower costs in production • Improved quality • Acquire critical resources • Greater market share • Secured distribution channel, new competences	Drawbacks: • Higher costs in management - Lower competition, lower quality • Increased bureaucracy and reduced flexibility

	• New competencies may clash with old ones and lead to competitive disadvantage

Production and operations management: Overseeing all the activities involved in producing goods and services.

- Facilities location and design
- Forecasting and capacity planning
- Scheduling
- Lean systems

Production Types: Mass production, Mass customization, Customized production

Product and process quality:

- Quality: the degree to which a product or process meets reasonable or agreed-upon expectations. (quality--price, expectation, standard)

Strategies to ensure product quality:

- Continuous improvement: an ongoing effort to improve products, services, or processes.
- Statistical process control(SPE): The use of random sampling and tools such as control charts to monitor the production process.
- Six-sigma: A rigorous quality management program that strives to eliminate deviations between the actual and desired performance of a business system. (define, measure, analyse, improve, control)
- ISO9000: A globally recognized family of standards for quality management system.
    - For Business: Cost savings, Enhanced customer satisfaction, Access to new market, Increased market share
    - For Society: Consumer confidence, Product safety, Environmental benefits

ACAR

It is beneficial for companies to go outsourcing because it would facilitate industry production process, save resources and production costs. By contracting out of a certain project, company could also reduce conflict through value chain and supply chain process. The quality of product could be improved resulting in the outsourcing company may be more professional in producing.

However, it could also bring high costs of contracting. It is costly to give a part of business process to another company, which could also generate divergence between two companies on product producing progress. In this case, there have potential to be a cost increase in management. Further, it is not easy to control the whole production process, the products quality are not easy to detect.

Though there is likely to be some difficulties of outsourcing, the quality could be improved by using the strategy of continuous improvement, statistical process control, six sigma and ios1900. Sampling a certain group of product could help managers to see if the quality of certain product is reached the standard.

Week 5 - Business system and data (Scorecard-Internal Business Processes - Efficiency)

1. A systems view of business (BP and IS)

(1) **A system** is set of interacting components that form an integrated whole e.g. organization or a business. Characteristics:

- boundary: the scope of the system
- Hierarchy: system as part of a larger system
- Structure: parts that are related to each other
- Behaviour: contains processes (input => Throughput => output)

(2) **A business process (BP)** is a structured network of activities supported by resources and information that interact to achieve some business goal.

- BP is a system, sometimes it referred to as business systems.
- We refer to the network of all business processes of the organization as its Activity System.

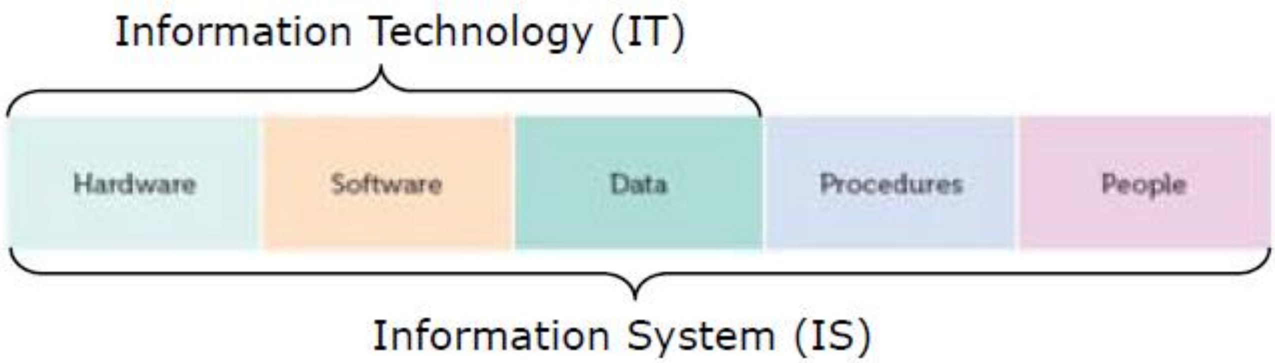
  (NB!!) Characteristics:

- Complete: all activities necessary to achieve the business goal.
- Minimal: do not include unnecessary activities (cost efficiency)
- Well-structured: structured in a logical sequence
- Embedded (Coherent): connect and interact with other BPs in the organization in effective and efficient ways.

  Outcomes: A well-designed BP will increase **effectiveness** (value for the customer) and **efficiency** (less cost for the company).

BP generates information by bringing together important items of data. Then, generate information that will be useful for management and strategy decisions. E.G., we can use the information produces by the process to determine the cheapest, fastest or most reliable suppliers. Use the information in the Inventory Database to assess our Inventory Database to assess our inventory ordering strategy. Use it to estimate pilferage and theft losses.

INFORMATION SYSTEMS (Information Systems are used by the activities in a business processes.**)**



2. Building the value system (BP improvement and management, process modeling, enterprise systems)

(1) Activity System (BP) +Information System = Value System

(2) Large organizations have Business Management Processes (BPM). Who is in charge of the activity systems, to make sure the BP is running to the possible best way.

The logic behind the BP improvement = (small) improvement x high repetition rate = big cost savings!

(3) Building the Value System:

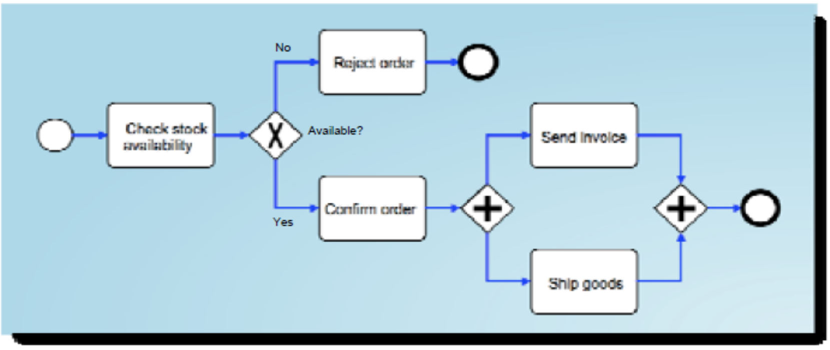
- Network of Business Processes (Activity System)
- BP always involve some IS, IS creates value when used by people in processes
- IS help to improve and control business processes to create value

(4) 5 uses in BP management

Re-structuring	
Design	creating successful franchise systems
Analysis	Mergers and acquisitions
Standardization	Star alliance – business alignment, unified service experience, baggage handling, passenger handling
Innovation	Apple's Easy Pay, Mcd's Build your own burger

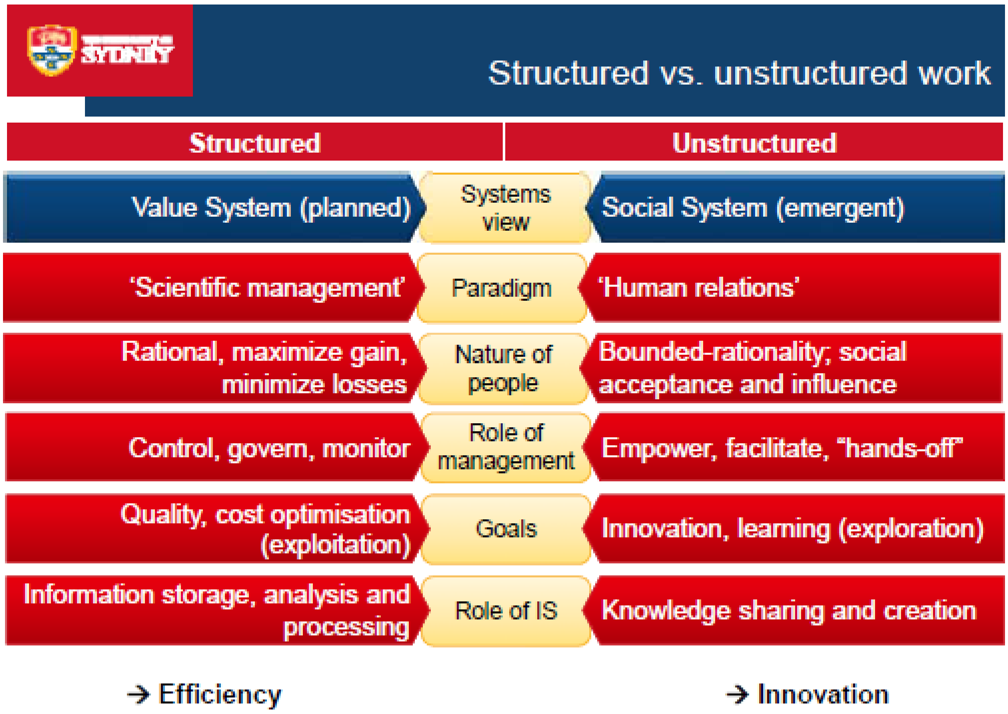
(5) Processes modeling

- **Representing business processes** to **analyse and improve** them.
- Performed by **business analysts and managers** who seek to improve process efficiency and quality.
- Process improvements often involve designing and / implementing IT.



3. A social systems view (Enterprise 2.0 and social media in business)

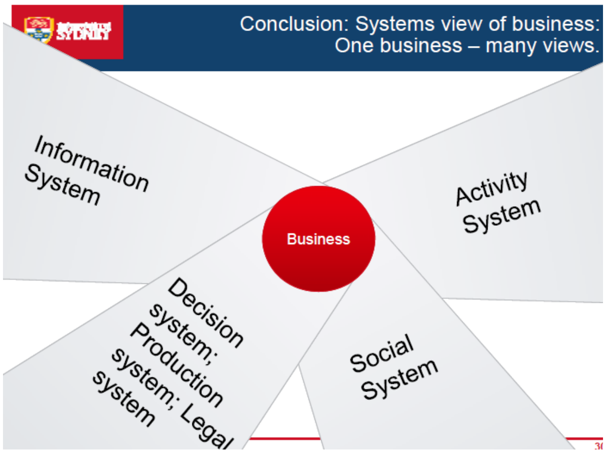
(1) Structured and unstructured work



(2) Social media in workplace:

Social Media Opponents (left column):	Social Media 'Evangelists'(right column):
• "Social "has no place in business • Importing Social Media into the Enterprise will lead to importing the same behaviors as seen on Twitter: Procrastination, time wasting, 'chatter' • Leads to chaos –too unstructured, no guidance, detrimental to info management • present yet another software platform: "enough already"	• Enterprise Social Media (Enterprise 2.0) will radically change the way organizations operate: breaks down information silos, re-engages employees • Flat hierarchies; knowledge/idea-based authority, rather than role-based • Democratic communication structures

- **Microblogging** Characteristics:
  - Messages are short (e.g. 140 characters in the case of Twitter)
  - Everyone can publish, one-click publication principle, simple
  - Tagging (#tag), directed messages (dm receiver), refer to other users (@sender)
  - Follow other users, topics or lists
- **Enterprise Microblogging:**
  - Like Twitter, but different services, such as Yammer
  - Distribution of short conversation messages
  - Accessible only to members of the organisation
  - Follow people, communicate in closed groups (for teamwork)



Week 6 - Management and forecasting (Chpt. 7 & 8)

- Management - The process of planning, organizing, leading, and controlling to meet organizational goals.
- Managerial Roles: Behavioral patterns and activities involved in carrying out the functions of management, includes interpersonal, informational and decision making roles.

(1) THE PLANNING FUNCTION

- Planning: establishing objectives and goals for an organization and determining the best ways to accomplish them.
- Strategy plan: plans that establish the actions and the resources allocation required to accomplish strategic goals. Usually defines for periods of 2 to 5 years management developed by top managers. E.g. SWOT

The planning processes:

1 . Define the Mission, vision and values

2 . SWOT Analysis

3 .Developing Forecasts

- **Quantitative Forecasts:** typically based on historical data or tests and often involve complex statistical computations. (Need to separate the elements attributable to trend- pattern observed between years. Seasonality- the pattern observed within a specified year that repeats one year to another.

- **Qualitative forecasts:** based solely on people's intuitive judgments

NB

1. iPhones has a structural break occurs around 2011-2012
2. There is some sort of a trend
3. In units, there is some sort of seasonality - Q1 is high , Q4 is low

4 . Analyze the competition

- Who are the competition?
- How might we define the competition?
- What are they up to?
- What relationship do we have with them?
- How can we get ahead of the competition?

5 . Establishing goals and objective

- Goal: A broad, long-range target or aim
- Objective: short-range target or aim

6 . Develop action plans

- Develop new products, Increase selling price, Expand market

<u>Back to point 3. FORECASTING</u>

Approaches to Product Forecasting:

1. Quantitative approach
2. Judgemental approach - Apply eyeballing techniques to graph. Can be done with either top down or bottom up methods. Amazingly accurate!
3. Integration of Quantitative and judgemental approaches – use both, most accurate.

A. QUANTITATIVE APPPROACH

Need to separate the elements attributable to **trend and seasonality:**

- Trend – pattern observed between years.
- Seasonality – the pattern observed within a specified year that repeats from one year to another.

PROCESS of QUANTITATIVE FORECASTING

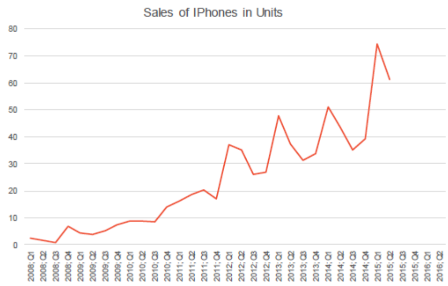
1. Determine average TREND for each period
2. Determine SEASONAL FACTOR (SF) for each quarter
3. Re-calculate time series to eliminate seasonality
4. Add TREND component for the required forecast horizons
5. Add SEASONAL component 4 (by multiplying each period by the SF)

1. **TREND** for iPhones data:
   restrict analysis to Q4;2011 to Q2;2015 (14 qs)
   - average increase per quarter is 3.15.
2. **SEASONALITY** for iPhones data:
   Let A = average value of Q3 for years 2012 to 2014
   Let B = average value of Q4 for years 2012 to 2014
   Let C = average value of Q1 for years 2013 to 2015
   Let D = average value of Q2 for years 2013 to 2015
   Let E = average of A, B, C, and D.

   Seasonal Factor (SF):
   $SF_{Q3} = A / E$
   $SF_{Q4} = B / E$
   $SF_{Q1} = C / E$
   $SF_{Q2} = D / E$

- $SF_{Q1} = 1.36$
- $SF_{Q2} = 1.12$
- $SF_{Q3} = 0.73$
- $SF_{Q4} = 0.79$

NB.....ROUNDING OF NUMBERS !!



	HISTORY	HIST W/O SEASONAL		FORECASTS	
2013;Q3	31.24				
2013;Q4	33.80				
2014;Q1	51.03				
2014;Q2	43.72				
2014;Q3	35.20				
2014;Q4	39.27				
2015;Q1	74.47				
2015;Q2	61.17	54.59	3		
2015;Q3		57.74		42.04	
2014;Q4		60.89	4	47.93	5
2016;Q1		64.04		87.37	
2016;Q2		67.19		75.29	

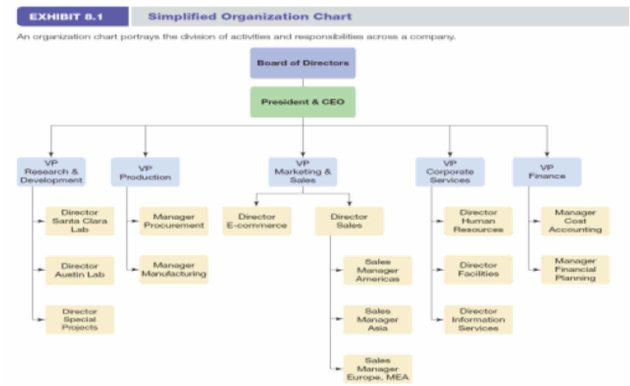
NB…ROUNDING OF NUMBERS !

4- put back seasonality, 5- multiply by seasonal factors

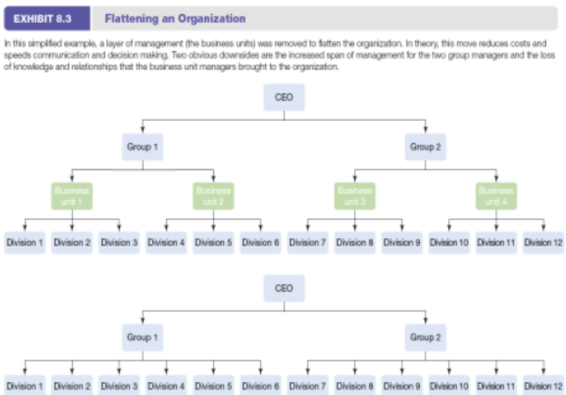
(2) THE ORGANIZING FUNCTION

- Organizing: the process of arranging resources to carry out the organization’s plans
- Management pyramid: An organizational structure divided into top (CEO,CTO,CFO,CIO), middle (controller, manager, director), and first-line management (supervisor, development head).
- Top managers: Those at the highest level of the organization’s management hierarchy.
- Responsible for setting strategic goals, and they have the most power and responsibility in the organization
- Middle Manager: They develop plans to implement the goals of top managers and coordinate the work of first-line managers.
- First-line managers: They supervise the operating employees and implement the plans set at the higher management levels.

Simplified Organization Chart



Flattening an Organization



Centralization Versus Decentralization

- Centralization: Concentration of decision-making authority at the top of an organization
- Decentralization: Delegation of decision-making authority to employees in lower-level positions

Organizing the Workforce

- Departmentalization: Grouping people within an organization according to function, division, matrix, or network
- Functional Structure: Grouping workers according to the similarity in their skills, resource use, and expertise
- Divisional Structure: Grouping departments according to similarities in product, process, customer, or geography

(3) Leading:

- Autocratic leadership: manager issues directives
- Democratic leadership: Manager shares decision-making authority
- Laissez-faire leadership: Subordinates make decisions, with advice from leader

(4) Controlling: the process of measuring progress against goals and correcting deviations if results are not as expected.

Establishing Performance Standards

- Standards: Criteria against which performance is measured
- Benchmarking: Collecting and comparing process and performance data from other companies

(5) Team: A unit of two or more people who share a mission and collective responsibility as they work together to achieve a goal. There are six types of teams:

Types of Teams

- **Problem-Solving Team:** A team that meets to find ways of improving quality, efficiency, and the work environment
- **Self-Managed Team:** A team in which members are responsible for an entire process or operation
- **Functional Team:** A team whose members come from a single functional department which is based on the organization's vertical structure
- **Cross-Functional Team:** A team that draws together employees from different functional areas
- **Virtual Team:** A team that uses communication technology to bring together geographically distant employees to achieve goals
- **Social Network and Virtual Community**
- **A network** that links employees (and sometimes outsiders) with similar interests

Advantages and Disadvantages of Working in Teams

ADVANTAGES	DISADVANTAGES
Higher quality decisions	Inefficiency
Increased diversity of views	Groupthink
Increased commitment to solutions and changes needed	Diminished Individual Motivation
Lower levels of stress and destructive internal competition	Structural Disruption
Improved flexibility and responsiveness	Excessive Workloads

Week 7: Marketing: Developing & Pricing the Product

Marketing definitions:

- An activity, set of institutions and processes for creating, communicating, delivering and exchanging offerings that have value for customers and publics.
- Identifying and understanding customer needs and creating solutions that deliver satisfaction to the customers, profits to the producers and benefits for the stakeholders.

Market: The set of all actual and potential buyers of a product. They share a particular need or want that can be satisfied through exchange.

- Managing markets to bring about exchanges for the purpose of satisfying human needs and wants.
- Things a market require: buyer, seller, an exchange, Information and knowledge, something which is exchanged and potential for mutual benefit.

The Marketing Process In summary

–Searching for buyers
–Identifying their needs
–Designing products and services
–Setting prices
–Promoting them
–Delivering them (Place)

Marketing strategy: the way marketing activities are put together to achieve the organisation's aims for the brand

Marketing Mix: set of manageable elements in a marketing plan, adjusted to implement the marketing strategy

The 4 P's of marketing constitute the controllable variables that the marketer can manipulate in order to serve a market. (Product, Place, Price, Promotions)

Three competitive market strategies:
1. Build a better product at the market price.
2. Build the same product at a lower price.
3. Create a monopoly through a customer franchise.

Product: Anything offered to a market for attention, acquisition, use or consumption that might satisfy a want or a need.

- Physical goods: biscuits, laptop, furniture, books
- Services: banking, transport, education
- Experiences: holidays, concerts, sports, movies
- Other products: events, person, political, cause-related, not-for-profits

A total Product: a 'total product' consisting of 3 levels:

1. The **core** product (what is the buyer really buying?)
2. Actual products: a quality level, features, styling, a brand name, & packaging.
3. Augmented product, additional consumer services and benefits built around the core and actual products.

Product Differentiation: the process of adding meaningful and valued differences to distinguish the product from the competition.

- Product –quality, features, attribute, customisation, assortment.
- Services –anytime delivery, customer service, support and after sales service.
- Personnel –charm and uniqueness of the organisation's 'face' and people.
- Channel –location, availability, accessibility.
- A strong brand name/image.
- Gaining speed and first mover advantage.

Consumer Product Classifications

	Convenience Products	Shopping Products	Speciality Products	Unsought Products
Customer buying behaviour	Frequent purchase, little planning, little comparison or shopping effort, low customer involvement, habitual or variety-seeking buying behaviour.	Less frequent purchase, much planning and shopping effort, comparison of brands on price, quality, style, dissonance-reducing or complex buying behaviour.	Strong brand preference and loyalty, special purchase effort, little comparison of brands, low price sensitivity, complex buying behaviour.	Little product awareness, knowledge or if aware little or even negative interest.
Price	low price	higher price	high price	varies
Distribution	widespread distribution,	selective distribution in fewer outlets	exclusive distribution in only	varies

	convenient locations		one or few outlets per market area	
Promotion	Mass promotion by the producer	advertising and personal selling by both producer and resellers	more carefully targeted promotion by both producer and resellers	aggressive advertising and personal selling
Examples	Toothpaste, magazines, laundry detergent	major appliances, televisions, furniture, clothing	luxury goods such as Rolex watches or fine crystal	life insurance, Red Cross blood donations

PRODUCT LINE = Group of related products offered by a firm

Examples: Canon's printer range Or Street's range of ice-creams

PRODUCT MIX = Entire product range offered by a firm

Example: Canon sells printers, ink, cameras, photocopiers, and so on

A Brand: a name term, sign, symbol or design, or a combination of these, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitor.

A brand can deliver up to four levels of meaning:
1. Attributes: A brand first brings to mind certain product attributes.
2. Benefits: Customers do not buy attributes, they buy benefits. Therefore, attributes must be translated into functional and emotional benefits.
3. Values: A brand also says something about the buyers' values.
4. Personality: A brand projects a personality.

- Brand name is the verbal part of the brand.
- Brand mark is a unique symbol that identifies with the brand.
- A brand name written in a distinctive way is called a logo.
- A trademark is a legally protected brand name or brand mark

Brand Equity:

- **Brand equity** is the value of the brand based on the extent to which it has high brand loyalty, name awareness, perceived quality, strong brand associations and other assets such as patents, trademarks and channel relationships. Goodwill associated with the brand.
- **Brand awareness**: known by buyers. **Brand preference**: buyers select them over the others. Some command a high degree of **brand loyalty**.
- Brand equity is the differential effect that knowing the brand name has on customer response to the product and its marketing.

Types of Brands

- *Manufacturer or national brands*: a brand owned by the maker of the product. Intended to create customer loyalty toward the products of a particular manufacturer.
- *Distributor or private brands*: a brand owned by retailers or other intermediaries. Intended to build loyalty toward the firm.
- *Generic brand*: carries neither a manufacturer nor a distributor brand. A 'no name' brand.
- *Co-branding*: the use of two individual brands on a single product. For eg, Telstra Visa card.

- –*Licensing*–a legal agreement allowing an organisation to use the trademark of another organisation.

New Product Development Strategy

1. Rapid changes in consumer tastes, technology and competition, a company cannot rely solely on its existing products.
2. Customers want and expect the new and improved products that competition will do its best to provide.
3. A company can obtain new products in two ways:
    - Through Acquisition
    - Through internal new-product development process

NPD Process

1. **Ideas Generation**: The systematic search for new product ideas.
    Sources of New ideas: Internal Sources, Customers, Competitors, Distributors, Other Sources.

2. Ideas Screening

- o The purpose of this and the succeeding stages is to reduce the number of ideas generated. The purpose of screening is to spot good ideas and drop poor ones as soon as possible.

3. Product Analysis

- o A review of the sales, costs and profit projections to find out whether they satisfy the company's objectives. If they do, the product can move to the product-development stage.

4. Product Development

- Here, R&D or engineering develops the product concept into a physical product or a 'prototype'. So far, the product has existed only as a word description, a drawing or perhaps a crude mock-up.
- A large jump in investment is needed now. It will show whether the product idea can be turned into a workable product.

5. Concept testing

- Taking a product idea to consumers to test their reactions.

6. Commercialisation

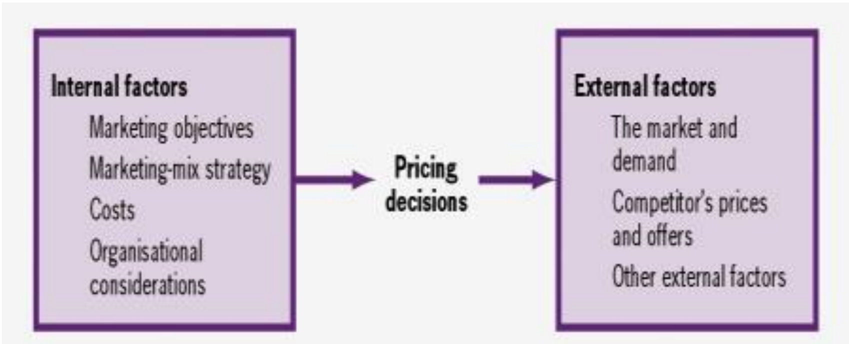
- The decision to launch

	Introduction	Growth	Maturity	Decline
Why it follows this pattern	New to market –not used at all Little retailer interest Little $'s for promotion/awareness	Consumer's WOM Some retailers want to sell Competitors enter	Normal: everyone uses it Reaches market potential	Changing consumer lifestyle New technology
What to do?	Build awareness (media/net) Get first-time trial Get some retailers	Grab market share Grab retailers (exclusive deals) Build brand –fight competitors	Make good money Keep customers loyal Product variety + innovation Line extensions	Cut costs –maximize profits New markets? New uses?

What is Price?

- The amount of money charged for a product or service.
- The only element of the marketing mix that produces revenue; all other elements represent costs.
- A company usually set a pricing structure that covers different items in its product line.
- The company adjusts product prices to reflect changing costs and demand and to account for variations in buyers and situations.
- **Role of Price in marketing mix: provides profit level, covers costs, helps communicate positioning/ strategy**

Factors Affecting Price



Pricing Goals

- Pricing strategies may aim at attracting new customers or to profitably retain existing ones.
- Low Prices can prevent competition from entering the market or set prices at competitors' levels to stabilise the market.
- A product may be priced to help sales of other products in the company's line.

Pricing Objectives

- Simple survival
- Maximise profits
- Grow market share
- Block competition
- Price/quality leadership (image)

Example: When 'Just Cuts' (haircuts) originally opened, they charged just $12 per haircut. However, since they have become widespread and more popular, they have progressively increased their price to $24 per haircut.

Price Elasticity: Responsiveness/sensitivity to price

- **Price elastic**: some people buy more/less of a product as the price changes - promotional deals for more impact, care with price changes
- **Price inelastic**: demand for some product is unaffected as price change – try to edge up the price, less concern with price changes.

Market Structure

- Pure competition: price takers – farming
- Monopolistic competition: many different price levels, attempt to differentiate – most industries
- Oligopolistic competition: often a market price that is followed – banks, petrol
- Pure monopoly: often regulated - airport

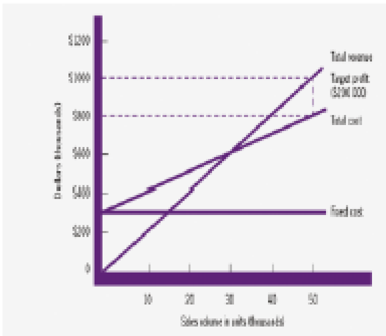
Costs: set the floor for the company's price

- The price must cover all costs for producing, distributing, delivering and selling the product and also deliver a fair rate of return for its effort and risk
- many companies pursue the following cycle: a low price leads to an increase in sales, an increase in sales leads to increased levels of production to satisfy demand, increased production decreases the cost and decreased cost enables to the company to set further lower prices
- Economies of scales: fixed costs are allocated across more units. Ability to get better deals
- Experiences (learning curve): with experience, the firm gets more efficient with production

Pricing Strategies

- Cost based pricing: setting prices based on the costs for producing, distributing and selling the product, plus a fair rate of return for its effort and risk. (Adding a standard mark-up to the cost of the product.)
- Demand based pricing: designing a product so that it satisfies customers and meets the profit margins desired by the firm.
- Customer value-based pricing: setting the price based on buyers' perceptions of value, rather than on the seller's cost. (The company uses the non-price variables in the marketing mix to build up perceived value in the buyers' minds.)
- Competition-based pricing: setting prices based on competitor's strategies, costs, prices and market offerings.

Break-Even Analysis



The point at which the costs & revenues meet is called the break-even point. At this point, the money coming in equals the money going out.

Pricing New Products

- **Market-skimming:**

Price well above the market
Designed to maximise profits
Ideal for highly sought after products

- **Market-penetration**

Price well below the market
Designed to maximise sales
Use with unknown or substitute products

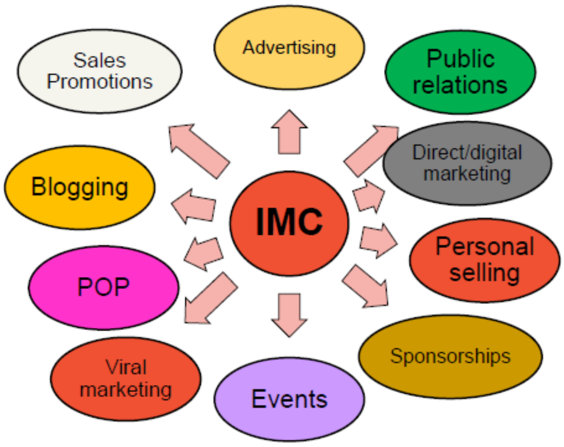
Other Pricing strategies

- **Everyday low pricing (EDLP):** setting prices lower than competitors and then not having any special sales.
- **Segmented pricing:** setting different prices for different clients, product forms, places or times.
- **Psychological pricing:** pricing goods and services at price points that make the product appear less expensive than it is.

<u>**Week 8:** Marketing: Promotion & distribution of the Product</u>

IMC

Integrated marketing communications (IMC) is a strategy of coordinating and integrating all communication and promotional efforts to ensure clarity, consistency, and maximum communications impact."



Promotional mix

Promotion Mix Elements:

- **Advertising**: Non-personal communication of information usually paid for and persuasive in nature about products or ideas by an identified sponsor through various media.
- **Sales promotions:** Short term incentives of gifts or money that facilitate the movement of products from producer to end user.
- **Public Relations:** Consists of activities that influence public opinion and create goodwill for the organization.
- **Personal Selling**: A direct face-to-face interaction with potential buyers.

Designing IMC:

- Develop a blended mix of communication tools to meet the goals of the firm
- Consider the budget of the firm – which may rule out some types of tools
- Have an appropriate balance of PUSH/PULL emphasis
- Consider the responsiveness of the target market to different IMC tools

Advertising: any non-personal communication of information usually paid for and persuasive in nature about products or ideas by an identified sponsor through various media.

- Advantages: Many media choices, Good for introducing new products, Good at getting attention, Can reach large audiences (high reach), Good for brand building.
- Disadvantage: Quite expensive

Advertising Objectives:

To INFORM	
• Telling the market about a new product • Suggesting new uses for a product • Informing the market of a price change • Explaining how the product works	• Describing available services • Correcting false impressions • Reducing buyers' fears • Building a company image
To PERSUADE	
• Building brand preference • Encouraging switching to your brand	• Persuading buyers to purchase now • Persuading buyers to receive a sales call

• Changing buyer perceptions of your product attributes	
To REMIND	
• Reminding buyers that the product may be needed in the future • Reminding buyers where to buy	• Keeping the product in buyers minds • Maintaining top-of-mind product awareness

Different Advertising Media

Newspapers	Quick to implement, can be local, more info, more credible, better for high involvement	Short-term (daily), poorer visual impact, often cluttered, possible editorial support
Television	Good attention getter, good for brand building, good for emotion, broad reach – mass market	Expensive to produce ad and buy media, long lead time, concern with media fragmentation
Radio	Reasonably well defined audience, quick to implement	Sound only, listeners also doing other things, lots of radio stations
Magazines	Can target a lifestyle well, longer life, quality image	Monthly lead time, sometimes cluttered
Outdoor	Good for geographic focus, often used to reinforce other ads	Few seconds to view, smaller reach, needs uncluttered site
Online	Always 'working' can be interactive, tailored to individual, easy/fast to change	Younger demographic, still some market resistance

Sales Promotion

- Short term incentives to encourage purchase of a product/service.
- Designed to increase sales quickly, shouldn't be overused
- Helps reward loyal customers
- Target switchers, target non-users or users of other brands
- Cover a range of incentives that are used with products promoted via either mass media advertising or by direct and digital methods.
- Sales promotion objectives are as varied as the methods used.
- Examples: free samples, discounts, extra loyalty points, coupons, competitions, free gifts, cash-back offer

Public Relations

- Another major mass-communication tool is public relations— it aims at building good relations with the company's various publics by : obtaining favourable publicity,
- building up a good 'corporate image', and
- handling or heading off unfavourable rumours,
- stories and events

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Crisis management is a PR effort aimed at disseminating information during an emergency.

- Media releases, sponsorships, lobbying, conferences, seminars, events, PR consultants

Trade Promotions

The Role of Personal Selling: the interpersonal arm of the promotion mix.

- Advertising consists of one-way, non-personal communication with target consumer groups. In contrast, personal selling involves two-way, personal communication between salespeople and individual customers—whether: face-to-face, by telephone, through video conferences or by other means

- This means that personal selling can be more effective than advertising in complex selling situations. E.G. Account manager, sales consultant, marketing representative

Role of the salesforce

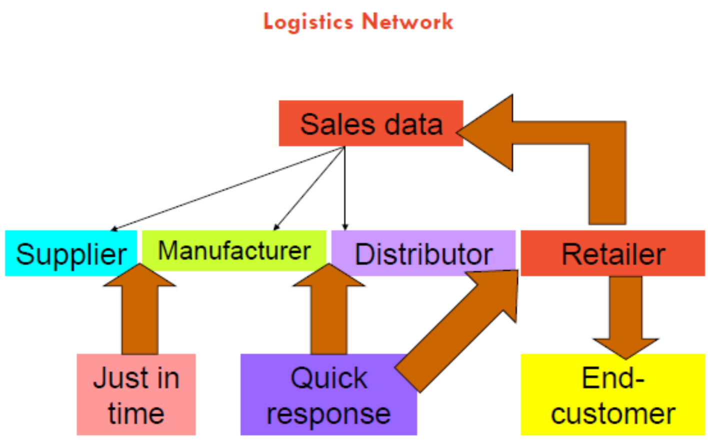
- Close (finalise) the sale
- Manage important customer relationships
- Two-way communication often back to firm
- Find customers

IMC: various promo tools

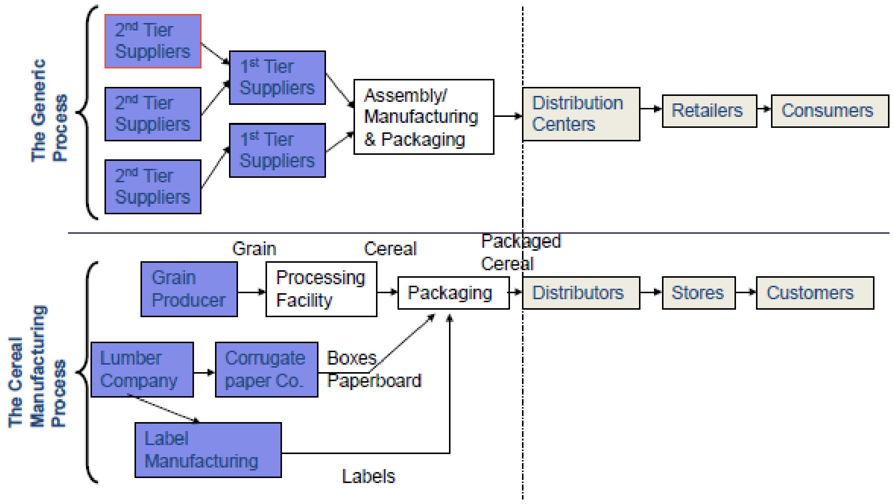
- Advertising and PR sets the scene.
- Sales promotion provides value-adding incentives to buy.
- Trade promotion ensures that the product is displayed advantageously in stores.
- Direct and digital marketing aims to gain subscribers, or to open dialogue and develop an ongoing relationship with potential customers that will bring about a sale or a series of sales transactions sooner rather than later.
- The key point is that there is continuous interaction and not simply episodic one-way communication and purchase activity.

Place: is to make the product accessible to the target market.

- Place often synonymous with the terms: logistics, marketing logistics, supply-chain management, physical distribution, Retailing, Channel selection.



Supply Chain of Cereal



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The Nature and Importance of Marketing Channels

- A marketing channel is a network of interdependent organisations—intermediaries—involved in the process of making a product or service available for use or consumption by the consumer or business user.
    - Advantages of using intermediaries: Many suppliers lack the financial resources to carry out direct marketing or customers want personal interaction before buying large ticket items.
    - Through their contacts, experience, specialisation and scale of operation, intermediaries usually offer a producer or supplier more than it can achieve on its own.

Types of Intermediaries

- *Wholesalers*- buy product from the manufacturer and then resell it to retailers.
- *Retailers*- buy product from the wholesaler and then sell it directly to consumer.
- *Brokers*- facilitate transactions between buyers and sellers.
- *Agents*- Manufacturing or Purchasing agents depending on who they are working for.

Utilities created by Intermediaries

- ***Form Utility***: changing raw materials into useful products.
- ***Time utility***: making products available when consumers need them.
- ***Place utility***: placing products where consumers want them.
- ***Possession utility***: doing whatever necessary to transfer ownership.
- ***Information utility***: adding value to products by opening two way flows of information between participants.
- ***Service utility***: adding value by providing service during and post-sale.

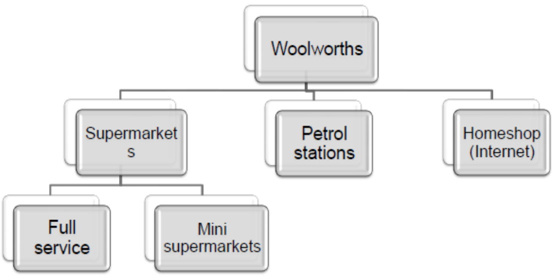
Wholesaling

- **Wholesaling** includes all activities involved in selling goods and services to those buying for resale or business use.
- A wholesaler neither produces nor consumes the finished product.
- Merchant wholesaler, cash-n-carry wholesalers, drop shippers, Agents and brokers.

Retailing

- All the activities associated with the sale of goods or services directly to final consumers for their personal, non-business use.
- non-store retailing: Direct mail, Catalogues, Telephone, Home shopping shows, Internet

Multi-channel Retailing

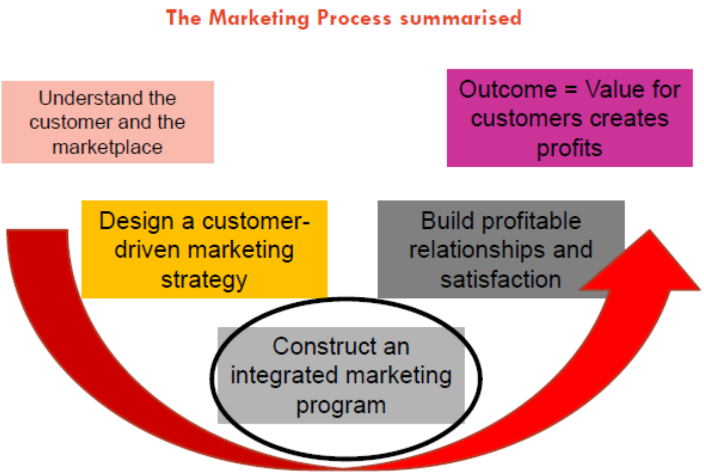


Retailer Classifications

Specialty store	Sells a wide selection of goods in one category. Eg, Cue Design,Oroton, etc.
Department store	Generally chain operations, wide variety, full range of product lines & services. Eg, Myer, David Jones
Supermarket	Wide variety of food & non food products, large departmentalised operation featuring self-service aisles & centralised checkouts. Eg, Coles, Woolworths
Discount store	Standardised merchandise at lower prices. Eg. Target
Convenience store	Little variety, shallow selection, fast service, high turnover goods Eg, 7-11, Night Owl
Category killer	Sells a huge variety of one type of product to dominate that category of goods. Eg, Toys 'R' Us
Outlet store	Sells general merchandise at a discount; items may be discontinued or have 'flaws. Eg. DFO

- **From manufacturer to consumer (direct):** Well suited to service firms = banks, universities, airlines, tradesmen
  - Gives full control to manufacturer
  - Much more complex business operations

- **From manufacturer to retailer to consumer :** common with larger retail chains or major manufacturing
  - Gives most control to retailer
  - Manufacturer needs strong sales team
  -
- **From manufacturer to wholesaler to retailer to consumer :** common with smaller firms
  - Has a specialist in each stage of the chain
  - Control varies, may lead to conflict
  - Works best as a partnership approach



Week 9，10 - Motivation and Culture

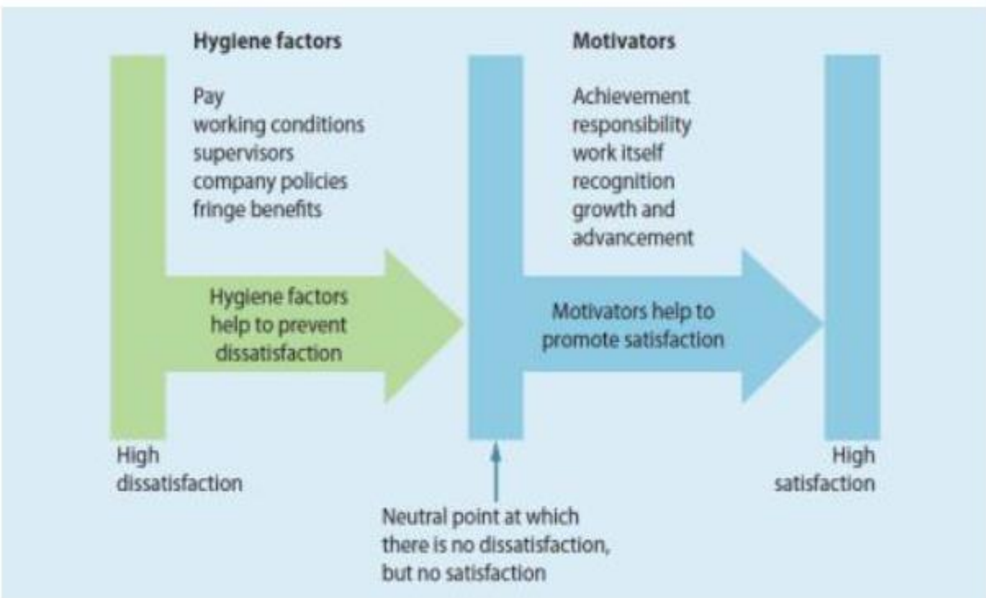
The Performance Process

PEFORMANCE = ABILITY X MOTIVATION (theories of motivation) X ENVIRONMENTAL CONDITION (Pay & incentives, culture)

Model of motivation: BEHAVIOUR is a result of needs, cognitive, incentives and reward

Maslow's Hierarchy of Needs

Herzberg's Theory



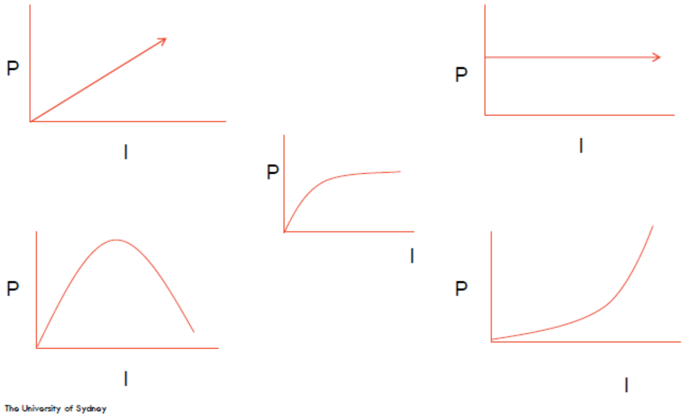
Expectancy Theory

Equity Theory

Incentives and Performance

Incentives tend led to a deterioration in performanc

Incentives and performance possible relationships:



Executive Remuneration and Performance

(Higher position, higher pay)

Examples:

- Executive pay relative to workers
- Executive pay in relation to size of company / organisation
- Components of Executive pay
- Relationship between executive pay and performance
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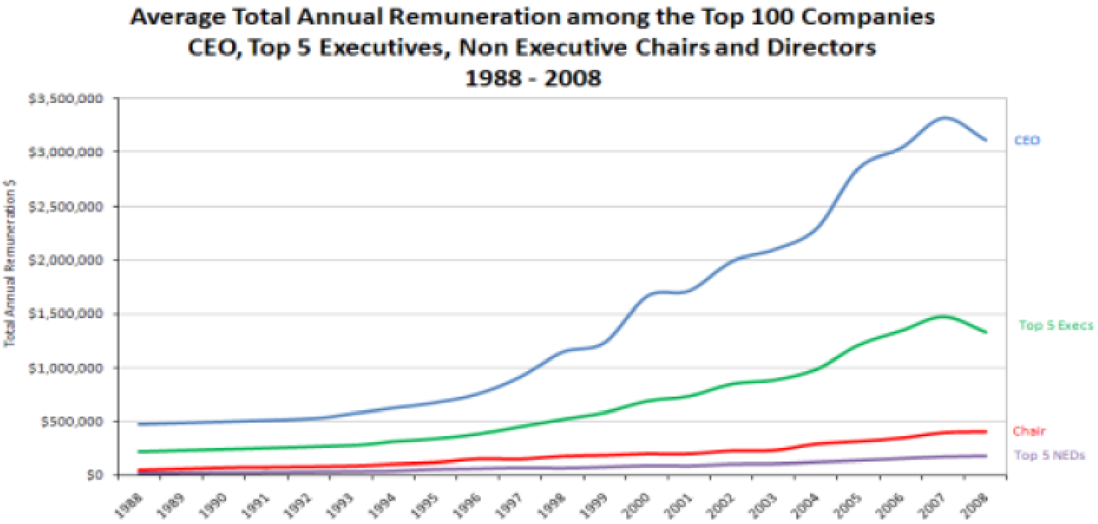
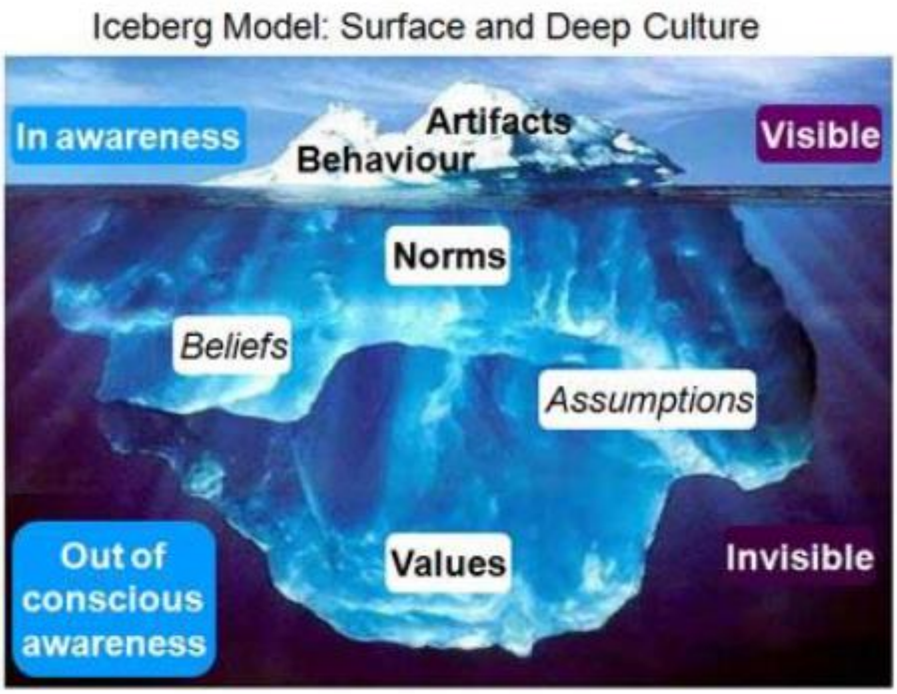


Culture: 'the collective programming of the mind distinguishing the members of one group or category of people from others'



Hofstede's Model

The culture differences:

- Power distance - the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally.
- Individualism and collectivism

- Individualism pertains to societies in which the ties between individuals are loose: everyone is expected to look after him-or herself and his or her immediate family.
- Collectivism as its opposite pertains to societies in which people from birth onward are integrated into strong, cohesive in-groups, which throughout people's lifetime continue to protect them in exchange for unquestioning loyalty.

- Masculinity and femininity
  - A society is called masculine when emotional gender roles are clearly distinct: men are supposed to be assertive, tough, and focused on material success, whereas women are supposed to be more modest, tender, and concerned with the quality of life.
  - A society is called feminine when emotional gender roles overlap: both men and women are supposed to be modest, tender, and concerned with the quality of life.
- Uncertainty avoidance - the extent to which the members of a culture feel threatened by ambiguous or unknown situations.
- Long and short-term orientation
  - Long-term orientation stands for the fostering of virtues oriented toward future rewards –in particular, perseverance and thrift.
  - Short-term orientation, stands for the fostering of virtues related to the past and present –in particular, respect for tradition, preservation of "face," and fulfilling social obligations.

Power Distance –General Norm, Family and School

SMALL POWER DISTANCE	LARGE POWER DISTANCE
Inequalities among people should be minimized.	Inequalities among people are expected and desired.
Parents treat children as equals.	Parents teach children obedience.
Children play no role in old-age security of parents.	Children are a source of old-age security to parents.
Students treat teachers as equals.	Students give teachers respect. Even outside class.
Teachers expect initiatives from students in class.	Teachers should take all initiatives in class.
Quality of learning depends on two-way communication and excellence of students.	Quality of learning depends on excellence of the teacher.

Power Distance –Workplace

SMALL POWER DISTANCE	LARGE POWER DISTANCE
Hierarchy in organizations means an inequality of roles, established for convenience.	Hierarchy in organizations reflects existential inequality between higher and lower levels.
Decentralization is popular	Centralization is popular.
Managers rely on their own experience and on subordinates.	Managers rely on superiors and on formal rules.
Subordinates expect to be consulted.	Subordinates expect to be told what to do.
Manual work has the same status as office work.	White-collar jobs are valued more than blue-collar jobs.

Individualism and Collectivism -General Norm, Family and Behaviour

COLLECTIVIST	INDIVIDUALIST
People are born into extended families or other in-groups that continue protecting them in exchange for loyalty.	Everyone grows up to look after him- or herself and his or her immediate (nuclear) family only.
Children learn to think in terms of "We."	Children learn to think in terms of "I."
Value standards differ for in-groups and out-groups: exclusionism.	The same value standards are supposed to apply to everyone: universalism.
Adult children live with parents.	Adult children leave the parental home.
Frequent socialization in public places.	My home is my castle.
The most powerful influence on girls' beauty ideals is girlfriends.	The most powerful influence on girls' beauty ideals is boys in general.
Consumption patterns show dependence on others.	Consumption patterns show shelf-supporting lifestyles.
Social network is primary source of information.	Media is primary source of information.

Individualism and Collectivism –School and Workplace

COLLECTIVIST	INDIVIDUALIST
Diplomas provide entry to higher-status groups.	Diplomas increase economic worth and/or self-respect.
Employees are members of in-groups who will pursue the in-group's interest.	Employees are "economic persons" who will pursue the employer's interest if it coincides with their self-interest.
Hiring and promotion decisions take employee's in-group into account.	Hiring and promotion decisions are supposed to be based on skills and rules only.
The employer-employee relationship is basically moral, like a family link.	The employer-employee relationship is a contract between parties in a labour market.
The internet and e-mail are less attractive and less frequently used.	The Internet and e-mail hold strong appeal and are frequently used to link individuals.

Masculinity and Femininity -General Norm, Family and Education

FEMININE	MASCULINE
Relationships and quality of life are important.	Challenge, earnings, recognition, and advancement are important.
Both men and women can be tender and focus on relationships.	Women are supposed to be tender and to take care of relationships.
In the family, both fathers and mothers deal with facts and feelings.	In the family, fathers deal with facts, and mothers deal with feelings.
Average student is the norm; praise for weak students.	Best student is the norm; praise for excellent students.
Jealousy of those who try to excel.	Competition in class; try to excel.
Failing in school is a minor incident.	Failing in school is a disaster.

Masculinity and Femininity –Workplace

FEMININE	MASCULINE
Resolution of conflicts by compromise and negotiation.	Resolution of conflicts by letting the strongest win.
People work in order to live.	People live in order to work.
More leisure time is preferred over more money.	More money is preferred over more leisure time.
Careers are optional for both genders.	Careers are compulsory for men, optional for women.
Welfare society ideal; help for the needy.	Performance society ideal; support for the strong.
Many women are in elected political positions.	Few women are in elected political positions.

Uncertainty Avoidance -General Norm, Family, Education and Behaviour

WEAK UNCERTAINTY AVOIDANCE	STRONG UNCERTAINTY AVOIDANCE
Uncertainty is a normal feature of life, and each day is accepted as it comes.	The uncertainty inherent in life is a continuous threat that must be fought.
Low stress and low anxiety	High stress and high anxiety
Lenient rules for children on what is dirty and taboo	Tight rules for children on what is dirty and taboo
There are many nurses but few doctors.	There are many doctors but few nurses.
Teachers may say, “I don’t know.”	Teachers are supposed to have all the answers.
Used cars, do-it-yourself home repairs	New cars, home repairs by experts

Uncertainty Avoidance –Workplace

WEAK UNCERTAINTY AVOIDANCE	STRONG UNCERTAINTY AVOIDANCE
More changes of employer, shorter service	Fewer changes of employer, longer service, more difficult work-life balance
There should be no more rules than strictly necessary.	There is an emotional need for rules, even if they will not work.
Top managers are concerned with strategy.	Top managers are concerned with daily operations.
Motivation by achievement and esteem or belonging	Motivation by security and esteem or belonging
Few and general laws or unwritten rules	Many and precise laws or unwritten rules
There is high participation in voluntary associations and movements.	There is low participation in voluntary associations and movements.

Long-and Short-Term Orientation -General Norm and Family

SHORT-TERM ORIENTATION	LONG-TERM ORIENTATION
Social pressure toward spending	Thrift, being sparing with resources
Young women associate affection with a boyfriend.	Young women associate affection with a husband.
Service to others is an important goal.	Children should learn to save money and things.
Students attribute success and failure to luck.	Students attribute success to effort and failure to lack of it.
Weaker mathematics and science results of fourteen-year-olds due to less effort	Better mathematics and science results of fourteen-year-olds due to hard work
Investment in mutual funds	Investment in real estate

Long-and Short-Term Orientation -Business and Ways of Thinking

SHORT-TERM ORIENTATION	LONG-TERM ORIENTATION
Main work values include freedom, right, achievement, and thinking for oneself.	Main work values include learning, honesty, adaptiveness, accountability, and self-discipline.
Leisure time is important.	Leisure time is not important.
Focus is on the "bottom line."	Focus is on market position.
Personal loyalties vary with business needs.	Investment in lifelong personal networks, guanxi

Practical Applications relating to Cultural Differences

- Cultural intelligence
- International communication and negotiation
- International management and leadership
- Multicultural/Ethnic marketing

International Communication and Negotiation

The Impact of Culture on Negotiation

Negotiation Factors			
Goal	Contract	⟷	Relationship
Attitudes	Win/Lose	⟷	Win/Win
Personal Styles	Informal	⟷	Formal
Communications	Direct	⟷	Indirect
Time Sensitivity	High	⟷	Low
Emotionalism	High	⟷	Low
Agreement Form	Specific	⟷	General
Agreement Building	Bottom Up	⟷	Top Down
Team Organization	One Leader	⟷	Consensus
Risk Taking	High	⟷	Low

<u>Week 11，12 - Industrial Relations and Human Resource Management</u>

- HRM: an approach to the practice and study of the employment relationship that focuses in the role of management in eliciting effort and value from employees
- IR (Employment relation) - study of the formal and informal rules which regulates the employment relationship and the social processes which create and enforce
- Employment relationship (contracts of employment) – an economic exchange in the labour market

1. Legal contract – between an employee and employer
2. Psychological contract – between an employee and employer – the perceptions of both parties to the employment relationship.
3. Social contract - that sits within a range of

   – *contextual factors* (society, economy, ideas)

   – and *institutions* (organisations themselves, employer associations, governments, courts, unions etc) that regulate the employment relationship and some of the many issues that arise in that relationship (e.g. recruitment, pay, performance etc).

LABOUR MARKET CONTEXT

Argument: (open end relationship)

1. Not commodity
2. Work force for wages
3. Hire capacity not actual work
4. Employment is a power relationship – employee submits to authority

– We are a nation and a workforce of immigrants.

– Around 25% of the workforce in Australia is foreign born.

– Since 1945, the Australian population has more than tripled, and immigration accounts for 50% of this growth.

– 50% of the population is either a direct immigrant, or the child of an immigrant

– The channel by which immigration occurs, is becoming more and more connected to labour force / supply issues.