• 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 completely 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
• Religion
  • Affects business relationships and types or 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 receive 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 purchases 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 loses 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 placing 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 answer 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 log 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
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: exceeding 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 dispensed to employees. Equity may be seen from an internal or external viewpoint. *(location: 13.3)*
106. **Equity**: The provision of equal opportunities for all employees to gain access to jobs, training and career paths in the workplace. *(location: 14.1)*
107. **Equity Finance**: Refers 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)
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: 1.3)*

196. **Liaison**: Individual managers often interact with other managers inside and outside the business. *(location: 6.2)*

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: 1.1)*

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: 4.2)*

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 is 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 defines how the business will use its resources to achieve its objectives. *Location: 10.5*

225. **Mass Market**: A seller mass produces, mass distributes and mass promotes one product to all users. *Location: 9.3*

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: 22.3)

247. Operating Ratios: 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)