

Management Decision Making Study Guide

Management Functions and Environment (James Rao)

Downsizing: the permanent reduction of a company's workforce and is generally associated with corporate reorganization

- Refers to layoffs that may or may not be accompanied by systematic restructuring programs
- Results from both poor economic conditions and company decisions to eliminate jobs in order to cut costs and maintain or achieve specific levels of profitability.

Acquisition: a corporate action in which a company buys more than 50% of another firm's ownership stakes (stocks and other assets) to assume control of it.

- Why do acquisitions?
 - They may be seeking to achieve economies of scale (cost advantage), greater market share, increased synergy (potential financial benefit achieved through the combining of companies), cost reductions, or new niche offerings.
 - Only viable/easiest way to enter a foreign market

E-commerce: Enables a firm or individual to conduct business over an electronic network

- Cheaper and more efficient distribution chain for their products or services.

Data mining: a process used by companies to turn raw data into useful information.

Labor market: refers to the supply and demand for labor, in which employees provide the supply and employers the demand.

Four functions of management

- Planning
 - Determining organizational goals and a means for achieving them
- Organizing
 - Deciding where decisions are made, who will do what jobs and tasks, and who will work for which company
- Leader
 - Inspiring and motivating workers to work hard to achieve organizational goals
- Controlling
 - Monitor progress towards goal achieving

Managerial Control

- Visual Controls: These include checklists, dash boards, scorecards, budgets, etc. They let you SEE that the right things are happening
- Procedural Controls: Review. These include things like having 2 unrelated parties internally check/be involved in the flow of money.
- Embedded Controls: Works in the Background. These include things like your standardized contracts, automated data backups, and intentionally designed financial controls that work automatically in the background to protect your business from poor decisions or behavior.

Management Styles

- Autocratic: Closely monitors everything
- Paternalistic: Give more attention to the social needs and views of their workers. Makes decisions for the interest of the employees
- Democratic: Put trust in employees and encourage them to make decisions

Licensing: When a company gives another company permission to manufacture its product for a payment.

Joint Ventures: when a company or a commercial enterprise is run by two or more parties and are distinct identities

Exporting: Exporting is when goods and services are produced by a country and purchased by another country's citizens

Importing: An import is a good or service brought into one country from another.

Franchising: A continuing relationship in which a franchisor provides a licensed privilege to the franchisee to do business and offers assistance in organizing, training, merchandising, marketing and managing in return for a monetary consideration. Ex: McDonald's.

Roles of Management- Mintzberg's Management Roles

Information-related role: acquisition of information from one or more sources, the custodianship and the distribution of that information to those who need it, and its ultimate disposition through archiving or deletion.

Decision making role: regarded as the cognitive process resulting in the selection of a belief or a course of action among several alternative possibilities

Interpersonal role: This role is about providing information and ideas as a figurehead, leader and a liaison between the company and others.

Required role: This role is about performing the required duties such as being an entrepreneur, disturbance handler, resource allocator, and negotiator.

Business Ownership and Law (Ben A-K)

Sole Proprietorships

Sole Proprietorships are the most popular form of business, requiring only one person and little resources to start up. Only one owner can own the company in order for it to be considered a sole proprietorship.

- PROS
 - Start up is very inexpensive and easy
 - Only needs to register his or her name and secure local licenses
 - Can freely mix business and personal assets
- CONS
 - Personally liable for company's debts
 - Rarely survive the death of owner
 - Cannot sell shares in the company

Partnerships

A partnership is when two (or more) people join together to form a company. This can be done formally (with documents specifying power etc.) or informally (on a handshake)

- PROS
 - Start up is relatively inexpensive and easy
 - Do not have to pay the minimum tax that is required for corporations or LLCs
 - More sources of capital + knowledge
- CONS
 - All owners are personally liable for the company's debts
 - Partners have to bear with other partner's decisions
 - Poorly organized partnerships (like on a handshake) can lead to conflict regarding decision making etc.

Other forms of Partnerships:

- *Limited Partnership* - Allow partners to have limited liability, along with limited input. More attractive to investors of short term projects.

C Corporation

An C Corporation is the main form of corporation in the United States. It has the power of a person in a legal sense, meaning that it can be sued and commit crimes, but that it can also file lawsuits and buy and sell property.

- PROS
 - Owners are protected from personal liability regarding the debts of the company
 - Can easily turn public
 - Can easily raise capital via selling securities
 - Can easily transfer ownership via transfer of securities
 - Unlimited lifetime
- CONS
 - Annual meetings + many formalities
 - Most expensive to set up
 - Require annual fees and periodic filings to the state

S Corporation

An S Corporation is a form of corporation that elects to become an s corporation. In order to have an election to become an s corporation, a company must have only one class of stock, have less than 100 shareholders and be a liable entity. Also, shareholders must be US citizens (however certain non-profit corporations can become shareholders)

- PROS
 - Eliminates double taxation
 - Owners are protected from personal liability regarding the debts of the company
- CONS
 - All officers and owners of an s corporation must make a salary
 - Require annual fees and periodic filings to the state

Limited Liability Corporation

An LLC Corporation is the newest form of corporation in the USA, being founded from the 1960s-1980s (depending on the state). It combines the simplicity of a partnership with the tax benefits of a corporation

- PROS

- Few ongoing formalities - doesn't require annual meetings
- Owners are protected from personal liability regarding the debts of the company
- **CONS**
 - Very hard to go from LLC to a public company. Would likely need a change to a regular corporation before filing to go public.
 - More expensive to set up than partnerships
 - Requires annual fees + filings to the state

Merger: A deal that brings two independent companies together.

Acquisition: A corporate action where one company buys a controlling stake in another business (over 50%). This can be done with cash, the controlling company's stock or a mixture of both.

Hostile takeovers: Hostile takeover is when a corporation acquires another corporation through hostile tactics- often when the corporation that is getting acquired doesn't want the deal

Restructuring- When a corporation modifies the debt, operations, or the structure of a company to minimize financial harm and improve business.

Contract law- A legal binding agreement where two parties voluntarily agree on a deal to do or not to do something

Law of sales- Sales law basically is a law where it describes transfer of ownership from one person to another for a specific value

Consumer Protection law- they are designed to protect consumers from unfair tactics, dishonest tactics, faulty and dangerous goods, and unfair credit and trade practices

Warranty- implied promise that the product is up to standard quality

Magnuson-Moss Warranty Act- Warranties need to be disclosed in common, public, understandable language

Agency law- Where an agent works on behalf of a corporation or an individual under the corporation and the individual's command

Environmental law- treaties, statutes, regulations, laws with the effect of human activity on the natural world

Code law- a legislation that covers the laws of a nation or a society

Common law- where law is based on precedent and past cases

Civil Law- Law concerned with members in a society rather than federal laws

Tort Law- Laws that aim to provide reparative relief for an injured party through civil courts.

Parts of a Business Plan

- Executive Summary
- Business Description
- Market Analysis
- Organization and Management
- Sales Strategy
- Funding Requirements
- Financial Projections

organized labor

- % of ppl in organized labor- 11.3%
- Influence is decreasing

Laws

Sherman Act of 1890: antitrust act to limit cartels and monopolies

Clayton Act of 1914: Update to the Sherman Act, with addition of price discrimination, price fixing and unfair business practices.

Wheeler-Lea Act of 1938: Law that amended the Federal Trade Commission Act to proscribe “unfair or deceptive acts or practices” as well as “unfair methods of competition”

Federal Food, Drug, and Cosmetic Act of 1938: The new law brought cosmetics and medical devices under control, and it required that drugs be labeled with adequate directions for safe use. Moreover, it mandated pre-market approval of all new drugs, such that a manufacturer would have to prove to FDA that a drug were safe before it could be sold. It irrefutably prohibited false therapeutic claims for drugs, although a separate law granted the Federal Trade Commission jurisdiction over drug advertising. The act also corrected abuses in food packaging and quality, and it mandated legally enforceable food standards. Tolerances for certain poisonous substances were addressed. The law formally authorized factory inspections, and it added injunctions to the enforcement tools at the agency's disposal.

Information and Communication Systems (Eu Ro Wang)

Communication: sharing of information between people within and outside the organization that is performed for the commercial benefit of the organization

Implications of Communication: credibility to implement his employer's objectives, rally worker teams behind them, good problem solving, increased productivity, met needs, fewer confusion- it forces management demands to be followed without fail

Effective Meeting

1. Make your objective clear.
2. Consider who is invited.
3. Stick to your schedule
4. Take no hostages
5. Start on time, end on time
6. Ban technology
7. Follow up

Max Weber's 3 types of authority

- **Charismatic Authority:** Charismatic leader is when one individual who has extraordinary leadership abilities lead. There is a massive amount of trust and faith toward this one person.
- **Traditional Authority:** This is where a leader relies on traditional and order. This is most effective for everyday conduct.
- **Legal-Rational Authority:** This is when authority is grounded in defined laws. Contemporary societies depend on this type of authority to lead

Semi Autocratic Management Decision Style- subordinates discuss the situation as a group with the manager

Four Zones of Business Communication

- **Intimate:** Touching to 2 feet

- **Personal:** 2-4 feet
- **Social:** 4-12 feet
- **Public:** 12+ feet

Intranet: private network of communication within one company

Extranet: Intranet that is extended to people outside the company

Strategic Management (Ben A-K)

Strategic Plans: Plans that concern the entire business, and more specifically those that regard an overall plan to future success. These plans also tend to be in the medium to long term (3 to 20 years).

Tactical Plans: Plans that usually concern particular areas of the business (E.G. Finance, Plant Operations, Personnel, Marketing, ETC.). These plans are designed to advance under the overall guidance of the strategic plan already put in place. They tend to be short term (one year or less)

Operational Plans: These plans describe on a very specific level how the company will accomplish tactical plans using short term objectives.

Business Plan: It is a statement of business goals, why they are attainable, and how they are going to reach the goal

Action Plan: a proposed strategy or course of action

Company Goals: desired result or possible outcome that someone or a system envisions

Ex: Profitability, community service, retention, efficiency, growth- overarching principle that guides decision making

Objectives: a goal but more specific to meet the goal

SWOT-Strengths, Weaknesses, Opportunities and Threats

Benchmarks- a standard or point of reference against which things may be compared or assessed

Environmental scanning-systematically surveys and interprets relevant data to identify external opportunities and threats.

Human Resource Management (All)

Staffing Plan: systematic process to ensure that an organization has the right number of people with the right skills to fulfill business needs. You must take into account internal and external changes and must integrate HR planning with the company's business plan

Outsourcing: obtain (goods or a service) from an outside or foreign supplier, especially in place of an internal source/contract (work) out or abroad

Affirmative Action: policy of favoring members of a disadvantaged group who suffer or have suffered from discrimination within a culture.

Americans with Disabilities Act(1990): civil rights law that prohibits discrimination against individuals with **disabilities** in all areas of public life, including jobs, schools, transportation, and all public and private places that are open to the general public.

Fair Labor Standards Act: establishes minimum wage, overtime pay, recordkeeping, and child labor standards affecting full-time and part-time workers in the private sector and in Federal, State, and local governments.

Occupational Safety and Health Act(1970): The law requires that employers provide their employees with working conditions that are free of known dangers.

Equal Opportunity Employer: an employer who agrees not to discriminate against any employee or job applicant because of race, color, religion, national origin, sex, physical or mental disability, or age.

Right to Privacy: one's personal information is protected from public scrutiny.

Cafeteria Plan: employee benefit plan that allows staff to choose from a variety of benefits to formulate a plan that best suits their needs. Cafeteria plan options may include health and accident insurance, cash benefits, tax advantages and/or retirement plan contributions.

Fringe Benefits: benefits provided by an employer to an employee, independent contractor or partner, some of which are tax-exempt when certain conditions are met. Recipients of taxable fringe benefits have to include the fair market value of the benefit in their taxable income for the year.

Overtime: time in addition to what is normal, as time worked beyond one's scheduled working hours.

Can you be drug tested at work? An employee seeking first-time employment can be tested as a condition of employment, even if there is no cause or reason to believe that the prospective employee has been taking drugs. The employer, however, must test all incoming employees for drugs and may not single you out for special treatment.

How much privacy do you have at work? The federal Electronic Communications Privacy Act (ECPA) allows companies to monitor employee emails given one of the following scenarios: a need to protect itself, a legitimate business reason or consent from the employee. An employee's right to privacy in the workplace applies to personal items, storage lockers, snail mail and life outside the office

Collective Bargaining: negotiation of wages and other conditions of employment by an organized body of employees.

Unions Pros/Cons

Pro: Unions have the power to negotiate higher wages, improved benefits and better working conditions for their members. This ensures adequate compensation, fair coverage and increased safety for union workers.

Con: Union negotiations can lead to wages and other associated costs being boosted to unreasonably high levels. If the company is not able to sustain the high wages and costs for union workers, then it is left with several options. It can raise prices on the goods or services it provides. It can outsource its labor. It can reduce the number of new hire employees, leaving an insufficient workforce to manage the overall workload. None of these options are desirable to employees, and they can lead to a potentially combustible workplace environment. Another issue is labor union dues and fees. In some cases, dues and fees offset the higher, union-negotiated wages.

Job rotation: the practice of moving employees between different tasks to promote experience and variety.

Job enrichment: redesigning jobs so that they are more challenging to the employee and have less repetitive work.

Job enlargement: increase in job tasks and responsibilities to make a position more challenging. It is a horizontal expansion, which means that the tasks added are at the same level as those in the current position.

Authority: the power or right to give orders, make decisions, and enforce obedience.

Delegation: Sharing or transfer of authority and the associated responsibility, from an employer or superior (who has the right to delegate) to an employee or subordinate.

Responsibility: A duty or obligation to satisfactorily perform or complete a task (assigned by someone, or created by one's own promise or circumstances) that one must fulfill, and which has a consequent penalty for failure.

Accountability: The obligation of an individual or organization to account for its activities, accept responsibility for them, and to disclose the results in a transparent manner. It also includes the responsibility for money or other entrusted property.

Ethics and Social Responsibility (Eu Ro)

***Don't do anything that may make others or the workplace uncomfortable (Ex. Don't catcall people, sexually harass people, be racist...)**

Work Ethic- A strong work ethic is vital to a company achieving its goals. Every employee, from the CEO to entry-level workers, must have a good work ethic to keep the company functioning at its peak. A work ethic is a set of moral principles an employee uses in his job. Factors of work ethic: Integrity, sense of responsibility, emphasis on quality, teamwork, discipline.

Unethical behavior- actions that don't conform to the acceptable standards of business operations, failing to do what is right in every situation

Examples: exploitation of workers, tax loopholes, dumping toxins, unnecessary procedures to scam people, covering up defects

Social Responsibility

- should balance profit-making activities with activities that benefit society; it involves developing businesses with a positive relationship to the society in which they operate.
- social responsibility is more effective when a company takes it on voluntarily, as opposed to being required by the government to do so through regulation

Mission Statement - defines where you want your company to go. While you may include the statement in your business plan, a mission statement is not a substitute for the plan itself

- Some questions to guide mission statement
 - What are the opportunities or needs that the company addresses?
 - What is the business of the organization? How are these needs being addressed?
 - What level of service is provided?
 - What principles or beliefs guide the organization?

Code of Ethics - an organization's mission, values, and principles, linking them with standards of professional conduct

Copyright - the exclusive legal right, given to an originator or an assignee to print, publish, perform, film, or record literary, artistic, or musical material, and to authorize others to do the same.

Trademark - a *symbol, word, or words* legally registered or established by use as representing a company or product.

Patent - a government authority or license conferring a right or title for a set period, especially the sole right to exclude others from making, using, or selling an *invention*.

Delegation - assignment of any responsibility or authority to another person (normally from a manager to a subordinate) to carry out specific activities

Fiduciary Duty - A legal obligation of one party to act in the best interest of another. The obligated party is typically a fiduciary, that is, someone entrusted with the care of money or property

Egoism Principle

- **Ethical Egoism** - the normative ethical position that moral agents ought to do what is in their own self-interest
- **Psychological Egoism**- people can only act in their self-interest

Utility Principle - actions or behaviors are right in so far as they promote happiness or pleasure, wrong as they tend to produce unhappiness or pain

Civil Law - the system of law concerned with private relations between members of a community rather than criminal, military, or religious affairs.

Common Law - body of law developed by judges, courts, and similar tribunals

Bylaws - a rule made by a company or society to control the actions of its members.

Ethics vs Morals vs Values

Ethics- moral principles that govern a person's behavior or the conducting of an activity.

Morals- a person's standards of behavior or beliefs concerning what is and is not acceptable for them to do.

Values- a person's principles or standards of behavior; one's judgment of what is important in life.

Financial Management (Ben A-K)

Stocks- An equity investment in a corporation. A share of a company represents the ownership of a small part of the profits, assets, and liabilities of a corporate entity. Stocks are bought and sold on stock markets to raise money for corporations.

Bonds- Securitized debt investment bought and sold on bond markets. The funds are loaned for a set period of time with a variable or fixed interest rate. Bonds are typically governmental or corporate.

Mutual Funds- An investment alternative in which investors pool their money to buy stocks, bonds, and other securities based on the selections of professional managers who work for an investment company.

Common Stock- The most well known and basic type of stock. Common stock usually has voting power, and is not a fixed income investment, rather it sees appreciation and depreciation commonly on public exchanges. Common stock may also sometimes be granted a dividend based on the decision of the corporation, but this is not required.

Preferred Stock- A fixed income investment, that receives dividends before any common stockholders. Preferred stock often doesn't have any voting power within in a company, and sees less appreciation or depreciation.

IPO- The initial public offering of a company's shares on public primary markets. This is the point when corporations and their owners are able to profit by selling their shares to new investors.

Cash Flow Statement- A summary of the actual or anticipated incomings and outgoings of cash in a firm over an accounting period.

Income Statement- An income statement is a financial statement that measures a company's financial performance over a specific accounting period. Financial performance is assessed by giving a summary of how the business incurs its revenues and expenses through both operating and nonoperating activities.

Balance Sheet- The balance sheet summarizes a company's assets, liabilities and shareholders' equity at a specific point in time.

Forecasting- Using historical data to predict what will happen. Business often use forecasting to plan their budget or unexpected expenses.

Risk Management Strategy- structured and coherent approach to identifying, assessing and managing risk. It builds in a process for regularly updating and reviewing the assessment based on new developments or actions taken.

- **Risk Avoidance-**elimination of hazards, activities and exposures that can negatively affect an organization's assets.
- **Risk Mitigation-**extent of exposure to a risk and/or the likelihood of its occurrence
- **Transfer of Risk-**contractual shifting of a pure risk from one party to another
- **Risk Acceptance-** A company that doesn't want to spend a lot of money on avoiding risks that do not have a high possibility of occurring will use the risk acceptance strategy.

FICO Credit Score- A credit score for consumers between 300 and 850. The score is used by lenders to determine whether to extend credit and at what interest rate to the prospective borrower. The categories used to determine this are: Payment History (35%), Accounts Owed (30%), Length of Credit History (15%), New Credit or Recently Opened Accounts (10%), and Credit Mix (10%).

Credit Agencies- The three agencies that report on credit scores. Experian, Equifax, and TransUnion

Sales Tax- A tax on sales or receipts from sales.

Property Tax- A tax on the value of a property.

Income Tax- A tax on the W2 income that a person earns. There are 7 tax brackets from 10% to 39.6%.

FICA Tax- AKA Federal Insurance Contributions Act, Payroll taxes that pay into medicare and social security. Social security is 6.2% of a paycheck. Medicare is 1.45% with a 0.9% surtax if you earn 200,000 or more. Social security is subject to a cap of around 120,000, which is adjusted for inflation yearly.

Excise Tax- A tax on a specific good or service such as gasoline (Gas Tax used to pay for roads).

Value-Added Tax- AKA a VAT tax. A value-added tax is a tax on a product each time it is sold for the additional value that has been added to the product and at the time of final sale to a consumer.

Regressive Tax- A tax that places more burden on poorer people.

Progressive Tax- A progressive tax is one that taxes wealthier people more with differing tax brackets.

The majority of state taxation comes from sales tax.

The majority of federal taxation comes from income tax.

Health Insurance

- **Health Maintenance Organization (HMO):** delivers all health services through a network of healthcare providers and facilities. You typically have the least amount of

freedom to choose your health care providers but the least amount of paperwork to fill out. You get a primary care doctor and need a referral for all other needs. You pay a premium, deductible and co-pay.

- **Preferred Provider Organization (PPO):** A moderate amount of freedom to choose your healthcare providers and do not need a referral for specialists. You can see anyone in the PPO's network. You can see out-of-network doctors, but you'll pay more. You pay a premium, deductible, co-pay and if your doctor charges more than others in the area do, you may have to pay the balance after your insurance pays its share.
- **Point of Service Plan (POS):** This blends features of an HMO with a PPO, giving you more freedom to choose your health care providers than you would in an HMO but the primary care referral system of an HMO. You pay a premium, deductible and co-pay and more when you see an out of network doctor.
- **High-Deductible Health Plan (HDHP)** - This has a super high deductible with a super low premium. This is typically a form of HMO, PPO or POS. Your spending per year is capped.
- **Exclusive Provider Organization**

Life Insurance

- **Term Life-** Life insurance with a set duration. At the end of the term the policy owner has to decide whether to renew or cancel the policy.
- **Whole Life-** A plan that has premiums and includes both investment and insurance aspects. When the policy owner dies the insurance component pays a set amount, while the investment component builds up value over time.

Auto Insurance

- **Collision**
- **Comprehensive**
- **Personal Injury Protection**
- **Gap Insurance**

Financial Plan Components

Goals & Objectives: Goals and objectives should be listed by priority and should be as specific as possible. They should be specific, measurable, reasonable, and capable of planning.

Income Tax Planning: Tax returns should be examined to determine if you are maximizing tax saving possibilities consistent with the planning objectives.

Balance Sheet: A balance sheet or “Statement of Financial Position” should be created, showing your net worth by listing all assets and liabilities. This should be periodically updated to track progress towards overall goals and to identify changes in your financial situation that need attention.

Issues & Problems: Issues/problems consist of observations regarding the strengths and weaknesses of your current situation as well as risks you face.

Risk Management and Insurance: A sudden unexpected event can derail even the most detailed plan unless you have anticipated and planned for catastrophic events. Insurance products are useful in managing these risks. You should evaluate your life, disability, liability/umbrella, and long-term care insurance.

Retirement, Education, and Special Needs: Consideration must be given to retirement, education, or any other special needs (e.g., physically or mentally incapacitated dependents or divorce settlements). Financial projections should be prepared for these needs, along with funding strategies.

Cash Flow Statement: Preparation of a cash flow statement will show income from all sources, as well as expenses that occur on a regular or recurring basis. This should be periodically updated to track progress towards overall goals and to identify changes in your financial situation that need attention.

Investment Planning: An analysis of your investments should be completed to determine if the portfolio's earnings, growth, and diversification are consistent with your objectives and risk tolerance.

Estate Planning: Your financial plan should include a review of your lifetime gifts and final transfer of assets to reduce or eliminate your gifts and estate tax exposure.

Assumptions: Assumptions include inflation rates, rate of return on investments, tax bracket, years of work remaining, and life expectancy. These should be reviewed periodically against your actual financial plan and adjustments should be made accordingly.

Recommendations: All final (and proposed) recommendations should be in writing, stating the assumptions upon which they are based, projected benefits, and potential problems.

Implementation Plan: The plan implementation section should delineate the individuals responsible for implementing each identified task, whether it be you, your financial planner, accountant, attorney, or some other expert.

Management Theories (James Rao)

Weber's Management Principles (Principles of Bureaucratic Theory)

- 1) Job specialization: – Jobs are divided into simple, routine and fixed category based on competence and functional specialization.
- 2) Authority hierarchy: – Officers are organized in a hierarchy in which higher officer controls lower position holders i.e. superior controls subordinates and their performance of subordinates and lower staff could be controlled.
- 3) Formal selection: – All organizational members are to be selected on the basis of technical qualifications and competence demonstrated by training, education or formal examination.

- 4) Formal rules and regulations: – To ensure uniformity and to regulate actions of employees, managers must depend heavily upon formal organizational rules and regulations. Thus, rules of law lead to impersonality in interpersonal relations.
- 5) Impersonality: – Rules and controls are applied uniformly, avoiding involvement with personalities and preferences of employees. Nepotism and favoritism are not preferred.
- 6) Career orientation: – Career building opportunity is offered highly. Life long employment and adequate protection of individuals against arbitrary dismissal is guaranteed. Here managers are professional officials rather than owners units they manage. They work for a fixed salaries and pursue their career within the organization.

Deming's 14 Points for Management- core concept on implementing total quality management, is a set of management practices to help companies increase their quality and productivity.

1. Create constancy of purpose toward improvement of product and service, with the aim to become competitive and to stay in business, and to provide jobs.
2. Adopt the new philosophy. We are in a new economic age. Western management must awaken to the challenge, must learn their responsibilities, and take on leadership for change.
3. Cease dependence on inspection to achieve quality. Eliminate the need for inspection on a mass basis by building quality into the product in the first place.
4. End the practice of awarding business on the basis of price tag. Instead, minimize total cost. Move toward a single supplier for any one item, on a long-term relationship of loyalty and trust.
5. Improve constantly and forever the system of production and service, to improve quality and productivity, and thus constantly decrease costs.
6. Institute training on the job.
7. Institute leadership (see Point 12 and Ch. 8). The aim of supervision should be to help people and machines and gadgets to do a better job. Supervision of management is in need of overhaul, as well as supervision of production workers.
8. Drive out fear, so that everyone may work effectively for the company (see Ch. 3).
9. Break down barriers between departments. People in research, design, sales, and production must work as a team, to foresee problems of production and in use that may be encountered with the product or service.
10. Eliminate slogans, exhortations, and targets for the work force asking for zero defects and new levels of productivity. Such exhortations only create adversarial relationships, as the bulk of the causes of low quality and low productivity belong to the system and thus lie beyond the power of the work force.
 - Eliminate work standards (quotas) on the factory floor. Substitute leadership.
 - Eliminate management by objective. Eliminate management by numbers, numerical goals. Substitute leadership.
11. Remove barriers that rob the hourly worker of his right to pride of workmanship. The responsibility of supervisors must be changed from sheer numbers to quality.
12. Remove barriers that rob people in management and in engineering of their right to pride of workmanship. This means, inter alia, abolishment of the annual or merit rating and of management by objective (see Ch. 3).
13. Institute a vigorous program of education and self-improvement.

14. Put everybody in the company to work to accomplish the transformation. The transformation is everybody's job.

Charles Barnard Acceptance Theory of Authority

Organizations need to be both effective and efficient. Effective means meeting organizational goals in a timely way. Efficient, in his opinion, means the degree to which the organization can satisfy the motives of its employees

Theory X - assumes that workers are lazy, selfish, and generally sloppy at their work.

Theory Y - assumes that people will exercise self-direction and self-control in the achievement of organisational objectives to the degree that they are committed to those objectives

Theory Z - management tends to promote stable employment, high productivity, and high employee morale and satisfaction. Employee morale is very important. To encourage, long term stable employment.

TQM - all members of an organization participate in improving processes, products, services, and the culture in which they work.

Marketing (Eu Ro)

Role of Marketing

- establishing relationships between customers and the organizations offering to the market
- marketing function is also tasked with branding of the organization, participation in publicity activities, advertising and customer interaction through feedback collection.

Telemarketing: the marketing of goods or services by means of telephone calls, typically unsolicited, to potential customers.

E-Commerce: Enables a firm or individual to conduct business over an electronic network, cheaper and more efficient distribution chain for their products or services.

Pricing Strategy

- **Experience Curve Pricing:** pricing of a product at a lower than average-cost level on the basis that costs will decrease as production experience increases.
- **Multipoint Pricing:** When two or more international firms compete against each other in two or more national markets. A firm's pricing strategy in one market may impact a rival in another market.
- **Predatory Pricing:** the pricing of goods or services at such a low level that other suppliers cannot compete and are forced to leave the market.
- **Geographical Pricing:** practice of modifying a basic list price based on the geographic allocation of the buyer. It is intended to reflect the costs of shipping to different locations.
- **Psychological Pricing:** pricing/marketing strategy based on the theory that certain prices have a psychological impact. Retail prices are often expressed as "oddprices": a little less than a round number like 2.99 instead of 3
- **Captive Product Pricing:** Low price on core product but high price on captive product(necessary to operate core product)

Customer Satisfaction: measures how products or services supplied by a company meet or surpass a customer's expectation.

- Customer satisfaction is important because it provides marketers and business owners with a metric that they can use to manage and improve their businesses.

Packaging and Branding

- A brand refers to a name, term, symbol, or any other type of feature that defines or identifies a seller's product or service.
- The role of packaging in marketing has become quite significant as it is one of the ways companies can get consumers to notice products.

Channels of Distribution

- chain of businesses or intermediaries through which a good or service passes until it reaches the end consumer. It can include wholesalers, retailers, distributors and even the internet itself.

Marketing Mix

- a combination of factors that can be controlled by a company to influence consumers to purchase its products.
- **4Ps of Marketing**
 - Product
 - Price
 - Place
 - Promotion

Economic Concepts (All)

Supply: The total amount of a product (good or service) available for purchase at any specified price.

Demand: Desire for certain good or service supported by the capacity to purchase it.

Economic Cycle(aka Business Cycle): natural fluctuation of the economy between periods of expansion (growth) and contraction (recession)

Consumer Price Index: A measure of changes in the purchasing-power of a currency and the rate of inflation

Gross Domestic Product: The value of a country's overall output of goods and services (typically during one fiscal year) at market prices, excluding net income from abroad.

Gross National Product: GDP of a country to which income from abroad remittances of nationals living outside and income from foreign subsidiaries of local firms has been added.

Money Supply (M2): Population's spending power represented by the quantity of liquid assets (usually cash) in an economy that can be exchanged for goods and services. (currency in circulation plus savings accounts and non-interest bearing bank deposits)

Proccyclical indicators: In business cycle theory and finance, any economic quantity that is positively correlated with the overall state of the economy. any quantity that tends to increase in expansion and tend to decrease in recession is classified as proccyclical. (Ex. GDP)

Countercyclical indicators: any economic quantity that is negatively correlated with the overall state of the economy. Quantities that tend to increase when the overall economy is slowing down are classified as 'countercyclical' (Ex.unemployment)

Acyclical indicators: An acyclic economic indicator is one that has no relation to the health of the economy and is generally of little use.

Traditional Economy: original economic system in which traditions, customs, and beliefs help shape the goods and the services the economy produces, as well as the rules and manner of their distribution. (Rural farm based economies)

Command Economy: an economy in which production, investment, prices, and incomes are determined centrally by a government.

Market Economy: economic decisions and the pricing of goods and services are guided solely by the aggregate interactions of a country's individual citizens and businesses.

Mixed Economy: an economic system combining private and public enterprise.

Perfect Competition, Monopoly, Monopolistic Competition, Oligopoly

Market structure	Examples	Number of producers	Type of product	Power of firm over price	Barriers to entry	Non-price competition
Perfect competition	Parts of agriculture are reasonably close	Many	Standardized	None	Low	None
Monopolistic competition	Retail trade	Many	Differentiated	Some	Low	Advertising and product differentiation
Oligopoly	Computers, oil, steel	Few	Standardized or differentiated	Some	High	Advertising and product differentiation
Monopoly	Public utilities	One	Unique product	Considerable	Very high	Advertising

NAFTA: agreement signed by Canada, Mexico, and the United States, creating a trilateral trade bloc in North America.

Special Economic Zones: area in which business and trade laws are different from rest of the country. SEZs are located within a country's national borders, and their aims include: increased trade, increased investment, job creation and effective administration.

ASEAN: organization of countries in southeast Asia set up to promote cultural, economic and political development in the region.

EFTA: The European Free Trade Association is a regional trade organisation and free trade area consisting of four European states: Iceland, Liechtenstein, Norway, and Switzerland.

MERCOSUR: A sub-regional bloc. Its full members are Argentina, Brazil, Paraguay, Uruguay and Venezuela

GATT: a legal agreement between many countries, whose overall purpose was to promote international trade by reducing or eliminating trade barriers such as tariffs or quotas.

WTO: The World Trade Organization is an intergovernmental organization that regulates international trade.

Business Operations (Eu Ro)

Quality Control: a system of maintaining standards in manufactured products by testing a sample of the output against the specification.

Contemporary Control: Quality check while the product is making

Output Control: Quality check after the product is made

Quality Assurance: the maintenance of a desired level of quality in a service or product, especially by means of attention to every stage of the process of delivery or production.

ISO 9000: set of international standards on quality management and quality assurance developed to help companies effectively document the quality system elements to be implemented to maintain an efficient quality system.

Inventory Control: the activity of checking a shop's stock

- **ABC Control:** ABC analysis divides an inventory into three categories- "A items" with very tight control and accurate records, "B items" with less tightly controlled and good records, and "C items" with the simplest controls possible and minimal records.
- **Aggregate Control(Aggregate inventory):** The total volume of multiple classifications of goods contained within a storage facility. The inventory may contain finished goods, raw materials and components. Also called aggregate stock.
- **Safety Stock:** level of extra stock that is maintained to mitigate risk of stockouts (shortfall in raw material or packaging) due to uncertainties in supply and demand.