# Glossary (530 Terms Total)

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Chapter 1

Overview

This glossary contains terms defined in courses taught by Collin Starkweather at Yunnan University in Fall 2006.

Please note that this document will be regularly updated during the semester to incorporate additional definitions from lecture notes and in response to student inquiries.

Sources for the terms include textbooks and materials used in International Economics, International Economic Organizations, International Business Negotiation, and International Business Management. Please see the class homepage at

http://www.collinstarkweather.com/yunnan

for further detail regarding source materials.

Students should note that they are not expected to know each and every one of these terms. This document is only intended as a reference.

You may contact Collin at

yunnan@collinstarkweather.com

for more information and may request that additional terms be added to the glossary either by sending an e-mail or by filling out a form on the class homepage noted above. Any errors or omissions are my own.

This document was last modified on June 19, 2007.
Chapter 2

Glossary (530 Terms Total)

2.1 A (19 Terms)

Definition 2.1.1 (A Posteriori) [Business Negotiation (Fall 2006), Advanced Negotiation (Spring 2007) and Business Negotiation (Spring 2007)] After the fact. For example, an event whose outcome was not known before it occurred was a priori unknown; however, once it occurs, it is a posteriori known. In other words, “hindsight is 20/20.”

Definition 2.1.2 (A Priori) [Business Negotiation (Fall 2006), Advanced Negotiation (Spring 2007) and Business Negotiation (Spring 2007)] Before the fact. For example, a future event whose outcome is uncertain today is a priori unknowable. Commonly used in economics and business.

Definition 2.1.3 (Absolute Advantage) [International Economics (Fall 2006)] A country has an absolute advantage in producing a good if one unit of input produces more of that good than is produced by one unit of input in another country.

Definition 2.1.4 (Achievement) [International Business Management (Fall 2006)] A value orientation reflecting a culture in which people are afforded status based on how they perform their function.

Definition 2.1.5 (Active Misrepresentation) [Advanced Negotiation (Spring 2007)] Misrepresentation by a negotiator in which they deliberately lie or mislead their opponent by making false or misleading statements.

See also definition 2.16.6

Definition 2.1.6 (Activity Map) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)]
In operations management, a graphical link of competitive advantage, CSFs, and supporting activities.

**Definition 2.1.7 (Ad Hoc)** [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)] Latin shorthand meaning “for this purpose only.” Thus, an ad hoc committee is formed for a specific purpose, usually appointed to solve a particular problem. An ad hoc attorney is one hired to handle one problem only and often is a specialist in a particular area or considered especially able to argue a key point. The term is commonly used in business and law.¹

**Definition 2.1.8 (Ad Valorem Tax)** [International Economics (Fall 2006)] A tax based on the assessed value of real estate or personal property. In other words, ad valorem taxes can be property tax or even duty on imported items. The term ad valorem is actually Latin for according to value.² Ad valorem taxes are levied on a percentage, rather than lump sum, basis.

**Definition 2.1.9 (Adaptive Smoothing)** [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] An approach to exponential smoothing forecasting in which the smoothing constant (e.g., \( \alpha \) in definition 2.5.28) is automatically changed to keep errors to a minimum.

Typically adjustments are made to minimize error forecasts and adjusted whenever the computer notes a tracking signal outside of an established control limit.

**Definition 2.1.10 (Adjudication)** [Business Negotiation (Fall 2006), Advanced Negotiation (Spring 2007) and Business Negotiation (Spring 2007)] When parties disagree, they will often hire a neutral third party to listen to their arguments and make a binding decision (or adjudicate) as to who is correct and who is not. This is called adjudication.

**Definition 2.1.11 (Advisory Arbitration)** [Business Negotiation (Fall 2006), Advanced Negotiation (Spring 2007) and Business Negotiation (Spring 2007)] An arbitration (see definition 2.1.13) in which a third party takes the role of an arbitrator, but does not make a binding decision.

The purpose of advisory arbitration is to simulate an arbitration to provide the parties to a negotiation with additional information on the possible consequences of entering into an actual arbitration.

Definition 2.1.12 (Anchor Point) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)] An anchor point is a point of reference in a negotiation. Psychologically, negotiators tend to gravitate towards anchor points.

Definition 2.1.13 (Arbitration) [Business Negotiation (Fall 2006), Advanced Negotiation (Spring 2007) and Business Negotiation (Spring 2007)] When parties disagree, they will often hire a neutral third party to listen to their arguments and make a decision as to who is correct and who is not. This is called arbitration.

Arbitration differs from adjudication in that

- Adjudication involves the use of the legal system and is legally binding.
- Arbitration is typically only binding insofar as the parties agree to abide by the decision of the arbitrator. Often contracts specify that parties must use and abide by the decision of an arbitrator in the case of a dispute.
- Arbitration is often constrained in ways that adjudication is not. For example,
  - In final-offer arbitration, the arbitrator does not have the ability to compromise between parties’ positions but must accept one of the final offers made.

Definition 2.1.14 (Ascription) [International Business Management (Fall 2006)]
A value orientation reflecting a culture in which status is attributed based on who or what a person is.

Definition 2.1.15 (Assembly Chart) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)]
A graphic means of identifying how components flow into subassemblies and ultimately into a final product.

Definition 2.1.16 (Assembly Drawing) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)]
An “exploded” view of the product usually via a three-dimensional or isometric drawing.

Definition 2.1.17 (Assertiveness) [International Business Management (Fall 2006)] Defined by GLOBE as the degree to which individuals in organizations or societies are assertive, confrontational, and aggressive.

Definition 2.1.18 (Attack) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)] In a dispute resolution setting, an attack is defined as an uncooperative, accusatory, or disapproving statement.

Definition 2.1.19 (Autarky) [International Economics (Fall 2006)] If a country is self-sufficient and does not trade with other countries, it is said to be in autarky.
2.2 B (32 Terms)

Definition 2.2.1 (B2B) [International Management and Entrepreneurship (Spring 2007)] Businesses whose customers are primarily other businesses are called “B2B,” or business-to-business ventures.

See also 2.2.2

Definition 2.2.2 (B2C) [International Management and Entrepreneurship (Spring 2007)] Businesses whose customers are primarily consumers are called “B2C,” or business-to-consumer ventures.

See also 2.2.1

Definition 2.2.3 (BATNA) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)] Best Alternative to a Negotiated Agreement.

Definition 2.2.4 (BATNA Risk) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)] BATNAs may be uncertain and involve risk.

Definition 2.2.5 (Back Order) [International Management and Entrepreneurship (Spring 2007)] This is a Distribution (business) term and refers to the status of items on a purchase order in the event that some or all of the inventory required to fulfill the order is out of stock. This differs from a forward order where stock is available but delivery is postponed for other reasons.

Definition 2.2.6 (Balance of Payments) [International Economics (Fall 2006)] A systematic record of a country’s receipts from, or payments to, other countries. Similar to a balance sheet for business, only on a national level.

The balance of payments is composed of visible trade (also known as the balance of trade; see definition 2.2.7), or trade in goods, and invisible trade, or trade in services, interest or dividends, technology transfers, and other intangibles.

In the United States, data on the balance of payments is collected by the U.S. Customs Service and appears in the Department of Commerce’s Survey of Current Business.

Definition 2.2.7 (Balance of Trade) [International Economics (Fall 2006)] Also called visible trade (see definition 2.2.7), an entry in the balance of payments (see definition 2.2.6) measuring net flows of merchandise (exports minus imports) between countries.

If exports of goods exceed imports, the trade balance is said to be “favorable,” or to have a trade surplus, whereas an excess of imports over exports yields an “unfavorable” trade balance or a trade deficit.

Definition 2.2.8 (Balance-of-payments Safeguards) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)] Article XII of GATT 1994 allows a Member to restrict the quantity or value of merchandise permitted to be imported in order to safeguard its external financial position and its balance of payments.

(Since there is a separate provision on restrictions for balance-of-payments purposes in relation to developing countries (Article XVIII), Article XII is of relevance only to the developed Members.)

Definition 2.2.9 (Bargaining Zone) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)] Also known as the Zone of Possible Agreements (ZOPA), it is the region between each party’s reservation point.

Definition 2.2.10 (Bayes’ Rule) [Advanced Negotiation (Spring 2007)] Bayes’ rule is a basic rule of statistical inference that holds that

\[ P(x|H, \delta) = \frac{P(x|\delta)}{\sum_{x' \in H} P(x'|\delta)} \]  

(2.1)

For two events \( A \) and \( B \), it is often written \( P(A|B) = P(A,B)/P(B) \). It is also often referred to as Bayes’ theorem.

Definition 2.2.11 (Beauty Premium) [Advanced Negotiation (Spring 2007)] The beauty premium is a term referring to the benefits of attractiveness. A variety of studies through a wide range of occupations have found that attractive people are evaluated more positively, are treated better than unattractive people, and earn more money than unattractive people [13, p. 158].

Definition 2.2.12 (Bedrock) [Advanced Negotiation (Spring 2007)] Bedrock refers to the solid unweathered rock lying beneath surface deposits of soil. Tall buildings must have their support structure embedded in bedrock to prevent the building from sinking or listing (listing means tilting over); thus, the word bedrock implies a foundation, and, moreover, a solid foundation.

Definition 2.2.13 (Benchmarking) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] Selecting a demonstrated standard of performance that represents the very best performance for a process or activity.

Definition 2.2.14 (Beta Distribution) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] A general type of statistical distribution which is related to the gamma distribution.
Beta distributions have two free parameters, which are labeled according to one of two notational conventions. The usual definition calls these alpha (α) and beta (β), and the other uses β′ = β − 1 and α′ = α − 1. The beta distribution is used as a prior distribution for binomial proportions in Bayesian analysis.

The domain is [0,1], and the probability function \( P(x) \) and distribution function \( D(x) \) are given by

\[
P(x) = \frac{(1-x)^{\beta-1}x^{\alpha-1}}{B(\alpha, \beta)} = \frac{\Gamma(\alpha + \beta)}{\Gamma(\alpha)\Gamma(\beta)} (1-x)^{\beta-1}x^{\alpha-1}
\]

(2.2)

where \( B(p, q) \) and \( \Gamma(p) \) are given by

\[
B(p, q) = \frac{\Gamma(p)\Gamma(q)}{\Gamma(p+q)} = \frac{(p-1)!(q-1)!}{(p+q-1)!}
\]

(2.3)

The beta distribution is commonly used in project scheduling to estimate activity time distributions in a PERT network [4, p. 62].

Definition 2.2.15 (Bias) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] A forecast that is consistently higher or consistently lower than actual values of a time series.

Definition 2.2.16 (Bicultural Groups) [International Business Management (Fall 2006)] Two or more members represent each of two distinct cultures.

Definition 2.2.17 (Bilateral Trade Agreement) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)] Trade agreement between two nations.

Definition 2.2.18 (Bill of Material (BOM)) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] A listing of the components, their description, and the quantity of each required to make one unit of a product.

Definition 2.2.19 (Bin Tickets) [International Management and Entrepreneurship (Spring 2007)] In unit-control inventory systems, bin tickets are tiny cards kept with each type of product that list a stock number, a description, maximum and

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minimum quantities stocked, cost (in code), selling price and any other information you want to include. [3] p. 291

Bin tickets will have corresponding office file cards that list a stock number, selling price, cost, number of items to a case, supply source and alternative source, order dates, quantities, and delivery time.

Definition 2.2.20 (Blend Country) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)] Some countries are poor enough to be eligible for IDA lending, but nonetheless have sufficient creditworthiness for IBRD borrowing. These are known as “blend” countries.

Blend countries include, for example, India and Indonesia.

Definition 2.2.21 (Blocked) [Advanced Negotiation (Spring 2007)] In cooperative game theory, given a game in characteristic form \((I, V)\), the utility outcome \(u \in \mathbb{R}^I\) is blocked, or improved upon, by a coalition \(S \subset I\) if there exists \(u^S \in V(S)\) such that \(u_i^S < u_i^S\) for all \(i \in S\).

Definition 2.2.22 (Bond) [Contemporary Topics in International Economics (Spring 2007)] A debt investment in which an investor loans money to an entity (corporate or governmental) that borrows the funds for a defined period of time at a fixed interest rate. Bonds are used by companies, municipalities, states and U.S. and foreign governments to finance a variety of projects and activities. Bonds are commonly referred to as fixed-income securities and are one of the three main asset classes, along with stocks and cash equivalents.

The indebted entity (issuer) issues a bond that states the interest rate (coupon) that will be paid and when the loaned funds (bond principal) are to be returned (maturity date). Interest on bonds is usually paid every six months (semi-annually). The main categories of bonds are corporate bonds, municipal bonds, and U.S. Treasury bonds, notes and bills, which are collectively referred to as simply “Treasuries.”

Two features of a bond - credit quality and duration - are the principal determinants of a bond’s interest rate. Bond maturities range from a 90-day Treasury bill to a 30-year government bond. Corporate and municipals are typically in the 3-10-year range.

Definition 2.2.23 (Bottleneck) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] A location or situation in which otherwise rapid progress is impeded. Derives from the typical shape of a bottle, which becomes narrower as one approaches the neck of the bottle; – said of roads; as, right by the bridge, the road bottlenecks.

Definition 2.2.24 (Boundary Spanners) [Advanced Negotiation (Spring 2007)]
A term referring to those whose social networks are able to bridge functional gaps in organizations and units by bringing together people, knowledge, and information that would otherwise not be brought together. They can position themselves as the critical link between people who otherwise would not be in contact.

Definition 2.2.25 (Brainstorming) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)]
A team technique to generate creative ideas on a particular subject. Ideas are not reviewed until after the brainstorming session.

Definition 2.2.26 (Breach in Trust) [Advanced Negotiation (Spring 2007)]
A breach is the breaking of something in a figurative sense. The phrase "breach of trust" is commonly used to refer to breaking an established trust relationship.

Definition 2.2.27 (Bretton Woods Conference) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)]
The landmark “United Nations Monetary and Financial Conference,” commonly known as Bretton Woods conference, was a gathering of 730 delegates from all 45 Allied nations after the conclusion of World War II.

The Conference took place in Bretton Woods, New Hampshire from July 1 to July 22, 1944. Note that the agreements signed at the conference did not become fully operative until 1959.

The purpose of the conference was to speed up post-war reconstruction and ensure peace and stability. To accomplish these goals, international regulation of the international monetary and financial system was established.

In the words of the U.S. president at the time, Franklin D. Roosevelt (widely considered one of the greatest U.S. presidents), “The economic health of every country is a proper matter of concern to all its neighbors, near and far.”

At this conference delegates from the Allied nations signed agreements to set up the International Bank for Reconstruction and Development (IBRD), which later became the core lending institution of the World Bank, the General Agreement on Tariffs and Trade (GATT 1947), which would eventually form the core of international trade law as later engendered in the World Trade Organization (WTO), and the International Monetary Fund (IMF).

Also as a result of the conference, the Bretton Woods system of exchange rate management was set up, based on the gold standard, which remained in place until 1971–1972.

Definition 2.2.28 (Bretton Woods Institutions) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Fall 2006)]

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7See definition 2.7.13 below.
The World Bank Group and the IMF are together often called the Bretton Woods Institutions due to their common origins at the Bretton Woods Conference of 1944. See definition 2.2.27.

Definition 2.2.29 (Bribe) [International Business Management (Fall 2006), International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] A price, reward, gift, or favor bestowed or promised with a view to prevent the judgment or corrupt the conduct of a judge, witness, voter, or other person in a position of trust.

Definition 2.2.30 (Broker / Brokerage Fee) [Contemporary Topics in International Economics (Spring 2007)] One that acts as an agent for others, as in negotiating contracts, purchases, or sales in return for a fee or commission. When buying or selling stocks, a stock broker is the intermediary who arranges the trade on the stock exchange for you.

Brokers typically charge a fee for their services. Commission paid to a broker who buys and sells securities. Fees vary depending on whether a full-service broker (e.g., one that provides recommendation reports) or a discount broker (e.g., one that just executes orders) is used. An example of a full-service broker is Prudential-Bache Securities. An example of a discount broker is Charles Schwab & Co. Fees also vary within each category so one full-service broker may charge you a different commission rate than another. Brokerage fees may depend on the market price per share and the number of shares traded.

Online brokerage services, such as ETrade, currently charge between a $7 and $20 flat fee for trades.

Definition 2.2.31 (Business Plan) [International Management and Entrepreneurship (Spring 2007)] A business plan is a written document that details a proposed venture. It must describe current status, expected needs, and projected results of the new business. Every aspect of the venture should be covered, including

- The project,
- Marketing,
- Research and development,
- Manufacturing,
- Management,
- Critical risks,
- Financing, and

• Milestones or a timetable.

A business plan is also known as a venture plan, loan proposals, or investment prospectus.

Definition 2.2.32 (Buying on Margin) [Contemporary Topics in International Economics (Spring 2007)] Buying on margin is borrowing money from a broker to purchase stock. You can think of it as a loan from your brokerage. Margin trading allows you to buy more stock than you’d be able to normally. To trade on margin, you need a margin account. This is different from a regular cash account, in which you trade using the money in the account. By law, your broker is required to obtain your signature to open a margin account. The margin account may be part of your standard account opening agreement or may be a completely separate agreement. An initial investment of at least $2,000 is required for a margin account, though some brokerages require more. This deposit is known as the minimum margin. Once the account is opened and operational, you can borrow up to 50% of the purchase price of a stock. This portion of the purchase price that you deposit is known as the initial margin. It’s essential to know that you don’t have to margin all the way up to 50%. You can borrow less, say 10% or 25%. Be aware that some brokerages require you to deposit more than 50% of the purchase price.

You can keep your loan as long as you want, provided you fulfill your obligations. First, when you sell the stock in a margin account, the proceeds go to your broker against the repayment of the loan until it is fully paid. Second, there is also a restriction called the maintenance margin, which is the minimum account balance you must maintain before your broker will force you to deposit more funds or sell stock to pay down your loan. When this happens, it’s known as a margin call. We’ll talk about this in detail in the next section.

Borrowing money isn’t without its costs. Regrettably, marginable securities in the account are collateral. You’ll also have to pay the interest on your loan. The interest charges are applied to your account unless you decide to make payments. Over time, your debt level increases as interest charges accrue against you. As debt increases, the interest charges increase, and so on.

Therefore, buying on margin is mainly used for short-term investments. The longer you hold an investment, the greater the return that is needed to break even. If you hold an investment on margin for a long period of time, the odds that you will make a profit are stacked against you.

In the U.S., not all stocks qualify to be bought on margin. The Federal Reserve Board (the “Fed”) regulates which stocks are marginable. As a rule of thumb, brokers will not allow customers to purchase penny stocks, over-the-counter Bulletin Board (OTCBB) securities or initial public offerings (IPOs) on margin because of the day-to-day risks involved with these types of stocks. Individual brokerages can also decide not to margin certain stocks, so check with them to see what restrictions exist on your margin account.
2.3 C (57 Terms)

Definition 2.3.1 (COD (or c.o.d.)) [International Management and Entrepreneurship (Spring 2007)] Cash on delivery. If a supplier does not extend credit, customers may be required to pay upon receipt of goods.

Definition 2.3.2 (Call Option) [Contemporary Topics in International Economics (Spring 2007)] An option, but not an obligation, to buy a stock at an agreed-upon price within a certain period or on a specified date. See definition 2.19.42.

Definition 2.3.3 (Chaebols) [International Business Management (Fall 2006)] Very large, family-held Korean conglomerates that have considerable political and economic power.

Definition 2.3.4 (Characteristic-form Game) [Advanced Negotiation (Spring 2007)] A game in characteristic form \((I, V)\) is a set of players \(I\) and a rule \(V(\cdot)\) that associates to every coalition \(S \subseteq I\) a utility possibility set \(V(S) \subseteq \mathbb{R}^S\).

The elements of \(V(S)\) are to be interpreted as the payoffs the players in \(S\) can achieve by themselves if they jointly commit to a certain course of action.

Definition 2.3.5 (Cherry Pick) [Business Negotiation (Fall 2006), Advanced Negotiation (Spring 2007) and Business Negotiation (Spring 2007)] Selecting only the most favorable items in a bundle offered. This phrase comes from the fact that if someone is allowed to take some cherries from a cherry tree, they will only select the best cherries and leave the rest whereas you might want them to take some good cherries and some not-so-good cherries.

Definition 2.3.6 (Coalition) [Advanced Negotiation (Spring 2007)] In cooperative game theory, if a set of players is denoted \(I = \{1, \ldots, I\}\), the nonempty subsets \(S, T \subseteq I\) are called coalitions.

Definition 2.3.7 (Cobb-Douglas Utility and Production Functions) [International Economics (Fall 2006)] A commonly used functional form in economic analysis for utility and production functions. Cobb-Douglas functions are of the form

\[ X = aK^\rho bL^{1-\rho} \] (2.4)

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10 Note that actions undertaken by \(I \setminus S\) can affect the payoffs to members of \(S\). That is why the words “can achieve” are used.

11 Note that we are using \(I\) to represent both the set and its cardinality, which invites some ambiguity but is helpful for clarity. Note also that this definition defines a coalition as a subset, \(S, T \subseteq I\), rather than a proper subset, \(S, T \subseteq I\). I have seen definitions that use both subsets and proper subsets to define coalitions.
Definition 2.3.8 (Coefficient of Determination) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] A measure of the amount of variation in the dependent variable about its mean that is explained by the regression equation.

The coefficient of determination is simply $r^2$ where $r$ is the correlation coefficient. (See definition 2.3.40.) It measures the percent of variation in the dependent variable ($y$) explained by the regression equation.

It is commonly simply called “R squared.” For example, “What was the R squared of your regression?”

Definition 2.3.9 (Cognitive Conflict) [Advanced Negotiation (Spring 2007)]
See definition 2.20.6

Definition 2.3.10 (Cohort Marketing) [International Management and Entrepreneurship (Spring 2007)] Marketing to people based on the groups or “cohorts” they were part of during their formative years; for example, the World War II cohort, the Depression-era cohort, etc.

For example, in the U.S., young adults in the Depression, when many people were suffering from extreme poverty, are similar in age to those who came of age in World War II, when the country was immersed in a war effort, but their behavior differs significantly due to the different influences in their youth.

Definition 2.3.11 (Collectivism) [International Business Management (Fall 2006)] The opposite of individualism. The tendency of people to belong to groups or collectives and to look after each other in exchange for loyalty.

Definition 2.3.12 (Commodity) [Contemporary Topics in International Economics (Spring 2007)] There are two definitions of commodities:\[12\]

1. A basic good used in commerce that is interchangeable with other commodities of the same type. Commodities are most often used as inputs in the production of other goods or services. The quality of a given commodity may differ slightly, but it is essentially uniform across producers. When they are traded on an exchange, commodities must also meet specified minimum standards, also known as a basis grade.

   The basic idea is that there is little differentiation between a commodity coming from one producer and the same commodity from another producer - a barrel of oil is basically the same product, regardless of the producer. Compare this to, say, electronics, where the quality and features of a given product...
will be completely different depending on the producer. Some traditional examples of commodities include grains, gold, beef, oil and natural gas. More recently, the definition has expanded to include financial products such as foreign currencies and indexes. Technological advances have also led to new types of commodities being exchanged in the marketplace: for example, cell phone minutes and bandwidth.

2. Any good exchanged during commerce, which includes goods traded on a commodity exchange.

The sale and purchase of commodities is usually carried out through futures contracts on exchanges that standardize the quantity and minimum quality of the commodity being traded. For example, the Chicago Board of Trade stipulates that one wheat contract is for 5,000 bushels and also states what grades of wheat (e.g. No. 2 Northern Spring) can be used to satisfy the contract.

In the United States, most commodities futures contracts are traded at the Chicago Board of Trade.

Definition 2.3.13 (Common Knowledge) [Advanced Negotiation (Spring 2007)]
In game theory, common knowledge in a game refers to information that is known to all players of a game.

Definition 2.3.14 (Communal Norms) [Advanced Negotiation (Spring 2007)]
Norms of behavior that mandate that people should take care of those they love, respond to their needs, and not “keep track” of who has put in what.
See also definition 2.5.24.

Definition 2.3.15 (Communication) [International Business Management (Fall 2006) and International Management and Entrepreneurship (Spring 2007)]
The process of transferring meanings from sender to receiver.

Definition 2.3.16 (Communitarianism) [International Business Management (Fall 2006)] A value orientation in which people regard themselves as part of a group and derive what they consider to be the important aspects of their character from the group or groups to which they belong.

Definition 2.3.17 (Comparative Advantage) [International Economics (Fall 2006)] A country has a comparative advantage in producing a good if the opportunity cost of producing that goods in terms of other goods is lower than in other countries.

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13See definition 2.6.35
14The Chicago Board of Trade is located in downtown Chicago, just a few blocks from where Dr. Starkweather lived and worked in Chicago.
Definition 2.3.18 (Competitive Advantage) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] In operations management, the creation of a unique advantage over competitors.

Definition 2.3.19 (Complete Information) [Advanced Negotiation (Spring 2007)] In game theory, players have complete information if each player’s payoff function is common knowledge among all the players.

Definition 2.3.20 (Computer-Aided Design (CAD)) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] The interactive use of a computer to develop and document a product.

Definition 2.3.21 (Computer-Aided Manufacturing (CAM)) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] The use of information technology to control machinery.

Definition 2.3.22 (Concave) [International Economics (Fall 2006)] The opposite of convex. A 2-dimensional curve is concave if a line drawn between any two points on the curve falls below the line.

Definition 2.3.23 (Concession Lending) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)] The World Bank’s IDA loans are heavily subsidized by virtue of the fact that they are granted at zero interest. Since they are given at terms much more favorable than a comparable loan by the World Bank’s IBRD institution or by any loan that could be obtained in the private market, they are referred to as concession loans.

Definition 2.3.24 (Concurrent Engineering) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] In project development, use of participating teams in design and engineering activities.

Definition 2.3.25 (Configuration Management) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] A system by which a product’s planned and changing components are accurately identified and for which control and accountability of change are maintained.

Definition 2.3.26 (Consistency Principle) [Advanced Negotiation (Spring 2007)] The fundamental need to be consistent in our beliefs, feelings, and behaviors, not only to others, but also to ourselves.
Negotiators often exploit the consistency principle by, for example, attempting to extract a verbal commitment from their opponent.

**Definition 2.3.27 (Constant Elasticity of Substitution (CES) Utility and Production Functions) [International Economics (Fall 2006)]** A commonly used functional form in economic analysis for utility and production functions. CES functions are of the form

\[ X = (aK^\rho + bL^\rho)^{1/\rho} \]  

**Definition 2.3.28 (Consumer Market Survey) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)]** In operations management, a forecasting technique that solicits input from customers or potential customers regarding future purchase plans.

See also definitions 2.10.3, 2.4.5, and 2.19.4.

**Definition 2.3.29 (Context) [International Business Management (Fall 2006) and International Management and Entrepreneurship (Spring 2007)]** Information that surrounds a communication and helps to convey the message.

High-context cultures, such as those of Japan and Arab countries, are those that use implicit messages. Meaning must be inferred not only from what is said, but by the context of the message, the way in which the message is communicated, and other clues other than what the speaker says directly.

Low-context cultures, such as those of the United States and Canada, are explicit. Speakers say exactly what they mean.

**Definition 2.3.30 (Contingency Contract) [Business Negotiation (Fall 2006), Advanced Negotiation (Spring 2007) and Business Negotiation (Spring 2007)]** A contract that provides for different obligations based on different outcomes of an a priori unknown event.

**Definition 2.3.31 (Contract Curve) [International Economics (Fall 2006)]** The set of points at which no other allocation of goods produces higher utility for at least one consumer without resulting in lower utility for any other consumer. Similar in concept to the efficiency locus.

**Definition 2.3.32 (Contractual Risk) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)]** Risk associated with the willingness of the other party to honor its terms.

**Definition 2.3.33 (Contrarian Trading) [Contemporary Topics in International Economics (Spring 2007)]** Contrarian trading involves targeting stocks that are rebounding from a bottom.
Definition 2.3.34 (Conventional Arbitration) [Advanced Negotiation (Spring 2007)] A form of arbitration in which the arbitrator is free to impose any wage they find to be fair on the settlement.

Alternatively, see definition 2.6.14.

Definition 2.3.35 (Convex) [International Economics (Fall 2006)] A 2-dimensional curve is convex if a line drawn between any two points on the curve falls above the line.

Definition 2.3.36 (Convex Characteristic-form Game) [Advanced Negotiation (Spring 2007)] A TU-game \((I, v)\) is convex if for every \(i\) the marginal contribution of \(i\) is larger to larger coalition. In particular, if \(S \subset T\) and \(i \in I \setminus T\), then

\[
v(S \cup \{i\}) - v(S) \leq v(T \cup \{i\}) - v(T)
\]

(2.6)

Definition 2.3.37 (Core) [Advanced Negotiation (Spring 2007)] A utility outcome \(u = (u_1, \ldots, u_I)\) that is feasible for the grand coalition (i.e., \(u \in V(I)\)) is in the core of the characteristic form game \((I, V)\) if there is no coalition \(S\) that blocks \(u\).

Definition 2.3.38 (Corporate Social Responsibility (CSR)) [International Business Management (Fall 2006), International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] The actions of a firm to benefit society beyond the requirements of the law and the direct interests of the firm.

Definition 2.3.39 (Correlated) [International Business Management (Fall 2006)]

Mutually related.

Mathematically, correlation is the degree to which two or more quantities are linearly associated. In a two-dimensional plot, the degree of correlation between the values on the two axes is quantified by the so-called correlation coefficient.

Definition 2.3.40 (Correlation Coefficient) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] A measure of the strength of the relationship between two variables. The measure expresses the degree of strength of the linear relationship and is usually denoted with the letter \(r\) where \(0 \leq r \leq 1\).

The correlation coefficient of variables \(x\) and \(y\) is given by

\[
r = \frac{n \sum xy - \sum x \sum y}{\sqrt{[n \sum x^2 - (\sum x)^2][n \sum y^2 - (\sum y)^2]}}
\]

(2.7)


See also definition 2.3.8

Definition 2.3.41 (Correspondence) [Advanced Negotiation (Spring 2007)]
Given a set $A \subseteq \mathbb{R}^N$, a correspondence $f : A \rightarrow \mathbb{R}^K$ is a rule that assigns a set $f(x) \subseteq \mathbb{R}^K$ to every $x \in A$.

Definition 2.3.42 (Cost of Quality (COG)) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] In operations management, the cost of doing things wrong. That is, the price of nonconformance.

Definition 2.3.43 (Count Cycle) [International Management and Entrepreneurship (Spring 2007)] In inventory management, the count cycle is the amount of time between counting inventory. For example, if you perform an inventory count four times a year, your count cycle is 12 weeks.

Definition 2.3.44 (Counterfactual Thinking) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)] Thinking about all the actions the other party might take and the possible outcomes of a negotiation before the negotiations begin.

Definition 2.3.45 (Crash Cost) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] In project management, crash cost is the cost required to complete an activity in the shortest time possible.

Since activity completion times are typically shortened by adding resources, the crash cost is typically higher than the normal cost.

See definition 2.3.47

Definition 2.3.46 (Crash Time) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] In project management, crash time is the shortest duration of an activity.

See definition 2.3.47

Definition 2.3.47 (Crashing) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] In project management, shortening activity time in a network to reduce time on the critical path so total completion time is reduced.

Definition 2.3.48 (Credible Threat) [Business Negotiation (Fall 2006), Advanced Negotiation (Spring 2007) and Business Negotiation (Spring 2007)] If a threat can be made that could be realistically followed through, it would be
said to be credible. For example, “if you do not do business with us, we will do business with one of your competitors.” If a threat is made which is not believable, it is called not credible. For example, “if you do not do $100,000 of business with us, I will spend $1,000,000 on lawyers to sue your company.”

This is a term that is used widely in game theory literature.

Definition 2.3.49 (Credits) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)] Due to the fact that the World Bank’s IDA loans are heavily subsidized, they are sometimes called credits. They are also referred to (see definition 2.3.23) as concession loans.

Definition 2.3.50 (Critical Path) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] The computed longest time path through a network.

See also definition 2.3.52.

Definition 2.3.51 (Critical Path Analysis) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] In project management, analysis used to determine the project schedule.

See also definition 2.3.50.

Definition 2.3.52 (Critical Path Method (CPM)) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] A project management technique that uses only one time factor per activity.

See also definition 2.3.50.

Definition 2.3.53 (Critical Success Factors) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] In operations management, those activities or factors that are key to achieving competitive advantage.

Definition 2.3.54 (Culture) [International Business Management (Fall 2006)] Acquired knowledge that people use to interpret experience and generate social behavior. This knowledge forms values, creates attitudes, and influences behavior.

Definition 2.3.55 (Customary International Law) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)] Rules of law that arise from the repeated, consistent actions of states who believe the law requires them to act in a certain way.
In addition to treaties and other expressed or ratified agreements that create international law, the International Court of Justice, jurists, the United Nations and its member states consider customary international law, coupled with general principles of law, to be primary sources of international law. The vast majority of the world's governments (including the United States) accept in principle the existence of customary international law, although there are many differing opinions as to what rules are contained in it.

The UN charter acknowledges the existence of customary international law (Article 38(1)(b) of the Statute, incorporated into the Charter by Article 92 thereof): “The Court, whose function is to decide in accordance with international law such disputes as are submitted to it, shall apply... international custom, as evidence of a general practice accepted as law.”

Customary international law “... consists of rules of law derived from the consistent conduct of States acting out of the belief that the law required them to act that way.”

It follows that customary international law can be discerned by a “widespread repetition by States of similar international acts over time (State practice); Acts must occur out of sense of obligation (opinio juris); Acts must be taken by a significant number of States and not be rejected by a significant number of States.”

Customary international law must be derived from a clear consensus among states, as exhibited both by widespread conduct and a discernible sense of obligation.

Customary international law can therefore not be declared by a majority of States for their own purposes; it can be discerned only through actual widespread practice. For example, laws of war were long a matter of customary law before they were codified in the Geneva Conventions and other treaties.

Customary international law is a part of general international law. See definitions 2.7.5 and 2.9.23.

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**Definition 2.3.56 (Customs Fees and Formalities)** [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)]

Customs fees must be no more than the cost of providing the service.

In the words of the WTO,

The principle is established in Article VIII of the GATT 1994 that all fees and charges (other than duties) imposed on or in connection with import or export shall be limited to the approximate cost of services.
rendered, and shall not constitute indirect protection to domestic products or taxation for fiscal purposes. This principle applies to all fees, charges, formalities and requirements including those relating to consular transactions, quantitative restrictions, licensing, exchange control, and statistical services, as well as to documents, documentation and certification, to analysis and inspection, and to quarantine, sanitation and fumigation.

Definition 2.3.57 (Customs Territory) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)] Among international agreements, a feature unique to the GATT 1994 and the WTO Agreement, as it was to the GATT 1947, is the concept of a customs territory, which is the territory to which the Agreement applies. This is the concept that has allowed not only sovereign countries but also territories such as Hong Kong, China, and Macao to be full Members of the WTO. [11]

2.4 D (25 Terms)

Definition 2.4.1 (Day Trader) [Contemporary Topics in International Economics (Spring 2007)] A speculator who buys and sells securities on the basis of small short-term price movements.[17]

In the late 1990s in the U.S., as stock valuations were rapidly increasing in what has since been termed a “bubble” and online trading platforms like ETrade and Ameritrade made it easy for individuals to actively manage their own investments, many people in the U.S. began day trading. More often than not, they ended up losing their investments either because they had little expertise in financial markets and used ill-advised investment strategies or because they ended up paying any profits they made in brokerage fees.[18]

Definition 2.4.2 (De Facto) [International Economic Organizations (Fall 2006)] Latin term meaning “in fact.” For example, “Even though Bob is the official manager of the department, his assistant Jane is the de facto manager because Bob travels so much that he does not have time to manage the day-to-day operations.”

Definition 2.4.3 (Delegate) [International Business Management (Fall 2006)] To intrust to the care or management of another; to transfer; to assign; to commit.[19]

Definition 2.4.4 (Delivery Cycle) [International Management and Entrepreneurship (Spring 2007)] In inventory management, the delivery cycle is the amount of time between placing an order and receiving it.

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[18] See definition [2.2.30].
Definition 2.4.5 (Delphi Method) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)]
In operations management, a forecasting technique using a group process that allows experts to make forecasts.

See also definitions 2.10.3, 2.19.4, and 2.3.28.

Definition 2.4.6 (Demand Forecasts) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)]
In operations management, projections of a company’s sales for each time period in the planning horizon. Also called sales forecasts, these drive a company’s production, capacity, and scheduling decisions and serve as inputs to financial, marketing, and personnel planning.

See also definitions 2.5.1 and 2.20.8.

Definition 2.4.7 (Depreciation) [International Economics (Fall 2006)] Decrease in property value because of time, use, deterioration, or obsolescence. An example is the decline in value of machinery and equipment. [12, p. 101]

Definition 2.4.8 (Derivative) [Contemporary Topics in International Economics (Spring 2007)] In finance, a security whose price is dependent upon or derived from one or more underlying assets. The derivative itself is merely a contract between two or more parties. Its value is determined by fluctuations in the underlying asset. The most common underlying assets include stocks, bonds, commodities, currencies, interest rates and market indexes. Most derivatives are characterized by high leverage.

Futures contracts, forward contracts, options, and swaps are the most common types of derivatives. Because derivatives are just contracts, just about anything can be used as an underlying asset. There are even derivatives based on weather data, such as the amount of rain or the number of sunny days in a particular region.

Derivatives are generally used to hedge risk, but can also be used for speculative purposes. For example, a European investor purchasing shares of an American company off of an American exchange (using American dollars to do so) would be exposed to exchange-rate risk while holding that stock. To hedge this risk, the investor could purchase currency futures to lock in a specified exchange rate for the future stock sale and currency conversion back into euros.

Definition 2.4.9 (Design for Manufacture and Assembly (DFMA)) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] Software that allows designers to look at the effect of design on manufacturing of the product.

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20See definition 2.6.35
21See definition 2.19.42
22See definition 2.8.4
Definition 2.4.10 (Differentiation) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)]
In operations management, distinguishing the offerings of an organization in any way that the customer perceives as adding value.

Definition 2.4.11 (Diffuse) [International Business Management (Fall 2006)]
A value orientation in which public and private space are similar in size and people guard their public space carefully.

Definition 2.4.12 (Direct Applicability) [International Economic Organizations (Fall 2006)] Direct applicability is a concept related to direct effect (see definition 2.4.14).
International law would be said to have direct applicability if no domestic立法 action is needed for international law to become part of domestic law.
In most cases, international law is not “directly applicable.” Note, however, that the WTO Agreement is directly applicable to EC law.

Definition 2.4.13 (Direct Confrontation) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)] Face-to-face verbal confrontation between principals. Direct confrontation often challenges the status quo and disrupts harmony.
See also definition 2.9.11

Definition 2.4.14 (Direct Effect) [International Economic Organizations (Fall 2006)] International law would be said to have direct effect if it can be cited (or invoked) in a national court of law to challenge a national law in the case of conflict.
Direct effect is also known as direct invocability.
Those who advocate for direct effect hold that [3, p. 68]
- The ability to trade freely with foreigners is a fundamental right, and
- Direct effect is an important tool to distance the provisions international law and treaties from local political interests.

Those who advocate against direct effect hold that [3, p. 69]
- Direct effect would erode democracy and cause imbalances in national government institutions, and
- It is in conflict with the needs and desires of legislatures to adapt international treaty language to domestic legal systems, and
- Direct effect is not necessary for domestic compliance with international treaties.
Definition 2.4.15 (Direct Invocability) [International Economic Organizations (Fall 2006)] See definition \[2.4.14\]

Definition 2.4.16 (Disequilibrium) [International Economics (Fall 2006)] When a system is not at equilibrium, it is said to be at disequilibrium. For a definition of equilibrium, see, for example, definition \[2.16.34\]

Definition 2.4.17 (Disingenuous) [Advanced Negotiation (Spring 2007)] Not noble; unbecoming true honor or dignity; mean; unworthy; as, disingenuous conduct or schemes. Also, wanting in noble candor or frankness; not frank or open; uncandid; unworthily or meanly artful.

Definition 2.4.18 (Disposable Income) [International Economics (Fall 2006)] National income less net taxes collected from households and firms by the government.

Definition 2.4.19 (Dispositional Attribution) [Advanced Negotiation (Spring 2007)] An attribution which calls into question another person’s character and intentions by citing them as the cause of a behavior or incident (e.g., arrogance, greed, etc.) \[13, p. 136\].

Definition 2.4.20 (Dispute) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)] Where conflict is a perception of differences, a dispute is a rejected complaint.

Definition 2.4.21 (Diversification) [Contemporary Topics in International Economics (Spring 2007)] Diversification is a technique that reduces risk by allocating investments among various financial instruments, industries and other categories. It aims to maximize return by investing into different areas that would each react differently to the same event. Most investment professionals agree that, although it does not guarantee against loss, diversification is the most important component of reaching long-range financial goals while minimizing risk.

Let’s say you have a portfolio of only airline stocks. If it is publicly announced that airline pilots are going on an indefinite strike and that all flights are canceled, share prices of airline stocks would drop. Your portfolio would witness a noticeable drop in value. If, however, you counterbalanced the airline-industry stocks with a couple of railway stocks, only part of your portfolio would be affected. In fact, there is a good chance that the railway stocks’ prices would climb as passengers turn to trains as an alternative form of transportation.

But you could diversify even further since there are many risks that affect both rail and air because each is involved in transportation. An event that reduces any form of travel hurts both types of companies - statisticians would say that rail and

CHAPTER 2. GLOSSARY (530 TERMS TOTAL)

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air stocks have a strong correlation. Therefore, to achieve superior diversification, you would want to diversify across not only different types of companies but also different types of industries. The more uncorrelated your stocks are, the better.

But it’s also important that you diversify among different asset classes. Because different assets - such as bonds and stocks - will not each react in the same way to adverse events, a combination of asset classes will reduce your portfolio’s sensitivity to market swings. Generally, the bond and equity markets move in opposite directions, so, if your portfolio is diversified across both areas, unpleasant movements in one will be offset by positive results in another.

Definition 2.4.22 (Domestic Law) [International Economic Organizations (Fall 2006)] For the purposes of international law, the term domestic law refers to both law at the national level and municipal law (see definition 2.13.42).

Definition 2.4.23 (Door-in-the-Face Technique) [Advanced Negotiation (Spring 2007)] A persuasive negotiation technique which involves beginning the negotiation with a request for a concession the other party will almost certainly refuse. Following the refusal, they make a lesser request which creates a contrast effect, in which the second request appears less extreme relative to the original. See also definition 2.18.10.

Definition 2.4.24 (Dumping) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)] The sale of a product in a foreign country at a price less than the “normal value of the product.” The normal value of the product is typically defined as cost or as the price in the dumping country. It is discouraged because it can be harmful to producers in the dumped country.

Definition 2.4.25 (Dyadic) [Advanced Negotiation (Spring 2007)] Pertaining to the number two: of two parts or elements. For example, dyadic arithmetic is another word for binary arithmetic.

2.5 E (29 Terms)

Definition 2.5.1 (Economic Forecasts) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] In operations management, planning indicators valuable in helping organizations prepare medium- to long-range forecasts. These may include inflation rates, money supply, housing starts, and other economic indicators.

See also definitions 2.20.8 and 2.4.0

25In everyday conversation, most people would use the word “binary” rather than “dyadic.”
2.5. E (29 TERMS)

Definition 2.5.2 (Efficiency) [International Economics (Fall 2006)] Efficient production implies that

1. There is no waste in the production process. That is, given a set of inputs, we are producing as much output as we can. We will call this engineering efficiency.

2. Factors are combined optimally in the market. We will talk more about this when we construct an Edgeworth-Bowley box diagram. We will call this market efficiency.

Definition 2.5.3 (Efficiency Locus) [International Economics (Fall 2006)] The set of points at which no more of one product can be produced without producing less of another product.

Definition 2.5.4 (Efficient Market Hypothesis) [Contemporary Topics in International Economics (Spring 2007)] An investment theory that states that it is impossible to “beat the market” because stock market efficiency causes existing share prices to always incorporate and reflect all relevant information. According to the EMH, this means that stocks always trade at their fair value on stock exchanges, and thus it is impossible for investors to either purchase undervalued stocks or sell stocks for inflated prices. Thus, the crux of the EMH is that it should be impossible to outperform the overall market through expert stock selection or market timing, and that the only way an investor can possibly obtain higher returns is by purchasing riskier investments.

Although it is a cornerstone of modern financial theory, the EMH is highly controversial and often disputed. Believers argue it is pointless to search for undervalued stocks or to try to predict trends in the market through either fundamental or technical analysis.

Meanwhile, academics point to a large body of evidence in support of EMH, an equal amount of dissension also exists. For example, investors such as Warren Buffett have consistently beaten the market over long periods of time, which by definition is an impossibility according to the EMH. Detractors of the EMH also point to events such as the 1987 stock market crash (when the DJIA fell by over 20% in a single day) as evidence that stock prices can seriously deviate from their fair values.


Definition 2.5.5 (Egalitarian Solution) [Advanced Negotiation (Spring 2007)] In cooperative game theory, the family of numbers \( \{ S \}_{S \subseteq I, i \in S} \) is an egalitarian solution of the TU-game \((I, v)\) if, for every subgame \((S, v)\) and players \(i, h \in S\), utility differences are preserved such that

\[
S_{ih}(S, v) - S_{ih}(S \setminus \{ h \}, v) = S_{hi}(S, v) - S_{hi}(S \setminus \{ i \}, v) \quad \forall S \subset I, \ i, h \in S \quad (2.8)
\]
and

\[ \sum_{i \in S} s_i(S, v) = v(S) \quad (2.9) \]

**Definition 2.5.6 (Eiffel Tower Culture) [International Business Management (Fall 2006)]** Eiffel Tower culture is characterized by a strong emphasis on hierarchy and orientation to the task. It is one of four organizational cultures identified by Fons Trompenaars.

**Definition 2.5.7 (Embedded Relationship) [Advanced Negotiation (Spring 2007)]** A relationship which is neither strictly family and friends nor strictly business, but a mix of both.

The most common example is the family business, in which many members of a family are involved in a business together.

**Definition 2.5.8 (Emotion-based Strategies) [Advanced Negotiation (Spring 2007)]** Negotiation strategies that are intended to influence the other party by playing upon underlying human needs and motivation.

See also definition 2.13.23.

**Definition 2.5.9 (Emotional) [International Business Management (Fall 2006)]** A value orientation in which it is considered acceptable to openly and naturally express emotions.

**Definition 2.5.10 (Emotional Conflict) [Advanced Negotiation (Spring 2007)]** See definition 2.16.10.

**Definition 2.5.11 (Employee Empowerment) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)]** Enlarging employee jobs so that the added responsibility and authority is moved to the lowest level possible in the organization.

**Definition 2.5.12 (Endogenous) [International Economics (Fall 2006)]** An endogenous variable is an economic variable that is related to other economic variables and determines their equilibrium levels.\(^{27}\)

**Definition 2.5.13 (Engineering Change Notice (ECN)) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)]** A correction or modification of an engineering drawing or bill of material.

Definition 2.5.14 (Engineering Drawing) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] A drawing that shows the dimensions, tolerances, materials, and finishes of a component.

Definition 2.5.15 (Entrainment) [Advanced Negotiation (Spring 2007)] The process whereby one person’s feelings are felt and acted upon by another. For example, one person’s positive mood may raise the mood of another. Likewise, a negative mood may lower the mood of those around you.

Definition 2.5.16 (Equality) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)] The quality of being the same in quantity or measure or value or status.

Definition 2.5.17 (Equality Rule) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)] A standard of fairness in which a resource is divided equally amongst several parties.

Definition 2.5.18 (Equity) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)] Equality of rights; natural justice or right; the giving, or desiring to give, to each man his due, according to reason.

Definition 2.5.19 (Equity) [Contemporary Topics in International Economics (Spring 2007)] Equity is a term whose meaning depends very much on the context. In general, you can think of equity as ownership in any asset after all debts associated with that asset are paid off. For example, a car or house with no outstanding debt is considered the owner’s equity since he or she can readily sell the items for cash. Stocks are equity because they represent ownership of a company, whereas bonds are classified as debt because they represent an obligation to pay and not ownership of assets.

The word equity refers to any of:

1. Stock or any other security representing an ownership interest.
2. On the balance sheet, the amount of the funds contributed by the owners (the stockholders) plus the retained earnings (or losses). Also referred to as “shareholder’s equity.”
3. In the context of margin trading, the value of securities in a margin account minus what has been borrowed from the brokerage.

29Source: http://www.dict.org, December 13, 2006. The word equity also refer to fairness or impartiality in resolving conflicting claims.
4. In the context of real estate, the difference between the current market value of the property and the amount the owner still owes on the mortgage. Thus, it is the amount, if any, the owner would receive after selling a property and paying off the mortgage.

Definition 2.5.20 (Equity Rule) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)] A standard of fairness in which a resource is divided amongst several parties according to their contribution. \[13\] p. 56

Definition 2.5.21 (Ethics) [International Business Management (Fall 2006), Contemporary Topics in International Economics (Spring 2007), International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] The study of morality and standards of conduct.

Definition 2.5.22 (Ex Officio) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)] Latin for "from the office," to describe someone who has a right because of an office held, such as being allowed to sit on a committee simply because one is president of the corporation.\[31]\n
Definition 2.5.23 (Excess Demand) [International Economics (Fall 2006)] If \(X_c\) of good \(X\) is consumed and \(X_p\) of good \(X\) is produced, excess demand is defined as \(X_c - X_p\).

Definition 2.5.24 (Exchange Norms) [Advanced Negotiation (Spring 2007)] Norms of behavior that mandate that people should keep track of what they put into a relationship and that they should be compensated based on the value and quality of the inputs.

See also definition 2.3.14

Definition 2.5.25 (Exogeneous Hazards) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)] Circumstances outside the control of the parties to a contract that may impact the value of a contract.

Definition 2.5.26 (Exogenous) [International Economics (Fall 2006)] An exogenous variable is an economic variable which is independent of the relationships determining the equilibrium levels, but nonetheless affects the equilibrium.\[32]\n
Definition 2.5.27 (Experience Differentiation) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management

In operations management, engaging the customer with the product through imaginative use of the five senses, so the customer “experiences” the product.

See also definition 2.4.10.

**Definition 2.5.28 (Exponential Smoothing) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)]** A weighted moving-average forecasting technique in which data points are weighted by an exponential function.

Mathematically, exponential smoothing is given by

\[
F_t = F_{t-1} + \alpha (A_{t-1} - F_{t-1})
\]  

(2.10)

where

- \(F_t\) = new forecast
- \(F_{t-1}\) = previous forecast
- \(\alpha\) = smoothing (or weighting) constant \((0 \leq \alpha \leq 1)\)
- \(A_{t-1}\) = previous period's actual demand

The smoothing constant, \(\alpha\), generally ranges from 0.05 to 0.5. Higher values give more weight to recent data, and are appropriate to use when the underlying average is likely to change, while lower values give more weight to past data, and are appropriate to use when the underlying average is relatively stable. When \(\alpha = 1.0\), exponential smoothing is equivalent to naive forecasting.

Forecasters often choose the smoothing constant that minimizes forecast error (see definition 2.6.22), such as the mean absolute deviation (see definition 2.13.16).

See also definition 2.20.13.

**Definition 2.5.29 (Extensive-form Game) [Advanced Negotiation (Spring 2007)]**

The extensive-form representation of an \(n\)-player game specifies

1. The players in the games,
2. The moves of the game, including
   (a) When each player has the move,
   (b) What each player can do at each of his or her opportunities to move,
   (c) What each player knows at each of his or her opportunities to move, and
3. The payoff received by each player for each combination of moves that could be chosen by the players.

\[^{33}\text{See definition 2.14.1}.\]
2.6 F (35 Terms)

Definition 2.6.1 (FDI / Capital Formation Ratio) [International Economic Organizations (Fall 2006)] The amount of FDI inflows in one year divided by the total fixed asset investments made by foreign and domestic firms in the same year. [5, p. 7]

Definition 2.6.2 (FDI Dependency) [International Economic Organizations (Fall 2006)] Huang uses the term FDI dependency to mean the same thing as the FDI / capital formation ratio. [5, p. 7] See definition 2.6.1

Definition 2.6.3 (FIFO (First In, First Out)) [International Management and Entrepreneurship (Spring 2007)] FIFO (first in, first out) assumes that you sell the least recently purchased inventory first.

If there is inflation, it values your remaining inventory based on the prices of the most recently purchased items, which may result in higher taxes.34

See also 2.12.2

Definition 2.6.4 (FOB (or f.o.b.)) [International Management and Entrepreneurship (Spring 2007)] Free on board. International Term of Sale that means the seller fulfills his or her obligation to deliver when the goods have passed over the ship’s rail at the named port of shipment. This means that the buyer has to bear all costs and risks to loss of or damage to the goods from that point. The FOB term requires the seller to clear the goods for export.35

Colloquially, people often say something like “f.o.b. Seattle” to indicate that an item being shipped from Seattle is free on board.

See also definition 2.6.5

Definition 2.6.5 (FOB Destination (or f.o.b. Destination)) [International Management and Entrepreneurship (Spring 2007)] Free on board destination. As opposed to FOB, FOB destination indicates that the seller of merchandise bears the shipping costs and maintains ownership until the merchandise is delivered to the buyer.36

FOB Destination changes the location where title and risk pass. Under this arrangement, title and risk remain with the seller until they have delivered the freight to the delivery location specified in the contract.37

See also definition 2.6.4

34 At least this is true in the U.S. The author is unfamiliar with Chinese tax codes.
Definition 2.6.6 (Face) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)] In interpersonal interaction, face refers to the self-image one projects to others. Respect is the currency by which face is maintained. Disrespect affronts face; respect confirms it.

Face is associated with collective, hierarchical cultures. Maintaining face confirms a person’s acceptance in a society (collectivism) and that person’s status within a society (hierarchy).

Recent research indicates that face is more important when conflict is between people within a social or cultural group than between social or cultural groups [2, p. 105].

Definition 2.6.7 (Face Threat Sensitivity (FTS)) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)] Fancy term for how likely someone will be to have a negative reaction to a face threat.

Definition 2.6.8 (Factor Intensities) [International Economics (Fall 2006)] At fixed factor prices, if \( k_y > k_x \), production of \( Y \) is said to be capital-intensive and production of \( X \) is said to be labor-intensive.

Definition 2.6.9 (False Conflict) [Business Negotiation (Fall 2006), Advanced Negotiation (Spring 2007) and Business Negotiation (Spring 2007)] Conflict that occurs when people believe they are incompatible with the other party’s interests when, in fact, they are not. Also called illusory conflict.

Definition 2.6.10 (Family Culture) [International Business Management (Fall 2006)] Family culture is characterized by a strong emphasis on hierarchy and orientation to the person. It is one of four organizational cultures identified by Fons Trompenaars.

Definition 2.6.11 (Feasible) [International Economics (Fall 2006)] Capable of being done with means at hand and circumstances as they are.

Definition 2.6.12 (Femininity) [International Business Management (Fall 2006)] The opposite of masculinity. A cultural characteristic in which the dominant values in society are caring for others and the quality of life.

Definition 2.6.13 (Final Goods or Services) [International Economics (Fall 2006)] Goods and services that are ultimately used (consumed) by households and the government. They are not intermediate or input products or services used in producing or generating other intermediate or final items. An example is a baked product but not the sugar or wheat going into it. [12, p. 142]

Note also that the sale of used products, such as used textbooks or automobiles, are not counted as final goods. [6, p. 297]

Definition 2.6.14 (Final-offer Arbitration) [Advanced Negotiation (Spring 2007)]
A form of arbitration in which the two sides make offers and the arbitrator is constrained to choose from one of the two offers.
Alternatively, see definition 2.3.34.

Definition 2.6.15 (Financial Ratios) [Contemporary Topics in International Economics (Spring 2007)]

Definition 2.6.16 (Finitely Repeated Game) [Advanced Negotiation (Spring 2007)]
Given a stage game $G$ (see definition 2.19.31), let $G(T)$ denote the finitely repeated game in which $G$ is played $T$ times, with the outcomes of all preceding plays observed before the next play begins. The payoffs for $G(T)$ are simply the sum of the payoffs from the $T$ stage games.

Definition 2.6.17 (Fixed-Income Security) [Contemporary Topics in International Economics (Spring 2007)] See definition 2.2.22.

Definition 2.6.18 (Fixed-pie Perception) [Business Negotiation (Fall 2006), Advanced Negotiation (Spring 2007) and Business Negotiation (Spring 2007)]
The belief that the other party’s interest are directly and completely opposed to one’s own.

Definition 2.6.19 (Focus Forecasting) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] Forecasting that tries a variety of computer models and selects the best one for a particular application.

Definition 2.6.20 (Focus Group) [International Management and Entrepreneurship (Spring 2007)] A type of primary market research where a group of potential customers (typically 5 to 12) come together in an informal environment, under the guidance of a moderator, to discuss a product or a service.

Definition 2.6.21 (Foot-in-the-Door Technique) [Advanced Negotiation (Spring 2007)] A persuasive negotiation technique which involves getting a small favor or statement early in a negotiation. Later confronting the other party with a larger request will have a greater chance of success if they agree to the small favor first.

Definition 2.6.22 (Forecast Error) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)]
The forecast error (also known as forecast deviation) is defined as

\[ 39 \text{See definition 2.16.22} \]
2.6. F (35 TERMS)

\[
\text{Forecast error} = \text{Actual demand} - \text{Forecast value} = A_t - F_t
\]

See definitions 2.13.16, 2.13.18, and 2.13.17.

Definition 2.6.23 (Forecasting) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)]
The art and science of predicting future events.

Definition 2.6.24 (Foreign Direct Investment) [International Economic Organizations (Fall 2006)]
According to the IMF, FDI is an investment “made to acquire a lasting interest in an enterprise operating in an economy, other than that of the investor, the investor’s purpose being to have an effective voice in management of the country.”

Definition 2.6.25 (Foreign Direct Investment (FDI)) [International Business Management (Fall 2006) and International Enterprise Management (Spring 2007)]
Foreign direct investment, or FDI, is investment of foreign assets in domestic equipment, structures, or organizations. It does not include foreign investments in the stock market, known as “hot money” because it is more liquid.

Definition 2.6.26 (Foreign-Invested Enterprise (FIE)) [International Economic Organizations (Fall 2006)]
Firms funded by FDI are known as foreign-invested enterprises.

Definition 2.6.27 (Forked-tail Effect) [Advanced Negotiation (Spring 2007)]
A forked tail refers to the tail of the devil, a religious reference to evil. The forked-tail effect refers to the fact that once we form a negative impression of someone, we tend to view everything else about them in a negative fashion [13, p. 140].

Definition 2.6.28 (Forward Pass) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)]
In project management scheduling, the step that identifies all the earliest times that activities can be completed.

Definition 2.6.29 (Four Tigers) [International Business Management (Fall 2006)]
South Korea, Singapore, and Chinese Hong Kong and Taiwan are referred to as the four tigers.

\[\text{http://economics.about.com/cs/economicsglossary/g/fdi.htm}\]
Definition 2.6.30 (Free Slack) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)]

In project scheduling, the time associated with a single activity.

Definition 2.6.31 (Freedom of Transit) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)]

If a good is just passing through a country should be allowed to pass freely; that is, there should be no tariffs or other duties imposed.

In the words of the WTO,\[10\]

Goods, and their means of transport, are defined as being in transit when their passage across a territory is only a portion of a complete journey beginning and terminating beyond the frontiers of the country through whose territory the traffic passes. The principle of freedom of transit is established in Article V of the GATT 1994. Other principles applicable to this traffic are non-discrimination and reasonableness in relation to all charges, regulations and formalities in connection with transit.

Definition 2.6.32 (Function) [International Economics (Fall 2006)]

A function is a relation that uniquely associates members of one set with members of another set. More formally, a function from \( A \) to \( B \) is an object \( f \) such that every \( a \) in \( A \) is uniquely associated with an object \( f(a) \) in \( B \). A function is therefore a many-to-one (or sometimes one-to-one) relation. The set \( A \) of values at which a function is defined is called its domain, while the set \( B \) of values that the function can produce is called its range.\[11\]

Definition 2.6.33 (Fundamental Trading) [Contemporary Topics in International Economics (Spring 2007)]

Fundamentalists trade stocks based on fundamental analysis of companies, which examines things like corporate events such as actual or anticipated earnings reports, stock splits, reorganizations or acquisitions.\[12\]

Definition 2.6.34 (Future Orientation) [International Business Management (Fall 2006)]

Defined by GLOBE as the degree to which individuals in organizations or societies engage in future-oriented behaviors such as planning, investing in the future, and delaying gratification.

Definition 2.6.35 (Futures) [Contemporary Topics in International Economics (Spring 2007)]

A financial contract obligating the buyer to purchase an asset (or the seller to sell an asset), such as a physical commodity or a financial instrument, at a predetermined future date and price. Futures contracts detail the quality and

quantity of the underlying asset; they are standardized to facilitate trading on a futures exchange. Some futures contracts may call for physical delivery of the asset, while others are settled in cash. The futures markets are characterized by the ability to use very high leverage relative to stock markets.

Futures can be used either to hedge or to speculate on the price movement of the underlying asset. For example, a producer of corn could use futures to lock in a certain price and reduce risk (hedge). On the other hand, anybody could speculate on the price movement of corn by going long or short using futures.

The primary difference between options and futures is that options give the holder the right to buy or sell the underlying asset at expiration, while the holder of a futures contract is obligated to fulfill the terms of his/her contract.

In real life, the actual delivery rate of the underlying goods specified in futures contracts is very low. This is a result of the fact that the hedging or speculating benefits of the contracts can be had largely without actually holding the contract until expiry and delivering the good(s). For example, if you were long in a futures contract, you could go short the same type of contract to offset your position. This serves to exit your position, much like selling a stock in the equity markets would close a trade.

2.7 G (25 Terms)

Definition 2.7.1 (GLOBE) [International Business Management (Fall 2006)]
Global Leadership and Organizational Behavior Effectiveness. A multi-country study and evaluation by more than 170 scholars of cultural attributes and leadership behaviors among more than 17,000 managers from 825 organizations in 62 countries.

Definition 2.7.2 (Gantt Charts) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)]
Planning charts used to schedule resources and allocate time.

Definition 2.7.3 (Gender Egalitarianism) [International Business Management (Fall 2006)] Defined by GLOBE as the extent to which an organization or a society minimizes gender role differences and gender discrimination.

Definition 2.7.4 (General Counsel) [International Economic Organizations (Fall 2006)] A job title commonly given to the head of a legal department at a company or organization.

Definition 2.7.5 (General International Law) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics]

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43 See also definition 2.19.42.
General international law is the law that “fills the gaps” regarding legal matters not explicitly covered by treaties. [3, p. 58]

General international law exists to essentially provide a mechanism to address international issues not already subject either to treaty provisions or to binding customary rules. Such general principles may arise either through municipal law or through international law, and many are in fact procedural or evidential principles or those that deal with the machinery of the judicial process – e.g., the principle, established in Chorzow Factory v. (1927–28), that the breach of an engagement involves an obligation to make reparation. Accordingly, in the Chorzow Factory v. case, Poland was obliged to pay compensation to Germany for the illegal expropriation of a factory.¹⁴


Definition 2.7.6 (General Principles of Law) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)] General principles of law are legal principles generally recognized by “civilized nations.” General principles of law are a part of general international law. See definition 2.7.5.

Examples of general principles of law cited by WTO panels include

- The principle of good faith,
- The principle of due process,
- The principle of proportionality,
- The principle of judicial economy,
- The principle of non-retroactivity,
- The interpretive principle of effectiveness.

Definition 2.7.7 (General and Security Exceptions) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)] The GATT allows for exceptions to its other rules for

- Protection of public morals,
- Human, animal, or plant life or health,
- Protection of national treasures, and

In the words of the WTO,[10]

Article XX (General exceptions) and Article XXI (Security exceptions) recognize that governments may need to apply and enforce measures for general purposes, such as protection of public morals, human, animal or plant life and health, protection of national treasures, etc., and for security purposes. Nothing in the GATT 1994 prevents governments from adopting and enforcing such measures. In the case of general exceptions, the measures adopted are subject to the requirements that they do not constitute a means of arbitrary or unjustifiable discrimination, and that they do not represent disguised restrictions on international trade.

Definition 2.7.8 (Generational Marketing) [International Management and Entrepreneurship (Spring 2007)] Marketing to consumers based on age as well as social, economic, demographic, and psychological factors.
This marketing technique has been widely used since the early 1980s in the U.S..

Definition 2.7.9 (Glass Ceiling) [International Business Management (Fall 2006), International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] An invisible barrier that determines the level to which a woman or other member of a demographic minority can rise in an organization. [10]

Definition 2.7.10 (Global Imperative) [International Business Management (Fall 2006)] The belief that one worldwide approach to doing business is the key to both efficiency and effectiveness.

Definition 2.7.11 (Global Strategy) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] In operations management, a strategy in which operating decisions are centralized and headquarters coordinates the standardization and learning between facilities.

Definition 2.7.12 (Global Trade Analysis Project (GTAP)) [International Economics (Fall 2006)] The most widely-used and definitive dataset of international income and product accounts available today.

Definition 2.7.13 (Gold Standard) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)]

The gold standard for currency valuation, established at the Bretton Woods Conference in 1944, specifies that currencies are backed by fixed amounts of gold. As such, under a gold standard, there should be a constant exchange rate between currencies. The gold standard is theoretically supposed “to prevent inflationary expansion of the money supply, to maintain a fixed value against which other prices can be measured, and to allow wider circulation, including clearing of transactions, with a greater degree of trust in both the stability of the quantity and quality of money”\textsuperscript{47}.

The gold standard established at Bretton Woods collapsed in 1971–1972, and modern economic thought favors regulation of interest rates, money supply, and exchange rates by aggregate supply and demand measures.

**Definition 2.7.14 (Golden Rule) [Advanced Negotiation (Spring 2007)]** The “golden rule” states that “you should do unto others as you would have them do unto you.” In the West, it is most often associated with a statement made by Jesus, but can be found in one form or another in most major philosophical and religious systems from the teachings of Socrates to the Koran to the Analects of Confucius\textsuperscript{48}.

**Definition 2.7.15 (Good Offices) [International Economic Organizations (Fall 2006)]** Beneficial acts performed for another, especially acts performed by a mediator in a dispute\textsuperscript{49}.

**Definition 2.7.16 (Government Budget Deficit) [International Economics (Fall 2006)]** The government budget deficit is simply the negative of government savings. See definition 2.7.17.

**Definition 2.7.17 (Government Saving) [International Economics (Fall 2006)]** Net government tax revenue minus government purchases.

**Definition 2.7.18 (Grace Period) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)]** A time stated in a contract in which a late payment or performance is not penalized. In terms of lending, a grace period is a period of time in which no payments, or payments of interest only, are required by the borrower.

**Definition 2.7.19 (Green Manufacturing) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)]** Sensitivity to a wide variety of environmental issues in production processes.

Definition 2.7.20 (Gross Domestic Product (GDP)) [International Business Management (Fall 2006), International Economics (Fall 2006) and International Enterprise Management (Spring 2007)] The total market values of goods and services by produced by workers and capital within a country’s borders during a given period (usually 1 year). Only the sale of final goods and services (as opposed to intermediate factors of production) are included in the calculation of GDP.

Definition 2.7.21 (Gross National Product (GNP)) [International Business Management (Fall 2006), International Economics (Fall 2006) and International Enterprise Management (Spring 2007)] The total market value of all the goods and services produced by all citizens and capital owned by domestic corporations during a specified period (usually 1 year). Only the sale of final goods and services (as opposed to intermediate factors of production) are included in the calculation of GNP.

Definition 2.7.22 (Group Technology) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] A product and component coding system that specifies the type of processing and the parameters of the processing; it allows similar products to be grouped. Group technology has the following advantages:

1. Improved design.
2. Reduced raw material and purchases,
3. Simplified production planning and control,
4. Improved layout, routing, and machine loading,
5. Reduced tooling setup time, and work-in-process and production time.

Definition 2.7.23 (Groupthink) [International Business Management (Fall 2006)] Social conformity and pressures on individual members of a group to conform and reach consensus.

Definition 2.7.24 (Guanxi) [Advanced Negotiation (Spring 2007)] Guanxi refers to interpersonal investment relationships that can be built on long-term (non-market) reciprocal and sequential changes.
Definition 2.7.25 (Guided Missle Culture) [International Business Management (Fall 2006)] Guided missile culture is characterized by a strong emphasis on equility in the workplace and orientation to the task. It is one of four organizational cultures identified by Fons Trompenaars.

2.8 H (11 Terms)

Definition 2.8.1 (Halo Effect) [Advanced Negotiation (Spring 2007)] A halo refers to the glowing circle of light that would appear over religious figures’ heads in Western religious art to indicate their piety and goodness. The halo effect refers to the propensity to believe that people we trust are also intelligent and capable [13, p. 140].

Definition 2.8.2 (Hard Deadline) [Advanced Negotiation (Spring 2007)] A colloquial term for a deadline that must be met due to serious costs or consequences that will be imposed if the deadline is not met.

See also definition 2.19.29.

Definition 2.8.3 (Hedge) [Contemporary Topics in International Economics (Spring 2007)] Making an investment to reduce the risk of adverse price movements in an asset. Normally, a hedge consists of taking an offsetting position in a related security, such as a futures contract.

An example of a hedge would be if you owned a stock, then sold a futures contract stating that you will sell your stock at a set price, therefore avoiding market fluctuations.

Investors use this strategy when they are unsure of what the market will do. A perfect hedge reduces your risk to nothing (except for the cost of the hedge).

Definition 2.8.4 (Hidden Table) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)] Decision-makers who are not at the negotiating table.

Definition 2.8.5 (Homogeneity) [International Economics (Fall 2006)] Let \( \gamma > 0 \). The function \( X = F(K, L) \) is said to be homogeneous of degree \( k \) if \( \gamma^k X = F(\gamma K, \gamma L) \). If \( k = 1 \), the function is said to be homogeneous of degree 1, and production is characterized by constant returns to scale.

Definition 2.8.6 (Homogeneous Groups) [International Business Management (Fall 2006)] Members have similar backgrounds and generally perceive, interpret, and evaluate events in similar ways.

2.9. I (29 TERMS)

One of several ways in which groups can be categorized. See also definitions 2.20.15, 2.2.16, and 2.13.34.

Definition 2.8.7 (Homothetic) [International Economics (Fall 2006)] A homothetic function is a monotonic transformation of a function that is homogeneous of degree 1 [14, p. 18].

Definition 2.8.8 (Hot Button) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)] An issue which is likely to arouse a strong emotional response.

Definition 2.8.9 (House of Quality) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] A part of the quality function that utilizes a planning matrix to relate customer "wants" to "how" the firm is going to meet those "wants."

Definition 2.8.10 (Human Resources Management (HRM)) [International Business Management (Fall 2006)] Human resources management refers to the management of personnel, including hiring and firing, determination of salary and other compensation, setting policy regarding employment expectations, rules, and regulations, and resolution of employee disputes.

Many companies have human resources (HR) departments responsible for personnel functions in a company.

Definition 2.8.11 (Humane Orientation) [International Business Management (Fall 2006)] Defined by GLOBE as the degree to which individuals in organizations or societies encourage and reward individuals for being fair, altruistic, friendly, generous, caring, and kind to others.

2.9 I (29 Terms)

Definition 2.9.1 (IPO) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)] Initial public offering. When a private company "goes public," or issues stock to the public on the stock market, it does so in an initial public offering.

Colloquially, IPO is often used as a verb. For example, "Did you see the news? Google IPOed at over $100 per share!"

Definition 2.9.2 (IPO (Initial Public Offering)) [Contemporary Topics in International Economics (Spring 2007)] The first sale of stock by a private company to the public. IPOs are often issued by smaller, younger companies seeking
capital to expand, but can also be done by large privately-owned companies looking to become publicly traded.

In an IPO, the issuer obtains the assistance of an underwriting firm, which helps it determine what type of security to issue (common or preferred), best offering price and time to bring it to market.

Also referred to as a “public offering.”

IPOs can be a risky investment. For the individual investor, it is tough to predict what the stock will do on its initial day of trading and in the near future since there is often little historical data with which to analyze the company. Also, most IPOs are of companies going through a transitory growth period, and they are therefore subject to additional uncertainty regarding their future value.

Definition 2.9.3 (ISO 140000) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)]
An environmental management standard established by the International Standards Organization. It includes standards for

1. Environmental management,
2. Auditing,
3. Performance evaluation,
4. Labeling, and
5. Life-cycle assessment.

Definition 2.9.4 (ISO 9000) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)]
A set of quality standards developed by the International Standards Organization (ISO). It is the only quality standard with international recognition. The process of certification is a 9–18 month process that includes an ongoing series of audits of product and service quality and procedures. To do business, particularly in Europe, ISO certification is critical.

As of 2003, there were over 400,000 certifications awarded in 158 countries. About 40,000 U.S. firms are ISO 9000 certified [4, p. 156].

Definition 2.9.5 (Illusion of Transparency) [Business Negotiation (Fall 2006), Advanced Negotiation (Spring 2007) and Business Negotiation (Spring 2007)]
Studies indicate that negotiators typically believe they are revealing more information than they actually are. Conversely, the information they reveal may not be understood as well as they expect it to be.

57“ISO” is also Greek for “equal” or “uniform.”
Definition 2.9.6 (Imperfect Information) [Advanced Negotiation (Spring 2007)]
In game theory, if at some point in a dynamic game the player with the move does not know the full history of the play of the game thus far, the player is said to have imperfect information.

See also definition 2.16.8.

Definition 2.9.7 (In-group Collectivism) [International Business Management (Fall 2006)] Defined by GLOBE as the degree to which individuals express pride, loyalty, and cohesiveness in their organizations or families.

Definition 2.9.8 (Incubator Culture) [International Business Management (Fall 2006)] The incubator culture is characterized by a strong emphasis on equity in the workplace and personal orientation. It is one of four organizational cultures identified by Fons Trompenaars.

Definition 2.9.9 (Index Fund) [Contemporary Topics in International Economics (Spring 2007)] A mutual fund that keeps a portfolio of stocks designed to match the performance of a stock market or one of its sectors as measured by an index of selected stocks. Also called market fund.

The beauty of index funds is twofold:

1. They minimize costs. All the fund company has to do is construct a portfolio out of the stocks in a chosen index. The fund is passively managed, with changes being made only to fine-tune the fund’s performance to match more closely the index’s results. The alternative is an actively managed fund, which even sounds more expensive.

2. The index funds eliminate your need to work so hard and worry too much. You can be fairly assured that your performance will be as good-or as bad-as the overall performance of the market or markets you select. A drawback to index funds is that since the index is made up of the stocks of large, well-known, and highly regarded companies, they can miss out on the opportunity of superior stock-price appreciation that some small companies often provide.

See also definition 2.19.38.

Definition 2.9.10 (Indifference) [International Economics (Fall 2006)] If there are two sets of goods (say, \((X_0, Y_0)\) and \((X_1, Y_1)\)) which both provide the consumer the same level of utility, we say that the consumer is indifferent between \((X_0, Y_0)\) and \((X_1, Y_1)\).

Definition 2.9.11 (Indirect Confrontation) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)] Confrontation that is not face-to-face, as when negotiations are carried out over the telephone or by e-mail, when it is nonverbal, when one party withdraws from interacting with another, or when it is conducted by agents, such as lawyers, intermediaries, or mediators.

Indirect communication is more conducive than direct communication at preserving harmony.

See also definition 2.4.15.

Definition 2.9.12 (Individualism) [International Business Management (Fall 2006)] A value orientation in which people regard themselves as individuals and derive what they consider to be the important aspects of their character from their personal talents and accomplishments.

Definition 2.9.13 (Individualism) [International Business Management (Fall 2006)] Defined by Dutch researcher Geert Hofstede as the tendency of people to look after themselves and their immediate family only.

Definition 2.9.14 (Information Asymmetry) [Advanced Negotiation (Spring 2007)] Informational asymmetry exists when one party knows something the other party does not. For example, in transactions involving used cars, often the seller of the car knows the history of the car and any mechanical problems the car may have while the buyer does not.

There is a rich literature in game theory on problems associated with asymmetric information.

Definition 2.9.15 (Information Sciences) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] The systematic processing of data to yield information.

Definition 2.9.16 (Insider Trading) [Contemporary Topics in International Economics (Spring 2007)] “Insider trading” is buying or selling a security while having material, nonpublic information about the security, in breach of a fiduciary duty or other relationship of trust and confidence. Insider trading may also include “tipping” such information, securities trading by the person “tipped,” and securities trading by persons who misappropriate such information. Insider trading is a felony, and the SEC can levy large civil penalties for violations.

Definition 2.9.17 (Integrative Negotiations) [Business Negotiation (Fall 2006), Advanced Negotiation (Spring 2007) and Business Negotiation (Spring 2007)]

When all creative opportunities are exploited and no resources are left on the table, we call it an integrative negotiation. Integrative negotiations are also called win-win negotiations.

Definition 2.9.18 (Inter Alia) [International Economic Organizations (Fall 2006)]
A Latin term commonly used in the legal profession meaning “among other things.”

Definition 2.9.19 (Interests) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)]
The needs and concerns underlying parties’ positions on the issues, e.g., in a dispute.

Definition 2.9.20 (Intermediate Goods or Services) [International Economics (Fall 2006)]
Items or services acquired as components of the production process rather than as final products. For example, glass, steel, and paint are input components of the auto industry rather than the final completed automobile. [12, p. 188]

Definition 2.9.21 (International Business) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)]
A firm that engages in cross-border transactions.

Definition 2.9.22 (International Economic Law) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)]
International economic law consists of international rules pertaining to economic transactions and relations as well as government regulation of economic matters. [3, p. 38]

Definition 2.9.23 (International Law) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)]
A combination of treaties and customs which regulates the conduct of states amongst themselves. The highest judicial authority of international law is the International Court of Justice and the administrative authority is the United Nations.

Definition 2.9.24 (International Management) [International Business Management (Fall 2006) and International Enterprise Management (Spring 2007)]
The process of applying management concepts and techniques in a multinational environment and adapting management practices to different economic, political, and cultural environments.

Definition 2.9.25 (International Strategy) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)]
In operations management, a strategy that uses exports and licenses to penetrate the global arena.

Definition 2.9.26 (Interpersonal Conflict) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)] Disputes over personal characteristics and issues, such as the honor and self-respect of the disputants.

Definition 2.9.27 (Interpretive Principle of Effectiveness) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)] The interpretive principle of effectiveness holds that any part of a treaty must be interpreted in a way that makes sense given the meaning of the whole treaty.

Specifically, in US – Gasoline, the WTO Appellate Body stated that:

In light of the interpretive principle of effectiveness, it is the duty of any treaty interpreter to ‘read all applicable provisions of a treaty in a way that gives meaning to all of them, harmoniously.’ An important corollary of this principle is that a treaty should be interpreted as a whole, and, in particular, its sections and parts should be read as a whole. Article II:2 of the WTO Agreement expressly manifests the intention of the Uruguay Round negotiators that the provisions of the WTO Agreement and the Multilateral Trade Agreements included in its Annexes 1, 2 and 3 must be read as a whole.


Definition 2.9.28 (Isocost Line) [International Economics (Fall 2006)] Like the production isoquant, the line representing constant costs is called the isocost line.

Definition 2.9.29 (Issue Mix) [Business Negotiation (Fall 2006), Advanced Negotiation (Spring 2007) and Business Negotiation (Spring 2007)] The set of all issues relevant to the negotiation. They should be identified in the resource assessment.

2.10 J (4 Terms)

Definition 2.10.1 (Job Description) [International Management and Entrepreneurship (Spring 2007)] Job descriptions should include

- A job title,
- The position of that employee in the corporate hierarchy, and
Job summary with major and minor duties.

Definition 2.10.2 (Job Specification) [International Management and Entrepreneurship (Spring 2007)] Job specifications are similar to job descriptions (see definition 2.10.1) and should include the personal requirements expected of an employee [8, p. 338]. Like a job description, it includes

- The job title,
- Who the person reports to, and
- A summary description of the position.

It also includes

- Any educational requirements,
- Desired experience,
- Specialized skills or knowledge,
- A salary range,
- Benefits,
- Physical or other special requirements associated with the job, and
- Any occupational hazards.

Definition 2.10.3 (Jury of Executive Opinion) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] In operations management, a forecasting technique that takes the opinion of a small group of high-level managers and results in a group estimate of demand.

See also definitions 2.4.5, 2.19.4, and 2.3.28

Definition 2.10.4 (Just in Time) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] Just In Time (JIT) is an inventory strategy implemented to improve the return on investment of a business by reducing in-process inventory and its associated costs. The process is driven by a series of signals, or Kanban, that tell production processes to make the next part. Kanban are usually simple visual signals, such as the presence or absence of a part on a shelf. When implemented correctly, JIT can lead to dramatic improvements in a manufacturing organization’s return on investment, quality, and efficiency.

New stock is ordered when stock reaches the re-order level. This saves warehouse space and costs. However, one drawback of the JIT system is that the re-order level
is determined by historical demand. If demand rises above the historical average planning duration demand, the firm could deplete inventory and cause customer service issues. To meet a 95% service rate a firm must carry about 2 standard deviations of demand in safety stock. Forecasted shifts in demand should be planned for around the Kanban until trends can be established to reset the appropriate Kanban level. In recent years manufacturers have touted a trailing 13 week average is a better predictor than most forecastors could provide.

A related term is Kaizen which is an approach to productivity improvement literally meaning "continuous improvement" of process.

2.11 K (2 Terms)

Definition 2.11.1 (Kaizen) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] The Japanese word for the ongoing process of incremental improvement.

Definition 2.11.2 (Knowledge Society) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] A society in which much of the labor force has migrated from manual work to work based on knowledge.

2.12 L (18 Terms)

Definition 2.12.1 (LATNA) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)] Least (desirable) alternative to a negotiated agreement. A concept more germane to dispute resolution negotiations, in which one party can cause the other harm if no agreement is reached, than to deal-making negotiations, in which failure to reach agreement typically means each party receives their BATNA.

Definition 2.12.2 (LIFO (Last In, First Out)) [International Management and Entrepreneurship (Spring 2007)] LIFO (last in, first out) assumes that you sell the most recently purchased inventory first.

If there is inflation, it values your remaining inventory based on the prices of the least recently purchased items, which allows you to pay less taxes on your inventory.

See also 2.6.3

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63 At least this is true in the U.S. The author is unfamiliar with Chinese tax codes.
Definition 2.12.3 (Law of Diminishing Marginal Utility) [International Economics (Fall 2006)] As a person increases consumption of a product while keeping consumption of other products constant, there is a decline in the marginal utility that person derives from consuming each additional unit of that product. Similar to the Law of Diminishing Returns discussed earlier.

Definition 2.12.4 (Law of Diminishing Returns) [International Economics (Fall 2006)] Fix the inputs of all but one factor of production. Increase the amount of that factor. Do this for each factor of production in turn. If the result in every case is that output increases at a decreasing rate, the production function exhibits diminishing returns.

Definition 2.12.5 (Law of Diminishing Returns (Alternative Definition)) [International Economics (Fall 2006)] The tendency for a continuing application of effort or skill toward a particular project or goal to decline in effectiveness.

Definition 2.12.6 (Leontief Utility and Production Functions) [International Economics (Fall 2006)] A commonly used functional form in economic analysis for utility and production functions. Leontief functions are of the form

$$X = \min(aK, bL) \quad (2.11)$$

Definition 2.12.7 (Less Developed Countries (LDCs)) [International Business Management (Fall 2006)] Less developed countries are those that have several of the following:

- Low GDP,
- Slow (or negative) GDP growth per capita,
- High unemployment,
- High international debt,
- A large population,
- An either unskilled or semiskilled workforce.

Definition 2.12.8 (Leveraging) [Contemporary Topics in International Economics (Spring 2007)] In terms of investing, leveraging is the use of various financial instruments or borrowed capital, such as margin, to increase the potential return of an investment.

\[64\text{http://financial-dictionary.thefreedictionary.com/Law+of+diminishing+marginal+utility, June 21, 2006.}\]
\[65\text{http://www.thefreedictionary.com/fit+of+diminishing+returns, June 21, 2006.}\]
Leverage helps the investor to invest. However, it comes with greater risk. If an investor uses leverage to make an investment and the investment moves against the investor, his or her loss is much greater than it would’ve been if the investment had not been leveraged - leverage magnifies both gains and losses.

Leverage can be created through options, futures, margin and other financial instruments. For example, say you have $1,000 to invest. This amount could be invested in 10 shares of Microsoft stock, but to increase leverage, you could invest the $1,000 in five options contracts. You would then control 500 shares instead of just 10.

Definition 2.12.9 (Life Stage Marketing) [International Management and Entrepreneurship (Spring 2007)] Marketing to consumers based on what they are doing at a given period in life, such as having children, buying a home, or retiring.

As older people are more active than before, many are choosing to start families later in life or even have children ten years or more apart. Someone who is starting a family at age 20 has much in common with someone starting a family at age 35 even though their ages may be quite different.

Definition 2.12.10 (Limit Order) [Contemporary Topics in International Economics (Spring 2007)] An order placed with a brokerage to buy or sell a set number of shares at a specified price or better. Limit orders also allow an investor to limit the length of time an order can be outstanding before being canceled.

Limit orders typically cost more than market orders. Despite this, limit orders are beneficial because when the trade goes through, investors get the specified purchase or sell price. Limit orders are especially useful on a low-volume or highly volatile stock.

See also definition 2.13.11 and 2.19.46.

Definition 2.12.11 (Linear Utility and Production Functions) [International Economics (Fall 2006)] A commonly used functional form in economic analysis for utility and production functions. Linear functions are of the form

\[ X = aK + bL \]

Definition 2.12.12 (Lobbying) [International Business Management (Fall 2006), International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] To address or solicit members of a legislative body in the lobby or elsewhere, with the purpose to influence their votes; in an extended sense, to try to influence decision-makers in any circumstance.
Definition 2.12.13 (Logrolling) [Business Negotiation (Fall 2006), Advanced Negotiation (Spring 2007) and Business Negotiation (Spring 2007)] The strategy of capitalizing on differing preferences is known as logrolling.

Definition 2.12.14 (Long) [Contemporary Topics in International Economics (Spring 2007)] An investor who has buys and owns a stock normally is said to be “long” in that stock. This is as opposed to being “short” in a stock.\(^71\)

Definition 2.12.15 (Long Run / Short Run) [International Economics (Fall 2006)] The long run is used to indicate a long enough passage of time for economic variables, such as factor allocation or prices, to adjust to an equilibrium level. In the short run, these variables have not had time to adjust to equilibrium levels.

Definition 2.12.16 (Lose-lose Agreement) [Business Negotiation (Fall 2006), Advanced Negotiation (Spring 2007) and Business Negotiation (Spring 2007)] When negotiators fail to capitalize on compatible interests, they are said to reach a lose-lose agreement.

Definition 2.12.17 (Low-Cost Leadership) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] In operations management, achieving maximum value (expressed in terms of quality and price) as perceived by the customer. Low-cost leadership does not imply low value or low quality.

Definition 2.12.18 (Lumping It) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)] Withdrawing a claim is called lumping it.

2.13 M (43 Terms)

Definition 2.13.1 (MEA) [International Economic Organizations (Fall 2006)] Multilateral Environmental Agreement. Due to quantitative restrictions, these agreements are sometimes in conflict with WTO law.

Definition 2.13.2 (Macroeconomics) [International Economics (Fall 2006)] The study of the problem of scarcity from the perspective of overall levels of employment, production, and growth.

Definition 2.13.3 (Make-or-Buy Decision) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] The choosing between producing a component at a service and purchasing it from an outside source.

\(^{71}\)See definition 2.12.14 for a definition of “short.”
Definition 2.13.4 (Manufacturability and Value Engineering) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] Activities that help improve a product’s design, production, maintainability, and use.

The goals of manufacturability and value engineering are

1. Cost reduction,
2. Reduced complexity of the product,
3. Standardization of components,
4. Improvement of functional aspects of the product,
5. Improved job design and job safety,
6. Improved maintainability (serviceability) of the product, and
7. Robust design.

Definition 2.13.5 (Marginal Contribution) [Advanced Negotiation (Spring 2007)]
Given TU-game \((I, v)\), for any \(S \subset I\) and \(i \notin S\), \(m(S, i) = v(S \cup \{i\}) - v(S)\) is defined as the marginal contribution of \(i\) to coalition \(S\).

Definition 2.13.6 (Marginal Product) [International Economics (Fall 2006)]
Marginal product is defined as the additional output of \(X\) associated with an additional unit of an input. We will denote marginal product as \(MP\).

The marginal product with respect to capital \(K\) is called the marginal product of capital and denoted \(MP_K\).

Definition 2.13.7 (Marginal Product) [International Economics (Fall 2006)]
The amount of output that can be obtained by contributing an additional unit of input.

Definition 2.13.8 (Marginal Rate of Substitution) [International Economics (Fall 2006)] The rate at which consumers are willing to give up units of one good in exchange for more units of another good\(^2\). Similar conceptually to the marginal rate of transformation discussed earlier.

Definition 2.13.9 (Market Capitalization) [Contemporary Topics in International Economics (Spring 2007)] The value of a corporation as determined by the

market price of its issued and outstanding common stock. It is calculated by multiplying the number of outstanding shares by the current market price of a share. Commonly called “market cap.”

For example, on June 18, 2007, Microsoft stock (stock symbol MSFT) had a price of $30.51. It also had 9.57 billion shares outstanding. So its market capitalization was $292 billion.

Definition 2.13.10 (Market Fund) [Contemporary Topics in International Economics (Spring 2007)] See definition 2.9.9

Definition 2.13.11 (Market Order) [Contemporary Topics in International Economics (Spring 2007)] An order to buy or sell a stock immediately at the best available current price.

A market order is sometimes referred to as an “unrestricted order”.

A market order guarantees execution, and it often has low commissions due to the minimal work brokers need to do. Be wary of using market orders on stocks with a low average daily volume: in such market conditions the ask price can be a lot higher than the current market price (resulting in a large spread). In other words, you may end up paying a whole lot more than you originally anticipated! It is much safer to use a market order on high-volume stocks, such as Microsoft or Wal-Mart.

See also definition 2.12.10

Definition 2.13.12 (Market Research) [International Management and Entrepreneurship (Spring 2007)] Research into the characteristics, spending habits, location and needs of your business’s target market, the industry as a whole, and the particular competitors you face.

Definition 2.13.13 (Marks of Origin) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)] In Article IX of the General Agreement (GATT), the principle of MFN (Most Favored Nation) treatment is extended to all marking requirements by Members in relation to imports or exports.

The Article also requires that the difficulties and inconveniences which marks of origin may cause to the commerce and industry of exporting countries be reduced to a minimum.

Definition 2.13.14 (Masculinity) [International Business Management (Fall 2006)] Defined by Dutch researcher Geert Hofstede as a cultural characteristic in which the dominant values in society are success, money, and things.
Definition 2.13.15 (Maturity of Debt) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)] The maturity is the date the borrower must pay back the money he or she borrowed through the issue of a bond.\footnote{Source: \url{http://financial-dictionary.thefreedictionary.com/Maturity.}}

Definition 2.13.16 (Mean Absolute Deviation (MAD)) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] A measure of the overall forecast error for a model. The value is computed taking the sum of the absolute values of the forecast errors and dividing by the number of periods:

\[
MAD = \frac{\sum |\text{actual} - \text{forecast}|}{n}
\] (2.13)

See also definition 2.6.22.

Definition 2.13.17 (Mean Absolute Percent Error (MAPE)) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] The average of the absolute differences between the forecast and actual values, expressed as a percent of actual values. Mathematically, MAPE is given by

\[
MAPE = \frac{100 \sum_{i=1}^{n} |\text{actual}_i - \text{forecast}_i|/\text{actual}_i}{n}
\] (2.14)

See also definition 2.6.22.

Definition 2.13.18 (Mean Squared Error (MSE)) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] The average of the squared differences between the forecasted and observed values. Mathematically, MSE is given by

\[
MSE = \frac{\sum (\text{forecast errors})^2}{n}
\] (2.15)

See also definition 2.6.22.

Definition 2.13.19 (Mediation) [Business Negotiation (Fall 2006), Advanced Negotiation (Spring 2007) and Business Negotiation (Spring 2007)] When parties disagree, they will often hire a neutral third party to listen to their arguments and work with the parties to reach a mutually agreeable solution. This is called mediation.
Definition 2.13.20 (Mercantilism) [International Economics (Fall 2006)] The theory and system of political economy prevailing in Europe after the decline of feudalism, based on national policies of establishing colonies and a merchant marine, and developing industry and mining to attain a favorable balance of trade.\textsuperscript{77}

Mercantilism has acquired a pejorative context, however, reflecting the exploitation of poor countries with an abundance of natural resources by rich countries with strong manufacturing bases.

Definition 2.13.21 (Microeconomics) [International Economics (Fall 2006)] The study of the problem of scarcity from the perspective of individual firms and consumers.

Definition 2.13.22 (Millenium Development Goals) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)] The United Nations’ eight Millennium Development Goals (MDGs) “form a blueprint agreed to by all the world’s countries and all the world’s leading development institutions. They have galvanized unprecedented efforts to meet the needs of the world’s poorest.”\textsuperscript{78}

The goals are intended to be accomplished by 2015 and include

1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, malaria, and other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development

In the words of U.N. Secretary-General Kofi Annan, “We will have time to reach the Millennium Development Goals worldwide and in most, or even all, individual countries, but only if we break with business as usual. ... Success will require sustained action across the entire decade between now and the deadline. ... And we must more than double global development assistance over the next few years. Nothing less will help to achieve the Goals.”

\textsuperscript{77}http://www.thefreedictionary.com/mercantilism
\textsuperscript{78}Source: http://www.un.org/millenniumgoals.
Definition 2.13.23 (Mindful Strategies) [Advanced Negotiation (Spring 2007)]
Negotiation strategies that are intended to influence the other party based on logic, information, and rationality.

See also definition 2.5.8.

Definition 2.13.24 (Mission) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)]
The purpose or rationale for an organization’s existence.

Definition 2.13.25 (Mixed Strategy) [Advanced Negotiation (Spring 2007)]
In the normal-form game $G = \{S_1, \ldots, S_n; u_1, \ldots, u_n\}$, suppose $S_i = \{s_{i1}, \ldots, s_{iK}\}$. Then a mixed strategy for player $i$ is a probability distribution $p_i = (p_{i1}, \ldots, p_{iK})$, where $0 \leq p_{ik} \leq 1$ for all $k \in \{1, \ldots, K\}$ and $p_{i1} + \ldots + p_{iK} = 1$.

Definition 2.13.26 (Modification of Schedules) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)]
WTO Member countries must consult other countries when they modify their tariff concession schedules.

In the words of the WTO, Article XXVIII (Modification of Schedules) enables Members to modify or withdraw tariff concessions included in their Schedules. Such action can be taken only by negotiation and agreement with Members with whom the concession was initially negotiated and with any other Member having a principle supplying interest. Consultations have to be held also with any other Member which has a “substantial interest” in the concession. The main principle is that in these negotiations compensatory adjustment should be made so as to retain the pre-existing level of reciprocal concessions. If the Member concerned is unable to give compensation through alternative concessions the affected Members get the right to withdraw equivalent concessions that they made to that Member.

Definition 2.13.27 (Moment of Truth) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)]
In the service industry, that crucial moment between the service provider and the customer that exemplifies, enhances, or detracts from the customer’s expectations.

Definition 2.13.28 (Momentum Trading) [Contemporary Topics in International Economics (Spring 2007)]
Momentum traders look to find stocks that are
moving significantly in one direction on high volume and try to jump on board to ride the momentum train to a desired profit.

Definition 2.13.29 (Money Market Fund) [Contemporary Topics in International Economics (Spring 2007)] A fund that invests in various short-term debt instruments (i.e., commercial paper (corporate bonds), negotiable certificates of deposit, banker’s acceptances, Treasury bills (government bonds), etc.). Shares seek to maintain a net asset value of $1 but the interest rate changes daily.

Definition 2.13.30 (Most Likely Time) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] In project scheduling, the most probable activity completion time that could be obtained in a PERT network.

See also definitions 2.15.8 and 2.16.11.

Definition 2.13.31 (Most-favored Nation Treatment) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)] Requires that any treatment that a country gives to one WTO member it must also give to every other WTO member.

Definition 2.13.32 (Moving Averages) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] A forecasting method that uses an average of the \( n \) most recent periods of data to forecast the next period.

Moving averages can be either simple or weighted.

- Simple Moving Average – Mathematically, a simple moving average is given by
  \[
  \text{Moving average} = \frac{\sum \text{demand in previous } n \text{ periods}}{n} \tag{2.16}
  \]

- Weighted Moving Average – Mathematically, a weighted moving average is given by
  \[
  \text{Weighted moving average} = \frac{\sum (\text{weight for period } n)(\text{demand in period } n)}{\sum \text{weights}} \tag{2.17}
  \]

See also definition 2.20.13.


Definition 2.13.33 (Multifactor Productivity) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] Indicates the ratio of many or all resources (inputs) to the goods and services produced (outputs).

Also known as total factor productivity.

Definition 2.13.34 (Multicultural Groups) [International Business Management (Fall 2006)] There are individuals from three or more different ethnic backgrounds.

One of several ways in which groups can be categorized. See also definitions 2.8.6, 2.20.15, and 2.2.16.

Definition 2.13.35 (Multidomestic Strategy) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] In operations management, a strategy in which operating decisions are decentralized to each country to enhance local responsiveness.

Definition 2.13.36 (Multilateral Trade Agreement) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)] Trade agreement between many nations.

Definition 2.13.37 (Multilateral Trading System) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)] The WTO rules and principles are also known as the multilateral trading system.

Definition 2.13.38 (Multinational Corporation (MNC)) [International Business Management (Fall 2006) and International Enterprise Management (Spring 2007)] A corporation that operates facilities in different countries.

Definition 2.13.39 (Multinational Corporation (MNC)) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] A firm that has extensive involvement in international business, owning or controlling facilities in more than one country.

Definition 2.13.40 (Multinational Corporation (MNC)) [International Business Management (Fall 2006) and International Enterprise Management (Spring 2007)] A firm that has operations in more than one country, international sales, and a nationality mix of managers and owners.

Definition 2.13.41 (Multiple Regression) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] A causal forecasting method with more than one independent variable.
Definition 2.13.42 (Municipal Law) [International Economic Organizations (Fall 2006)] In international law, municipal law refers to law at the state, provincial, territorial, regional, or local levels rather than law at the national level.

Definition 2.13.43 (Mutual Fund) [Contemporary Topics in International Economics (Spring 2007)] A mutual fund is simply a financial intermediary that allows a group of investors to pool their money together with a predetermined investment objective. The mutual fund will have a fund manager who is responsible for investing the pooled money into specific securities (usually stocks or bonds). When you invest in a mutual fund, you are buying shares (or portions) of the mutual fund and become a shareholder of the fund.

Mutual funds are one of the best investments ever created because they are very cost efficient and very easy to invest in (you don’t have to figure out which stocks or bonds to buy).\(^{82}\)

2.14 N (19 Terms)

Definition 2.14.1 (Naive Approach) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)]

A forecasting technique that assumes demand in the next period is equal to demand in the most recent period. That is, \( F_t = A_{t-1} \) where \( F_t \) is the forecast demand for the current time period and \( A_{t-1} \) is the actual demand last period.

See also definition 2.20.13.

Definition 2.14.2 (Nash Equilibrium) [Advanced Negotiation (Spring 2007)]

In the two-player normal-form game \( G = \{S_1, S_2; u_1, u_2\} \), the mixed strategies \((p^*_1, p^*_2)\) are a Nash equilibrium if each player’s mixed strategy is a best response to the other player’s mixed strategy.

Definition 2.14.3 (Nash Equilibrium) [Advanced Negotiation (Spring 2007)]

In the \( n \)-player normal-form game \( G = \{S_1, \ldots, S_n; u_1, \ldots, u_n\} \), the strategies \((s^*_1, \ldots, s^*_n)\) are a Nash equilibrium if, for each player \( i \), \( s^*_i \) is (at least tied for) player \( i \)’s best response to the strategies specified for the \( n - 1 \) other players, \((s^*_1, \ldots, s^*_{i-1}, s^*_i, s^*_{i+1}, \ldots, s^*_n)\):

\[
 u_i(s^*_1, \ldots, s^*_{i-1}, s^*_i, s^*_{i+1}, \ldots, s^*_n) \geq u_i(s^*_1, \ldots, s^*_{i-1}, s_i, s^*_{i+1}, \ldots, s^*_n) \tag{2.18}
\]

for every feasible strategy \( s_i \) in \( S_i \); that is, \( s^*_i \) solves

\[
 \max_{s_i \in S_i} u_i(s^*_1, \ldots, s^*_{i-1}, s_i, s^*_{i+1}, \ldots, s^*_n) \tag{2.19}
\]

Definition 2.14.4 (National Income (NI)) [International Economics (Fall 2006)]
The income earned in a time period (typically 1 year) by all of a country’s factors of production.

Definition 2.14.5 (National Income and Product Accounts) [International Economics (Fall 2006)]
All developed nations and some developing nations publish tables of national income and output by sector. These are formally known as National Income and Product Accounts and informally known as input-output tables.

Definition 2.14.6 (National Treatment) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)]
Requires that foreign products, once they are across the border, not be treated differently than similar domestic products.

Definition 2.14.7 (National Treatment on Internal Taxation and Regulation) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)]
Internal taxes, laws, regulations, and internal quantitative regulations, should not be applied so as to afford protection to domestic production.

In the words of the WTO,[9]

The main obligations of national treatment refer to (i) internal taxes or other internal charges of any kind, which should not be imposed on imported products in excess of those applied to like domestic products or in a manner dissimilar to directly competitive or substitutable domestic products, and (ii) treatment in respect of all laws, regulations and requirements affecting the internal sale, offering for sale, purchase, transportation, distribution or use of products, which should accord to imported products treatment no less favourable than that accorded to like products of national origin.

Definition 2.14.8 (Needs Period) [International Management and Entrepreneurship (Spring 2007)]
In inventory management, the needs period is the sum of the count cycle, order cycle, and delivery cycle.

In other words, Needs Period = Count Cycle + Delivery Cycle + Order Cycle.

See definitions 2.3.43, 2.4.4, and 2.15.9.

Definition 2.14.9 (Needs-based Rule) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)]
A standard of fairness in which a resource is divided amongst several parties according to their needs. [13, p. 56]

Definition 2.14.10 (Negotiation) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)]
Negotiation is an interpersonal decision-making process necessary whenever we cannot achieve our objectives single-handedly.
Definition 2.14.11 (Negotiator's Surplus) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)] The amount that a seller achieves above his or her reservation point or that a buyer achieves below his or her reservation point.

Definition 2.14.12 (Nepotism) [International Business Management (Fall 2006)] Favoritism shown to members of one’s family; bestowal of patronage in consideration of relationship, rather than of merit or of legal claim.

Definition 2.14.13 (Net National Product) [International Economics (Fall 2006)] GNP adjusted for capital consumption allowances (or total economy-wide depreciation charges); NNP measures the total annual output which the entire economy can consume without impairing its capacity to produce in future years. [12, p. 248]

Definition 2.14.14 (Neutral) [International Business Management (Fall 2006)] A value orientation in which it is considered important to hold emotions in check.

Definition 2.14.15 (Nongovernmental Organizations (NGOs)) [International Business Management (Fall 2006), International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] Private, not-for-profit organizations that seek to serve society’s interest by focusing on social, political, and economic issues such as poverty, social justice, education, health, and the environment.

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- Save the Children (provides support for the children afflicted by poverty and malnutrition),
- Oxfam (a confederation of charitable organizations that support the alleviation of poverty, provide relief in the event of humanitarian disasters, and promotion of social equity),
- CARE (promotes community development, such as education and health care, and emergency relief in the event of humanitarian disasters),
- World Wildlife Fund (WWF) (promotes environmental conservation and protection for endangered species),
- Conservation International (promotes environmental conservation), and

• Rainforest Action Network (RAN).

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Definition 2.14.18 (Normal-form Game) [Advanced Negotiation (Spring 2007)]
The normal-form representation of an \( n \)-player game specifies the players’ strategy spaces \( S_1, \ldots, S_n \) and their payoff functions \( u_1, \ldots, u_n \). The game is denoted \( G = \{ S_1, \ldots, S_n; u_1, \ldots, u_n \} \).

See also definition 2.15.27.

Definition 2.14.19 (Normative Economics) [International Economics (Fall 2006)]
The study of economics as “what ought to be.” See also positive economics (definition 2.16.15).

2.15 O (13 Terms)

Definition 2.15.1 (Offshoring) [International Business Management (Fall 2006)]
See definition 2.15.13

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Definition 2.15.2 (Offshoring) [International Enterprise Management (Spring 2007)] What was previously known as offshoring is now colloquially often called outsourcing. See definition 2.15.13.

Definition 2.15.3 (Open vs. Closed Economies) [International Economics (Fall 2006)] For the following discussion, a “closed economy” is defined as an economy (e.g., a country) that does not trade with any other economies. An “open economy” is defined as an economy (e.g., a country) that trades with other economies.

Definition 2.15.4 (Open-to-Buy) [International Management and Entrepreneurship (Spring 2007)] The open-to-buy is the amount budgeted for inventory purchases for a given period, usually one, three or four months.

Open-to-buy can be calculated with the following formula:

\[ \text{Planned inventory} + \text{planned sales} - \text{actual inventory} - \text{stock on order} = \text{open-to-buy} \]

Definition 2.15.5 (Operations Decisions) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] The strategic decisions of OM (Operations Management) are product design, quality, process design, location selection, layout design, human resources and job design, supply-chain management, inventory, scheduling, and maintenance.

Definition 2.15.6 (Operations Management) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] Operations management, often abbreviated OM, is the set of activities that creates value in the form of goods and services by transforming inputs into outputs.

Definition 2.15.7 (Opportunity Cost) [International Economics (Fall 2006)] The cost of the next best forgone alternative.

Definition 2.15.8 (Optimistic Time) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] In project scheduling, the “best” activity completion time that could be obtained in a PERT network.

See also definitions 2.16.11 and 2.13.30.

Definition 2.15.9 (Order Cycle) [International Management and Entrepreneurship (Spring 2007)] In inventory management, the order cycle is the amount of time it takes to process paperwork and place orders.

Definition 2.15.10 (Organizational Culture) [International Business Management (Fall 2006)] Shared values and beliefs that enable members to understand their roles and the norms of the organization.

See also definition 2.15.11.
Definition 2.15.11 (Organizational Culture (Edgar Schein)) [International Business Management (Fall 2006)] Organizational cultural theorist Edgar Schein offered a more sophisticated definition of organizational culture than that given in definition 2.15.10.

He defined it as a pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, and that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.

Definition 2.15.12 (Outcome) [Advanced Negotiation (Spring 2007)] In cooperative game theory, an outcome is a list of utilities \( u = (u_1, \ldots, u_I) \in \mathbb{R}^I \).

Definition 2.15.13 (Outsourcing) [International Business Management (Fall 2006) and International Enterprise Management (Spring 2007)] According to Webopedia, outsourcing is

To seek resources outside of an organizational structure, usually to save money and/or exploit the skills of another entity. Typically used in terms of the business world, outsourcing often entails an enterprise using another company, such as a consultancy or application service provider, to provide a service that the enterprise can provide for itself, yet it is cheaper to utilize a third-party's resources.

For example, an enterprise might outsource its IT management because it is cheaper to contract a third-party to do so than it would be to build its own in-house IT management team. Or a company might outsource all of its data storage needs because it does not want to buy and maintain its own data storage devices. Or, a business might outsource its human resources tasks to a third-party instead of having its own dedicated human resources staff.

According to Wikipedia

Outsourcing (or contracting out) is often defined as the delegation of non-core operations or jobs from internal production within a business to an external entity (such as a subcontractor) that specializes in that operation. Outsourcing is a business decision that is often made to lower costs or focus on competencies. A related term, offshoring, means transferring work to another country, typically overseas. Offshoring is similar to outsourcing when companies hire overseas subcontractors, but differs when companies transfer work to the same company in another country. “Outsourcing” became a popular buzzword in business and management in the mid-1990s.

\[ \text{Source: http://www.webopedia.com/TERM/o/outsource.html, October 6, 2006.} \]

\[ \text{Source: http://en.wikipedia.org/wiki/Outsourcing, October 6, 2006.} \]
In recent years, the term outsourcing is often used colloquially in place of “off-shoring.”

2.16 P (50 Terms)

Definition 2.16.1 (PDCA) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] A continuous improvement model of plan, do, check, act.

Definition 2.16.2 (Pareto Optimal) [International Economics (Fall 2006)] Given a set of alternative allocations and a set of individuals, a movement from one alternative allocation to another that can make at least one individual better off, without making any other individual worse off is called a Pareto improvement or Pareto optimization. An allocation of resources is Pareto efficient or Pareto optimal when no further Pareto improvements can be made.⁸⁷

Definition 2.16.3 (Pareto Optimal) [Business Negotiation (Fall 2006), Advanced Negotiation (Spring 2007) and Business Negotiation (Spring 2007)] If a solution has been reached which cannot improve one party’s outcome while not hurting any other party’s outcome, the solution is said to be Pareto optimal. A pervasive and important concept in economic theory.

Definition 2.16.4 (Parochialism) [International Business Management (Fall 2006)] The tendency to view the world through one’s own eyes and perspectives.

Definition 2.16.5 (Particularism) [International Business Management (Fall 2006)] A value orientation in which people hold the belief that circumstances dictate how ideas and practices should be applied.

Definition 2.16.6 (Passive Misrepresentation) [Advanced Negotiation (Spring 2007)] Misrepresentation by a negotiator in which they do not mention true preferences and thus allow the other party to come to an erroneous conclusion.

See also definition 2.1.5

Definition 2.16.7 (Payoff Function) [Advanced Negotiation (Spring 2007)] In game theory, a payoff function is the function that determines a player’s payoff from the combination of actions chosen by all of the players. If \((s_1, \ldots, s_n)\) is a combination of strategies for players 1 through \(n\), player \(i\)'s payoff function is commonly denoted \(u_i = u_i(s_1, \ldots, s_n)\).

Definition 2.16.8 (Perfect Information) [Advanced Negotiation (Spring 2007)]
In game theory, if with each move in a dynamic game the player with the move knows the full history of the play of the game thus far, the players are said to have perfect information.

See also definition 2.9.6

Definition 2.16.9 (Performance Orientation) [International Business Management (Fall 2006)] Defined by GLOBE as the extent to which an organization or society encourages and rewards group members for performance improvement and excellence.

Definition 2.16.10 (Personal Conflict) [Advanced Negotiation (Spring 2007)]
Conflict that follows from anger, personality clashes, ego, and emotional tension.

Also known as emotional conflict. See also definition 2.20.6

Definition 2.16.11 (Pessimistic Time) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] In project scheduling, the “worst” activity completion time that could be obtained in a PERT network.

See also definitions 2.15.8 and 2.13.30

Definition 2.16.12 (Poker Face) [Business Negotiation (Fall 2006), Advanced Negotiation (Spring 2007) and Business Negotiation (Spring 2007)] Poker is a card game played for money.

Poker players famously demonstrate no emotion at the poker table to avoid unintentionally giving their opponent any information (called a “tell”) about their cards. They even go so far as to wear hats and sunglasses indoors so that their opponents can see less of their face, and, in particular, cannot see their eyes.

Thus, a facial expression that shows no emotion is called a poker face.

Definition 2.16.13 (Portfolio) [Contemporary Topics in International Economics (Spring 2007)] A group of investments held by an investor, investment company, or financial institution.

To reduce their risk, investors tend to hold more than just a single stock or other asset. Think of the portfolio as a pie: each piece is divided up into specific assets such as bonds, equities, etc.

Definition 2.16.14 (Positional Negotiator) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)] A negotiator that determines a set of terms in a negotiation and does not budge from those terms.

Definition 2.16.15 (Positive Economics) [International Economics (Fall 2006)]
The study of economics as "what is." See also normative economics (definition 2.14.19).

Definition 2.16.16 (Positive Monotonic Transformation) [International Economics (Fall 2006)] A function \( g : \mathbb{R} \to \mathbb{R} \) is a positive monotonic transformation if \( g \) is a strictly increasing function. That is, \( x > y \) implies \( g(x) > g(y) \) [14, p. 18].

Definition 2.16.17 (Power) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)] Power is your ability to get what you want from a dispute – to have your claim granted or rejection upheld.

Power is also a measure of dependence. The more dependent you are, the less powerful you are.

Definition 2.16.18 (Power Distance) [International Business Management (Fall 2006)] Defined by Dutch researcher Geert Hofstede and GLOBE as the extent to which less powerful members of institutions and organizations accept that power is distributed unequally.

Definition 2.16.19 (Predatory Pricing) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)] Selling a product at a loss to drive some or all competitors out of the market or create a barrier to entry for new competitors.

Definition 2.16.20 (Present Value) [Advanced Negotiation (Spring 2007)]
Given the discount factor \( \delta \), the present value of the infinite sequence of payoffs \( \pi_1, \pi_2, \ldots \) is

\[
\pi_1 + \delta \pi_2 + \delta^2 \pi_3 + \ldots = \inf_{t=1} \sum_{t=1}^{\infty} \delta^{t-1} \pi_t
\]

Definition 2.16.21 (Price to Earnings Ratio) [Contemporary Topics in International Economics (Spring 2007)]

Definition 2.16.22 (Primary Research) [International Management and Entrepreneurship (Spring 2007)] In market research, primary research is information that comes directly from the source; that is, customers. This can come from a variety of sources:

1. Surveys,

2. Focus groups,

3. Other sources.

See also 2.19.7

Definition 2.16.23 (Primary Status Characteristics) [Advanced Negotiation (Spring 2007)] Marks and indicators of legitimate authority; for example, a person’s rank within an organizational chart, the number of supervisees in that person’s unit, and a person’s various titles and degrees.

See also definition 2.19.8

Definition 2.16.24 (Principle of Due Process) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)] The principle of due process states that the law must be applied equally to everyone.

A fundamental principle of fairness in all legal matters, both civil and criminal, especially in the courts. All legal procedures set by statute and court practice, including notice of rights, must be followed for each individual so that no prejudicial or unequal treatment will result. While somewhat indefinite the term can be gauged by its aim to safeguard both private and public rights against unfairness.

In the United States, the universal guarantee of due process is in the Fifth Amendment to the U. S. The American Constitution which provides “No person shall . . . be deprived of life, liberty, or property, without due process of law,” and applied to all states by the 14th Amendment. From this basic principle flow many legal decisions determining both procedural and substantive rights.


Definition 2.16.25 (Principle of Good Faith) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)] The principle of good faith states that intent, not just actions, are important in deciding legal matters.

Good faith is “honest intent to act without taking an unfair advantage over another person or to fulfill a promise to act, even when some legal technicality is not fulfilled. The term is applied to all kinds of transactions.

Definition 2.16.26 (Principle of Judicial Economy) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)] The principle of judicial economy states that when any legal issues are considered, a legal decision must only address the issues that are being considered and no more.

In the words of the WTO, the principle of judicial economy implies that “a WTO panel need only address those claims which must be addressed in order to resolve the matter at issue.”

Definition 2.16.27 (Principle of Non-retroactivity) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)] The principle of non-retroactivity states that treaties and governmental trade restrictions (such as safeguard measures) should only apply from the date of the agreement or restriction onward; that is, they may not apply to actions or circumstances that have taken place in the past.

Definition 2.16.28 (Principle of Proportionality) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)] The principle of proportionality states that any legal response must be proportionate to the action it addresses.

The principle of ‘proportionality’ is one of the fundamental principles of the jurisprudence developed by the European Court of Justice (ECJ). Written nowhere in the EC Treaty itself, the principle has been deduced by ECJ through purposive interpretation.

In simple terms, the principle means that, “if you want to crack a nut, do not use a sledgehammer.” The principle requires the institutions of the European Union and all Member States to not to take any measure in relation to any EU related matter that is excessive than what is absolutely required.

For instance, the European Court of Justice (ECJ) would employ this principle in the context of freedom of movement of goods between the members states to find out whether a given restrictive measure adopted by a member state is indeed ‘proportional’ to the objects it is aimed at. If the measure is not proportional, and is rather drastic, the ECJ may ask the member state to do away with the imputed measure.


Definition 2.16.29 (Principle of Reciprocity) [Business Negotiation (Fall 2006), Advanced Negotiation (Spring 2007) and Business Negotiation (Spring 2007)]

When negotiators focus on a particular style of negotiation (e.g., either interest-based, rights-based, or power-based), the other party often reciprocates by adapting to and adopting the same style.

**Definition 2.16.30 (Private Saving) [International Economics (Fall 2006)]** The part of disposable income that is saved rather than consumed.

**Definition 2.16.31 (Pro Forma) [International Management and Entrepreneurship (Spring 2007)]** A Latin term that means projected, as opposed to actual. For example, a balance sheet containing projected balances is called a pro forma balance sheet.

**Definition 2.16.32 (Procedural Conflict) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)]** Disputes over means, including the dispute resolution process itself.

**Definition 2.16.33 (Producer Equilibrium) [International Economics (Fall 2006)]** The level of output that maximizes a producer’s output subject to that producer’s cost constraint.

**Definition 2.16.34 (Producer Equilibrium) [International Economics (Fall 2006)]** When producers are maximizing profits subject to their factor constraints, they are said to be in equilibrium.

For two producers who produce X and Y with diminishing marginal returns in capital K and labor L, equilibrium implies that firms hire the factors capital K and labor L up to the point where the value of the factor equals the price of the factor. For example, a firm would hire employees up to the point that the last employee they hire provides revenues that are exactly equal to his or her wages.

Mathematically, firms hire capital K and labor L up to the point that

\[ p_x M_{PX} = w \quad p_y M_{PY} = w \]
\[ p_x M_{PKX} = r \quad p_y M_{PKY} = r \]

(2.21)

**Definition 2.16.35 (Product Decision) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)]** The selection, definition, and design of products.

**Definition 2.16.36 (Product Development Teams) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)]** Teams charged with moving from market requirements for a product to achieving product success.

These teams often include representatives from marketing, engineering, manufacturing, purchasing, quality assurance, and field service personnel. Some teams even include representatives from vendors.
Definition 2.16.37 (Product-by-Value Analysis) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] A listing of products in descending order of their individual dollar contribution to the firm, as well as the total annual dollar contribution of the product.

Definition 2.16.38 (Production Possibilities Frontier) [International Economics (Fall 2006)] The production possibilities frontier is a locus (or a set of points) that represents all possible efficient production points.

Definition 2.16.39 (Productivity) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] The ratio of outputs (goods and services) divided by one or more inputs (such as labor, capital, or management).

Definition 2.16.40 (Productivity Variables) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] In operations management, the three factors critical to productivity improvement – labor, capital, and the arts and science of management.

Definition 2.16.41 (Profit-sharing Plan) [International Business Management (Fall 2006)] A plan that gives employees a share in the profits of the company. Each employee receives into an account, a percentage of those profits based on their earnings. Also known as “deferred profit-sharing plan” or “DPSP”.

This is a great way to give employees a sense of ownership in the company. The company decides what portion of the profit will be shared. And there are typically restrictions as to when and how you can withdraw these funds without penalties.

Definition 2.16.42 (Program Evaluation and Review Technique (PERT)) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] A project management technique that employs three time estimates for each activity.

Definition 2.16.43 (Program Trading (and "Black Boxes")) [Contemporary Topics in International Economics (Spring 2007)] Large-scale, computer-assisted trading of stocks or other securities according to systems in which decisions to buy and sell are triggered automatically by fluctuations in price.

“Black boxes” are the computers that generate program trades. The reason it is called a “black box” is because the software is very sophisticated. Often those who create them don’t know exactly why it decides to make a trade at any given moment. Calling it a “black box” implies that you cannot see what goes on inside. You only know what goes in (software) and comes out (trades).

**Definition 2.16.44 (Project Organization)** [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)]

An organization formed to ensure that programs (projects) receive the proper management and attention.

**Definition 2.16.45 (Propinquity Effect)** [Advanced Negotiation (Spring 2007)]

Propinquity refers to the property of being close together in place, time, or affinity. The propinquity effect refers to the degree to which personal and business relationships depend on physical closeness.

**Definition 2.16.46 (Pseudostatus Characteristics)** [Advanced Negotiation (Spring 2007)]

Another term for secondary status characteristics. See definition 2.19.8.

**Definition 2.16.47 (Publication and Administration of Trade Regulations)** [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)]

Two important principles are established under Article X of the GATT 1994:

- First, all laws and regulations, judicial decisions and administrative rulings, etc., affecting imports and exports should be published; furthermore, they may not be enforced before official publication;
- Second, administration of these laws, regulations, etc., shall be uniform, impartial and reasonable; independent judicial, arbitral or administrative instances should be instituted for recourse for prompt review and correction of action inconsistent with this principle.

In other words, all trade regulations should be published and legal issues should be judged quickly and fairly.

**Definition 2.16.48 (Pure Service)** [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)]

A service that does not include a tangible product.

**Definition 2.16.49 (Pure Strategy)** [Advanced Negotiation (Spring 2007)]

In the normal-form game $G = \{S_1, \ldots, S_n; u_1, \ldots, u_n\}$, suppose $S_i = \{s_{i1}, \ldots, s_{iK}\}$. Then $s_{ik}$ is called a pure strategy for player $i$ for all $k \in \{1, \ldots, K\}$.

**Definition 2.16.50 (Put Option)** [Contemporary Topics in International Economics (Spring 2007)]

An option, but not an obligation, to sell a stock at an agreed-upon price within a certain period or on a specified date. See definition 2.19.42.
2.17 Q (6 Terms)

Definition 2.17.1 (Qualitative Forecasts) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)]
Forecasts that incorporate such factors as the decision maker’s intuition, emotions, personal experiences, and value system.
See also definition 2.17.5

Definition 2.17.2 (Quality) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)]
In operations management, the ability of a product or service to meet customer needs.

Definition 2.17.3 (Quality Circle) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)]
A group of employees meeting regularly with a facilitator to solve work-related problems in their work area.

Definition 2.17.4 (Quality Function Deployment (QFD)) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)]
A process for determining customer requirements (customer “wants”) and translating them into the attributes (the “hows”) that each functional area can understand and act on.

Definition 2.17.5 (Quantitative Forecasts) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)]
Forecasts that employ one or more mathematical models that rely on historical data and/or causal variables to forecast demand.
See also definition 2.17.4

Definition 2.17.6 (Quasilinear Utility) [Advanced Negotiation (Spring 2007)]
A utility function $U$ is quasilinear if there exists a monotonic transformation of utility that has the form

\[ U(x_0, x_1, \ldots, x_k) = x_0 + u(x_1, \ldots, x_k) \]  

(2.22)

In other words, the utility function is linear in one of the goods, but (possibly) nonlinear in the other goods.\(^{95}\)

\(^{95}\)Source: [14] p. 164.
2.18  R (18 Terms)

Definition 2.18.1 (Rational Preferences) [Advanced Negotiation (Spring 2007)]
A preference relation \( \prec \) is rational if

1. It is complete; that is, for all \( x, y \in X \), we have \( x \prec y \) or \( y \prec x \) (or both), and
2. It is transitive; that is, for all \( x, y, z \in X \), if \( x \prec y \) and \( y \prec z \), then \( x \prec z \).

Definition 2.18.2 (Reactance) [Advanced Negotiation (Spring 2007)] Reactance is a psychological principle (sometimes known as reverse psychology) in which people have a negative reaction whenever they perceive that someone is trying to control their behavior or limit their freedom.

Reactance is more common in the U.S. and other cultures that place a high value on personal freedom and individualism and less value on social harmony and collective well-being.

Definition 2.18.3 (Reactance Technique) [Advanced Negotiation (Spring 2007)] A negotiation technique in which one tries to get someone to do the opposite of what you ask them to do by using the innate need people have to assert their individual freedom when others attempt to take it away.

Also known as reverse psychology or the boomerang effect.

Definition 2.18.4 (Real Output and Price Normalization) [International Business Management (Fall 2006) and International Enterprise Management (Spring 2007)] Output adjusted for price levels. Enables comparison across time. The process of adjusting for changing prices across time is called price normalization.

Definition 2.18.5 (Reciprocity Principle) [Advanced Negotiation (Spring 2007)] The principle that people often feel obligated to return what has been offered or given to us.

Definition 2.18.6 (Reference Point) [Advanced Negotiation (Spring 2007)] A point that defines what a person considers to be a gain or a loss. For example, if someone is negotiating a purchase, a purchase price below their reference point indicates a gain and a purchase price above their reference point indicates a loss.

Definition 2.18.7 (Reflows) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)] International Development Association (IDA) loan payments from borrowing member countries which are then loaned out to other borrower members.

\(^{96}\)Of these two terms, reverse psychology is by far the best known and most widely used.
Definition 2.18.8 (Regional Economic Integration) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)] The GATT 1994 agreement contains conditions that must be met when countries sign regional trade agreements to ensure that they are compatible with the GATT 1994.

In the words of the WTO,[11]

Article XXIV of the General Agreement recognizes two basic principles in relation to integration agreements: first, the desirability of increasing freedom of trade by the development of closer integration of economies through voluntary agreements; and second, that the purpose of customs unions or free trade areas should be to facilitate trade between the constituent territories and not to raise barriers to the trade of other Members. The Article sets out a number of conditions and requirements, on the basis of which customs unions and free trade areas are reviewed to determine their compatibility with the WTO Agreements.

Definition 2.18.9 (Regional Trade Agreement) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)] Trade agreement between two or more nations in a specific geographic region.

Definition 2.18.10 (Rejection Then Retreat Tactic) [Advanced Negotiation (Spring 2007)] Also known as the door-in-the-face technique. See definition 2.4.23.

Definition 2.18.11 (Remittances) [International Business Management (Fall 2006) and International Enterprise Management (Spring 2007)] Money sent by a foreign national working in a country to his or her country of origin. For example, when a Chinese person working in the U.S. sends money to his or her family in China, that is considered a remittance.

Definition 2.18.12 (Reservation Point) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)] A reservation point is the quantification (in terms of dollars and other relevant quantifiable numbers) of a negotiator’s BATNA.

Definition 2.18.13 (Response) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] In operations management, the set of values related to rapid, flexible, and reliable performance.

Definition 2.18.14 (Rights) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)] Rights are standards of fairness, contract, law, or precedent.
Definition 2.18.15 (Risk Averse) [International Business Management (Fall 2006)] A common term used in economics. A person is risk averse if they avoid risk.

Definition 2.18.16 (Risk Tolerant) [International Business Management (Fall 2006)] Another common term used in economics. The opposite of risk averse.

Definition 2.18.17 (Rolodex) [Advanced Negotiation (Spring 2007)] The Rolodex is a device used to physically organize business cards and contacts. Although in the U.S. and Europe, most professionals keep their contact information electronically these days, when referring to people’s who have a particularly good social network, it is colloquially said that they have a “good Rolodex.” You may hear it said, for example, that an executive who was hired primarily for their business contacts was “hired for their Rolodex.”

Definition 2.18.18 (Route Sheet) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] A listing of the operations necessary to produce the component with the material specified in the bill of material.

2.19 S (57 Terms)

Definition 2.19.1 (SEC (Securities and Exchange Commission)) [Contemporary Topics in International Economics (Spring 2007)] A government commission created by Congress to regulate the securities markets and protect investors. In addition to regulation and protection, it also monitors the corporate takeovers in the U.S. The SEC is composed of five commissioners appointed by the U.S. President and approved by the Senate. The statutes administered by the SEC are designed to promote full public disclosure and to protect the investing public against fraudulent and manipulative practices in the securities markets. Generally, most issues of securities offered in interstate commerce, through the mail or on the internet, must be registered with the SEC.

Here’s an example of an activity that falls within the SEC’s domain: if someone purchases more than 5% of a company’s equity, they must report to the SEC within 10 days of the purchase because of the takeover threats it may cause

Definition 2.19.2 (SWOT Analysis) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)]

In operations management, determining internal strengths and weaknesses and external opportunities and threats.

Definition 2.19.3 (Safeguard Measures) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)]
A WTO member may take a "safeguard" action (i.e., restrict imports of a product temporarily) to protect a specific domestic industry from an increase in imports of any product which is causing, or which is threatening to cause, serious injury to the industry.

Safeguard measures are available under the GATT (Article XIX).

Definition 2.19.4 (Sales Force Composite) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] In operations management, a forecasting technique based on salespersons estimates of expected sales.

See also definitions 2.10.3, 2.4.5, and 2.3.28.

Definition 2.19.5 (Schmooze) [Advanced Negotiation (Spring 2007)] Although the dictionary definition of schmoozing is "talk[ing] idly or in an informal way," in the common vernacular, schmoozing refers to making "small talk" in order to cultivate business relationships.

Someone who goes out of their way to talk with everyone at a social gathering, often with the implication that they are doing so in order to advance their career, is said to be a schmoozer.

Definition 2.19.6 (Seasonal Variations) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] Regular upward or downward movements in a time series that tie to recurring events.

Definition 2.19.7 (Secondary Research) [International Management and Entrepreneurship (Spring 2007)] In market research, secondary research is information that comes from organizations, government agencies, trade associations, or other groups that gather statistics, reports, and studies.

See also 2.16.22.

Definition 2.19.8 (Secondary Status Characteristics) [Advanced Negotiation (Spring 2007)] Cues and characteristics that have no legitimate bearing on the allocation of resources or on the norms of interaction, but nevertheless exert a powerful influence on behavior. These include sex, age, ethnicity, status in other groups, and cultural background. Of these, the three most common are gender, age, and race.

Also known as pseudostatus characteristics. See also definition 2.16.23.

Definition 2.19.9 (Sector) [International Economics (Fall 2006)] Dividing products into groups, such as automobiles, textiles, and fuel is a common practice. These groups are known as sectors.

Definition 2.19.10 (Self-executing Treaty) [International Economic Organizations (Fall 2006)] A treaty is self-executing if no legislative action is required of the signatories for the provisions of the treaty to take effect.

According to Wikipedia,

Treaties may be seen as ‘self-executing’, in that merely becoming a party puts the treaty and all of its obligations in action. Other treaties may be non-self-executing and require ‘implementing legislation’ – a change in the domestic law of a state party that will direct or enable it to fulfill treaty obligations. An example of a treaty requiring such legislation would be one mandating local prosecution by a party for particular crimes.

The division between the two is often not clear and is often politicized in disagreements within a government over a treaty, as a non-self-executing treaty cannot be acted upon without the proper change in domestic law. If a treaty requires implementing legislation, a state may be in default of its obligations by the failure of its legislature to pass the necessary domestic laws.

Definition 2.19.11 (Services) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)]

Those economic activities that typically produce an intangible product.

The U.S. Bureau of Labor Statistics defines services to include [4, p. 9]

- Repair and maintenance,
- Government,
- Food and lodging,
- Transportation,
- Insurance,
- Trade,
- Financial,
- Real estate,
- Education,
- Legal,
- Medical,

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- Entertainment,
- Other professional occupations.

**Definition 2.19.12 (Sexual Harassment) [International Business Management (Fall 2006), International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)]** The definition of sexual harassment given by the United States Equal Employment Opportunity Commission is as follows:

Unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature constitutes sexual harassment when submission to or rejection of this conduct explicitly or implicitly affects an individual’s employment, unreasonably interferes with an individual’s work performance or creates an intimidating, hostile or offensive work environment.

This definition has been further elaborated:

Sexual harassment can occur in a variety of circumstances, including but not limited to the following:

- The victim as well as the harasser may be a woman or a man. The victim does not have to be of the opposite sex.
- The harasser can be the victim’s supervisor, an agent of the employer, a supervisor in another area, a co-worker, or a non-employee.
- The victim does not have to be the person harassed but could be anyone affected by the offensive conduct.
- Unlawful sexual harassment may occur without economic injury to or discharge of the victim.
- The harasser’s conduct must be unwelcome.

**Definition 2.19.13 (Shapley Value) [Advanced Negotiation (Spring 2007)]** In cooperative game theory, the Shapley value of a game \((I, v)\), denoted

\[
Sh(I, v) = (Sh_1(I, v), \ldots, Sh_I(I, v))
\]

is the single outcome consistent with equations 2.8 and 2.9.

**Definition 2.19.14 (Shareholder) [Contemporary Topics in International Economics (Spring 2007)]** Any person who owns shares of a company’s stock are also known as stockholders.

See also definition 2.19.36

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Definition 2.19.15 (Shares) [Contemporary Topics in International Economics (Spring 2007)] See definition 2.19.36.

Definition 2.19.16 (Short) [Contemporary Topics in International Economics (Spring 2007)] An investor who has short sold a stock[101] he or she is said to be “short” in that stock.
See also definition 2.12.14.

Definition 2.19.17 (Short Sale) [Contemporary Topics in International Economics (Spring 2007)] A market transaction in which an investor sells borrowed securities in anticipation of a price decline and is required to return an equal amount of shares at some point in the future.
The payoff to selling short is the opposite of a long position. A short seller will make money if the stock goes down in price, while a long position makes money when the stock goes up. The profit that the investor receives is equal to the value of the sold borrowed shares less the cost of repurchasing the borrowed shares.

Suppose 1,000 shares are short sold by an investor at $25 apiece and $25,000 is then put into that investor’s account. Let’s say the shares fall to $20 and the investor closes out the position. To close out the position, the investor will need to purchase 1,000 shares at $20 each ($20,000). The investor captures the difference between the amount that he or she receives from the short sale and the amount that was paid to close the position, or $5,000.

There are also margin rule requirements for a short sale in which 150% of the value of the shares shorted needs to be initially held in the account. Therefore, if the value is $25,000, the initial margin requirement is $37,500 (which includes the $25,000 of proceeds from the short sale). This prevents the proceeds from the sale from being used to purchase other shares before the borrowed shares are returned.

Short selling is an advanced trading strategy with many unique risks and pitfalls. Novice investors are advised to avoid short sales because this strategy includes unlimited losses. A share price can only fall to zero, but there is no limit to the amount it can rise.[102]

Definition 2.19.18 (Similarity-attraction Effect) [Advanced Negotiation (Spring 2007)] The similarity-attraction effect refers to the tendency of people to be attracted to and view in a positive light those who are similar to themselves.

Definition 2.19.19 (Simplification) [International Business Management (Fall 2006)] Using the same managerial techniques and orientation towards different cultural groups.

[101]See definition 2.19.17
Definition 2.19.20 (Single Undertaking) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)] A principle that holds that all WTO agreements apply equally and are equally binding on WTO members.

Definition 2.19.21 (Single-Factor Productivity) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] Indicates the ratio of one resource (input) to the goods and services produced (outputs).

Definition 2.19.22 (Situational Attribution) [Advanced Negotiation (Spring 2007)] An attribution in which situational factors are attributed as the cause of a behavior or incident (e.g., a traffic jam, the faulty mail-delivery system, etc.) [13, p. 136].

Definition 2.19.23 (Six Sigma) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] A quality program that yields 99.9997% accurate products or services. Popularized by Motorola, Honeywell, and General Electric.

Definition 2.19.24 (Slack Time) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] In project scheduling, the free time for an activity, or the amount of time an activity can be delayed without delaying the entire project.

Definition 2.19.25 (Small vs. Large Economies) [International Economics (Fall 2006)] A small economy is defined as an economy (e.g., a country) that is small enough that it cannot impact world prices for a good. For example, Cuba has a small enough economy that economic decisions in Cuba would not change the price of oil on the world market.

A large economy is defined as an economy (e.g., a country) that is large enough that it can impact world prices for a good. For example, the United States is such a large economy that economic decisions in the United States can (and do) change the price of oil on the world market.

Definition 2.19.26 (Social Capital) [Advanced Negotiation (Spring 2007)] The power that results from managers’ access to other people within and outside their organization. It is a value that comes from who, when, and how to coordinate through various contacts within and beyond the organization.

Definition 2.19.27 (Social Collectivism) [International Business Management (Fall 2006)] Defined by GLOBE as the degree to which organizational and societal institutional practices encourage and reward collective distribution of resources and collective action.
Definition 2.19.28 (Social Proof Principle) [Advanced Negotiation (Spring 2007)] The social proof principle refers to the fact that we look to the behavior of others to determine what is desirable, appropriate, and correct.

Definition 2.19.29 (Soft Deadline) [Advanced Negotiation (Spring 2007)] A colloquial term for a deadline that may have been determined arbitrarily, rather than on the basis of serious costs or consequences if the deadline is not met, and can be changed if necessary.

See also definition 2.8.2

Definition 2.19.30 (Specific) [International Business Management (Fall 2006)] A value orientation in which individuals have a large public space they readily share with others and a small private space they guard closely and share only with close friends and associates.

Definition 2.19.31 (Stage Game) [Advanced Negotiation (Spring 2007)] Suppose that game $G = \{S_1, \ldots, S_n; u_1, \ldots, u_n\}$ is played repeatedly $T$ times. Then $G$ is called the stage game of the repeated game $G(T)$.

See definition 2.6.16

Definition 2.19.32 (Standard Deviation) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] The standard deviation is the square root of the variance. An observation will fall within 1 standard deviation of the mean approximately 68% of the time, two standard deviations approximately 95% of the time, and within 3 standard deviations approximately 99.7% of the time.

See definition 2.22.4

Definition 2.19.33 (Standard for the Exchange of Product Data (STEP)) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] Provides a format allowing the electronic transmittal of three-dimensional data.

Definition 2.19.34 (State Trading Enterprise) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)] Under the GATT 1994, state-owned enterprises (SOEs) may not discriminate between foreign and domestic goods.

In the words of the WTO,\footnote{10}
The basic obligation in respect to state trading enterprises as contained in Article XVII of GATT 1994 is that enterprises which are state-owned, or receive exclusive or special privileges from the state, shall act in a manner consistent with the general principles of non-discriminatory treatment, that is, should make any purchases or sales strictly on the basis of commercial considerations. This principle does not apply to government procurement, that is, purchases made by governments or governmental agencies for their own immediate consumption and not for transformation and resale. Members have to notify the products which are imported or exported into or from their territories by state trading enterprises.

An Understanding on this issue was negotiated during the Uruguay Round, which establishes a working definition of the state trading enterprises which have to be notified, and establishes a Working Group to study the issue on the basis of the information received through the notifications.

**Definition 2.19.35 (Sticky Ties) [Advanced Negotiation (Spring 2007)]** A term used by negotiation researchers K. L. Valley and T. A. Thompson to refer to resistance to change that emanates from ingrained habits of past social interaction.

**Definition 2.19.36 (Stock) [Contemporary Topics in International Economics (Spring 2007)]** Units of ownership in a corporation represented by shares. Each unit of ownership is also known as a share.

Stocks are also known as equities. See definition 2.19.14. Owners of stock are called stockholders or shareholders. See definition 2.19.14.

**Definition 2.19.37 (Stock Exchange) [Contemporary Topics in International Economics (Spring 2007)]** A registered market in securities. Sometimes described as a building and the associated organization that trades stocks in of companies for money and vice versa.

Stock exchanges in the United States include the AMEX (American Stock Exchange), NYSE (New York Stock Exchange), and the NASDAQ (National Association of Securities Dealers Automated Quotation). European stock exchanges

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107 Note that although a common definition lists a building in which stocks are traded, increasingly, stocks are traded electronically. Exchanges such as the NYSE, or New York Stock Exchange, still trade stocks in a physical location on Wall Street in New York, while others, such as the NASDAQ, accomplish all trades electronically. Even at the NYSE, after-hours trading is accomplished with an electronic exchange.
include the London Stock Exchange, the Paris Bourse, and the Deutsche (German) Börse.

**Definition 2.19.38 (Stock Index) [Contemporary Topics in International Economics (Spring 2007)]** A stock market index is a listing of stocks, and a statistic reflecting the composite value of its components. It is used as a tool to represent the characteristics of its component stocks, all of which bear some commonality such as trading on the same stock market exchange, belonging to the same industry, or having similar market capitalizations. Many indices compiled by news or financial services firms are used to benchmark the performance of portfolios such as mutual funds.

The most popular stock indexes in the U.S. include the Dow Jones Index, the S&P 500, the NASDAQ Composite Index.

**Definition 2.19.39 (Stock Market) [Contemporary Topics in International Economics (Spring 2007)]** The trading of stocks, or a place where this occurs.

**Definition 2.19.40 (Stock Market Correction) [Contemporary Topics in International Economics (Spring 2007)]** A stock market crash is usually when the stock market (in the U.S., usually measured by the Dow Jones Industrial Average) declines 10% or less in a relatively short period of time.

See also definition 2.19.41.

**Definition 2.19.41 (Stock Market Crash) [Contemporary Topics in International Economics (Spring 2007)]** A stock market crash is usually when the stock market (in the U.S., usually measured by the Dow Jones Industrial Average) declines more than 10% in a relatively short period of time.

See also definition 2.19.40.

**Definition 2.19.42 (Stock Options) [Contemporary Topics in International Economics (Spring 2007)]** The term “stock options” refers to both options to buy stock awarded to employees and to a type of futures contract based on stock prices.

- Stock awarded to employees – Stock Options are options, usually given to employees, to purchase stock in the company at a future date. The price of the option is established, thus if the company’s stock price rises above the option price, the owner is able to take advantage of the stock increase (current stock price - established stock price). Options therefore work well for high

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109 S&P stands for Standard & Poor, a leading financial firm in the U.S.
111 See definition 2.6.35.
growth companies and are used to increase loyalty of early stage employees. They are also used to replace some part of the salary which helps reduce the company's cash flow (burn rate). Stock options may vest over multiple periods of time. Thus a certain amount of the options become available at certain stages.  

- Type of futures contract based on stock prices – A privilege, sold by one party to another, that gives the buyer the right, but not the obligation, to buy (call) or sell (put) a stock at an agreed-upon price within a certain period or on a specific date.

  In the U.K., it is known as a “share option.”

American options can be exercised anytime between the date of purchase and the expiration date. European options may only be redeemed at the expiration date. Most exchange-traded stock options are American.

Definition 2.19.43 (Stock Symbols) [Contemporary Topics in International Economics (Spring 2007)] Most stocks (see definition 2.19.36) have associated stock symbols. For example, Microsoft is MSFT. A quick search of http://finance.yahoo.com using the stock symbol MSFT reveals that Microsoft has 9.57 billion shares of stock outstanding.

Definition 2.19.44 (Stockholder) [Contemporary Topics in International Economics (Spring 2007)] See definition 2.19.14.

Definition 2.19.45 (Stop Order) [Contemporary Topics in International Economics (Spring 2007)] An order to buy or sell a security when its price surpasses a particular point, thus ensuring a greater probability of achieving a predetermined entry or exit price, limiting the investor’s loss or locking in his or her profit. Once the price surpasses the predefined entry/exit point, the stop order becomes a market order.

Also referred to as a “stop” and/or “stop-loss order.”

Investors commonly use a stop order before leaving for holidays or entering a situation where they are unable to monitor their portfolio for an extended period.

Stops are not a 100% guarantee of getting the desired entry/exit points. For instance, if a stock gaps down then the trader’s stop order will be triggered (or filled) at a price significantly lower than expected.

Traders who use technical analysis will place stop orders below major moving averages, trendlines, swing highs, swing lows or other key support or resistance levels.
Definition 2.19.46 (Stop-Limit Order) [Contemporary Topics in International Economics (Spring 2007)] An order placed with a broker that combines the features of stop order with those of a limit order. A stop-limit order will be executed at a specified price (or better) after a given stop price has been reached. Once the stop price is reached, the stop-limit order becomes a limit order to buy (or sell) at the limit price or better.

The primary benefit of a stop-limit order is that the trader has precise control over where the order should be filled. The downside, as with all limit orders, is that the trade is not guaranteed to be executed if the stock/commodity does not reach the limit price.

A stop order is an order that becomes executable once a set price has been reached and is then filled at the current market price. A limit order is one that is at a certain price or better. By combining the two orders, the investor has much greater precision in executing the trade. Because a stop order is filled at the market price after the stop price has been hit, it’s possible that you could get a really bad fill in fast-moving markets. Also, some brokers don’t accept stop-limits for all securities, specifically over-the-counter stocks.

For example, let’s assume that ABC Inc. is trading at $40 and an investor has put in a stop-limit order to buy with the stop price at $45 and the limit price at $46. If the price of ABC Inc. moves above $45 stop price, the order is activated and turns into a limit order. As long as the order can be filled under $46 (the limit price), then the trade will be filled. If the stock gaps up above $46, the order will not be filled. [116]

See also definition 2.13.11, 2.12.10, and 2.19.45.

Definition 2.19.47 (Strategic Risk) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)] The riskiness of tactics used during a negotiation. For example, if you make a threat, what is the chance that the other party will call you on it? What is the cost of following through on the threat?

Definition 2.19.48 (Strategy) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] How an organization expects to achieve its missions and goals.

Definition 2.19.49 (Strategy Space) [Advanced Negotiation (Spring 2007)] The strategy space $S_i$ is the set of all strategies available to player $i$. Commonly, $s_i$, where $s_i \in S_i$, is used to denote an arbitrary member of this set.

Definition 2.19.50 (Strictly Dominated) [Advanced Negotiation (Spring 2007)] In the normal form game

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\[ G = \{S_1, \ldots, S_n; u_1, \ldots, u_n\}, \text{ let } s_i' \text{ and } s_i'' \text{ be feasible strategies for player } i \text{ (i.e., } s_i', s_i'' \in S_i). \text{ Strategy } s_i' \text{ is strictly dominated by strategy } s_i'' \text{ if for each feasible combination of the other players' strategies, } i \text{'s payoff from playing } s_i' \text{ is strictly less than } i \text{'s payoff from playing } s_i''. \]

\[ u_i(s_1, \ldots, s_{i-1}, s_i', s_{i+1}, \ldots, s_n) < u_i(s_1, \ldots, s_{i-1}, s_i'', s_{i+1}, \ldots, s_n) \quad (2.24) \]

for each \((s_1, \ldots, s_{i-1}, s_{i+1}, \ldots, s_n)\) that can be constructed from the other players’ strategy spaces \(S_1, \ldots, S_{i-1}, S_{i+1}, \ldots, S_n\).

Definition 2.19.51 (Subgame of a TU-game) [Advanced Negotiation (Spring 2007)] In cooperative game theory, a subgame of a TU-game \((I, v)\) is the game \((S, v)\) obtained by restricting \(v(\cdot)\) to the subsets of \(S\) where \(S \subset I\).

Definition 2.19.52 (Suboptimal) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)] If no agreement is reached when there is a positive bargaining zone, the agreement is suboptimal. That is, both parties would be better off if an agreement were reached.

Definition 2.19.53 (Subsidy) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)] A subsidy is a financial contribution by a government or public body that confers a benefit on the producer of a good.

Definition 2.19.54 (Supply Perspective) [International Economic Organizations (Fall 2006)] Supply refers to the supply of FDI. Motivations and constraints on foreign firms as driving forces behind FDI patterns.

Definition 2.19.55 (Sweetening the Deal) [Advanced Negotiation (Spring 2007)] Also known as the “that’s not all” technique. See definition [2.20.9].

Definition 2.19.56 (Synergies) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)] A business term indicating the additional value from combining two entities over and above the individual values of the entities themselves.

For example, if Apple were to acquire a cell phone company, they could combine to create an iPod with mobile phone capabilities (wouldn’t that be cool!) more cheaply than if they were to license cell phone technology from an independent company.

Definition 2.19.57 (Synergies) [Advanced Negotiation (Spring 2007)] A business term indicating the additional value from combining two entities over and above the individual values of the entities themselves.
For example, if Apple were to acquire a cell phone company, they could combine to create an iPod with mobile phone capabilities (wouldn’t that be cool!) more cheaply than if they were to license cell phone technology from an independant company.

2.20 T (28 Terms)

Definition 2.20.1 (Takumi) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] A Japanese character that symbolizes a broader dimension than quality, a deeper process than education, and a more perfect method than persistance.

Definition 2.20.2 (Tantrum) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)] Emotional outburst. Children are said to “throw a tantrum” when they scream or cry to get their parents to acquiesce to demands.

Definition 2.20.3 (Tariff Concessions) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)] A concession is the act of conceding or yielding; usually implying a demand. A tariff concession is a concession in which a country lowers a tariff rate on imported goods or services.

Definition 2.20.4 (Tariff Negotiations) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)] Members of the WTO must negotiate periodically to try to reduce tariff rates.

In the words of the WTO,

Article XXVIII bis (Tariff Negotiations) of the GATT 1994 sets out the basic considerations and principles to govern tariff negotiations. It provides that periodically Members will engage in rounds of multilateral trade negotiations for reduction of tariff on a reciprocal and mutually advantageous basis.

Definition 2.20.5 (Task Conflict) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)] Disputes over goals and resources.

Definition 2.20.6 (Task Conflict) [Advanced Negotiation (Spring 2007)] Conflict concerning the merits of ideas, plans, and projects independent of the identity of the people involved. It is impersonal in nature.

Also known as cognitive conflict. See also definition

117 Since I originally wrote this sidenote, Apple has unveiled the iPhone, a combination iPod and cell phone.
118 In Chinese, the symbol looks like qiao, as in qiakel.
Definition 2.20.7 (Technical Trading) [Contemporary Topics in International Economics (Spring 2007)] Technical traders are obsessed with charts and graphs, watching lines on stock or index graphs for signs of convergence or divergence that might indicate buy or sell signals.

Definition 2.20.8 (Technological Forecasts) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] In operations management, long-term forecasts concerned with the rates of technological progress. These concern rates of technological progress, which impacts purchases of new plant and equipment as well as development of new products.

See also definitions 2.5.1 and 2.4.6.

Definition 2.20.9 (That’s Not All Technique) [Advanced Negotiation (Spring 2007)] A persuasive negotiation technique which offering to add more to a negotiated package or deal.

See also definition 2.19.55.

Definition 2.20.10 (The Winner’s Curse) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)] If the other side accepts your opening offer, you probably did not ask for enough. This is known as the winner’s curse.

Definition 2.20.11 (The World Bank Group) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)] The World Bank is composed of two institutions [1, p. 4]:

1. The International Bank for Reconstruction and Development (IBRD)
2. The International Development Association (IDA)

The World Bank forms the core of an institution called the World Bank Group, which is composed of the two institutions of the World Bank and three additional institutions:

1. The International Finance Corporation (IFC)
2. The Multilateral Investment Guarantee Agency (MIGA)
3. The International Centre for Settlement of Investment Disputes (ICSID)

Each of the institutions has its own Articles of Agreement or other equivalent founding document. These documents detail the institution’s

Definition 2.20.12 (Threat) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)] In a dispute resolution setting, a threat is defined as an ultimatum, attempt to intimidate, or suggestion of negative consequences.

Definition 2.20.13 (Time Series) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] A forecasting technique that uses a series of past data points to make a forecast. See also definitions 2.14.1, 2.13.32, 2.5.28, and 2.20.25.

Definition 2.20.14 (Time-Based Competition) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] Competition based on time, rapidly developing products and moving them to markets.

Definition 2.20.15 (Token Groups) [International Business Management (Fall 2006)] All members but one have the same background. One of several ways in which groups can be categorized. See also definitions 2.8.6, 2.2.16, and 2.13.34.

Definition 2.20.16 (Total Factor Productivity) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] See definition 2.13.33.

Definition 2.20.17 (Total Quality Management (TQM)) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] Management of an entire organization so that it excels in all aspects of products and services that are important to the customer. It emphasizes continuous improvement in the entire organization, from supplier to customer.

Definition 2.20.18 (Total Slack) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] In project scheduling, the time shared among more than one activity.

Definition 2.20.19 (Tracking Signal) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] A measurement of how well the forecast is predicting actual values.
A tracking signal is computed as a running sum of the forecast errors (RSFE) divided by the mean absolute deviation (MAD). In other words,

\[
(\text{Tracking signal}) = \frac{\text{RSFE}}{\text{MAD}} = \frac{\sum (\text{actual demand in period } i - \text{forecast demand in period } i)}{\text{MAD}}
\]

where

\[
\text{MAD} = \frac{\sum |\text{actual} - \text{forecast}|}{n}
\]  

(2.25)

Definition 2.20.20 (Trade Deficit) [International Economics (Fall 2006)] When imports of goods exceed exports. See definition 2.2.7.

Definition 2.20.21 (Trade Surplus) [International Economics (Fall 2006)] When exports of goods exceed imports. See definition 2.2.7.

Definition 2.20.22 (Trade in Services) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)] The supply of a service [3, p. 90]

1. Cross-border supply – From the territory of one Member into the territory of another Member,

2. Consumption abroad – In the territory of one Member to the service consumer in another Member,

3. Supply through a commercial presence – By a service supplier in one Member through the commercial presence in the territory of another Member (note that this can relate to foreign investment by suppliers of a service),

4. Supply through the presence of natural persons – By a service supplier in one Member through the presence of natural persons in the territory of another Member.

Note that services supplied in the exercise of government authority are not considered trade in services according to the GATS.

Definition 2.20.23 (Transferable Utility Game in Characteristic Form) [Advanced Negotiation (Spring 2007)] A transferable utility game in characteristic form (or TU-game) is defined by \((I, v)\), where \(I\) is a set of players and \(v(\cdot)\) is a function, called the characteristic function, that assigns to every nonempty coalition \(S \in I\) a number \(v(S)\) called the worth of \(S\). \(^{120}\)

\(^{120}\)See definition 2.23.8
Definition 2.20.24 (Transnational Strategy) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] In operations management, a strategy that combines the benefits of global scale efficiencies with the benefits of local responsiveness.

Definition 2.20.25 (Trend Projections) [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] A time-series forecasting method that fits a trend line to a series of historical data points and then projects the line into the future for forecasts.

See also definition 2.20.13.

Definition 2.20.26 (Trigger Strategy) [Advanced Negotiation (Spring 2007)] A strategy in a repeated game in which which a player cooperates until someone fails to cooperate, which triggers a switch to noncooperation forever after.

Definition 2.20.27 (Trust) [Advanced Negotiation (Spring 2007)] Trust is an expression of confidence in another person or group of people that you will not be put at risk, harmed, or injured by their actions.

Definition 2.20.28 (Turnover) [International Management and Entrepreneurship (Spring 2007)] When you have replaced 100% of your original inventory, you have “turned over” your inventory.

2.21 U (6 Terms)

Definition 2.21.1 (Ultimatum) [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)] A final proposition, concession, or condition.

Definition 2.21.2 (Uncertainty Avoidance) [International Business Management (Fall 2006)] Defined by Dutch researcher Geert Hofstede as the extent to which people feel threatened by ambiguous situations and have created beliefs and institutions that try to avoid these. Defined by GLOBE as the extent to which members of an organization or society strive to avoid uncertainty by reliance on social norms, rituals, and bureaucratic practices to alleviate the unpredictability of future events.

Definition 2.21.3 (Unconscious Priming) [Advanced Negotiation (Spring 2007)] The impact that subtle cues and information in the environment have on our behavior at a level below our conscious awareness.

Definition 2.21.4 (Underwriting) [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)]
To set one’s name to a contract for the purpose of becoming answerable for loss or damage.

For example, an insurance underwriter is responsible for compensating the insured party if an insurable event occurs.

Investment banks, such as Merrill Lynch or Goldman Sachs, often underwrite corporate IPOs (see definition 2.9.1), guaranteeing to buy whatever portion of the company’s stock that is not sold in the initial offering to the public market.

**Definition 2.21.5 (Universalism)** [International Business Management (Fall 2006)]
A value orientation in which people hold the belief that ideas and practices can be applied everywhere without modification.

**Definition 2.21.6 (Utility Possibility Set)** [Advanced Negotiation (Spring 2007)]
In cooperative game theory, a nonempty, closed set $U^S \subseteq \mathbb{R}^S$ is a utility possibility set for $S \subseteq I$ if it is comprehensive; that is, if

$$u^S \in U^S \text{ and } u'^S \leq u^S \Rightarrow u'^S \in U^S$$

**(2.26)**

**2.22  V (7 Terms)**

**Definition 2.22.1 (Valuation for Customs Purposes)** [International Economic Organizations (Fall 2006) and Contemporary Topics in International Economics (Spring 2007)]
The value assigned to goods that is used for determining tariffs should be based on the actual value of the good in the importing country rather than on the value in the exporting country or on some arbitrary value.

In the words of the WTO,[10] Article VII sets out the principle that the value for customs purposes, that is for the purposes of assessing duties or other charges or restrictions on imports and exports based upon value, should be based on the actual value of the merchandise on which duty is assessed, and not on the value of merchandise of national origin or on arbitrary or fictitious values. This Article provides the basis for the much more detailed WTO Agreement on Customs Valuation.

**Definition 2.22.2 (Value Analysis)** [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)]
A review of successful products that takes place during the production process.

**Definition 2.22.3 (Values)** [International Business Management (Fall 2006)]
Basic convictions that people have regarding what is right and wrong, good and bad, important and unimportant.
Definition 2.22.4 (Variance). For a single variate $X$ having a distribution $P(x)$ with known population mean $\mu$, the population variance $\text{var}(X)$, commonly also written $\sigma^2$, is defined as $\sigma^2 \equiv \sum_{i=1}^{N} P(x_i)(x_i - \mu)^2$ for a discrete distribution with $N$ possible values of $x_i$ and $\sigma^2 \equiv \int P(x)(x - \mu)^2 \, dx$ for a continuous distribution.

See also 2.19.32.

Definition 2.22.5 (Vienna Convention). The Vienna Convention on the Law of Treaties (VCLT) formalized and codified many aspects of international law regarding treaties. The VCLT entered into force in January of 1980 and has 105 signatories, though it is binding on other countries as it is simply a formal statement of already existing customary international law.


The draft has been elaborated by the International Law Commission (ILC) of the United Nations which began work on the Vienna Convention in 1949 and finished in 1969 with two sessions of a plenipotentiary conference of states held by the UN in Vienna, Austria.

During the twenty years of preparation, several draft versions of the convention and commentaries were prepared by special rapporteurs of the ILC. James Brierly, Sir Hersch Lauterpacht, Sir Gerald Fitzmaurice and Sir Humphrey Waldock were the four special rapporteurs. 105 states have ratified the VCLT. However, even those that have not may still recognize it as binding upon them in as much as it is a restatement of customary law. The United States is among these. The scope of the Convention is limited. It applies only to treaties concluded between states (Article 1), excluding treaties between states and international organizations or between international organizations themselves. These are governed by the 1986 Vienna Convention on the Law of Treaties Between States and International Organizations or Between International Organizations. Additionally, the Convention only applies to written agreements, but does not limit the application of oral agreements (Article 3).

2.23. W (8 TERMS)

A visual form of communication in which images substitute for reality and typically allow the user to respond interactively.

**Definition 2.22.7 (Visible Trade)** [International Economics (Fall 2006)] Also known as the balance of trade. See definition 2.2.7.

2.23 W (8 Terms)

**Definition 2.23.1 (WATNA)** [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)] Worst alternative to a negotiated agreement. Also known as a LATNA (definition 2.12.1).

**Definition 2.23.2 (Willingness to Accept)** [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)] The seller’s reservation point.

**Definition 2.23.3 (Willingness to Pay)** [Business Negotiation (Fall 2006) and Business Negotiation (Spring 2007)] The buyer’s reservation point.

**Definition 2.23.4 (Work Breakdown Structure (WBS))** [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] In operations management, dividing a project into more and more detailed components.

**Definition 2.23.5 (Work Order)** [International Management and Entrepreneurship (Spring 2007) and International Enterprise Management (Spring 2007)] An instruction to make a given quantity of a particular item, usually to a given schedule.

**Definition 2.23.6 (World Bank Group Networks)** [International Economic Organizations (Fall 2006)] World Bank Group Networks networks are based on development themes and exist to link communities of staff members who work in the same fields of development and link these staff members more effectively with partners outside the Bank Group.

Staff members of World Bank Group networks may sell their time to regional departments.

**Definition 2.23.7 (World Bank Group Sectors)** [International Economic Organizations (Fall 2006)] Sectors are high-level groupings of economic activities based on the types of goods or services produced. They are aligned with the United Nations classification of economic sectors used as a point of reference, are mutually exclusive, and are used to indicate which part of the economy is supported by a given Bank intervention.

Examples of World Bank Group sectors:
• AZ – General agriculture, fishing, and forestry sector
• CT – Telecommunications
• FA – Banking
• LC – Oil and gas

**Definition 2.23.8 (Worth of a Coalition)** [Advanced Negotiation (Spring 2007)]

In cooperative game theory, the coalition’s total utility, denoted $v(S)$, is called the worth of coalition $S$.

2.24 X (No Terms)

No terms have been defined for the letter ‘X’.

2.25 Y (1 Terms)

**Definition 2.25.1 (Yes Man)** [International Business Management (Fall 2006)]

A slang term for a subordinate who always says “yes” to whatever his boss suggests.

*In the United States, it is not considered a flattering term.*

2.26 Z (No Terms)

No terms have been defined for the letter ‘Z’.
Bibliography


