

Business and Economics English

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Management

Aims

- Consider what the functions of management are
- Discuss what makes a good manager

Lead-in

- To what extent is effective management something you are born with, as opposed to a set of skills that can be taught?
- Which business leaders do you admire for their managerial skills? What are these skills?
- Do managers have a good reputation in your country? Or are they made fun of in jokes, cartoons and television series? If so, why do you think this is?
- Which of the five famous managers below do you find the most interesting and impressive?



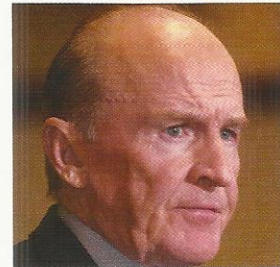
"Hey, this is brilliant! Where do you get my ideas?"

© The New Yorker

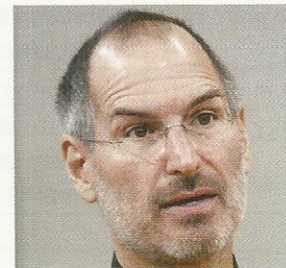


Akio Morita co-founded a company in Tokyo in 1946, and later changed its name to Sony. He moved to the US, where he had the original ideas for the Walkman and the video cassette recorder. Sony acquired music and film companies, and developed video games.

While **Jack Welch** was Chief Executive Officer (CEO) of General Electric in the 1980s and 1990s, its market value increased from \$14 billion to more than \$410 billion. He fired 10% of the company's managers each year.



Steve Jobs was first the co-founder and later the CEO of Apple. He was fired from his own company (!) in 1985, and co-founded Pixar Animation Studios, but rejoined Apple in 1997, and helped develop the iPod and the iPhone.





In 1998, **Meg Whitman** joined a start-up company called eBay in Silicon Valley as President and CEO. She resigned ten years later, when it was a hugely successful business, planning to run for Governor of California.

Carlos Ghosn, born in Brazil, but a French and Lebanese citizen, became the CEO of the Nissan car company in 2001. In 2005, he also became CEO of Renault. At Nissan, he converted huge debts into huge profits.



Listening: What makes a good manager? ▶1.2 ▶1.3

Listen to two MBA (Master of Business Administration) students at the Judge Business School at Cambridge University talking about management.

Who says the things about managers in the table below – Carlo (the first speaker) or Olga (the second)?

	Carlo	Olga
A good manager should:		
1 follow the company's goals		
2 help subordinates to accomplish their own goals and objectives		
3 help young colleagues to develop		
4 know how to lead people		
5 know how to motivate people		
6 make a maximum profit for the owners (the shareholders)		
7 meet the targets they have been set		
8 successfully execute plans and strategies		



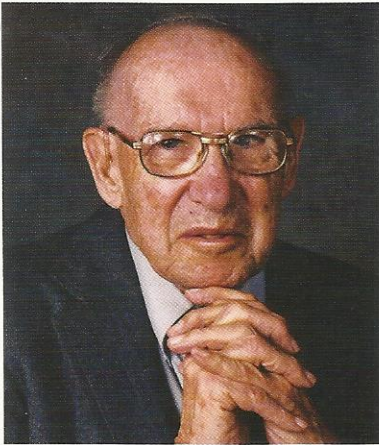
Carlo de Stefanis
(from Italy)



Olga Babakina
(from Russia)

Discussion: What makes a good manager?

What do you think are the three most important characteristics of a good manager? Are there any qualities or characteristics you would add to the ones mentioned by the MBA students?



Reading: What is management?

Read the text summarizing the different functions of management. Which of the qualities mentioned in the Listening exercise do you think are particularly necessary for the five tasks described by Peter Drucker?

Management is *important*. The success or failure of companies,

public sector institutions and services, not-for-profit organizations, sports teams, and so on, often depends on the quality of their managers. But what do managers *do*? One well-known classification of the tasks of a manager comes from Peter Drucker. Drucker was an American business professor and consultant who is often called things like 'The Father of Modern Management'.

Drucker suggested that the work of a manager can be divided into five tasks: *planning* (setting objectives), *organizing*, *integrating* (motivating and communicating), *measuring performance*, and *developing people*.

- First of all, senior managers and directors set objectives, and decide how their organization can achieve or accomplish them. This involves developing strategies, plans and precise tactics, and allocating resources of people and money.
- Secondly, managers organize. They analyse and classify the activities of the organization and the relations among them. They divide the work into manageable activities and then into individual tasks. They select people to perform these tasks.
- Thirdly, managers practise the social skills of motivation and communication. They also have to communicate objectives to the people responsible for attaining them. They have to make the people

who are responsible for performing individual tasks form teams. They make decisions about pay and promotion. As well as organizing and supervising the work of their subordinates, they have to work with people in other areas and functions.

- Fourthly, managers have to measure the performance of their staff, to see whether the objectives or targets set for the organization as a whole and for each individual member of it are being achieved.
- Lastly, managers develop people – both their subordinates and themselves.

A company's top managers also have to consider the future, and modify or change the organization's objectives when necessary, and introduce the innovations that will allow the business to continue. Top managers also have to manage a business's relations with customers, suppliers, distributors, bankers, investors, neighbouring communities, public authorities, and so on, as well as deal with any crisis that arises.

Although the tasks of a manager can be analysed and classified in this fashion, management is not entirely scientific. There are management skills that have to be learnt, but management is also a human skill. Some people are good at it, and others are not. Some people will be unable to put management techniques into practice. Others will have lots of technique, but few good ideas. Excellent managers are quite rare.

Writing

Write a brief summary of each of the five tasks listed by Drucker.

Vocabulary

1 Match up the following words and definitions.

- | | |
|--------------------|---|
| 1 consultant | A a plan for achieving success |
| 2 crisis | B a new idea or method |
| 3 innovation | C a person with a less important position in an organization |
| 4 objective (noun) | D a person who provides expert advice to a company |
| 5 promotion | E a situation of danger or difficulty |
| 6 public sector | F something you plan to do or achieve |
| 7 strategy | G the section of the economy under government control |
| 8 subordinate | H when someone is raised to a higher or more important position |

2 The text contains a number of common verb–noun combinations. Use the word combinations in the box to complete the sentences below.

allocate resources deal with crises make decisions perform tasks
measure performance set objectives supervise subordinates

- After an organization has _____, it has to make sure that it achieves them.
- Managers have to find the best way to _____ all the human, physical and capital _____ available to them.
- Some people _____ better on their own while others work better in teams.
- Managers _____ the work of their _____ and try to develop their abilities.
- Managers _____ the _____ of their staff to see whether they are reaching their targets.
- Top managers have to be prepared to _____ if they occur and then have to _____ quick _____.

Case study: Selecting a Chief Operating Officer

Three companies are looking for a senior manager – a Chief Operating Officer who will be responsible for managing the company's day-to-day operations, and making sure that all operations are efficient and effective.

Company A is a cigarette manufacturer that has to modernize its production systems in order to become profitable, in an industry that has an increasingly bad reputation.

Company B is a software developer that employs a lot of young, creative, talented and rather undisciplined people.

Company C is a private television channel whose objective is to broadcast programmes that get as big an audience as possible, in order to maximize advertising revenue.

Which of the following candidates might be the most suitable for the positions on page 13? Here are some extracts from their letters.

Candidate 1 My skills involve helping businesses achieve their objectives. Throughout my career I have ensured that my subordinates successfully executed the strategies developed by senior management, delivered results and maximized revenue.

Candidate 2 I see my main skills as being able to communicate with and motivate people, to help them develop and accomplish their objectives, while also working effectively in teams.

Candidate 3 At this stage in my career, I see myself in a challenging new position that involves setting objectives and deciding how the organization can achieve them. I would then concentrate on measuring the performance of the staff.

Candidate 4 My career demonstrates an ability to analyse problems, find solutions and implement them. I also have strong communication skills and experience in explaining difficult decisions to employees, investors, journalists, and so on.

Writing

Imagine you work for a recruitment agency or a headhunting firm. Write an email of 50–100 words to your boss recommending your choice of candidates for the positions above and outlining the reasons.

3 Company structure

Aims

- Consider the different ways of organizing work
- Discuss potential conflicts between different departments in a company
- Compare the differences between large and small companies

Lead-in

- Which department – production, finance, accounting, marketing, sales, human resources, etc. – of an organization do you think is the most interesting to work in?
- What reasons can you think of for why departments get into conflict with each other?
- Is it better to have one immediate boss or to work for more than one manager?
- Do you prefer to work alone or in a team?
- Is it more motivating to be responsible to someone for your work, or responsible for people who report to you?

Reading: Wikinomics and the future of companies

Read the text below and answer this question.

- How is the world of organized work changing?

Experts are forecasting that in the future companies will use the Internet and the 'wikinomics' principle (from wiki, the Hawaiian word for 'quick', and economics). This means collaborating with people outside the traditional corporate structure, letting people around the world cooperate to improve an operation or solve a problem, and paying them for their ideas. This is an extension of the trend of outsourcing: transferring some of the company's internal functions or operations or jobs to outside suppliers, rather than performing them 'in-house'. In other words, companies will no longer need to get all their knowledge from their own full-time employees.

Here are two examples from Don Tapscott and Anthony D. Williams' book *Wikinomics: How Mass Collaboration Changes Everything*:

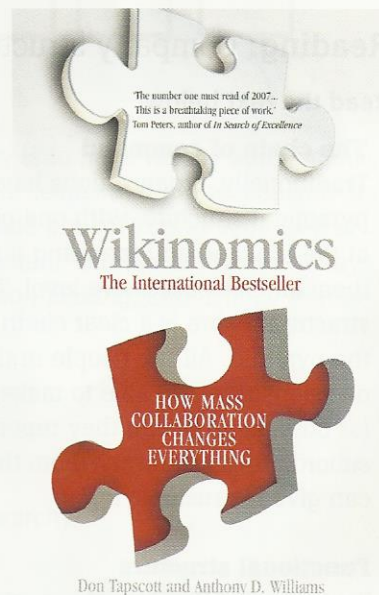
Red Lake, a Canadian gold mine, wasn't finding enough gold and was in danger of closing down. Then its chief executive heard a talk about Linus Torvalds, the inventor of Linux, the open-source computer operating system. He decided to put the company's secret geological data on the

Internet, and offered prize money to experts outside the company who could suggest where undiscovered gold might lie. People around the world recommended 110 targets, and 80% of them turned out to contain gold. The company's value has risen from \$100 m to \$9 bn.

If Procter & Gamble is looking for a new molecule to clean red wine off a shirt, it can use its own scientists. But there are 1.5 million other

scientists around the world. The company can offer a payment for a successful solution, and see if a scientist somewhere comes up with one.

- In what ways could your organization, company or business school use the wikinomics principle?
- What do you think are the disadvantages of the wikinomics principle?



Vocabulary

Before reading about traditional company organization, check your understanding of some basic terms by matching up the following words and definitions.

autonomous line authority	to delegate to report to	function	hierarchy or chain of command
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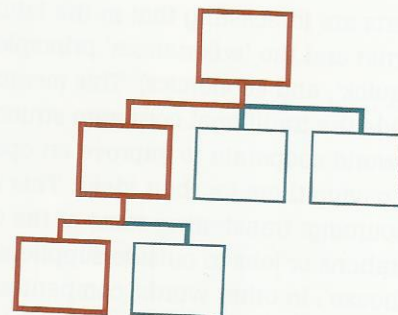
- 1 _____ a system of authority with different levels, one above the other, e.g. a series of management positions, whose holders can make decisions, or give orders and instructions
- 2 _____ a specific activity in a company, e.g. production, marketing, finance
- 3 _____ independent, able to take decisions without consulting someone at the same level or higher in the chain of command
- 4 _____ the power to give instructions to people at the level below in the chain of command
- 5 _____ to be responsible to someone and to take instructions from them
- 6 _____ to give someone else responsibility for doing something instead of you

Reading: Company structure

Read the text below.

The chain of command

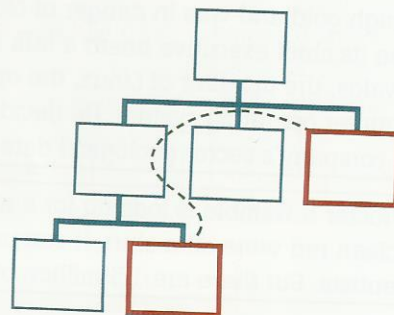
Traditionally, organizations have had a hierarchical or pyramidal structure, with one person or a group of people at the top, and an increasing number of people below them at each successive level. This is sometimes called line structure. There is a clear chain of command running down the pyramid. All the people in the organization know what decisions they are able to make, who their line manager (or boss) is (to whom they report), and who their immediate subordinates are (over whom they have line authority, and can give instructions to).



Functional structure

Yet the activities of most organizations are too complicated to be organized in a single hierarchy. Most large manufacturing companies, for example, have a functional structure, including, among others, specialized production, finance, marketing, sales, and human resources departments. This means, for instance, that the production and marketing departments cannot take financial decisions without consulting the finance department. Large organizations making a range of products are often further divided into separate operating divisions.

A disadvantage of functional organization is that people are often more concerned with the success of their own department than that of the company as a whole, so there are permanent conflicts between, say, finance and marketing or marketing and production over what the objectives are.



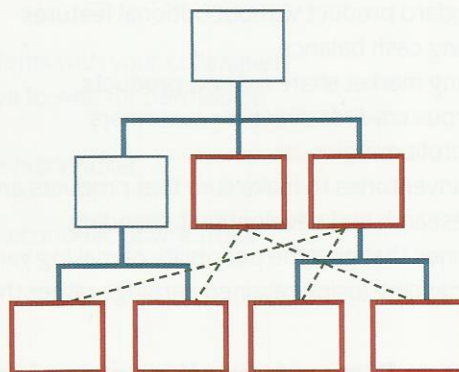
Flattening hierarchies and delegating responsibility

A problem with very hierarchical organizations is that people at lower levels can't take important decisions, but have to pass on responsibility to their boss. However, the modern tendency is to reduce the chain of command, take out layers of management, and make the organization much flatter. Advanced IT systems have reduced the need for administrative staff and enabled companies to remove layers of workers from the structure. Many companies have also been forced to cut back and eliminate jobs in recessions. Typically, the owners of small firms want to keep as much control over their business as possible, whereas managers in larger businesses who want to motivate their staff often delegate decision making and responsibilities to other people.

Matrix management

Another way to get round hierarchies is to use matrix management, in which people report to more than one superior. For example, a product manager with an idea could deal directly with the managers responsible for a certain market

segment and for a geographical region, as well as managers in the finance, sales and production departments. Matrices involving several departments can become quite complex, so it is sometimes necessary to give one department priority in decision making.



Teams

A further possibility is to have wholly autonomous, temporary groups or teams that are responsible for an entire project, and are split up as soon as it is successfully completed. But teams are not always very good at decision making, and usually require a strong leader.

Comprehension

- 1 What is the main advantage of a chain of command?
- 2 Why is it not usually possible to organize a large organization in a single hierarchy?
- 3 In what ways can dividing a business functionally cause problems?
- 4 What factors might lead companies to flatten their hierarchies?
- 5 According to the text, what kind of managers might not want to delegate decision making?
- 6 What is the potential disadvantage of matrix management systems?
- 7 Under what circumstances might teams not be effective?

Vocabulary

Match up the verbs and nouns below to make common word combinations.

delegate
give
make
motivate
take

decision making
decisions
instructions
priority
responsibilities
staff

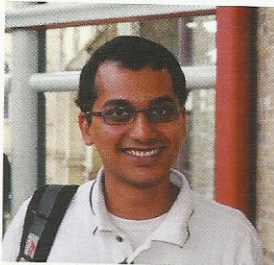
Discussion: Incompatible goals

The text mentions the often incompatible goals of the finance, marketing and production (or operations) departments. Classify the following strategies according to which department would probably favour them.

- 1 a factory working at full capacity
- 2 a large advertising budget
- 3 a large sales force earning high commission
- 4 a standard product without optional features
- 5 a strong cash balance
- 6 a strong market share for new products
- 7 generous credit facilities for customers
- 8 high profit margins
- 9 large inventories to make sure that products are available
- 10 low research and development spending
- 11 machines that give the possibility of making various different products
- 12 self-financing (using retained earnings rather than borrowing)

Listening: Big and small companies ▶1.6

Listen to three MBA students at the Judge Business School talking about different-sized companies, and answer the questions.



Krishna Srinivasan
(from Malaysia)



Carlo de Stefanis
(from Italy)



Olga Babakina
(from Russia)

- 1 Why does Krishna say that company size isn't important? What does he say is important?
- 2 Why does Carlo recommend university graduates to start in big companies?
- 3 What does Carlo say are the differences between big and small companies?
- 4 What does Olga say is more important than company size?
- 5 What does Olga say about big companies?

Discussion: Big and small companies

- How far do you share Krishna and Olga's points of view, and agree with Carlo's advice?
- What other benefits of working in a large company can you think of?
- What other reasons might make someone prefer to work in a small company?

• **Do the following statements refer to the advantages of working in a big or a small company?**

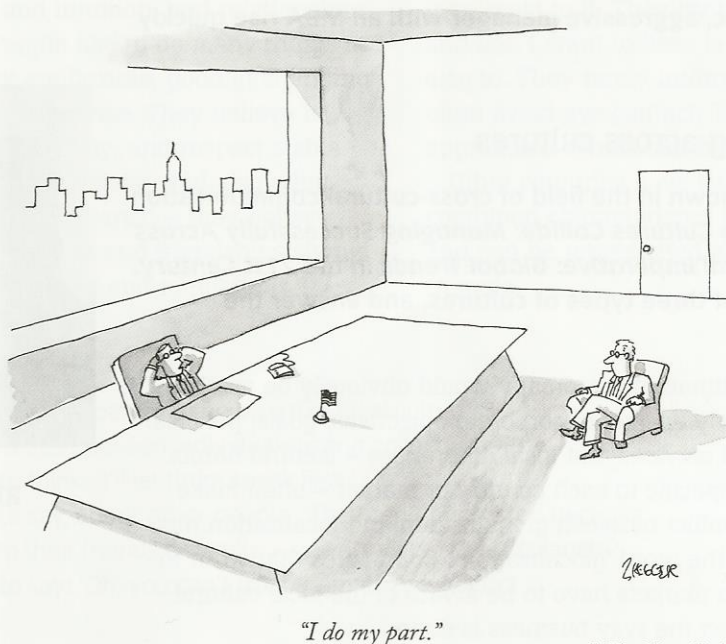
- 1 You are less likely to be affected by a big reorganization or downsizing or merger or takeover.
- 2 You are often responsible for a variety of different tasks.
- 3 You can actually see the result of your contribution to the firm.
- 4 You can be proud of working for a company with a national or international reputation.
- 5 You can become more specialized in your work.
- 6 You can probably change departments if you have problems with your colleagues.
- 7 You have more independence, and you don't always have to wait for permission from a superior.
- 8 You know everyone in the company and the atmosphere is friendlier.
- 9 You may be able to go and work in a foreign subsidiary.
- 10 Your company will probably be in a better position in an economic downturn or recession.

Presentation

Write notes for a short presentation on your company or a company you would like to work for. You should mention:

- what it does:
It designs / makes / provides / distributes / sells / offers / organizes / invests in, etc.
- where it is located:
It has offices / branches / subsidiaries / factories / stores, etc. in ...
- how it is structured and whether this is a reason for its success:
It consists of / includes / is divided into / is organized in, etc.
- why you want to work for this company.

Then give a short presentation to the class.



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5

Recruitment

Aims

- Consider the different stages of recruitment
- Discuss what makes a good CV/resume and covering letter
- Compare good and bad practice in preparing a CV and covering letter

Lead-in

- How long do you think recruiters in a Human Resources department spend looking at the average CV or resume for a junior position?
- If 100 young people with very similar experience and qualifications apply for a job, which elements in a CV or resume make a difference, and might lead to a job interview?
- How many times do you expect to apply for a new position during your career? How many times do you expect to change jobs?
- What does this cartoon say about the recruitment process?



"Résumés over there."

© The New Yorker

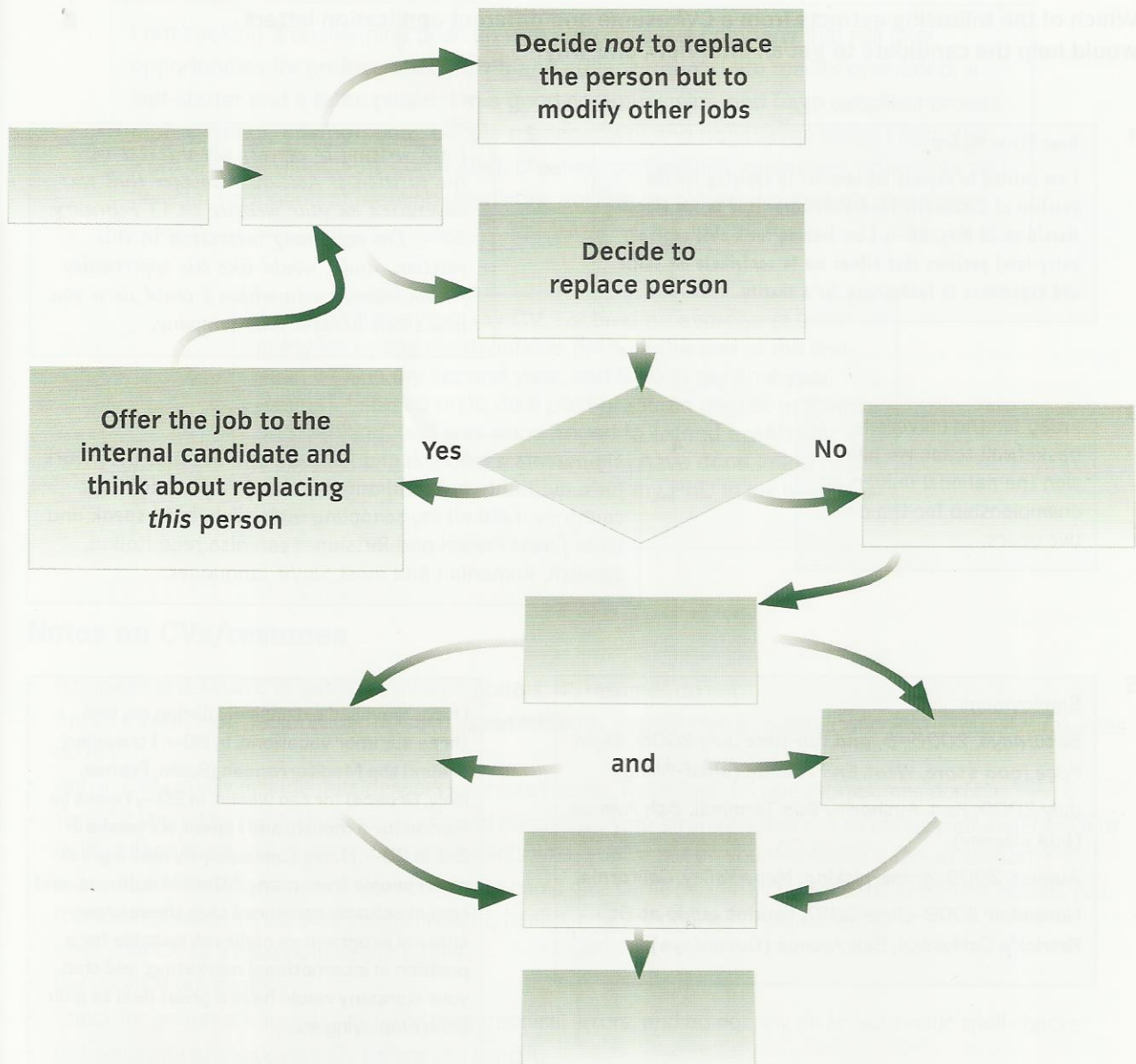
Reading: Filling a vacancy

When employees 'give notice', i.e. inform their employer that they will be leaving the company as soon as their contract allows, in what order should the company carry out the steps listed below? Complete the chart opposite with the letters A-I.

- A either hire an employment agency (or for a senior post, a firm of headhunters), or advertise the vacancy
- B establish whether there is an internal candidate who could be promoted (or moved sideways) to the job
- C examine the job description for the post, to see whether it needs to be changed (or indeed, whether the post needs to be filled)
- D follow up the references of candidates or applicants who seem interesting
- E invite the shortlisted candidates for an interview
- F make a final selection
- G receive applications, curricula vitae / resumes and covering letters, and make a preliminary selection (a shortlist)
- H try to discover why the person has resigned
- I write to all the other candidates to inform them that they have been unsuccessful

Vocabulary note

Curriculum vitae or *CV* is used in Britain; *resume* is more common in America. *Resume* used to be spelled the French way, with accents on the letter *e* (*résumé*), but it is now often spelled without them. The word has three syllables and the final *e* is pronounced: rez-oo-may /'rezumei/.



Reading and discussion: Job applications

When applying for your first job as a business graduate, you are probably only one of many applicants, most of whom will have similar experience and qualifications to your own.

- How can you get your name onto the shortlist for interviews when applying for a job?
- What can you do to impress the organization which is hiring staff?

Which of the following extracts from a CV/resume and different application letters would help the candidate to get an interview, and why?

1

Dear Sir or Madam,

I am writing to express my interest in applying for the position of Community Fundraiser advertised in the Morning Herald on 13 May, 20--. I am looking for a challenging entry-level position that allows me to contribute my skills and experience to fundraising for a charity.

2

I am writing to express my interest in the position of Account Manager that was advertised on your website on 13 February, 20--. I'm extremely interested in this position, and I would like the opportunity for an interview in which I could show you how I can benefit your company.

3

I play for the university basketball team. We have won the national university championship for the past two years.

4

My parents are French and Russian, and because they work for a multinational company, I grew up in four different countries. I did all my schooling in English, but I speak and write fluent French and Russian. I can also read Italian, Spanish, Romanian and most Slavic languages.

5

Employment

Saturdays, 2006–8, and full-time July 2008, Right Price food store, West End Avenue (shelf-filling).

July 2009, Port Authority Bus Terminal, 8th Avenue (bus cleaner).

August 2009, grape-picking, Napa Valley, California.

November 2009–June 2010, tourist guide at St Patrick's Cathedral, 5th Avenue (Saturdays).

6

I have travelled extensively during my last three summer vacations. In 20--, I travelled around the Mediterranean (Spain, France, Italy, Greece) for ten weeks. In 20--, I went to Florida for a month, and I spent six weeks in Bali in 20--. I have consequently met a great many people from many different cultures, and I am absolutely convinced that these cross-cultural experiences make me suitable for a position in international marketing, and that your company would have a great deal to gain from employing me.

7

Dear Mr/Ms [name],

I am applying for the Sales Associate position which we discussed during the Career Fair at the National University in [city] on [date]. I believe my varied sales experience and my Bachelor's degree in Business Administration are an excellent match to the qualifications you are seeking.

As you can see from the enclosed resume, I have sold a variety of products in part-time jobs during my studies and have worked in sales departments during two internship positions. This experience, as well as my oral and written communication skills, should prove valuable in increasing [company name]'s sales volume. I am enthusiastic about pursuing a career in sales with [company name] because of your varied product line and international distribution network.

8

I am seeking a challenging position with a progressive company that will offer opportunities for professional growth and advancement. I am results orientated, a self-starter and a team player. I'm a good communicator, and have excellent project management, interpersonal, people management and negotiation skills. I can also work unsupervised. I am committed, creative, competitive, ambitious, adaptable and flexible. I am good at meeting deadlines, solving problems and making decisions.

9

As you will see from my CV, I scored an average of 91% in my university examinations (94% at the end of the first year, 87% in my second year, and 92% in my final year exams). I stayed on to do a post-graduate degree in finance and banking, and was encouraged to extend my Master's dissertation into a doctorate, which I have done in the past ten months. I expect to be awarded my PhD in six weeks' time.

Notes on CVs/resumes

- European and Asian CVs generally include photos; US resumes do not.
- British CVs include personal details such as date of birth, marital status, number of children, etc.; US resumes do not.
- British CVs usually include outside work interests (sports, travelling); US ones sometimes don't.
- Your CV should be totally honest; you should emphasize your strengths, but not lie about your experience or skills. It should not say anything that contradicts what you've put on your Facebook page, or similar!
- Leave out information that is irrelevant or that could give some people a chance to discriminate against you (personal details such as your height, weight, health, country of origin, religion, etc.).
- Limit your CV to a maximum of two pages.
- Lay your CV out neatly.
- Check for grammatical and spelling or typographical errors, and do not rely on an automatic spell checker.
- Get someone to check your CV before you send it.



"Mind if I take this, chief?
It's a headhunter who's been after me for weeks."

© The New Yorker

Here is a model skeleton for a CV.

- Is this how you would present a CV in your own language?

Curriculum Vitae

Name

Address

Phone number(s) [daytime phone number, with the international access code]

Email address

Date of birth [write the month, e.g. 11 January 1990, because 11/1 = 11 January (GB) and 1 November (US)]

Nationality [always begins with a capital letter]

Marital status [Single or Married]

OBJECTIVE

[what you want to do next is more important than what you have done] e.g. A job in international marketing; A traineeship in trading; Production assistant; Account manager; Financial analyst

WORK EXPERIENCE

[in reverse order, starting with the most recent]

e.g. Part-time Technical Assistant, Economics Faculty IT Centre (September 2009–June 2010) (repair and maintenance of department, faculty, staff, and student computers)

EDUCATION or QUALIFICATIONS

[in reverse order, starting with the most recent]

20-- Master's Degree in International Management, Bigtown University (expected date of completion July 20--)

20-- Bachelor's Degree in Business Administration, majoring in Finance, Faculty of Business Administration and Economics, Bigtown University

20-- High School Certificate (specializing in maths and science)

COMPUTER SKILLS

e.g. Microsoft Word, Excel and PowerPoint, Lotus Notes and Oracle Financials

LANGUAGES

e.g. Fluent in Spanish and English, some knowledge of French and Italian.

or Arabic (mother tongue), good knowledge of English, elementary knowledge of Spanish.

HOBBIES AND INTERESTS

[ideally, these will include hobbies that demonstrate qualities that are relevant to the job you are applying for]

REFERENCES [or TESTIMONIALS (US)]

The following people can provide references:

[names and addresses (and phone numbers or email addresses) of two people]

Discussion: CVs/resumes and covering letters

- Why is it normal in some countries *not* to include photos or personal details on a CV/resume?
- Should a CV really be *totally* honest? Do you think most people are completely honest?
- Why might an employer want to know about your hobbies and interests?
- Would you *want* to work for someone who might be prejudiced against your country of origin or religion?
- Would you target each covering letter if you were applying to 30 companies?

Listening 1: Classifying the interviewee ▶1.9

John Antonakis is Professor of Organizational Behaviour at the University of Lausanne. Listen to him talking about how to behave at a job interview, and answer the questions.

- 1 What does the saying that John Antonakis quotes mean?
- 2 What does he say an interviewee should do?
- 3 How does he demonstrate that the saying is true?

Listening 2: Confirming first impressions ▶1.10

Listen to John Antonakis talking about the psychology of job interviewers, and answer the questions.

- 1 Which of the following things does he say?
 - A Interviewers make quick decisions about interviewees because they don't have enough information about them.
 - B Interviewees can demonstrate their intelligence and personality in a job interview.
 - C Interviewers make judgements on the basis of small signals or cues.
 - D Interviewers have a fixed idea in their heads as to what a competent person looks like.
 - E Interviewers are biased towards people who resemble themselves.
 - F Interviewers can either try to make a candidate succeed or fail.
 - G Interviewers will alter incorrect first impressions if a candidate answers questions well.
- 2 What is 'confirmation bias'?

Listening 3: Preparing for an interview ▶1.11

Listen to the third part of the interview and make a list of five things that John Antonakis says interviewees should do either before or during an interview.



John Antonakis

cue a sign or signal for someone to do (or in this case, think or believe) something

Discussion: First impressions

- To what extent do you think that you judge people as quickly as Antonakis suggests?
- How accurate do you think your first impressions about people usually are?
- How could interviewers be trained to be less biased?

Further tips for job interviews

Which five of these tips do you think are the most useful?

- Research the company thoroughly.
- Have complimentary things to say about the company and its products or services.
- Be confident and enthusiastic.
- Be prepared to talk about your strengths and weaknesses.
- Expect questions about difficult situations you have faced, problems you have solved, etc.
- Have examples of successful experiences with groups or teams.
- If you talk about your hobbies, try to say something interesting and memorable (and not just 'music, cinema, travel').
- Have some questions you can ask the interviewer, such as:
 - Can you tell me more about your training programmes?
 - Can you tell me how performance is measured and reviewed?
 - Are there possibilities of promotion for someone whose results are good?
 - Is the company facing any major challenges I don't know about?

Role play: A job interview

You will either interview a candidate for a job or be interviewed. Your teacher will give you a role to prepare. But first:

- 1 As a class, select a large, international consumer-goods company (food, clothing, electronics, household goods, etc.), and study its website so that you know what the company does, and why you would want to work for it.
- 2 Choose one of the three positions advertised on page 143.
- 3 Make appropriate changes to your own CV so that you would be a serious candidate, and prepare yourself for an interview for the job you have chosen.
 - What kind of questions do you think they will ask?
 - What is the best way to answer them?
 - What do they want to hear / not want to hear? etc.

7

The different sectors of the economy

Aims

- Consider the different sectors of the economy
- Discuss changes that have taken place in the different sectors of the economy

Lead-in: The economic infrastructure

Identify the most prominent features in these photographs, which illustrate various important elements of the infrastructure of a modern industrialized country.



Reading: Another cup of tea

In this extract from David Lodge's novel *Nice Work*, Robyn Penrose, a university English lecturer, is accompanying Vic Wilcox, the managing director of a manufacturing company, on a business trip to Germany. She looks out of the aeroplane window, and begins to think about the essentially English act of making a cup of tea.

- What is the key point that this extract is making about economies?

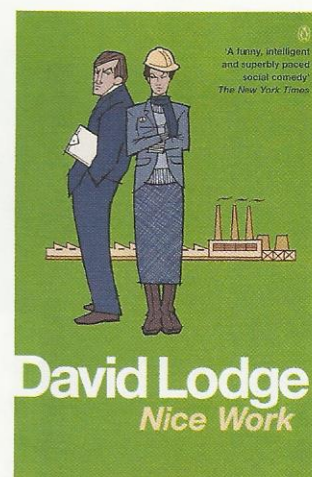
Sunlight flooded the cabin as the plane changed course. It was a bright, clear morning. Robyn looked out of the window as England slid slowly by beneath them: cities and towns, their street plans like printed circuits, scattered over a mosaic of tiny fields, connected by the thin wires of railways and motorways. Hard to imagine at this height all the noise and commotion going on down there. Factories, shops, offices, schools, beginning the working day. People crammed into rush hour buses and trains, or sitting at the wheels of their cars in traffic jams, or washing up breakfast things in the kitchens of pebble-dashed semis. All inhabiting their own little worlds, oblivious of how they fitted into the total picture. The housewife, switching on her electric kettle to make another cup of tea, gave no thought to the immense complex of operations that made that simple action possible: the building and maintenance of the power station that produced the electricity, the mining of coal or pumping of oil to fuel the generators, the laying of miles of cable to carry the current to her house, the digging and smelting and milling of ore or bauxite into sheets of steel or aluminium, the cutting and pressing and welding of the metal into the kettle's shell, spout and handle, the assembling of these parts with scores of other components – coils, screws, nuts, bolts, washers, rivets, wires, springs, rubber insulation, plastic trimmings; then the packaging of the kettle, the advertising of the kettle, the marketing of the kettle to wholesale and retail outlets, the transportation of the kettle to warehouses and shops, the calculation of its price, and the distribution of its added value between all the myriad people and agencies concerned in its production. The housewife gave no thought to all this as she switched on her kettle. Neither had Robyn until this moment, and it would never have occurred to her to do so before she met Vic Wilcox.

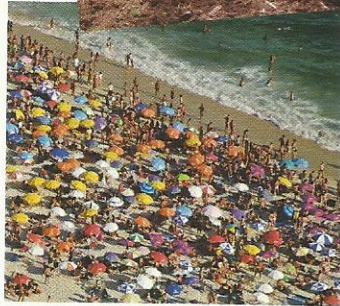
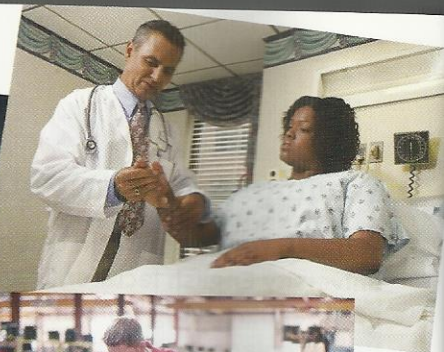
David Lodge: *Nice Work*

Comprehension

In the 20th century, the economy was described as consisting of three sectors:

- the **primary sector**: agriculture, and the extraction of raw materials from the earth
- the **secondary sector**: manufacturing industry, in which raw materials are turned into finished products
- the **tertiary** or **service sector**: the commercial services that help industry produce and distribute goods to their final consumers, as well as activities such as education, healthcare, leisure, tourism, and so on.





- 1 In lines 4–7, Robyn sees examples of all three sectors. What are they?
- 2 The long sentence from lines 11–27 lists a large number of operations belonging to the different sectors of the **economy**. Classify the 18 following activities from the passage according to which **sector** they belong to:

advertising products	assembling	building
calculating prices	cutting metal	digging iron ore
distributing added value	laying cables	maintenance
marketing products	milling metal	mining coal
packaging products	pressing metal	pumping oil
smelting iron	transportation	welding metal

- 3 Can you think of *three* important activities to add to each list (not necessarily in relation to the kettle)?

The quaternary sector

Some people now describe the economy as having a quaternary sector, consisting of information services such as computing, ICT (information and communication technologies), consultancy (offering advice to businesses) and R&D (research and development, particularly in scientific fields). Broader definitions add the news media, libraries, universities and colleges, and other intellectual activities including culture generally.

In what ways have the activities in the box above been changed by information technology since David Lodge wrote *Nice Work* in the late 1980s?

Discussion: Your place in the economy

- Which sector do you intend to work in or do you already work in? How do you 'fit into the total picture'?
- How many people in the tertiary sector have you already spoken to today (travelling to college or work, shopping, eating, and so on)? What about people in the other sectors? When did you last talk to someone who grew or produced food, for example?
- What are the (approximate) proportions of the different sectors in your country? How do you expect these proportions to evolve in the future?

Reading: Manufacturing and services

Read the following statements about manufacturing and services in advanced countries.

- Which of them are in support of manufacturing in advanced countries, and which are in support of services?
- Which of them do you find the most convincing, and why?

1 A lot of service sector jobs depend on manufacturing industry. Manufacturing companies provide work for accountants, lawyers, designers, marketers, advertisers, salespeople, bankers, engineers, IT specialists, etc.

3 All the world's major economies – the US, Japan, Germany, France, Britain, Italy, China, etc. – are major manufacturers of exported goods. This obviously needs to continue.

5 Manufacturing industry will inevitably decline in advanced countries and be replaced by services, because labour costs are too high. Companies will delocalize their manufacturing to low-cost countries.

2 Advanced countries have expertise in higher education, R&D, ICT, business consulting, etc. They should concentrate on these strengths, rather than trying to make things more cheaply than less-developed countries.

4 Depending on service industries is dangerous; after the financial crisis in 2008, New York and London didn't only lose financial jobs, but also lots of jobs in all the related service industries: law firms, real estate, expensive restaurants, luxury jets, etc. Big cities need factories too.

6 Millions of tourists travel to major cities, and millions of people choose to live in them, because of the arts and entertainment – theatre, music, museums, sport, etc. Manufacturing and heavy industry can and should be done elsewhere.

7 Service functions such as call centres, accounting, writing software, can all be outsourced to companies in cheaper countries. Consequently, advanced countries should concentrate on high-quality manufacturing, which requires skills that cannot be outsourced or delocalized.

Vocabulary

Find words in the statements above that mean the following:

- 1 products sold to other countries
- 2 property: buildings such as offices, houses, flats (BrE) or apartments (AmE)
- 3 work done in return for money
- 4 to move your factories to another region or country
- 5 to use other companies to do work your company previously did itself

Listening: The business news ▶1.14

Listen to six business news stories from American radio stations, and complete the chart below.

News item	Which industry or industries are mentioned?	Which economic sector or sectors are involved?	Which companies or organizations are named?	Is this good, bad or mixed news for the industry?	What figures are mentioned?
1					
2					
3					
4					
5					
6					

Writing: The business news

Write an imaginary business news story (not more than 100 words) involving different industries and economic sectors, and including several figures, and covering everything in the columns.

Aims

- Discuss the process of industrial production
- Consider the global impact of international supply chains

Lead-in

- What do production and quality managers do?
- What particular skills do you think production and operations managers require? Do you think you have these skills yourself?
- Would you like to work in this field?
- What do you think the objectives of a production department usually are?



"I'm a local craftsman – I make money."

© The New Yorker

Vocabulary: Industrial production

Before reading and hearing about industrial production, match up the half-sentences below, which define some basic terms.

- | | |
|---|--|
| 1 Inventory (AmE and BrE) or stock (BrE) is a company's reserves | A and other facilities used in the production process. |
| 2 A component is any of the pieces or parts | B arising from large-scale production. |
| 3 Capacity is the (maximum) rate of output | C from other companies rather than manufacturing them. |
| 4 Plant is a collective word for all the buildings, machines, equipment, | D involved in producing and delivering goods or a service. |
| 5 Location means the geographical situation | E of a factory or other facility. |
| 6 A supply chain is a network of organizations | F of raw materials, parts, work in process, and finished products. |
| 7 Outsourcing means buying products or processed materials | G such as manufacturing a product or delivering it to a customer. |
| 8 Economies of scale are the cost savings | H that can be achieved from a production process. |
| 9 Lead time is the time needed to perform an activity | I that make up a product or machine. |

1	2	3	4	5	6	7	8	9
---	---	---	---	---	---	---	---	---

Reading: Capacity and inventory

Operations managers have to decide where to manufacture different products, how much productive capacity their factories and plants should have, and how much inventory to maintain. Read the 15 sentences on the next page, and classify them under the six headings (A–F). Some sentences may fall under two headings.

- | | |
|---|---|
| A The consequences of insufficient capacity | D The disadvantages of large facilities |
| B The consequences of excess capacity | E The advantages of having a large inventory |
| C The advantages of large facilities | F The disadvantages of having a large inventory |

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| B The consequences of excess capacity | E The advantages of having a large inventory |
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- 1 A long lead time may allow competitors to enter the market.
- 2 As production volume increases, you get economies of scale (the average fixed cost per unit produced decreases).
- 3 Finding enough workers and coordinating material flows can become difficult.
- 4 If lead time increases, some customers may go to other suppliers.
- 5 Lost sales and market share are usually permanent.
- 6 The working environment might get worse and industrial relations could deteriorate.
- 7 There are costs of storage, handling, insurance, depreciation, the opportunity cost of capital, and so on.
- 8 You can be more flexible in product scheduling, and have longer lead times and lower cost operation through larger production runs with fewer set-ups.
- 9 There is always a risk of obsolescence, theft, breakage, and so on.
- 10 You can meet variation in product demand.
- 11 You may be under-utilizing your workforce.
- 12 You have protection against variation in raw material delivery time (due to shortages, strikes, lost orders, incorrect or defective shipments, etc.).
- 13 You may be forced to produce additional, less profitable, products.
- 14 You can take advantage of quantity discounts in purchasing.
- 15 You may have to reduce prices to stimulate demand.

Listening 1: Purchasing ▶ 1.15

Listen to Alan Goodfellow, Global IT Director of Leica Microsystems, talking about purchasing and manufacturing, and answer the questions. Leica is part of the Danaher group of companies. They make microscopes, imaging systems and medical equipment.

- 1 What does he describe as 'one of the main goals of any company'?
- 2 What is the advantage of being part of a larger group of companies?
- 3 How does a reverse auction work?
- 4 Why is it called 'reverse'?
- 5 What does he mean by 'price isn't everything'?
- 6 What is the consequence of this?

Listening 2: Low-cost manufacturing ▶ 1.16

Listen to Alan Goodfellow talking about manufacturing in Asia, and answer the questions.

- 1 What are the advantages of having factories in Singapore and China?
- 2 Why is this *not* outsourcing?
- 3 What was the problem with staff in China?



A Leica factory in Singapore



Alan Goodfellow

4 Now listen again, and fill in the gaps in this extract:

Yes, when we first set up the company in China there were a great many problems, mainly to do with
 1 _____ local staff, but particularly 2 _____, because the
 economy was 3 _____ so much, we found that after training staff, bringing them up to the
 standards we expected, they were very attractive to other companies and could easily move and take
 their 4 _____ elsewhere, so there was a constant process of training and 5 _____,
 it was very hard to 6 _____ staff.

Reading: 'The Dell Theory of Conflict Prevention'

In *The World Is Flat: A Brief History of the Twenty-first Century*, the American author Thomas Friedman argues that outsourcing and global supply chains have very positive international consequences.

Read the extract. How convinced are you by Friedman's argument?

THE WORLD IS FLAT

The Dell Theory stipulates: No two countries that are both part of a major global supply chain, like Dell's, will ever fight a war against each other as long as they are both part of the same global supply chain. Because people embedded in major global supply chains don't want to fight old-time wars any more. They want to make just-in-time deliveries of goods and services – and enjoy the rising standards of living that come with that. One of the people with the best feel for the logic behind this theory is Michael Dell, the founder and chairman of Dell.

'These countries understand the risk premium that they have,' said Dell of the countries in his Asian supply chain. 'They are pretty careful to protect the equity they have built up or tell us why we should not worry. [...] I believe that as time and progress go on there, the chance for a really disruptive event goes down exponentially. I don't think our industry gets enough credit for the good we are doing in these areas.' [...]

There is a lot of truth to this. Countries whose workers and industries are woven into a major global supply chain know that they cannot take an hour, a week, a month off for war without

disrupting industries and economies around the world and thereby risking the loss of their place in that supply chain for a long time, which could be extremely costly. For a country with no natural resources, being part of global supply chain is like striking oil – oil that never runs out. And therefore, getting dropped from such a chain because you start a war is like having your oil wells go dry or having someone pour cement down them. They will not come back any time soon.

'You are going to pay for it dearly,' said Glenn E. Neland, senior vice president for procurement at Dell, when I asked him what would happen to a major supply chain member in Asia that decided to start fighting with its neighbour and disrupt the supply chain. [...] 'If you follow the evolution of supply chains,' added Neland, 'you see the prosperity and stability they promoted first in Japan, and then in Korea and Taiwan, and now in Malaysia, Singapore, the Philippines, Thailand and Indonesia.' Once countries get embedded in these global supply chains, 'they feel part of something much bigger than their own business,' he said.



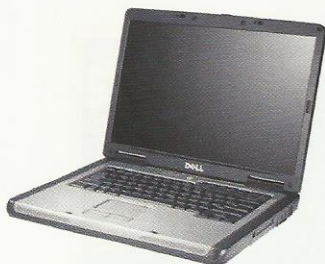
Comprehension

- 1 Why does Thomas Friedman think countries involved in a major global supply chain are unlikely to start a war?
- 2 Why does Michael Dell think the computer industry deserves more praise than it gets?
- 3 What would be the consequences if a country in a major global supply chain did start a war?
- 4 What consequences has the evolution of supply chains had?

Vocabulary

Find the words in the text that mean the following:

- 1 firmly fixed in something or part of something
- 2 the quality of people's lives
- 3 someone who establishes a company
- 4 (in this context) the potential cost of taking a chance
- 5 (in this context) the value of a business activity
- 6 causing trouble and stopping something from continuing as usual
- 7 increasing or decreasing more and more quickly as time passes
- 8 the obtaining of supplies
- 9 the state of being successful and having a lot of money
- 10 the situation when something is not likely to change



A computer like this probably contains components from at least ten countries

Role play

In small groups, imagine that you are in a meeting called by the Procurement Manager of a multinational hi-tech manufacturer to discuss potential new suppliers of components.

You have chosen to concentrate on three regions: Europe, Asia and South America. What do you think the advantages and disadvantages of these three regions are, in terms of:

- a low cost
- b reliability
- c a reputation for quality
- d delivery times to your manufacturing sites
- e potential future problems that could disrupt supply?

Writing

After the meeting, write an email of 100–150 words summarizing what was said about the advantages and disadvantages of the three regions, for each of the five aspects of supply.

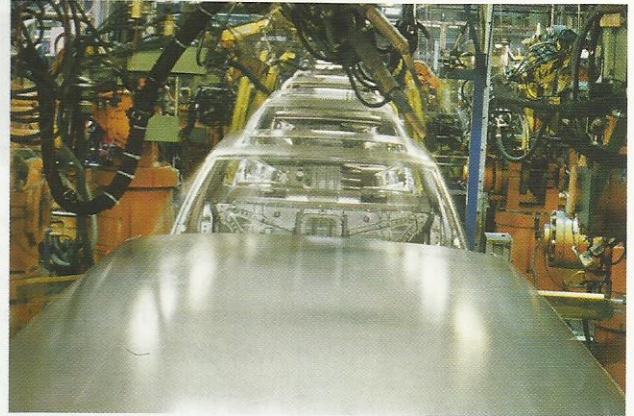
Aims

- Compare different strategies for stock control and manufacturing
- Discuss potential supply chain risks

Lead-in

In a manufacturing or retail business, what are the advantages and disadvantages of:

- simply satisfying current demand
- planning to meet (possible) future demand?

**Vocabulary:** Pull and push strategies

You are going to read about *pull* and *push* strategies for stock control and manufacturing. But first, match the words and definitions below.

- | | |
|-----------------|---|
| 1 accurate | A a guess of what the size or amount of something might be |
| 2 agile | B a statement of what is expected to happen in the future |
| 3 estimate (n.) | C able to move quickly and easily |
| 4 forecast (n.) | D correct, exact and without any mistakes |
| 5 lean (adj.) | E designing and managing the flow of goods, information and other resources |
| 6 logistics | F done with the hands |
| 7 manual (adj.) | G (of production) using small quantities and avoiding any waste |
| 8 replenish | H to fill something up again |

Reading: Pull and push strategies

These eight paragraphs make up a text about inventories, *pull* and *push* strategies, and Just-In-Time (JIT) production. Put them in the right order to make a logical text. Two have already been done.

Manufacturing companies can produce according to pull or push strategies. ☐ 1

Historically, Kanban was a manual system in which cards were placed in component bins in warehouses as a signal that items needed replenishing; today, of course, advanced software is used. ☐

Apart from JIT, other names for pull strategies include lean production, stockless production, continuous flow manufacture and agile manufacturing. In all these systems, nothing is bought or produced until it is needed. ☐

This replenishment strategy was famously developed as Just-In-Time (JIT) production by Toyota in Japan in the 1950s. The most common JIT system is called Kanban, a Japanese word approximately meaning 'visual card'. ☐

Supplies are scheduled to meet expected demand, but

because demand forecasts are not always accurate, push strategies often incorporate safety stocks and safety lead times. ☐

In other words, this is a replenishment strategy: both production and suppliers are constantly reacting to the actual consumption of components, rather than planning ahead. ☐

With a pull strategy, a company manufactures according to current demand, which is satisfied from (a small) inventory. When pieces are removed from stock, replacements are automatically ordered from suppliers. ☐

With a push strategy such as Manufacturing Resources Planning (MRP), on the contrary, production is based on estimates of future demand, and begins according to the planned production lead time. ☐ 7

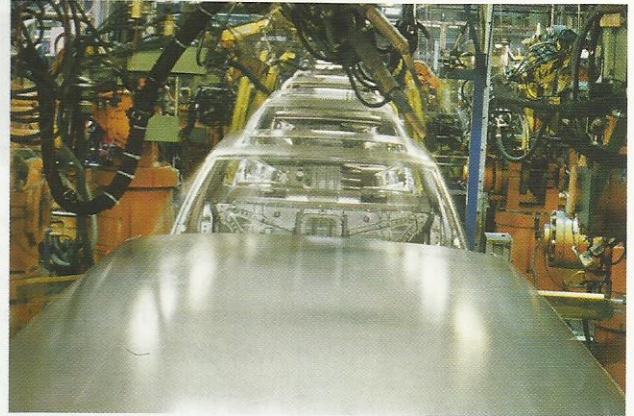
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With a push strategy such as Manufacturing Resources Planning (MRP), on the contrary, production is based on estimates of future demand, and begins according to the planned production lead time. 7

Comprehension: Pull and push strategies

Now match up the following half-sentences.

- | | |
|------------------------------------|-----------------------------------|
| 1 Pull strategies are based on | A current demand. |
| 2 Pull systems only buy or produce | B estimated future demand. |
| 3 Kanban systems signal | C safety stocks and lead times. |
| 4 Push strategies are based on | D that items need to be replaced. |
| 5 Push strategies often allow for | E things when they are needed. |



Alan Goodfellow

Listening 1: Inventory, Kanban and MRP ▶ 1.17

Listen to Alan Goodfellow of Leica Microsystems talking about inventory levels, and answer the questions.

- 1 Why do companies want to keep inventory as low as possible?
- 2 What do Leica need inventory for?
- 3 What strategy enables them to keep a low inventory?
- 4 What changed when Leica was taken over by Danaher?
- 5 Why does Goodfellow say 'it's not Just-In-Time as such'?

Listening 2: Leica's supply chain ▶ 1.18

Listen to Alan Goodfellow talking about Leica's international supply chain, and answer the questions.

- 1 What is the difference between Leica's business units and selling units?
- 2 Does the Singapore factory make all the parts it uses?
- 3 Why might the Singapore factory send some products to Europe rather than to the end customer?
- 4 What does he say about languages and currencies?
- 5 Explain the balance or trade-off between customers' needs and having local stocks or inventories.

Reading: Supply-chaining

On the next page there is another extract from Thomas Friedman's book *The World Is Flat: A Brief History of the Twenty-first Century*. Here he is writing about Wal-Mart's supply chain.

Wal-Marts are large, discount department stores in the US. At the time of writing, Wal-Mart had the largest revenue of any company in the world, and was the world's largest private employer.

Read the extract. What is Friedman's overall impression of the operation?



A Leica surgical microscope

I had never seen what a supply chain looked like in action until I visited Wal-Mart headquarters in Bentonville, Arkansas. My Wal-Mart hosts took me over to the 1.2-million-square-foot distribution center, where we climbed up to a viewing perch and watched the show. On one side of the building, scores of white Wal-Mart trailer trucks were dropping off boxes of merchandise from thousands of different suppliers. Boxes large and small were fed up a conveyor belt at each loading dock. These little conveyor belts fed into a bigger belt, like streams feeding into a powerful river. Twenty-four hours a day, seven days a week, the suppliers' trucks feed the twelve miles of conveyor streams, and the conveyor streams feed into a huge Wal-Mart river of boxed products. But that is just half the show. As the Wal-Mart river flows along, an electric eye reads the bar codes on each box on its way to the other side of the building. There, the river parts again into a hundred streams. Electric arms from each stream reach out and guide the boxes – ordered by particular Wal-Mart stores – off the main river

and down its stream, where another conveyor belt sweeps them into a waiting Wal-Mart truck, which will rush these particular products onto the shelves of a particular Wal-Mart store somewhere in the country. There, a consumer will lift one of these products off the shelf, and the cashier will scan it in, and the moment that happens, a signal will be generated. That signal will go out across the Wal-Mart network to the supplier of that product – whether that supplier is in coastal China or coastal Maine. That signal will pop up on the supplier's computer screen and prompt him to make another of that item and ship it via the Wal-Mart supply chain, and the whole cycle will start anew. So no sooner does your arm lift a product off the local Wal-Mart's shelf and onto the checkout counter than another mechanical arm starts making another one somewhere in the world. Call it 'the Wal-Mart Symphony' in multiple movements – with no finale. It just plays over and over 24/7/365: delivery, sorting, packing, distribution, buying, manufacturing, reordering, delivery, sorting, packing ...

Comprehension

- 1 Fill in the gaps, and then put the following sentences in the correct order. The first one has been done for you.

- A customer buys a product.
- A machine reads the ^a _____ on each box.
- 1 A Wal-Mart ^b _____ picks up ^c _____ at a supplier's factory or warehouse.
- Electric arms guide the boxes off the main ^d _____ onto another smaller one.
- The boxes are placed on a small conveyor belt.
- The cashier ^e _____ the product, which sends a ^f _____ to the ^g _____ to produce another one.
- The goods are unloaded at Wal-Mart's distribution centre.
- The products are ^h _____ to the ⁱ _____ that ordered them.
- The small conveyor belt joins a larger one.
- This belt leads to another bay where the boxes are ^j _____ onto Wal-Mart trucks.

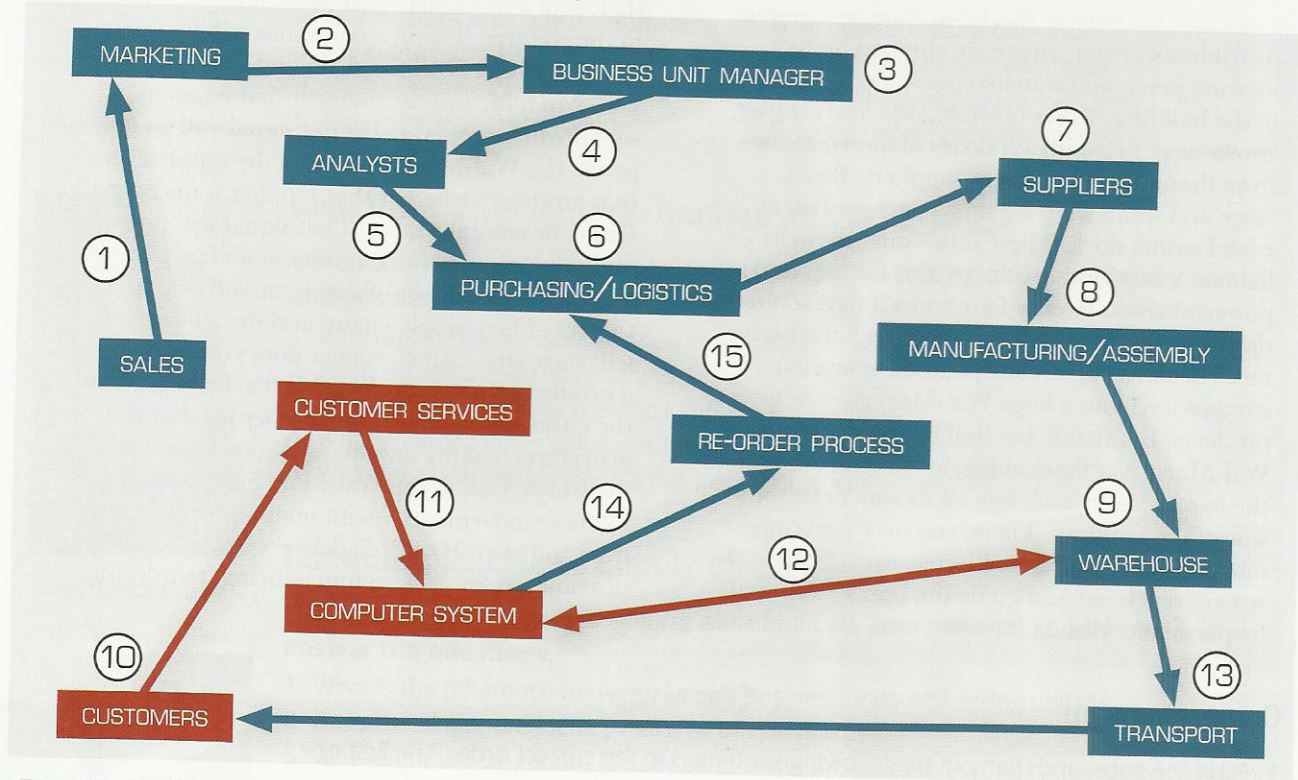
- 2 What are the three main metaphors that Friedman uses in this passage? Why does he use them?

Writing

Write a brief summary (100–150 words) of the Wal-Mart supply chain.

Reading: Manufacturing supply chain work flow

Look at this flowchart for a typical manufacturing supply chain, and number the sentences below in the order that they happen.



- | | |
|--|---|
| 1 The sales department identifies a need for a product, and tells the marketing department about it. | — The plan is approved and passed to the analysts to prepare and implement the manufacturing process. |
| — As stock has now been used the computer system generates a request for new stock. | — The analysts pass details of raw materials and components to purchasing. |
| — Customer services take orders and input them to the computer system. | — The order is sent to the warehouse. |
| 10 Customers place orders through customer services. | — The product is manufactured. |
| — Finished goods are put into inventory in a warehouse awaiting orders, and the company computer system is updated. | — The purchasing, logistics and transport departments plan the purchase of materials and their delivery to the manufacturing plant. |
| — Suppliers receive orders and despatch raw materials and components to the manufacturing site on agreed dates. | — The re-order process generates a request to the purchasing department to place new orders with the suppliers. |
| — The marketing department researches the project, and forwards a detailed business plan to the Business Unit Manager. | — The senior business managers make a decision on the project. |
| | — The transport company collects the consignment and delivers it to the customer. |

Case study: Risk analysis

Companies might choose not to use suppliers from a country if they are unsure about its future political or financial stability, or about future industrial relations (the possibility of strikes, etc.), or the condition of its infrastructure (roads, railways, power supplies, etc.), or possible changes in the climate, etc.



In small groups, try to identify the potential supply chain risks for the following businesses. How could these risks be minimized?

- A car factory in the UK that gets components from British, continental European and Asian suppliers
- The fruit and vegetable department of a national supermarket chain
- A tourist industry company that hires seasonal workers for different tasks at different times of the year

Writing

Write a short report (100–150 words) summarizing the potential supply chain risks faced by one of the businesses in the Case study, and explaining how they could be minimized.

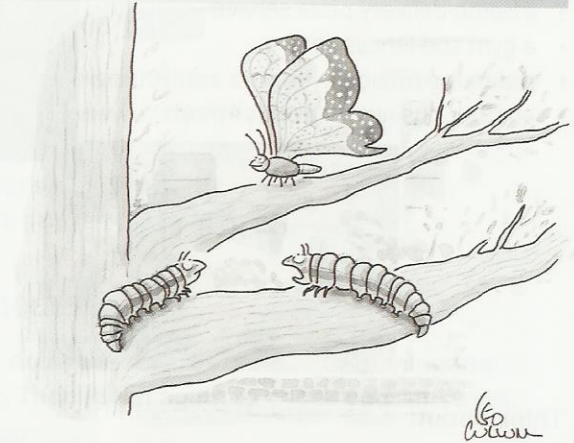
Aims

- Consider the product life cycle and the role of marketing
- Discuss pricing and distribution strategies

Lead-in

Here are four definitions of marketing. Which do you prefer, and why?

- Selling means you sell what you make; marketing means you make what you can sell.
- Marketing means the right product, in the right place, at the right price, and at the right time.
- Marketing means identifying customers, defining and developing the products or services they want, and making and distributing them.
- Marketing means anticipating and creating needs: producing useful things customers didn't know they wanted until you produced them.



"It's all marketing - no one actually wears that stuff."

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Vocabulary: Basic marketing terms

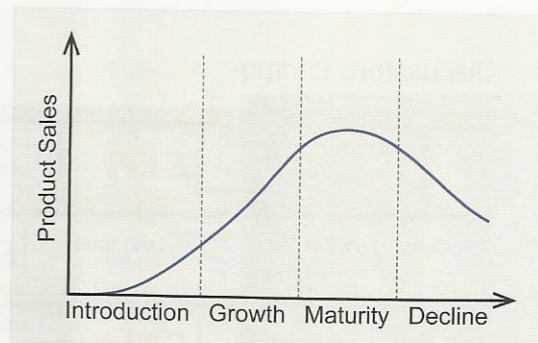
Below are some more basic marketing terms. Match up the words in the box to the definitions.

distribution channel	market opportunities	market penetration
market segmentation	market skimming	price elasticity
product features	sales representative	product differentiation
	wholesaler	

- 1 all the companies or individuals ('middlemen') involved in moving goods or services from producers to consumers
- 2 an intermediary that stocks manufacturers' goods or merchandise, and sells it to retailers and professional buyers
- 3 dividing a market into distinct groups of buyers who have different requirements or buying habits
- 4 making a product (appear to be) different from similar products offered by other sellers, by product differences, advertising, packaging, etc.
- 5 possibilities of filling unsatisfied needs in sectors in which a company can profitably produce goods or services
- 6 setting a high price for a new product, to make maximum revenue before competing products appear on the market
- 7 someone who contacts existing and potential customers, and tries to persuade them to buy goods or services
- 8 the attributes or characteristics of a product, such as size, shape, quality, price, reliability, etc.
- 9 the extent to which supply or demand (the quantity produced or bought) of a product responds to changes of price
- 10 the strategy of setting a low price to try to sell a large volume and increase market share

Reading: The product life cycle

The graph shows the standard product life cycle. At the introduction stage, sales are low. They rise quickly during the growth stage, level off at the maturity stage, before eventually falling during the decline stage until the product is withdrawn from the market.



Which stages do the following sentences about sales, costs, prices and promotion describe?

- 1 Introduction stage 2 Growth stage 3 Maturity stage 4 Decline stage

Sales:

- A Public awareness about the product increases and sales volume rises significantly.
- B Sales volume peaks.
- C Sales volume begins to go down.
- D The sales volume is low and customers have to be persuaded to try the product.

Costs:

- E Costs are high.
- F The product's features may have to be changed so that it differs from competing brands, which involves new costs.
- G Costs are reduced due to economies of scale, so profitability increases.
- H Either costs are too high compared to sales, so the product is discontinued, or the company continues to offer the product to loyal customers, while reducing costs to a minimum.

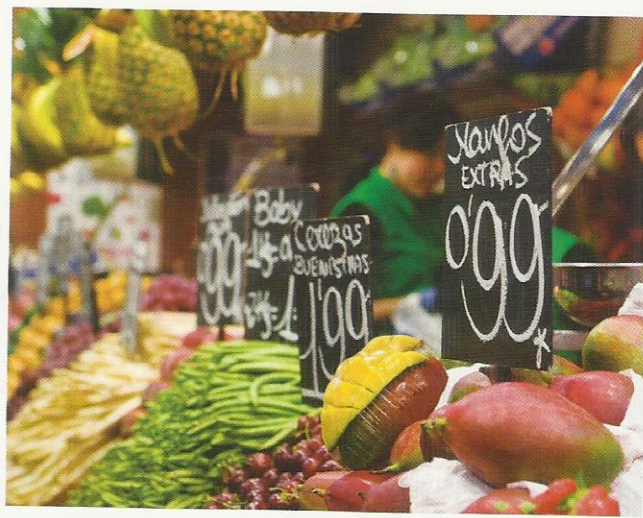
Prices:

- I The price is either maintained, or greatly reduced to liquidate stock if the product is discontinued.
- J The company can choose between high skim pricing to recover development costs, or low penetration pricing to build market share rapidly, if there are already competitors.
- K The price can remain unchanged because demand is increasing but competitors aren't usually yet well established.
- L Prices may have to be reduced because competitors are established in the market, but companies try to defend their market share while also maximizing profit.

Promotion:

- M Promotion emphasizes product differentiation.
- N Promotion is aimed at a much broader audience (the majority of the product's users).
- O At this stage, there is virtually no promotion.
- P Promotion is aimed at educating potential consumers (innovators and early adopters) about the product, and building product awareness.

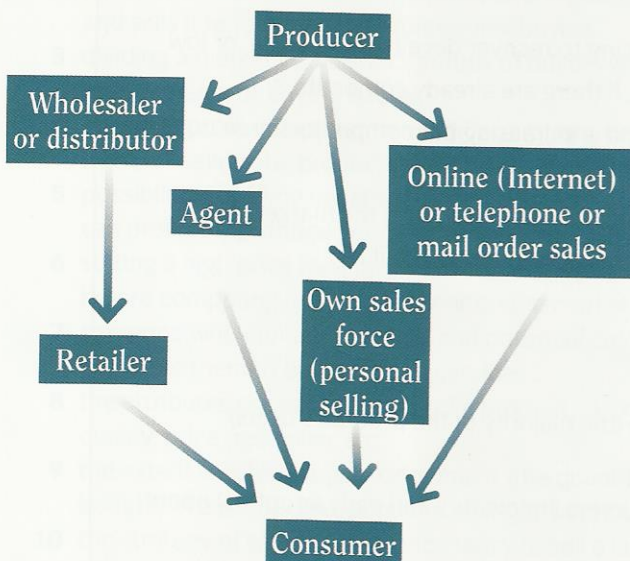
Discussion: Pricing



- 1 Under what circumstances would manufacturers either set prices that try to maximize profits, or deliberately charge a low price?
- 2 Give examples of products for which demand is elastic, and which you would only buy (or buy more of) if the price went down.
- 3 Which products are for you *not* price sensitive, so that you would buy them even if the price increased significantly?
- 4 If you see a price that is a little less than a round number, e.g. \$1.99 or €99.95, does it makes you think of the lower number, e.g. \$1 instead of nearly \$2, and encourage you to buy the product? If *not*, why do you think most retailers use 'psychological pricing' or 'odd prices' like this?
- 5 When, as a consumer, have you benefited from a price war when competitors continually lowered prices, trying to get more business? What kind of companies win price wars?

Discussion: Distribution channels

Give examples of businesses that would typically use the different channels illustrated in the diagram. (Of course, the same businesses could use different channels for different market segments.) In each case, why is this the preferred distribution channel?



"On the one hand, eliminating the middleman would result in lower costs, increased sales, and greater consumer satisfaction; on the other hand, we're the middleman."

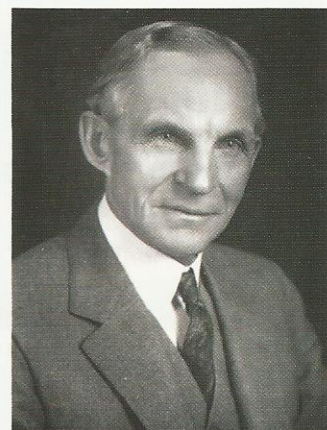
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Writing

Write two or three short paragraphs (60–100 words in total) describing the different distribution channels used for two different products.

Reading: Marketing is everything

Read the following extracts from an article by Regis McKenna in the *Harvard Business Review*, and answer the questions on the next page.



In 1909, Henry Ford famously said about the Model T:

Several decades ago, there were sales-driven companies. These organizations focused their energies on changing customers' minds to fit the product — practicing the 'any color as long as it's black' school of marketing.

As technology developed and competition increased, some companies shifted their approach and became customer driven. These companies expressed a new willingness to change their product to fit customers' requests — practicing the 'tell us what color you want' school of marketing.

Successful companies are becoming market driven, adapting their products to fit their customers' strategies. These companies will practice 'Let's figure out together how and whether color matters to your larger goal' marketing. It is marketing that is oriented toward creating rather than controlling a market.

The old approach — getting an idea, conducting traditional market research, developing a product, testing the market, and finally going to market — is slow and unresponsive.

As the demands on the company have shifted from controlling costs to competing on products to serving customers, the center of gravity in the company has shifted from finance to engineering — and now to marketing.

Marketing today is not a function; it is a way of doing business. Marketing is not a new ad campaign or this month's promotion. Marketing has to be all-pervasive, part of everyone's job description, from the receptionists to the board of directors. Its job is neither to fool the customer nor to falsify the company's image. It is to integrate the customer into the design of the product.

US companies typically make two kinds of mistake. Some get caught up in the excitement and drive of making things, particularly new creations. Others become absorbed in the competition of selling things, particularly to increase their market share in a given product line.

Both approaches could prove fatal to a business. The problem with the first is that it leads to an internal focus. Companies can become so fixated on pursuing their R&D agendas that they forget about the customer, the market, the competition.

The problem with the second approach is that it leads to a market-share mentality. It turns marketing into an expensive fight over crumbs rather than a smart effort to own the whole pie.

The real goal of marketing is to own the market — not just to make or sell products. Smart marketing means defining the whole pie as yours. In marketing, what you lead you own. Leadership is ownership.

That is why marketing is everyone's job, why marketing is everything and everything is marketing.



'Any customer can have a car painted any color that he wants so long as it is black.'

- 1 According to McKenna, what did sales-driven companies try to do?
 - 2 Why did some companies become customer driven?
 - 3 What does he say market-driven companies do?
 - 4 What does McKenna mean when he describes the old approach as 'unresponsive'?
 - 5 Why has the main focus of companies moved first from finance to engineering, and then from engineering to marketing?
 - 6 What two negative descriptions of marketing does he reject?
 - 7 What does he say about customers and market-driven companies?
 - 8 What is wrong with focusing on R&D (research and development) and creating new products?
 - 9 What is wrong with focusing on increasing market share?
 - 10 Explain in your own words what he describes as the real job or goal of marketing.
- Do you think Regis McKenna's account of the role of marketing is realistic?
 - Would it work for all industries and markets, or only particular ones?



Advertising pamphlets
on a Swiss bus

Listening 1: Promoting a juice bar ▶ 1.25

Listen to Melissa Glass, who you heard in Unit 11, explaining how Zeste tried to promote their juice bar, and answer the questions.

- 1 What was the first form of marketing (or promotion) they tried?
- 2 Why were they sure it would work?
- 3 What concept was used for the advertising campaign, and what was the problem with it?

Listening 2: The most effective form of promotion ▶ 1.26

Listen to Melissa Glass talking about a successful form of promotion, and answer the questions.

- 1 According to Melissa, what is the most effective form of promotion?
- 2 Does it have a temporary or a permanent effect?
- 3 Why do you think this form of promotion works better than advertising?

Case study: Promoting a new product

Plan a marketing campaign for a new product or service. This could be the product or service you researched in Unit 11. Would you use advertising? Publicity? Sales promotions? If so, why and where and how?



A Zeste Juice bar

Aims

- Analyse the different kinds of sales promotions
- Discuss what makes a successful advertising campaign

Lead-in

- To what extent do you think your purchases are influenced by advertising?
- How many advertising messages do you think you see or hear on an average day?
- How many times do you think you have to see an ad or a brand name before you remember it?
- When has advertising ever persuaded you to buy things you don't need, or even things you don't want?

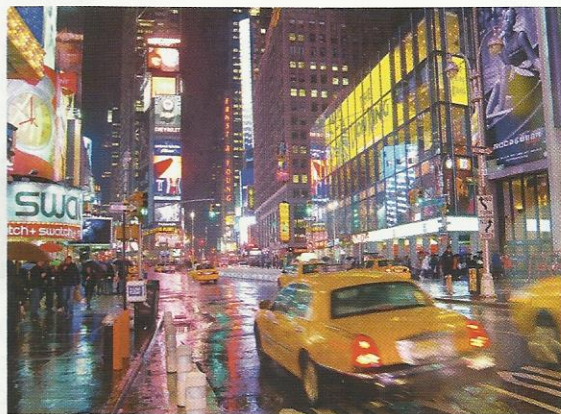
Reading: Advertising and viral marketing

Read the text below and on the next page and decide which paragraphs should be given the following headings:

- A Advertising spending and sales
- B How companies advertise
- C Word-of-mouth advertising and viral marketing
- D Potential drawbacks of advertising

_____ Advertising informs consumers about the existence and benefits of products and services, and attempts to persuade them to buy them. Most companies use advertising agencies to produce their advertising for them. They give the agency a statement of the objectives of the advertising campaign, known as a brief, an overall advertising strategy concerning the message to be communicated to the target customers, and a budget. The agency creates advertisements (often abbreviated to adverts or ads), and develops a media plan specifying which media – newspapers, magazines, the Internet, radio, television, cinema, posters, mail, etc. – will be used and in which proportions.

_____ It is always difficult to know how much to spend on advertising. Increased ad spending *can* increase sales, but many companies just spend a fixed percentage of current sales revenue, or simply spend as much as their competitors (the comparative-parity method). On the other



hand, lots of creative and expensive advertising campaigns, including television commercials that lots of people see and remember, and which win prizes awarded by the advertising industry for the best ads, *don't* lead to increased sales.

_____ Advertising is widely considered to be essential for launching new consumer products. Combined with sales promotions such as free samples, price reductions and competitions, advertising may generate the initial trial of a new product. But traditional advertising is expensive, it doesn't always reach the target customers, and it isn't always welcome if it does reach them. People might choose to look at posters in the street or on public transport (and virtual ones in computer and video games), or look at the ads in newspapers and magazines, but many other ads interrupt them when they're trying to do something else, like read a web page, listen to the radio, or watch a TV programme or a film.

14 Banking

Aims

- Consider banking products and services and different types of banks
- Discuss the subprime crisis and microfinance

Lead-in

- Which of the following banking products or services do you find the most useful or necessary?

a current account (BrE) or checking account (AmE)	buying or selling foreign currency for travelling (BrE) or traveling (AmE)
a savings or deposit account (BrE) or time or notice account (AmE)	a mortgage (a loan to buy property (BrE) or real estate (AmE))
cashpoints (BrE) or ATMs (Automated Teller Machines, AmE)	an overdraft (the possibility to borrow money by spending more than you have in your bank account)
a chequebook (BrE) or checkbook (AmE)	
a credit card	investment advice
a debit card	internet banking (payments, transfers)
a loan	telephone banking (payments, transfers)

- What other banking services do businesses use?

Reading: Banks and financial institutions

Insert the names of the following types of financial institutions in the spaces in the text.

commercial banks hedge funds investment banks Islamic banks
non-bank financial intermediaries private banks stockbrokers

Retail banks or ¹ _____ (often called High Street banks in Britain) receive deposits from, and make loans to, individuals and small companies. ² _____ work with big companies, giving financial advice, raising capital by issuing stocks or shares and bonds, arranging mergers and takeover bids, and so on. They also generally offer stockbroking and portfolio management services to rich corporate and individual clients. Wealthy individuals can also use ³ _____, which provide

them with banking and investment services, and ⁴ _____, which are private investment funds for wealthy investors (both individuals and institutions) that use a wider variety of (risky) investing strategies than traditional investment funds, in order to achieve higher returns.

In the USA, where many banks went bankrupt following the Wall Street Crash in 1929, a law was passed in 1934 (the Glass-Steagall Act) that

separated commercial banks and investment banks or stockbroking firms. For the rest of the 20th century, there were regulations in the US, Britain and Japan that prevented commercial banks from doing investment banking business. In other countries, including Germany and Switzerland, large banks did all kinds of financial business. But starting in the 1980s, many rules were ended by financial deregulation, and Glass-Steagall was repealed in 1999. Large banks became international conglomerates offering a complete range of financial services that were previously provided by banks, ⁵ _____

and insurance companies.

⁶ _____, in Islamic countries and major financial centres, offer interest-free banking. They do not pay interest to depositors or charge interest to borrowers, but invest in companies and share the profits (or losses) with their depositors.

Some car manufacturers, food retailers and department stores now offer products like personal loans, credit cards and insurance. Technically these are not banks but ⁷ _____.

Vocabulary

1 Find the words or expressions in the text which mean the following:

- 1 money placed in a bank
- 2 a sum of money borrowed from a bank
- 3 the money invested in a business
- 4 certificates representing part-ownership of a company
- 5 certificates of debt issued by governments or companies to raise money
- 6 when one company combines with another one
- 7 when one company offers to buy or acquire another one
- 8 buying and selling stocks or shares for clients
- 9 all the investments owned by an individual or organization
- 10 the profits made on investments
- 11 unable to pay debts or continue to do business
- 12 the ending or relaxing of legal restrictions
- 13 a group of companies, operating in different fields, which have joined together
- 14 the price paid for borrowing money, paid to the lenders

2 Match up the verbs in the left-hand box with the nouns in the right-hand box to make common verb-noun combinations found in the text above.

charge	pass
do	pay
give	provide
issue	raise
make	receive
offer	share

advice	loans
bonds	profits
business	interest
capital	services
deposits	stocks or
laws	shares

What other verb-noun combinations can you make with these words?

Listening 1: Commercial banking ▶ 1.30

Listen to Tony Ramos, a recruitment manager at HSBC in London, talking about investment and commercial banking, and answer the questions.

- 1 How does Tony Ramos describe commercial banking? 'A kind of _____ .'
- 2 What was Tony Ramos's job before he moved into recruitment?
- 3 What does he say commercial banking actually consists of? Fill in the gaps.

'... you're kind of working in a ¹ _____ , you're working you know with, like, ² _____ , kind of what the day-to-day job consists of, actually ³ _____ people with their businesses, ⁴ _____ those businesses, seeing those ⁵ _____ ...'

- 4 What does he say students wrongly think it consists of?



Tony Ramos

Reading: The subprime crisis and the credit crunch

Deregulation in the 1980s was one of the factors that led to the subprime crisis.

Read about the crisis and then put the sentences below in the right order.

When American house prices began to fall in 2007, many 'subprime' borrowers, defined as those with poor credit ratings and consequently a high risk of default, stopped paying their mortgages, as their debt was greater than the value of their house. Unfortunately, the institutions which had issued the mortgages had created financial products called mortgage-backed securities (MBS) and collateralized debt obligations (CDO), which had been bought by many financial institutions including investment banks, hedge funds, insurance companies, pension funds, mutual funds, and so on. This process is called securitization: financial assets like mortgages which produce a cash flow are pooled (grouped together) and converted into securities that are then sold to investors.

MBSs and CDOs give their buyers the right to receive the payments on the underlying mortgages,

and banks bought them because they believed that house prices would continue to rise, and households would continue to make their mortgage payments. But when many subprime borrowers stopped paying, the value of subprime related securities fell dramatically. Many banks in the USA, Britain and elsewhere lost billions of dollars on their MBSs; some went bankrupt, and others had to be rescued by governments. It is estimated that banks around the world will eventually have to write off \$1.5 trillion of worthless subprime MBSs (now often referred to as 'toxic debt'). These losses destroyed much of the capital of the world banking system, leading to a credit crisis or a 'credit crunch': a massive reduction in the amount of credit available for banks to lend to other banks, businesses and households.



HSBC headquarters in London

- ___ American house prices fell and many borrowers stopped repaying.
- ___ Lenders granted mortgages to 'subprime' borrowers.
- ___ Some went bankrupt, and others had to be rescued by governments.
- ___ The mortgage lenders sold mortgage-backed securities to financial institutions.
- ___ The value of MBSs fell to almost zero and many banks lost billions of dollars.
- ___ There was a credit crisis as there was little capital left for lending and borrowing.

Vocabulary

Match up the words and definitions.

- | | |
|------------------|---|
| 1 credit rating | A cancel a bad debt or a worthless asset from an account |
| 2 default | B estimates of people's ability to fulfil their financial commitments |
| 3 collateralized | C failure to repay a loan |
| 4 cash flow | D the money generated by an investment |
| 5 write off | E with property or another asset used as a guarantee of payment |

Discussion

- Who do you think was responsible for the subprime crisis? What did the financial industry do wrong?

Listening 2: Microfinance ▶ 1.31

- Do you know (and can you explain) what 'microfinance' is?

Anna-Kim Hyun-Seung from South Korea is a former MBA student from the Judge Business School in Cambridge who works in the not-for-profit sector. Listen to her talking about microfinance, and answer the questions.

- 1 In microfinance, what replaces normal financial collateral?
- 2 What is the 'risk-management tool' that Anna-Kim mentions?
- 3 Why is lending money to poor people not necessarily as risky as it sounds?
- 4 Why are conventional banks now developing microcredit products?
- 5 In which three continents are there successful microfinance schemes?



Anna-Kim Hyun-Seung

Discussion

- What do you think of this kind of banking initiative? What other initiatives like this have you read about or heard of?

Role play: Microfinance

A major bank has been rescued by the government after losing billions of euros on speculative investments. But it has lost a lot of customers and now has a very bad reputation. One of the directors thinks that the way the bank can regain public trust and restore its reputation is to enter the microfinance market in developing countries. He/she calls a meeting to explain the idea to colleagues. Your teacher will give you a role to prepare. Take part in the meeting to decide what to do.

Writing

Write minutes of the meeting explaining what decision was taken, and why.

15 Venture capital

Aims

- Consider how venture capitalists invest
- Discuss the contents of business plans
- Compare different possible investments

Lead-in

- If you were starting a *new* company, how could you try to raise money?
- What are the main ways that *established* companies raise capital?

Listening 1: Background experience ▶ 1.32

Listen to Chris Smart of Acacia Capital Partners, a venture capital firm, talking about the investments his company makes. Answer the questions.

- 1 What fields do Acacia Capital Partners invest in?
- 2 Which industries does he mention that the partnership doesn't invest in?
- 3 What happened when Chris Smart previously ran a non-specialized multi-disciplinary fund, and why?



Chris Smart

Listening 2: Investing for ten years ▶ 1.33

- 1 Where does Chris Smart say venture capitalists get most of their money from? Fill in the gaps.

... so they equally have to raise that money from a ¹ _____, and that in the most general terms is the insurance, it's the insurance industry, so ² _____ and ³ _____ provide ⁴ _____ funding to venture capitalists. It is actually a very small percentage, so they will put one to three per cent of their ⁵ _____, and no more, into venture capital.

- 2 Chris Smart says 'they've got five years to reap' – what does he mean by this?
- 3 What is (in theory) the ten-year investment cycle?
- 4 What does Chris Smart say 'actually happens'?
- 5 What should happen at the end of the cycle?

Listening 3: Managing new companies ▶ 1.34

- 1 How does Chris Smart describe the sector he works in?
- 2 What does he say about the managers in this sector?
- 3 What can the venture capital industry provide apart from capital?
- 4 What should a start-up do if they do not have the right managerial skills in the company?

Aims

- Consider the different types of accounting and financial statements
- Discuss a company's financial results

Lead-in

- What is accounting?
- What skills do you think accountants need?
- Do you think you have these skills? (What are *your* assets and liabilities?)
- If you have not yet chosen a career, could it be accountancy?



"Perhaps we could find a way to redefine 'profit'."

© The New Yorker

Vocabulary**1 Which basic accounting words are defined below?**

- all the money received from business activities during a given period
A assets **B** income **C** transactions
- all the money that a business spends on goods or services during a given period
A debts **B** expenditure **C** liabilities
- a financial operating plan showing expected income and expenditure
A account **B** budget **C** financial statement
- anything owned by a business – cash, buildings, machines, equipment, etc.
A asset **B** income **C** revenue
- all the money that a company will have to pay to someone else in the future, including debts, taxes and interest payments
A debts **B** expenditure **C** liabilities
- an entry in an account, recording a payment made
A credit **B** debt **C** debit
- an entry in an account, recording a payment received
A credit **B** debit **C** income
- adjective describing something without a material existence, which you can't touch
A current **B** intangible **C** tangible
- adjective describing a liability which has been incurred but not yet invoiced to the company
A accrued **B** deferred **C** receivable
- delayed or postponed until a later time
A deferred **B** payable **C** retained

2 How well do you know the different types of accounting and the different branches of the accounting (or accountancy) profession? Match the terms with the definitions in the box below.

accounting auditing bookkeeping cost accounting
 'creative accounting' managerial or management accounting tax accounting

- calculating all the expenses involved in producing something, including materials, labour, and all other expenses

- 2 calculating how much an individual or a company will have to pay to the local and national governments (and trying to reduce this to a minimum)
- 3 inspecting and reporting on accounts and financial records
- 4 preparing financial statements showing income and expenditure, assets and liabilities
- 5 providing information that will allow a business to make decisions, plan future operations and develop business strategies
- 6 using all available accounting procedures and tricks to disguise the true financial position of a company
- 7 writing down the details of transactions (debits and credits)

• Which of these areas of accounting do you find the most interesting?

3 Match up the names of the financial statements with the definitions below.

1 Balance sheet (or Statement of financial position)	2 Cash flow statement	3 Income statement (or Statement of income, Profit and loss statement, or Profit and loss account)
--	-----------------------	--

- A a statement giving details of money coming into and leaving the business, divided into day-to-day operations, investing and financing
- B a statement showing the difference between the revenues and expenses of a period
- C a statement showing the value of a business's assets, its liabilities, and its capital or shareholders' equity (money the business has that belongs to its owners)

4 Make common word combinations with the verbs and nouns below.

calculate	assets
keep	expenditure
pay	income
receive	liabilities
record	records
value	taxes
	transactions

Reading 1: Google Inc. Balance sheet

Look at the balance sheet opposite, and answer these questions.

- 1 Which lines on the balance sheet do the definitions below it refer to? (Two have been done as examples.)
- 2 Which two figures have to be the same (to balance), by definition?
- 3 How much money had the company already paid in advance for goods and services, on the date of the 2008 balance sheet?
- 4 At the 2008 balance sheet date, which is greater, the amount of capital the shareholders have paid into the company, or the amount of profit that has not been spent?
- 5 At the 2008 balance sheet date, which total is higher – the money Google currently owes, or the money that it is owed?

Google Inc.

Balance Sheet

In Millions of \$	As of 2008-12-31	As of 2007-12-31
Cash & Equivalents	8,656.67	6,081.59
Short Term Investments	7,189.10	8,137.02
Total Receivables, Net	2,642.19	2,162.53
Prepaid Expenses	1,404.11	694.21
Other Current Assets, Total	286.11	213.79
Total Current Assets	20,178.18	17,289.14
Property/Plant/Equipment, Total – Gross	5,233.84	4,039.26
Goodwill, Net (10)	4,839.85	2,299.37
Intangibles, Net	996.69	446.60
Long Term Investments	85.16	1,059.69
Other Long Term Assets, Total	433.85	201.75
Total Assets	31,767.57	25,335.81
Accounts Payable	178.00	282.11
Accrued Expenses	1,824.46	1,575.42
Other Current Liabilities, Total	299.63	178.07
Total Current Liabilities	2,302.09	2,035.60
Deferred Income Tax	12.51	0.00
Other Long Term Liabilities, Total	1,214.11	610.53
Total Liabilities	3,528.71	2,646.13
Common Stock, Total	0.31	0.31
Additional Paid-In Capital	14,450.34	13,241.22
Retained Earnings (8)	13,561.63	9,334.78
Other Equity, Total	226.58	113.37
Total Equity	28,238.86	22,689.68
Total Liabilities & Shareholders' Equity	31,767.57	25,335.81

- 1 all the money belonging to the company's owners
- 2 assets whose value can only be turned into cash with difficulty (e.g. reputation, patents, trade marks, etc.)
- 3 capital that shareholders have contributed to the company above the nominal or par value of the stock
- 4 expenses such as wages, taxes and interest that have not yet been paid at the date of the balance sheet
- 5 money owed by customers for goods or services purchased on credit
- 6 money owed to suppliers for purchases made on credit
- 7 money paid in advance for goods and services
- 8 profits that have not been distributed to shareholders
- 9 tangible assets such as offices, machines, etc.
- 10 the difference between the purchase price of acquired companies and their net tangible assets
- 11 the total amount of money owed that the company will have to pay out

Listening: Valuing assets ▶2.5

Richard Barker is the director of the MBA programme at the Judge Business School of Cambridge University, and an expert on international accounting. Listen to him talking about valuing assets, and answer the questions.

- 1 What examples does Richard Barker give of assets that are difficult to value?
- 2 How does he define a company's annual profit or loss?
- 3 Why is the estimated value of an airport runway probably not very objective?
- 4 How does he define or explain depreciation?



Richard Barker

Discussion

- How would you put a value on your college or university? What are its major assets – buildings and equipment, or people and their skills, knowledge and reputations?
- In most countries, companies record the historical cost of their assets – their original purchase price, and not their (estimated) current selling price or replacement cost. Why?
- Should companies record raw materials, work-in-progress, and their inventory of products ready for sale at their cost price, or their current market price (the price at which they could be sold)?
- Give some examples of companies whose value largely derives from intangible assets such as their well-known brands, or their good reputation.



Reading 2: Google Inc. Income statement

Look the income statement opposite. Which lines refer to the following?

- 1 money received from investments
- 2 money spent in order to produce income in the future
- 3 the expenses specific to providing the company's services
- 4 additional expenses involved in running the company

Vocabulary: Cash flow statement

Cash flow statements contain three categories: Cash from Operating Activities (Ops.), Cash from Investing Activities (Inv.) and Cash from Financing Activities (Fin.).

Which categories do the following items belong to (as positive or negative amounts)?

	Ops.	Inv.	Fin.
Amortization (loss of value of intangible assets)			
Changes in the size of the inventory			
Depreciation (loss of value of tangible assets)			
Dividends paid			
Income taxes paid			
Payments to suppliers for goods and services			
Payments to employees			
Proceeds from issuing shares or debt			
Purchases or sales of property, plant and equipment			
Receipts from the sale of goods or services			
Repurchase of company shares or repayment of debt			

Google Inc.

Income Statement

In Millions of \$	12 months ending 2008-12-31	12 months ending 2007-12-31
Total Revenue	21,795.55	16,593.99
Cost of Revenue, Total	8,621.51	6,649.09
Gross Profit	13,174.04	9,944.90
Selling/General/Administrative Expenses	3,748.88	2,740.52
Research & Development	2,793.19	2,119.98
Unusual Expense (Income)	1,094.76	0.00
Total Operating Expense	16,258.34	11,509.59
Operating Income	5,537.21	5,084.40
(Non-operating) Interest Income Net	311.89	594.28
Other, Net	4.50	(4.70)
Net Income Before Tax	5,853.60	5,673.98
Net Income After Tax	4,226.86	4,203.72

Vocabulary note

Google's financial statements use American terms, which sometimes differ from British ones.

American English	British English
Accounts Payable	Creditors
Receivables or Accounts Receivable	Debtors
Additional Paid-in Capital	Share Premium
Annual Stockholders Meeting	Annual General Meeting
Common Stock	Ordinary Shares
Net income	Profit

Role play: Presenting a company's results

The Chief Financial Officer of Google Inc. is going to present the company's results at the Annual Stockholders Meeting. He/she will refer to the Balance Sheet and Income Statement, and explain which figures have increased and which have decreased. In groups, prepare the presentation.

If this is a homework task to prepare for the next lesson, you could look up more recent figures on the Internet on sites such as <http://investor.google.com>, <http://finance.yahoo.com> and <http://moneycentral.msn.com>, rather than use the figures given here. You could also use the company's website or the Internet to find details about acquisitions, product developments, and so on, which might explain any changes.

Alternatively, you could present the accounts of a company you work for or have worked for or know well.

Aims

- Consider the standard structure of markets for products and services
- Discuss existing and potential industrial clusters

Lead-in

Think of durable consumer goods that your family possesses – perhaps a car, a computer, a television, a music player, a camera, a cooker, a fridge, furniture, and so on. Think also of your favourite clothes. Think of the brands of food and drink you habitually consume, and personal hygiene products you use.

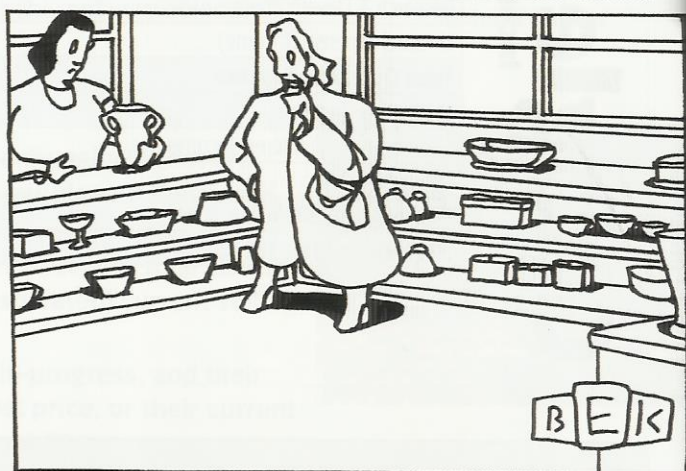
In each case, do you know whether the company that makes them is:

- the *market leader* (with the biggest market share)
- the *market challenger* (the second-biggest company in the industry)
- or one of many smaller *market followers*?

If you have bought products that are *not* produced by the market leader or a well-known market challenger, is the reason:

- chance
- price
- because they have a *unique selling proposition*: something that makes them different from any other product, and which appeals to you
- because you need something special, and are part of a particular small *niche* or *market segment*?

Have you bought products sold by *new entrants* to a market which later became big and successful companies? Give examples.



"I'm looking for something slightly more perfect."

© The New Yorker

Reading: Market structure

Read the text and insert these words in the gaps:

differentiated market challenger market followers market leader
market segmentation market share niche unique selling proposition (or USP)

In most markets there is a definite

¹ _____ : the firm with the largest ² _____. This is often the first company to have entered the field, or at least the first to have succeeded in it. In many

markets, there is often also a distinct

³ _____, with the second-largest market share. In the car hire business, the challenger actually advertised this fact for many years: Avis used the slogan 'We're number two.'

Aims

- Consider the role of government intervention in the economy
- Discuss government spending and taxation

Lead-in

Some people argue that too much regulation is bad for business, and that governments interfere with 'market forces'.

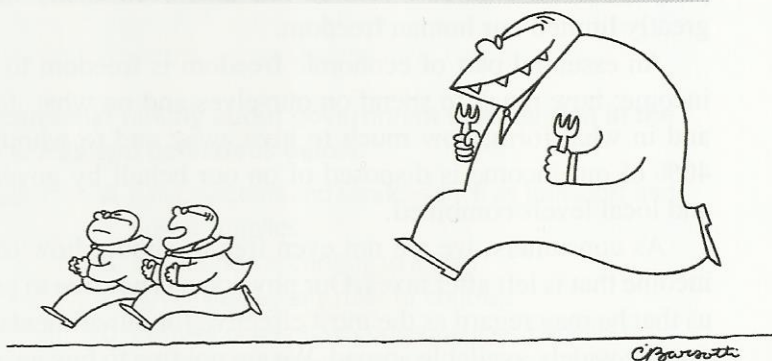
Could any of the following activities not be undertaken or regulated by the government, but left to the private sector and the market system in your country?

- education
- healthcare
- low-income housing
- defence (the armed services – army, navy, air force)
- the police, the justice system, prisons, and so on
- public transport (trains, buses, and so on)
- social security (unemployment and sickness benefits, old age pensions)
- working conditions (working hours, child labour, minimum wages, and so on)
- traffic regulations (driving tests, speed limits, seat belts, the alcohol limit, parking restrictions, the safety of cars, the size and weight of lorries and trucks, and so on)
- health, safety and cleanliness regulations (concerning factories, shops, restaurants, food, medicines, the disposal of chemical and nuclear waste, and so on)
- the sale of alcohol, drugs, guns, and so on

Reading: The role of government

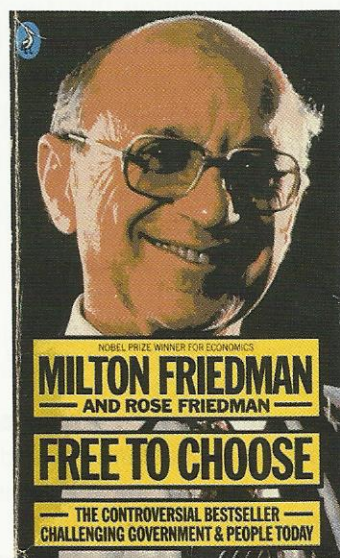
The American economist Milton Friedman was well-known for his views on government. Read the extracts from *Free to Choose* by Milton and Rose Friedman on the next page.

- What is the Friedmans' opinion of the activities of the US government?



"No, I didn't. I never said there should be no government regulation."

© The New Yorker



Though the United States has not adopted central economic planning, we have gone very far in the past 50 years in expanding the role of government in the economy. That intervention has been costly in economic terms. The limitations imposed on our economic freedom threaten to bring two centuries of economic progress to an end. Intervention has also been costly in political terms. It has greatly limited our human freedom.

An essential part of economic freedom is freedom to choose how to use our income: how much to spend on ourselves and on what items; how much to save and in what form; how much to give away and to whom. Currently, more than 40% of our income is disposed of on our behalf by government at federal, state and local levels combined.

As consumers, we are not even free to choose how to spend that part of our income that is left after taxes. Our physician is not free to prescribe many drugs for us that he may regard as the most effective for our ailments, even though the drugs may be widely available abroad. We are not free to buy an automobile without seat belts.

Another essential part of economic freedom is freedom to use the resources we possess in accordance with our own values – freedom to enter any occupation, engage in any business enterprise, buy from or sell to anyone else, so long as we do so on a strictly voluntary basis and do not resort to force in order to coerce others.

Today you are not free to offer your services as a lawyer, a physician, a dentist, a plumber, a barber, a mortician, or engage in a host of other occupations, without first getting a permit or licence from a government official. You are not free to work overtime at terms mutually agreeable to you and your employer, unless the terms conform to rules and regulations laid down by a government official.

You are not free to set up a bank, go into the taxicab business, or the business of selling electricity or telephone service, or running a railroad, busline, or airline, without first receiving permission from a government official.

Although these examples only scratch the surface, they illustrate the fundamental proposition that freedom is one whole, that anything that reduces freedom in one part of our lives is likely to affect freedom in the other parts.

Freedom cannot be absolute. We do live in an interdependent society. Some restrictions on our freedom are necessary to avoid other, still worse, restrictions. However, we have gone far beyond that point. The urgent need today is to eliminate restrictions, not add to them.

Vocabulary notes

on our behalf = for us

physician (AmE) =

doctor (BrE)

drugs (AmE) =

medicines (BrE)

to resort to force =

to use violence

to coerce = to make

people do something

against their will

mortician (AmE) =

undertaker (BrE):

someone who

arranges funerals

a host of = a large

number of

Comprehension

- 1 What do the Friedmans think will be the consequence of increased government intervention in the economy?
- 2 In which sentence do they criticize taxation?
- 3 What do they say about medical and road safety legislation?
- 4 What is the only restriction they believe to be necessary regarding professional occupations, business and trade?
- 5 What is their objection to the law regarding labour contracts?

Discussion

- How would you characterize the Friedmans' politics?
- How far do you agree with them, concerning any of the specific examples they give of government legislation?

Vocabulary

Before listening to an economist talking about government intervention in the economy, match up the words and definitions below.

- | | |
|-----------------------------|--|
| 1 allocation (of resources) | A basic systems and services such as transport and power supplies |
| 2 commercialize | B distribution according to a plan |
| 3 externalities | C not limited by any rules or controls |
| 4 infrastructure | D positive or negative consequences (benefits or costs) of economic activities experienced by other people |
| 5 optimal | E the best or most likely to bring success |
| 6 outcome | F the result or effect of an action or situation |
| 7 unfettered | G to organize something to make a profit |

Listening: Government intervention ▶ 2.14

Michael Kitson is Senior Lecturer in international macroeconomics, and Director of the Management Studies Tripos, at Cambridge University. Listen to him talking about the role of government.

- Is he in favour of government intervention?

Listen again and answer the questions below.

- 1 Fill in the gaps.

The second effect is whether we think unfettered ¹ _____ alone can ensure the long-term ² _____ allocation of resources and long-term ³ _____. Markets are very important, I'm not denying that, but so is the role of government to actually help markets work better. Often economists talk about notions of ⁴ _____ or the fact that markets are not working properly.

- 2 What reasons does Michael Kitson give for government spending on education and health?
 - 3 Why don't firms invest in very early-stage technologies?
 - 4 What other areas or activities does Kitson mention?
- How far do you agree with Kitson about these various forms of spending?



Michael Kitson

Discussion: Taxation 1

All government spending has to be paid for by taxation.

- Which different taxes can you name?
- The same amount of money can be taxed more than once. Can you give any examples of this?

'In this world nothing can be said to be certain, except: death and taxes!' (Benjamin Franklin, 1789)



"Can't we put in something about rich white guys don't have to pay taxes?"

© The New York

Vocabulary

Which terms are defined below?

- The tax people pay on their wages and salaries is called
 A capital transfer tax B income tax C wealth tax
- A tax on wages and salaries or on company profits is a
 A direct tax B indirect tax C value-added tax
- A tax levied at a higher rate on higher incomes is called a
 A flat tax B progressive tax C regressive tax
- A tax paid on property, sales transactions, imports, and so on is a/an
 A direct tax B indirect tax C value-added tax
- A tax collected at each stage of production, excluding the already-taxed costs from previous stages, is called a/an
 A added-value tax B sales tax C value-added tax
- Profits made by selling assets are generally liable to a
 A capital gains tax B capital transfer tax C wealth tax
- Gifts to family members over a certain value are often liable to a/an
 A capital gains tax B inheritance tax C value-added tax
- The annual tax imposed on people's fortunes (in some countries) is a
 A added-value tax B capital gains tax C wealth tax
- Making false declarations to the tax authorities is called
 A fiscal policy B tax avoidance C tax evasion
- Reducing the amount of tax you pay to a legal minimum is called
 A creative accounting B tax avoidance C tax evasion
- Countries where taxes are low, where multinational companies often set up their head offices, are known as
 A money launderers B tax harbours C tax havens
- A small mistake or exception in a tax law, which allows you to avoid paying something, is called
 A an escape B an excuse C a loophole

Discussion: Taxation 2

- Which of the taxes mentioned above do you have in your country?
- Is there a flat rate of income tax (the same for everybody) or is it progressive? Which system do you prefer?
- Do you prefer direct or indirect taxes?

- 4 Read the following statements. Which of them are in favour of taxation and government spending, and which against?

In favour							
Against							

- 5 Which of the statements do you find the most convincing, and why?

1 All businesses require public roads to allow staff, supplies and customers to get to them.

5 Income tax penalizes all income-generating activity, which makes everyone poorer.

9 Some people are born intelligent and others stupid. Some people are born beautiful and others ugly. So why shouldn't some people be born rich?

2 A wealth tax taxes money that has already been taxed before, perhaps many times, and is therefore unethical.

6 If the general population is unhealthy, and unable to work, firms won't find either enough staff or customers.

10 Unequal income distribution and poverty always lead to crime.

3 As Adam Smith wrote: 'The subjects of every state ought to contribute toward the support of the government in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state.'

7 People will stay away from retail outlets in areas of environmental damage or urban decay.

11 Redistributive taxation is, quite simply, theft.

4 The money people earn is their money, the result of hard work.

8 Taxing savings and capital gains encourages consumption and reduces capital accumulation and therefore reduces everyone's future prosperity.

12 How would companies get qualified staff without the public education system?

13 Society creates the conditions under which financial success is possible, and it therefore has a rightful claim to a share of that success, in the form of taxes.

Presentation: Taxation and government spending

Prepare a brief talk (or a written report) giving arguments both in defence of and against taxation and government spending, but preferably with a conclusion coming down on one side or the other. You can use your own opinions as well as those expressed in this unit.

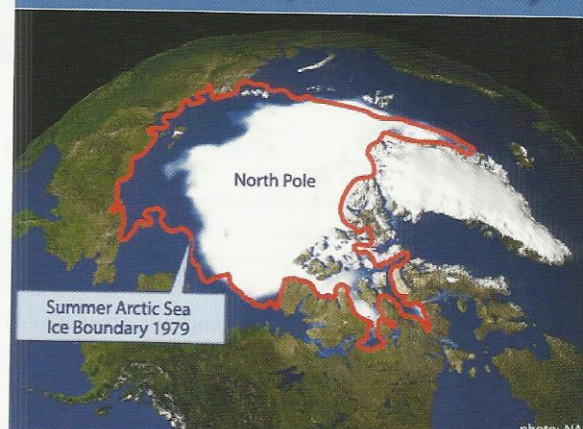
Aims

- Discuss global warming
- Consider possible solutions to global warming, and their economic consequences

Lead-in

- What is causing global warming?
- What are the possible solutions?
- Are these solutions being implemented, and if not, why not?
- Does there have to be an international response to global warming, or can individual governments take measures? If so, what?
- Are you concerned about your carbon footprint: the sum of all the CO₂ emissions that are directly and indirectly associated with your activities? (You can calculate this at <http://www.carbonfootprint.com/calculator.aspx>) For example, do you avoid flying, or pay for carbon offsetting when you fly: funding an equivalent carbon dioxide saving somewhere else?

Since 1979, more than 20 per cent of the polar ice cap has melted away.

**Reading: The economics of climate change**

Read the following extract from an article by a French economist, Christian Gollier, about climate change.

- What does he say is more important than cutting carbon dioxide emissions?

The Stern Review asserts that most of the consequences of global warming will not appear before the year 2100. For example, it is assumed in the report that the mean losses in global per-capita GDP resulting from climate change will be 2.9% in 2100 and 13.8% in 2200. Thus, future generations will bear most of the costs stemming from global warming. A crucial question, then, is to determine how much current generations should be ready to pay to reduce these future costs. We all agree that one euro obtained immediately is better than one euro obtained next year, mostly because of the positive return we can get by investing this euro. This argument implies that costs and benefits occurring in the future should be discounted at a rate equal to the rate of return of capital over the corresponding period.

Because it is hard to predict the rate of return of capital for the next two centuries, the Stern Review follows another approach, which consists of evaluating explicitly the welfare effect of global warming for each future generation.



Christian Gollier

The welfare approach to discounting is based on the assumption that future generations will be richer than current generations. In a nutshell, one should not be ready to pay one euro to reduce the loss borne by future generations by one euro, given that these future generations will be so much wealthier than us. Using the argument retrospectively, we enjoy a real GDP per capita that is approximately 50 times larger than Europeans who lived during the Napoleonic wars, and it would not have been a good idea for them to make much effort for our welfare.

By investing in technologies to reduce the impact of climate change in the distant future, we redistribute wealth from the poor current generations to the wealthy future ones. Nevertheless, it is a fact that we do not presently implement policies (fighting malaria, improving access to clean drinking water ...) today that would be highly cost-effective and would benefit people in the poorest nations. The priority should be put on helping people currently living below the poverty line rather than on fighting global warming. Worse, by actually focusing on climate change, we are going to force developing countries to divert some of the benefits of their growth, which is so useful to fight poverty, towards cutting carbon dioxide emissions, which is primarily a concern of the wealthy.

Comprehension

- 1 Why does Christian Gollier think it is not necessary to invest today in technologies that will reduce the future impact of climate change?
- 2 Why would the benefits, in the distant future, of spending money today be small?
- 3 What policies does Gollier say would help people in poor countries today?
- 4 What effect does Gollier say cutting carbon dioxide emissions will have on poor countries?

Vocabulary

1 Find words or expressions in the text that mean the following:

- 1 average
- 2 to accept or tolerate or endure something unpleasant
- 3 originating or developing as the result of something
- 4 an extremely important or necessary thing to ask
- 5 reduced
- 6 the amount of income received each year from an investment, expressed as a percentage of the total amount invested
- 7 in summary, briefly or simply
- 8 producing very good results for the amount of money concerned
- 9 least wealthy countries
- 10 the minimum level of income necessary to meet basic needs

2 Match up the verbs and nouns below to make word combinations.

bear
benefit
cut
discount
fight
help
implement
redistribute
reduce

benefits
CO₂ emissions
costs
global warming
impact
people
policies
poverty
wealth

Discussion

- How far do you agree with Christian Gollier that cutting carbon dioxide emissions is primarily a concern of the wealthy, and that we should do nothing about it now?

Vocabulary

- 1 Before listening to Martin Beniston, a climate scientist, talking about environmental policy and climate change, match up the words and expressions on the left with the definitions on the right.

- | | |
|-------------------|--|
| 1 albeit | A although it is |
| 2 at threat | B at the same level as something else |
| 3 decouple | C likely to become endangered in the future |
| 4 desertification | D repetitive or recurring |
| 5 hindrance | E something which makes it more difficult for something to happen |
| 6 inertia | F strong government intentions |
| 7 iterative | G the period during which something is projected to take place |
| 8 on a par with | H the physical force that keeps something moving in the same direction |
| 9 political will | I the process by which land becomes dry and vegetation is destroyed |
| 10 reticence | J to disconnect or separate |
| 11 timeframe | K unwillingness to do something |

1		2		3		4		5		6	
7		8		9		10		11			



NICHOLAS

2 Which of the following words mean:

- a to become smaller in size or amount, or fewer in number
b to become greater in size or amount, or more in number?

augment	decline	decrease	diminish	drop	dwindle
expand	extend	fall	grow	increase	inflate
multiply	recede	rise	shrink	shrivel	swell

Listening 1: A big step forward ▶ 2.25

Martin Beniston is Professor of Climatology at the University of Geneva. Listen to him talking about climate change and answer the questions.

- 1 What examples does Martin Beniston give of 'moving forward in the right direction'?
- 2 What is Beniston's reservation about the G8 Declaration?
- 3 How does he describe China and India?
- 4 What is the situation regarding these countries?

Listening 2: Emerging technologies ▶ 2.26

Listen to Martin Beniston talking about emerging technologies.

- 1 Fill in the gaps.

Well, I think if we look at all the emerging technologies related to sort of
 1 _____ and other 2 _____ technologies, it's
 certainly more of an opportunity than a 3 _____. I think much of the
 4 _____ of politicians up till now, and the general public to some extent, related
 to the climate change issue was that one had the impression that, you know, to try
 and become 5 _____, or to try and revert ... reverse the, you
 know, global warming, would mean going back to the Stone Age or to the Middle
 Ages or something, you know, this is not really the case, I mean it's not at all the
 case. And certainly there are huge 6 _____ out there for, you know, transform
 the economy, and transformations of technology, and so on, so I would say ... in
 fact if you look at some of the more progressive countries towards environmentally
 friendly technologies you do see that 7 _____ has actually grown in places
 like Denmark, while at the same time carbon 8 _____ have not progressed at
 all and have even 9 _____ to some extent, the same for Sweden even if the
 Swedish case is less spectacular, so it does show that you can 10 _____ carbon
 emissions from economic growth, so why not take that route?



Martin Beniston

- 2 What does *carbon neutral* mean?
- 3 Explain in your own words the false impression that Martin Beniston talks about.

Listening 3: Can we ignore the problem for now? ▶ 2.27

Listen to Martin Beniston reacting to Christian Gollier's argument (above) about letting future generations deal with global warming, and answer the questions.

- 1 To what extent does he agree?
- 2 What are the reasons for starting to act now?
- 3 What does he say about the future economic situation of the countries of the south?
- 4 What examples of negative impacts of climate change does he give?

Discussion

- To what extent is your country threatened by global warming (rising sea levels, desertification, diminishing water resources, forest fires, extreme weather events, and so on)?
- To what extent is your country developing clean or green energies (wind power, solar power, etc.)? Do you think it is doing enough?
- Could your country increase economic growth while reducing carbon emissions? How?
- If reducing carbon emissions *did* also reduce economic growth, would you find this acceptable?

Role play: Recommending an energy policy

The government of a developing country has invited economists to present their proposals for future energy policy. Your teacher will give you a role. Prepare it in pairs or small groups: what would you say at the meeting?

Writing

Write a brief (150 word) summary of the proposals agreed upon by the meeting.

Appendix 1: How to give a good presentation

A checklist

A good presentation:

- is well-planned, with a clear, logical structure
- has clear and explicit links between the parts
- has information that is relevant to the audience
- has a memorable introduction and finish.

In preparation the speaker:

- **plans** the presentation thoroughly. What is the purpose of the presentation – to inform, to persuade, to review? What information needs to be communicated? How will this information be structured?
- thinks about the **audience**. Who are they: colleagues, business partners, customers? How formal or informal does the presentation have to be? How much does the audience know about the subject? How long will they be able to concentrate? What is their first language?
- thinks about how **visual aids** can help the audience understand what is being said.

During the presentation the speaker:

- speaks loudly enough to be heard by everybody
- doesn't speak too fast or too slowly
- does *not* read a prepared text, but improvises from notes or visual aids
- pauses for emphasis when necessary
- looks relaxed, positive and confident
- seems competent, organized and enthusiastic
- makes eye contact with the audience
- uses appropriate body language and gestures to convey meaning.

The **introduction** to a presentation should contain:

- a welcome to the audience Good morning/afternoon, ladies and gentlemen.
- (perhaps) a thank you to the audience Thank you all for coming today.
- your name and position (if necessary) My name is ... and I'm the ...
- the subject or title of your presentation
The subject of my talk is ...
This morning I'm going to talk about ...
The theme of my presentation today is ...
- a statement of the **purpose** of your presentation
... because this is **something** we will all have to think about in the future.
... because you **will be responsible** for carrying out these new procedures.
- (perhaps) a statement of the **length** of time you will take
I'm going to talk for about 15 minutes.
My presentation **will take** about 20 minutes.

- an outline of the structure of your presentation (a list of the main points to be covered)

My presentation will be in four parts.

I've divided my talk into three parts.

First ... Second ... Third ...

In the first part ...

Then ... After that ... Next ...

Finally ...

- (perhaps) a statement of when the audience may ask questions

If there's anything you don't understand, please don't hesitate to interrupt.

Please feel free to ask questions at any time.

I'd appreciate it if you would save any questions until the end.

The **main part** of a presentation is the most difficult. Beginnings and ends of talks often contain similar phrases, but in the main part you give your audience the information they have come to hear. If you have said in your introduction that you are going to divide your presentation into several parts, you should clearly signal the beginning and end of each of these parts as they occur.

That completes the first part, so now we come to ...

So, to move on to the second part of my talk ...

That concludes the second part, so let's move on to ...

That's all I want to say about ... so unless you have any questions let's turn to ...

The **ending** should:

- include a clear signal that you have finished or are about to finish the last point

That ends the third part of my talk, so ...

That's all I'm going to say about ...

- briefly summarize the main information*

So, to sum up ...

I'll end by emphasizing the main points.

So now I'll just summarize my three main points again.

- perhaps draw some logical conclusions from what has been said

So what we need to do now is ...

This shows that we have to ...

So, to conclude, I have two recommendations.

- perhaps include a thanks for listening

Thank you for your attention ...

Thanks for listening ...

- include an invitation to ask questions.

... and now I'd like to invite your comments.

Now I'd be interested to hear your comments.

Right, does anyone have any questions or comments?

Now we have 20 minutes for discussion.

* This means that speakers often make their most important points three times: in the introduction, they tell the audience what they are going to tell them; in the main part of the talk, they say it; and in the summary and conclusion, they tell the audience what they have just told them. This should make certain that everyone hears the key points at least once! They won't necessarily all hear them three times, because they won't all be concentrating all the time.

Answering questions can be difficult because you can't prepare for it. (You might even think: 'I explained everything perfectly, so why are they asking questions?') But you should:

- welcome questions and listen carefully (and look at the questioner)
- not interrupt the speaker
- clarify the exact meaning of the question if you are not sure

Sorry, I didn't catch that.

Could you repeat that, please?

Sorry, I'm not sure if I've understood exactly ...

If I've understood you correctly, you want to know ... Is that right?

- take time to think – briefly – before you answer, if necessary
- be as brief and direct as possible
- be polite
- check that your questioner is satisfied with your answer

Is that OK?

Does that answer your question?

Sometimes, it is impossible to answer a question, because:

- it is not relevant to your presentation

I'm afraid that doesn't really relate to my talk. Perhaps you could discuss that with ---.

- for some reason you don't want to give this information

I'm afraid I'm not in a position to comment on that.

I'm not really the right person to ask about that. Perhaps --- could help?

- you simply don't know the answer

I'm afraid I don't have that information with me, but I will try and find out, and get back to you.

That's a difficult question to answer in a few words. Could we talk about that later?

- At the end, thank your audience (again).

Listening, seeing and doing

In a presentation, it's important to think about your audience and how they are going to understand your message. Different people have different learning styles, which affect how they take in information.

Some people learn by listening, and remember things they have heard. These people are clearly at an advantage at presentations.

Some people learn by doing, remember things they have done, and don't like sitting still for a long time. Such people are obviously at a disadvantage when they have to sit still during a presentation.

Some people learn by watching, remember things they have seen, find graphs, charts and diagrams very useful, and need to write things down to remember them.

Speakers can help people who learn best by watching – and probably everyone else too – by using **visual aids** as well as talking, so that the audience are using at least two senses.

Visual aids

PowerPoint slides (or whatever you use) should be:

- large and clear, not too detailed, and visible to the whole of your audience
- displayed for long enough for the audience to read them (you should not use more than one a minute)
- possibly laid out in bullet points like this, rather than long sentences or paragraphs.

You can refer to visual aids with expressions like:

As you can see from this slide ...

I'd like you to have/take a (closer) look at this ...

I'd like to draw your attention to ...

Equipment

You should check the equipment before starting. For example:

- Does the data projector work?
- Can you connect your laptop to the projector?
- Can everyone see you and the screen, or do you need to move the chairs?
- Is there any light reflecting on the screen? Do you need to close the blinds or dim the lights?

Presenting across cultures

A good presenter who has to talk to an international audience will research the style of presentation that is appropriate to that particular audience. Some audiences, for example, may want to participate actively during the presentation while others will want to sit quietly and listen without interruption to what is being said. As part of the planning and preparation process, it is essential to find out what is appropriate.

Appendix 2: Writing emails, letters and reports

Writing professional emails

Various writing activities in this book involve in-company emails. While emails to colleagues can be quite informal, emails to senior managers are generally more formal. The first contact between a company and a business partner, client or customer is also generally written in a very polite, formal style, whether it is a letter or an email. Subsequent correspondence between people who know and like each other often becomes less formal (at least in most English-speaking countries).

Things you **should** do when writing professional emails:

- Clearly summarize the contents of your messages in the subject line (so recipients can find them again later in their inbox). For example, write 'Recommendation of candidate for Chief Operating Officer' rather than just 'Recommendation'.
- If you normally address a person as Ms/Mrs/Mr ---, do the same in a first email; if you normally call them by their first name, then do that. In most English-speaking countries people often switch to first names after a couple of emails.
- Try to keep messages short so that readers (especially those using cellphones and mobile devices) don't have to scroll.
- Reply to messages, keeping the 'thread' by leaving the original messages (unless the thread is extremely long), rather than starting new emails.
- When writing informal emails to friends and colleagues, many people use **short forms** of common words, such as yr (your), pls (please), thx or thnx (thanks), rgds (regards), and **acronyms** (the first letters of words), such as FYI (for your information), asap (as soon as possible), BTW (by the way), TIA (thanks in advance), BR (best regards) and BW (best wishes). These are probably best avoided in professional emails (and certainly when writing to non-native users of English who may not recognize them).
- Send copies (Cc) to people who also need the information. When writing to large groups of people who don't necessarily need to know each other's names or email addresses (e.g. a whole list of customers) you can use blind copies (Bcc). But sending blind copies so that a person doesn't know that other colleagues have also received the email is generally best avoided.
- Use the spell check and reread your message one last time before you send emails to business partners, customers or important colleagues.

Things you **shouldn't** do when writing emails:

- Write in capital letters, as they are more difficult to read.
- Write anything you wouldn't say to a person's face or say in public or write on the back of a postcard. Remember that there is no such thing as a private email: the system administrator can probably read all emails, and people can easily forward your emails (sometimes accidentally).

Writing letters

Most organizations have models or templates of standard letters for all common situations: texts giving standard information, with spaces or blanks to be filled in depending on the details. This saves time, allows the organization to control the quality of what goes out to customers and business partners, and helps ensure that they comply with laws and regulations.

When you need to write a letter without a template you should:

- Establish a clear purpose: *why* are you writing? (to inform, persuade, request, etc.)
- Know your audience: *who* are you writing for? The audience will determine the style and language you use.
- Plan a logical sequence, and organize your ideas into paragraphs.
- Be brief and precise (or if you prefer an acronym: KISS – Keep It Short and Simple).
- Use plain language: avoid jargon, complex words and abbreviations your reader might not understand.
- Use a formal (or at least neutral) business tone.
- Always be courteous and polite.
- When you've finished writing, check everything: the content, the format, the language (grammar, punctuation and spelling) and the style. For very important letters, you might want to get someone else with perfect English to check for you.

In a personal letter, we do not usually write our name above our address.

Write out the month in full, because 5/10/10 means 5 October 2010 in Britain and 10 May 2010 in the US. We do not write the name of the town we are writing from before the date.

This is why we use envelopes with windows on the left!

If necessary

If you don't know somebody's name, write Dear Sir / Dear Madam / Dear Sir or Madam / Dear Sirs, etc.

Subject line (Re is Latin for 'thing')

A standard salutation

Write your name and professional title after your signature. People may not be able to read your signature.

Cc means that copies of the letter have been sent to these people.

Enc. or Encs means that documents are enclosed with the letter.

Company letterhead	
or Your address here	
Date	
Recipient's name	
Recipient's address	
Reference: EBS3/1	
Dear [name],	
Re: Your job application	
[The main body of the letter. This is the most difficult bit!]	
Yours sincerely,	
Your signature	
Your name	
Your position	
Cc [+ names]	
Encs	

Writing reports

The **standard structure** of a report is as follows:

- 1 The **introduction**, which states the report's aims or objectives, or its terms of reference: why it was written and who it was written for
- 2 The **main part** of the report, which gives and discusses the facts and findings, and perhaps considers alternative courses of action
- 3 **Conclusions**, based on the facts and alternatives
- 4 **Recommendations**, the action the writer thinks should be taken based on the facts, discussion and conclusions.

Genuine reports are of course usually much longer than the short (100–150 word) reports practised in this book. Longer reports might also have:

- a **title page**, giving the subject, the writer's name, the date and (if necessary) a reference number
- a **contents list** (after the title page), including headings and sub-headings with page numbers
- a **summary** (before the introduction), giving the main points, such as important conclusions
- an **appendix** or **appendices** (at the end), with tables, figures, etc.

Here are some example sentences and paragraphs.

An introductory sentence (See Unit 9)

This report was written by ---, Retail and Logistics Director, at the request of the Chief Executive Officer, to attempt to identify the potential supply chain risks for our fruit and vegetable department.

Conclusions (See Unit 11)

Our conclusion is therefore that we should open a well-equipped, up-to-date gym and fitness centre right at the heart of the financial district, preferably in a large office building that has shops and restaurants on the lower floors. We would attempt to compete on quality, and convenience of location, rather than price.

Recommendations (See Unit 24)

I believe that we should immediately issue a press release stating that we will stop using this chemical as soon as possible (but without giving a date). For the moment, however, we need to continue using this chemical. At the same time, I strongly recommend putting out a challenge to develop an alternative anti-bacterial chemical agent on www.innocentive.com.

Apart from the verbs in this paragraph – *should* [+ infinitive], *need to* [+ infinitive], *strongly recommend* [+ -ing] – other common verbs for stating recommendations include *ought to*, *must* and *is/would be advisable to* [+ infinitive].

Writing minutes and summaries

Other common documents are the minutes of meetings – written records of what was said or decided ('action points') – and summaries or confirmations of what has been agreed in a phone conversation. These can be sent as documents or as emails.

For example:

