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TEXTS FOR BUSINESS STUDIES

Учебно-методическое пособие

**по учебной дисциплине «Деловой иностранный язык»
для специальности 1-25 01 10 «Коммерческая деятельность»**

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Contents

PART I. The texts for rendering

Unit 1. Now, about this web thing	4
Unit 2. The fate of global brands	8
Unit 3. Moving your brand image upmarket	12
Unit 4. Teams seek strength in affiliations	16
Unit 5. Blogging as a relationship tool	20
Unit 6. Message machine creates a buzz	25
Unit 7. A record year for a supermarket chain	29
Unit 8. More about results than time	33
Unit 9. Satisfying employees and customers	37
Unit 10. The priority of safety	41

PART II. The texts for analysis

1. Diesel	45
2. The furniture club	47
3. Orange.....	49
4. Kerry Foods	51
5. Inflation in Brazil.....	53
6. Employment in the City or not?	54
7. Black Wednesday	56
8. The ceramics industry.....	58
9. Tate and Lyle	59
10. Sky Travel.....	61

REFERENCES	64
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PART 1

UNIT I

1. Read this article by David Bowen from the *Financial Times* and do the exercises that follow.

Now, about this web thing

Your corporate website is an investment that is quite likely the biggest element in your communications budget; whose Return on Investment (ROI) you cannot measure; and whose benefits are difficult to describe. And now I would like to explain why you should be spending more on it.

It is easy to say why companies have websites. It is because they grew up for fun (it is fun building a website; you should try). But what purpose does the site serve and why have you just authorised another large cheque to keep it going and growing? Well, if you didn't sign that cheque and the site disappeared, what would happen? In the short term, unless your company actually sells things online, your revenue would not suffer, and your costs would fall; but here are the other effects I predict.

First, your company would see the flow of phone, fax or email enquiries from customers reduce sharply. They use your site, via Google, to find out your details - the most valuable role of any website is as a simple contact point.

Second, you would start getting worrying feedback from Human Resources that the staff were wondering what was going on. About one in ten visitors to your site are likely to be employees. They want to know what is happening in the company, too.

Third, your investor relations team would get irate phone calls from analysts looking for an elusive figure from the 1999 annual report. Analysts are used to finding historical data on company sites, and you don't want to upset them, do you?

Fourth, journalists would be phoning your press office to confirm such details as how the president of your Polish operation spelt his name, or whether you still owned that company in Indonesia. You may also get calls from careers officers in colleges, wondering if your company still existed and demanding extra copies of brochures for students. In due course, you would find the quality of recruits was falling, because people had come to rely on the web to get a feeling for a potential employer.

Disastrous though this may be, it does not explain why you should actually be increasing investment in your website. I said earlier that most websites grew up by mistake. As a result, most large organisations now have web presences that are grossly inefficient, racking up unnecessary 'hosting' costs on dozens or even hundreds of servers. Many large organisations are now looking at these costs, and thinking how much more sensible it would be to bring the sites together. Extra benefits would then tumble forth: further cost savings from sharing words, pictures and interactive tools, and greatly increased quality for the same reason.

But of course this is going to cost money in the short term. So when your corporate affairs director asks you to approve a project with no apparent ROI, please don't laugh in his face. Ask your fellow CEOs instead; I bet they are getting very similar requests.

2. Here are the answers, complete the questions.

a) Why

Because it is almost impossible to measure its return on investment and its benefits are difficult to describe.

b) Why

Because customers use websites to find out company contact details.

c) Why

Because employees also like to be informed about their company.

d) How

They use company sites to find historical data, particularly in the form of annual reports.

e) Who

Journalists, college careers officers and people looking for employment in your company.

f) Which costs

The costs of the inefficiencies in their web presence, often including largely unnecessary hosting costs on many servers.

g) What

They are being asked to invest more money in the corporate website.

3. Before looking at paragraphs 1 and 2 again, match the two halves of the expressions below.

a) authorise	(something) going
b) keep	online
c) measure	a cheque
d) sell	a purpose
e) serve	return on investment

Which one of them means:

1. to offer products and services over the internet?
2. to make sure something continues to operate?
3. to allow a payment to be made by a bank?
4. to do something for a reason?
5. to find out how quickly a project pays back the money you have put in it?

4. Now complete the sentences below with the expressions from Exercise 2, using the correct verb forms.

- a) Corporate websites even if this is sometimes difficult to describe.
- b) A website can enable companies totheir services24 hours a day.
- c) One way to find out how effective a project has been is to..... its

- d) A manager will normallyto be paid to a supplier.
- e) Companies can often increase their sales by

5. Find words or expressions in paragraphs 3, 4, 5 and 6 that mean:

- a) important function
- b) will probably be
- c) in the habit of
- d) after a while
- e) gain an insight and understanding for

6. True or false?

- a) According to the article, most companies need to spend more money on their web presence in order to save money.
- b) The more servers a corporation uses to host its website, the more money they have to pay for this service.
- c) Many organisations believe that it would be more sensible to run their site from several different locations.
- d) Reducing the number of servers would bring about many additional cost savings.
- e) If all the websites of a large organisation operate together, many features can be shared across the whole site.
- f) Mr Bowen proposes that it is a bad idea to support investment in the corporate website because there is no apparent ROI.

6. What is the ROI of a corporate website in terms of communication value? What information do you expect to see on a company website? What do you think of companies that do not provide this information?

UNIT II

1. Read this article by Richard Tomkins from the *Financial Times* and do the exercises that follow.

The fate of global brands

In the Harvard Business School professor Theodore Levitt's seminal paper *The Globalisation of Markets*, written in 1983, he argued that, as new media and technology shrank the world, people's tastes would converge, creating a single global market that would be dominated by the world's most successful brands. So, when the Berlin Wall fell and the barriers to world trade came down, it seemed Prof Levitt would be proved right. Global brand owners poured into the newly opened markets and, facing little competition in countries unaccustomed to consumer culture, they thought they would clean up. Then, some awkward commercial realities started to close in.

Once local consumers had tried these new products, they found them far too expensive to buy on a regular basis, even if they liked them. And soon, local producers sprang up offering much better value for money with products of only slightly inferior quality at a vastly lower price. Usually, too, these products were better suited to local tastes and cultural preferences than those being foisted onto consumers by the global corporations. The global brand owners were left spreading their advertising and other fixed costs over tiny market shares and often faced extra costs, such as tariffs.

In many of these countries today, global brand owners command the super-premium end of the market in any given product category, while local brands command the rest. The global brand owners could try to move into the mass market by creating low-price products designed to suit local tastes, but that would throw them into head-on competition with local companies possessing better distribution channels and a far deeper understanding of the market. Increasingly, therefore, they have resorted to buying local

brands and the companies that own them. And here, of course, lies the paradox. Whatever is the point of owning a global brand if it does not work in global markets?

Let us be optimistic and suppose the poor countries do become rich. But what do we see happening in rich countries? Ever-proliferating brand choices. There are more soft drink brands than there have been for years, more fast food chains, more packaged goods, more cars. Supermarkets are competing with brand owner's by selling own-label products that are as good as the branded version but cost 20-30 per cent less.

Global brands, of course, are not about to disappear. But it must now be clear that Prof Levitt was mistaken in believing the world's tastes would converge on standardised products. Everything we have learned about consumerism over the decades shows that, as people become better off, they want more choices, not fewer. Global brands may be here to stay, but their golden age is over.

2. True or false?

- a) When the Berlin Wall fell and the barriers to world trade came down, Professor Levitt was proved right.
- b) Shortly after that time, local producers in countries with newly opened markets began supplying similar products to global brands at a much more attractive price.
- c) Currently global brand products sell best as luxury products in many of these countries.
- d) In rich countries there are fewer brand choices in supermarkets.
- e) The more money consumers have, the more choices they want.

3. Complete the following definitions of expressions from paragraph 1 with the words in the box.

Awkward	clean	consumer	converge	little	pour	seminal
---------	-------	----------	----------	--------	------	---------

- a) A..... academic paper is one that has a powerful influence on the way people think and act.
- b) If people's tastes..... more and more people prefer the same things.
- c) When global companies.... into newly opened markets, an enormous number of them enter these markets at the same time.
- d) Companies that are facing.....competition have very few competitors in their market.
- e) Countries that are unaccustomed to culture are not yet familiar with the idea that buying and selling goods and services can be a central part of people's lives.
- f) Companies that up in a particular market perform well and make big profits.
- g) A company that has to face commercial realities has to work with business situations that make its life difficult.

4. Why has life been so difficult for global brand owners in these new markets?

Which of the reasons listed below are not mentioned in paragraph 2?

- a) These products did not reflect the local tastes and cultural preferences.
- b) Many local consumers may have liked the new products, but they were too expensive for them to buy often.
- c) The global brand owners had to pay a lot for local distribution and warehousing facilities.
- d) After a while, the global brands were competing with local producers who were supplying similar products far more cheaply.
- e) Although the global brand owners still have to pay fixed costs such as advertising, they do not really have enough market share to make this worth it.
- f) It is not easy for global brand owners to set up offices locally and employ local sales forces.
- g) Global brands also have a disadvantage compared with local products because they have to pay tariffs for importing their goods into these countries.

5. Before looking at paragraph 3 again, put a verb from the box into the following sentences in the correct form.

buy	command	create	design	own	possess	resort
throw						

- a) In many of these countries today, global brand owners.....the super-premium end of the market in any given product category.
- b) The global brand owners could try to move into the mass market by.... low-price productsto suit local tastes.
- c) That would global brand owners into head- on competition with local companies..... better distribution channels and a far deeper understanding of the market.
- d) Increasingly global brand owners have to..... local brands and the companies that own them.
- e) Whatever is the point of.....a global brand if it does not work in global markets?

6. Find expressions in paragraphs 4 and 5 that mean:

- a) a constantly-growing selection of products from particular manufacturers with particular names
- b) products presented in special boxes or wrapping
- c) goods that carry the brand of a particular supermarket
- d) goods that have a particular, uniform identity and quality level
- e) a period of time when something has great popularity

7. Can you think of a global brand that has become particularly successful in your area? Why has it done so?

UNIT III

1. Read this article by Maija Pesola from the *Financial Times* and do the exercises that follow.

Moving your brand image upmarket

For hundreds of Europe's most fanatical computer gamers who took part in the first European championships this March there was glory up for grabs in best-selling games such as *Halo 2* and *Fifa Soccer 2005*, and €150,000 (£104,000) in prize money. For Samsung, the South Korean electronics group that sponsored the event, it was a chance to strut its brand in front of Europe's gaming community. It will be hoping that the seven-figure sum it spent on the championships at Hanover's CeBIT computer industry exhibition will help it win over an audience that has been difficult for advertisers and marketers to reach. The games at the Samsung Euro Championships were all displayed on the company's 19-inch liquid crystal display flat panel screens, the mobile phone event of the games was played on Samsung's D500 handsets and the company created a special game for the event called *Babe Rally*. "The games are a platform for us to communicate with the youth sector and early adopters," says Hadrian Baumann, Samsung's general manager for European marketing.

Over the past five or six years, Samsung has fought to move its brand image more upmarket to compete with premium names, such as Sony. As a result, much of its marketing strategy has focused on what it calls the "high-life seeker" segment of the market - people who adopt technology early and are willing to pay a high price for it. Interbrand, the brand consultancy, recently ranked the company as the world's 21st most valuable brand; up from 42nd in 2001.

But pressure has mounted on Samsung to keep up its efforts. The company recently slipped back into third place behind Motorola in mobile handset sales. At the same time, Samsung is suffering from falling prices for its LCD screens, due to a glut in the market.

Stimulating demand for the screens among gaming fans could be one way to help ramp up sales.

Although Samsung scores well in overall brand surveys and is strong in Asia, studies indicate that in Europe it struggles to compete with strong local manufacturers, such as Nokia and Philips. Over the past three years, the company's internal research has shown a 25 per cent increase in positive attitudes towards Samsung in the 18 to 29-year-old age group. Positive attitudes among older consumers, however, have grown more slowly.

In order to enhance its hip, youth image, Samsung has also signed a number of partnerships, including one with Quiksilver, the sportswear label, and Xbox, Microsoft's games console for which it makes DVD drives. Being associated with brands such as these, says Mr Baumann, helps to give Samsung credibility in the youth market: "It is clear that young people have a huge impact over their parents and older people when it comes to choosing technology. We are using younger 90 people as spokespeople for our products."

2. Replace the words *in italics* in the sentences below with the expressions from the article in the box.

early adopters
enhance its hip,
youth glory was up for grabs
keep up its efforts
move its brand image more upmarket
seven-figure sum
win over an audience

- a) In the first European championships this March, *participants could win the admiration of many people* in best-selling games such as 'Halo 2' and 'Fifa Soccer 2005', and €150,000 in prize money.
- b) It will be hoping that the *more than €999,999.00* it spent on the championships at Hanover's CeBIT computer industry exhibition will help it *get a section of the public on their side* that has been difficult for advertisers and marketers to reach.
- c) The games are a platform for us to communicate with the youth sector and *people who quickly like to use new technology*.
- d) Over the past five or six years, Samsung has fought to *make its brand appeal to people who buy more expensive products*.
- e) But pressure has mounted on Samsung to *continue to work very hard*.
- f) In order to *improve its fashionable, young image*, Samsung has also signed a number of partnership contracts with other famous brands.

3. Look through the whole article and answer these questions.

- a) Which different items was Samsung promoting at their Samsung Euro Championships event at the CeBIT exhibition in Hanover?
- b) What is Samsung trying to do with its brand and is it successful?
- c) What are the problems Samsung is having?
- d) Which part of the market is it most difficult for Samsung to penetrate?
- f) So how does that affect Samsung's overall strategy?

4. Find words or expressions in paragraph 1 that mean:

- a) participated
- b) paid for in exchange for advertising and public attention
- c) to present in a confident way
- d) to make contact with
- e) part of the market

5. True or false (paragraph 2)?

- a) Samsung wants to compete in the same market as Sony.
- b) 'High-life seekers' want to be the first to buy products with state-of-the-art technology.
- c) A 'valuable brand' is one that is well-known and respected for the quality of its products.

6. Which words in paragraph 3 tell us that:

- a) not long ago, Samsung had sold more phones than Motorola?
- b) there are currently too many LCD screens on sale?
- c) it may be a good idea to generate a demand for LCD screens among people who enjoy playing computer games?

7. True or false (paragraph 4)?

- a) The Samsung brand is currently more successful in Europe than in Asia.
- b) Nokia and Philips are not competing effectively with Samsung in Europe.
- c) Samsung has hired the services of a European research institute to find out how people feel about their products.

8. Before looking at paragraph 5 again, complete the sentences below with a correct form of one of the verbs in the box.

Associate	come	give	make	sign
-----------	------	------	------	------

- a) Samsung has a number of partnership agreements.
- b) SamsungDVD drives for the Microsoft Xbox.
- c) Samsung is with brands such as Xbox and Quiksilver.
- d) Being thought of together with these brandsSamsung credibility.

f) Young people have a huge impact over their parents when it to choosing technology.

9. Now think of five more local brands. What could they do to expand into other markets?

UNIT IV

1. Read this article by Stefan Stern from the *Financial Times* and do the exercises that follow.

Teams seek strength in affiliations

The global consultancies share some characteristics of the largest branches' of Tesco. Vast out-of-town supermarkets may offer everything you need to keep the home well stocked, but do they really give you the quality that could be yours by spending a couple of hours in boutiques, delicatessens and food halls? Perhaps the one-stop shop can meet all your basic and immediate needs. But some management challenges require a pooling of expertise and talent from a team of consultancies working together.

"On paper the biggest firms have all the capabilities you might want," says Andrew Crowley, vice-president of consulting and systems integration for CSC, the international information technology consultancy. "But there is a risk element to that. A consortium gives you a slightly different view on life, and probably better value as well." That view is echoed by Bernard Brown, senior vice-president for consulting in the UK, Americas and Asia-Pacific for Atos Origin, the IT consultancy. "You won't necessarily have all the skills to meet the 'end-to-end' requirements of a large client," he says. "But we have to partner. It is an essential part of our work."

For Mr Brown, there are several core elements to a successful collaboration. "First, what are the rules of engagement?" he asks. "How will we work together, how will we measure progress? Then we look for seamless teamwork - can we keep the same team throughout a project lasting between six and 18 months? Then there is personal integrity: do our strategies and approaches fit? Personal relationships matter enormously too. Business hasn't changed that much, in spite of all the new ways of communicating. Then there is the commitment of all involved, and the question of cultural fit and values: if your values are not shared at the outset you will find out later to your cost. Finally, there is the question of joint marketing: how do we protect each other's brand?"

Mr Crowley does not underestimate the difficulty of making consortia work for both client and consultant. "You need explicit work-share agreements up front," he says. "Otherwise you will find yourself arguing over what percentage of the work goes to one partner or another. You need that commercial relationship in place, with agreed milestones for the project. Partnerships are dynamic. They evolve, and like a marriage there will be ups and downs. The interpersonal relationships are vital, and greed will destroy it. You need the same ethics, the same values, so you can combine your skills and not fight over revenues."

Last year Atos Origin replaced IBM as the International Olympic Committee's IT partner for the next three Olympic games. In Athens last summer Atos was managing more than 2,300 different suppliers, often without written contracts in place. "Without our experience of partnering, we would never have been able to pull that off," Mr Brown says.

2. Match the following expressions from the article with their correct definitions.

- a) A *one-stop shop* is...
- b) A *pooling of expertise* is ...
- c) The *end-to-end requirements* of a large client are ...
- d) In this article, to *partner* means ...
- e) The *rules of engagement* are ...

f) If you have *personal integrity*...

g) Clearly-stated agreements *up front*...

h) To *pull* something *off*...

1 ... to work in close cooperation with other companies.

2 ... the combination and cooperation of people with different knowledge and experience.

3 ... the principles under which a team of people working together from different companies agree to operate.

4 ... are those made before the team starts working together.

5 ... every detail of carrying out a project from its beginning to its final operation.

6 ... is to manage it successfully.

7 ... a store where you can buy everything you need for a particular purpose, or a company that can plan, implement and manage every aspect of a particular project for another company.

8... you do what you say you are going to do according to a particular set of beliefs and principles.

3. Choose the best heading for each paragraph of the article.

a) The value of experience

b) Why consultancies need to partner

c) Some issues that need to be handled

d) Global consultancies as one-stop shops?

e) The essential ingredients of a successful collaboration

4. Before looking at paragraph 1 again, complete the expressions below with the correct preposition.

a) Global consultancies share some of the characteristics the largest branches of Tesco.

- b) Big supermarkets offer everything you needkeep the home well stocked.
- c) But do they give you the quality that could be yoursspending a couple of hours in boutiques, delicatessens and food halls?
- d) Some management challenges require talenta team of consultancies working together.

5. Find words and expressions in paragraph 2 that mean the following:

- a) experience and expertise
- b) a factor that could cause harm or damage
- c) broadly agreed with
- d) fundamental

6. In paragraphs 3 and 4, which of the following are *core elements of a successful collaboration* a) according to Bernard Brown? b) according to Andrew Crowley?

- a) rules for how the cooperation will function
- b) systems for assessing its effectiveness
- c) maintaining the same team throughout the project
- d) acting in accordance with a set of principles and beliefs that are adopted by each member of the consortium
- e) everyone getting on well together on a personal level
- f) each member of the consortium feeling equally dedicated to the project
- g) making sure that the values and assumptions of each member of the consortium are shared by the whole consortium right from the very beginning - even though it is made up of people with different national, professional and company cultures
- h) making a distinction between the way each member of the consortium is perceived by the market
- i) clear agreements right from the very beginning about who is going to do what - and what proportion of the project as a whole each task represents

7. Before looking at paragraph 5 again, put the correct verb into the following phrases in its correct form.

- a) Last year Atos Origin IBM as the International Olympic Committee's IT partner.
- b) In Athens last year Atos wasmore than 2,300 different suppliers.
- c) Without our experience of partnering we would never have to pull that off.

8. Has your company, or a company you know, had any experience with working on a project in a consortium with other companies? How did it work? Why do you think it worked that way?

UNIT V

1. Read this article by Scott Morrison from the *Financial Times* and do the exercises that follow.

Blogging as a relationship tool

Bob Lutz, the vice chairman of General Motors, does it. So does Jonathan Schwartz, chief operating officer of-computer maker Sun Microsystems. A handful of executives at Hewlett-Packard and Boeing are also getting in on the act.

Welcome to the blogosphere - home to those informal, frequently updated online journals that people create to share their thoughts and opinions. Web logs, or blogs, have for the most part remained the domain of millions of independent bloggers who want to talk politics, trade tech ideas, share their daily lives - or criticise corporations. Now those same corporations are trying to figure out how they can take advantage of

this new medium to attract attention, cultivate customer relationships, respond to criticism - and perhaps sell a few more computers, cars or aircraft along the way.

One way for a company to enter the blogosphere is to establish a system on the corporate intranet, where web logs can be used as an internal communications tool. IBM, for example, says thousands of its employees blog on the company's internal network, where they trade idle gossip and discuss corporate business strategy.

Much more visible are web logs targeting customers and the general public, such as GM's FastLane and Boeing's blog written by Randy Baseler, the group's vice-president for commercial aircraft marketing.

There are a few key rules that a successful corporate blogger must follow: they must write in a chatty informal tone, tell the truth, update their blogs on a regular basis and be willing to accept any criticism. The blogosphere is regarded as a source of unpredictable and often irreverent commentary and any dry, dull blog that smacks of corporate PR and legalese will quickly draw criticism from readers.

Blogging can pose legal risks however - so there are often company guidelines stipulating what can and cannot be posted on a corporate blog. Yahoo, for example, says that employees are not allowed to mention anything that has not been made public and bloggers are also asked to notify the corporate PR department if they receive queries from journalists.

Given the potential damage that a disgruntled or careless employee could cause, why would a company allow its workers to spout off in cyberspace? With so much downside, what is the upside?

Well, blogging is transforming the way companies communicate and, for a customer, direct contact with an employee is so much more preferable than dealing with a huge faceless corporation. Robert Scoble, a Microsoft marketing executive specifically hired to blog about the company, has emerged as one of the blogosphere's most popular citizens because he pulls no punches when it comes to his employer. He argues that Microsoft's tolerance of employee blogs has helped shift perceptions of the

software giant from strongly negative to surprisingly positive. And if blogging can help Microsoft soften its image, imagine what it could do for any other company.

2. Can you guess the meaning of each word from the context?

Which of them means:

a blog	blogs	blog	blogger
the blogosphere	blogging		

- a) an informal, frequently updated online journal where people can share their thoughts and opinions?
- b) the activity of writing such an online journal?
- c) the world of online journals?
- d) a person who writes such an online journal?
- e) more than one online journal?
- f) write or manage an online journal?

3. Answer these questions.

- a) What do Bob Lutz, Jonathan Schwartz and a handful of executives at Hewlett-Packard and Boeing all do?
- b) Why are several large corporations trying to take advantage of this medium?
- c) What do many IBM employees do on the company's internal network?
- d) Why are web logs that target customers and the general public much more visible?
- e) What happens to blogs that 'smack of corporate PR and legalese'?
- f) How does Yahoo avoid any legal risks from its blogging activities?
- g) Why is Robert Scoble one of the blogosphere's most popular citizens?

4. In paragraphs 1 and 2 find words or expressions that mean:

- a) becoming involved in an activity with the purpose of gaining an advantage
- b) area of activity and knowledge
- c) exchange
- d) develop
- e) at the same time

5. Before looking at paragraphs 3 and 4 again, complete the following sentences with a correct form of the verbs in the box.

blog enter trade target establish discuss write

- a) One way for a company tothe blogosphere is to a system on the corporate intranet.
- b) IBM, for example, says thousands of its employees on the company's internal network.
- c) This is where they.....idle gossip and corporate business strategy.
- d) Much more visible are web logscustomers and the general public.
- e) Examples of these are GM's FastLane and Boeing's blogby Randy Baseler, the group's vice-president for commercial aircraft marketing.

6. Which of the following statements express the 'key rules that a successful corporate blogger must follow' according to paragraph 5 in the article?

The writer should:

- a) be strong enough for people to write bad things and good things about them.
- b) be honest.
- c) express themselves carefully and along the same lines as their company press department.

- d) have a friendly, talkative manner.
- e) never write unfavourable comments on their own company.
- f) use the same formal language as lawyers do.
- g) frequently add things to their blog.

7. Before looking at paragraphs 6 and 7, match the two halves of the expressions below.

a) pose	public
b) post	off
c) make	the PR department
d) notify	on a blog
e) receive	damage
f) cause	queries
g) spout	risks

Which one of them means:

1. make something happen that has a negative effect on something?
2. tell everybody (usually through the media)?
3. inform the company press office?
4. speak freely without thinking?
5. get requests for information?
6. display in an online journal?
7. present possible dangers?

8. True or false (paragraph 8)?

- a) Customers prefer to deal directly with an employee who works for a very large, powerful organisation rather than writing to or telephoning the organisation itself.

- b) Robert Scoble was employed by Microsoft to say good things about his company on the internet.
- c) He believes that Microsoft should be more tolerant about its employees' blogs.
- d) Mr Scoble is happy with the way that blogging has changed the way people think about his company.

9. How could blogging help the image of your company? How could it create a better relationship between the management and the employees? How could it create a better relationship between the company and its customers?

UNIT VI

1. Read this article by Bernard Simon from the *Financial Times* and do the exercises that follow.

Message machine creates a buzz

Like Google in search engines and Hoover in vacuum cleaners, Research In Motion (RIM) has achieved the distinction of having its product turned into a verb. Almost 3m people around the world now "BlackBerry" their friends and colleagues with messages using the Canadian company's distinctive hand-held device.

The BlackBerry has transformed RIM over the past six years from an obscure supplier of two-way pagers into the maker of one of the world's hottest products. RIM reported earlier this week that it had signed up 470,000 new subscribers in the quarter to February 29; it expects to add more than 500,000 more over the next three months. RIM shares have rocketed from less than \$10 in autumn 2002 to \$73 this week. The company now has a market value of \$14bn, (£7.5bn), overtaking Nortel Networks as

Canada's technology superstar. Not surprisingly, RIM's success is attracting attention from some of the giants of the communications and software industries, and observers are wondering how long the company can sustain its phenomenal record.

The BlackBerry - whose name comes from the supposed resemblance of the miniature keyboard on its original device to the beads of the fruit - "remains the preeminent mobile messaging solution in the market today," says Jason Tsai, analyst at ThinkEquity Partners, an investment bank.

RIM has so far kept the competition at bay with a canny, three- pronged strategy: expanding its target market, co-opting potential rivals as partners and customers and constantly adding fresh features to the BlackBerry device and its supporting software. The BlackBerry began life as a gadget for Wall Street investment bankers, Washington politicians and corporate executives. More recently, RIM has turned its attention to the professional consumer retail market, which now makes up about one-fifth of its subscriber base.

RIM has vastly broadened its market by licensing almost 100 distributors, including Vodafone, Verizon Wireless, Cingular Wireless and T-Mobile. RIM expects to sign up China Mobile Communications later this year. To make the devices more affordable, many carriers offer BlackBerry contracts similar to those for mobile phones. According to Mr Tsai, "the carriers love BlackBerry not only for the higher average revenue per unit it generates, but for the strong margins, since it consumes very little bandwidth."

Unlike some other companies, RIM has not jealously guarded its technology, seeking out alliances with friend and potential foe alike, including Microsoft. "If you partner well and thoughtfully, you get pulled along by the current," says Jim Balsillie, RIM's joint chief executive.

The question is whether RIM's success will ultimately jeopardise its independence. Mr Balsillie and RIM's founders Mike Lazaridis and Doug Fregin own only about 16 per cent of the company stock in total. Brant Thompson, analyst at Goldman Sachs,

singles out Nokia and Motorola as possible predators. Alex Slawsby, an analyst at International Data Corporation, the research group, says that "there are many different companies with designs on being an alternative to RIM". In his view, the BlackBerry's biggest advantage is an intangible one. For the time being, he says, none of its rivals possesses "that buzz-creating element that the public loves".

2. Put the two halves of these sentences together so that they have the same sense as the article.

- a) If the name of your product gets turned into a verb...
 - b) If more customers subscribe to the BlackBerry messaging service...
 - c) You could have been one of the first BlackBerry customers...
 - d) If you sign a contract with Vodaphone or T-Mobile ...
 - e) If you make alliances carefully...
 - f) The RIM management may lose its independence ...
- 1... RIM will earn more money.
 - 2... it is a sign that it is successful.
 - 3... you may be able to get a BlackBerry device.
 - 4... if Nokia or Motorola buy large quantities of the company shares.
 - 5... your company benefits from the success of the other companies you do business with.
 - 6... if you were a Washington politician, a Wall Street banker or an American corporate executive.

3. Find words or expressions in paragraphs 1 and 2 that mean:

- a) easy to recognise
- b) not very well known
- c) small radio devices that tell the wearer that they have received a message
- d) people who pay for a service over a period of time
- e) increased dramatically
- f) continue to keep up

4. True or false (paragraphs 3 and 4)?

- a) According to Jason Tsai, the BlackBerry mobile messaging solution is better than anyone else's in today's market.
- b) RIM has been using three different approaches to prevent its competitors from entering its market.
- c) RIM has been co-opting potential rivals to develop the supporting software for its device.
- d) RIM has been expanding its target market to include the needs of the professional consumer.

5. Answer these questions according to the information in paragraphs 5 and 6.

- a) How else has RIM broadened its market?
- b) Why is BlackBerry so attractive to mobile phone network carriers?
- c) How is the RIM approach different from that of other companies?

6. Before looking at paragraph 7 again, put the correct verbs into the following sentences.

- a) The question is whether RIM's success will ultimately its independence.
- b) Brant Thompson .. out Nokia and Motorola as possible predators.
- c) There are many different companies with designs on.....an alternative to RIM.
- d) For the time being, none of the BlackBerry's rivals 'that buzz-creating element that the public loves'.

7. How well would these strategies work in your own company (or in a company that you know well)? Which ones would work straight away?

Which ones would have to be changed? What changes would you have to make?

UNIT VII

1. Read this article by Lucy Killgren from the *Financial Times* and do the exercises that follow.

A record year for a supermarket chain

Tesco yet again confirmed its dominance in the UK retail sector, shrugging off fears of a spending slowdown and reporting underlying annual profits breaching £2bn (\$3.78bn). The UK's biggest supermarket, which has a 29.5 per cent share of the domestic grocery market, said it would accelerate expansion, with plans to open 207 new stores in the current year, compared with 98 openings last year. Well over half of these will be in Asia.

The retailer's performance flies in the face of fears in the retail sector that consumers are reining in sales. Like-for-like sales in the final /even weeks of the financial year grew 9.3 per cent in the UK, with UK clothing sales growing by 28 per cent overall. Tesco said: "The broader picture is unclear, but as far as Tesco is concerned, consumers are still spending."

Underlying annual profit before gains on disposals, integration costs and goodwill amortisation rose 18.8 per cent to £2.02bn. Pre-tax profits rose 22.6 per cent to £1.96bn, on sales which rose 10.5 per cent to £37.07bn for the 52 weeks to February 26. Sales in the core UK business, which accounts for 80 per cent of total sales, were up 9 per cent on a like-for-like basis. Overall sales grew by 11.9 per cent to £29.5bn over the same period. Tesco.com sales grew 24.1 per cent to £719m, with profit increasing by 51.8 per cent to

£36m. During the second half of the financial year,, like-for-like sales increased 9.5 per cent including petrol and by 7.4 per cent excluding petrol.

Terry Leahy, chief executive, said: "These results demonstrate the broad appeal of the Tesco 50 brand. They show that our new growth businesses in international, in non-food and in services, have contributed as much profit as the entire business was making in 1997."

International sales grew 13.1 per cent to £7.6bn. Like-for-like sales grew 5.5 per cent in the first quarter of 2005. International sales contributed £370m to underlying operating profit, up 20.9 per cent on last year. In non-food, which includes clothing and home entertainment, sales grew by nearly 18 per cent to £6bn. Personal finance reported a profit of £202m, with Tesco's share reaching £101m, up 26.5 per cent. The telecoms arm, which Tesco said was still in its start-up phase and which has been operating one year, made an operating loss of £4m.

Tesco said that the adoption of International Financial Reporting Standards (IFRS) was expected to have a small adverse impact on statutory declared profit after tax of up to £30m for 2004/5 and no impact on group pre-tax cash flow. Tesco said it intended to issue 2004/5 financial information, restated for IFRS, towards the end of next month. Operating profit increased 12.3 per cent to £1.94bn. Earnings per share were up 17.7 per cent at 17.73p. The board has proposed a final dividend of 5.27p a share, an increase of 10.5 per cent, bringing the full year dividend to 7.56p, up 10.5 per cent.

2. Match the financial terms a-e with their definitions 1-5.

a) goodwill

b) gross profit

c) annual profit

d) underlying annual profit

e) operating profit

1. The profit that a company makes each year

2. Profit after deducting operating costs from gross profit

3. The price a buyer pays for successful aspects of a business such as a large number of customers, loyal staff or a good reputation

4. Profit calculated to exclude confusing factors such as one-off investments, income from disposals, integration costs and goodwill
5. The difference between the money a company earns and the cost of making a product or providing a service, before overheads, salaries and wages, and interest payments are deducted

3. Complete the sentences below with the words and expressions in the box.

disposals goodwill amortization integration costs like-for-like sales
operating loss

- a)are the costs of merging two businesses.
- b) Any losses after deducting operating costs from gross profit are the.....
- c) The cost of a goodwill payment spread over several years is called.....
- d) are the selling off of assets such as shops, buildings or equipment.
- e) Sales figures that compare the' business last year with the same business this year, excluding income from new business, are.....

4. Match the two halves of these expressions from paragraphs 1 and 2.

a) to confirm	in the face of (something)
b) shrug off	(your) dominance
c) to report	expansion
d) to accelerate	annual profits
e) to fly	fears
f) to rein in	sales

Which one of them means:

1. to publicly declare income figures?
2. to actively reduce the amount of buying?

3. to show once more that you are the market leader?
4. not pay attention to worries about possible danger?
5. to do something different to what people expect?
6. to speed up investment in increasing business operations?

5. Before looking at paragraph 3 again, put the correct prepositions into these phrases.

- a) Underlying annual profit before gains.....disposals, integration costs and goodwill amortisation rose 18.8 per cent.....£2.02bn.
- b) Sales the core UK business, which accounts..... 80 per cent of total sales, were up 9 per cent.....a like-for-like basis.
- c) Overall sales grew..... 11.9 per cent to £29_5bn the same period.

6. Complete the two-word expressions from paragraphs 4 and 5 in the sentences below.

- a) A brand that has *broad*is one that is attractive to many people.
- b) A company's *growth* ...make more profit every year.
- c) The *international* of a British company come from its retail business outside the UK.
- d) Sales of televisions, DVD players, CDs, DVDs and computer games generate income in a *home* business.
- e) Loans, mortgages (loans for buying a house or flat) and other banking services are part of the Tesco *personal*programme.
- f) The *telecoms*..... of a business could deal with the sales of mobile phones and the provision of a mobile network service.
- g) The *start-up* of a business is the period when its profits may not cover the capital investments.

7. Find words or expressions from paragraph 6 that mean:

- a) choosing to follow a course of action
- b) a negative effect

- c) the income and payments of a company in a given period of time
- d) publish and distribute
- e) the last bonus payment in a financial year paid to shareholders

8. Look at the annual report of a company you know.

- What are the underlying annual profits (or losses)?
- How is the company expanding (or consolidating) its business?
- Has the company gained any money on disposals?
- Has the company spent any money on integration costs and goodwill amortisation?
Which other companies were involved?
- Does the company have any growth businesses?

UNIT VIII

1. Read this article by Philip Manchester from the *Financial Times* and do the exercises that follow.

More about results than time

On the surface, flexible working might seem to be about people being able to choose their working hours and, perhaps, spend some time working away from the office. But it is also a fundamental change in the way people work - and, more importantly, the way they are managed. Flexible working is a shift from "time-based" to "results-based" working practices and could herald the biggest change in the workplace since the start of the industrial revolution.

New employee legislation is one of the main motivations for employers to introduce flexible working practices - but not the only one. In Europe, for example, employers are obliged to offer parents with young or disabled children the right to request flexible working. While legislation is a major catalyst to introducing flexible working, there are

other reasons. In the US, for example, the fall in the price of mass market computer and communications technologies is encouraging organisations to allow more home working.

Flexible working is also likely to appeal to a wider skill pool and help with staff retention. Mary Sue Rogers, human capital management leader at IBM Global Services, says that IBM has embraced flexible working to help with recruitment. "In Europe companies have to provide flexible working because of legislation - but it is also a way to recruit from a broader skill pool, including women and older people. With an ageing workforce we have to find ways to retain older staff. It also gives greater scope to male employees who increasingly want flexible working to create a better work/life balance. A recent survey of UK graduates found that work/life balance was third on their list of career priorities." She adds that 55 per cent of IBM's employees work flexibly and 90 per cent are "enabled" to do so. "To us, it is foremost a business imperative. It is about staff retention, increased productivity and cost reduction," she notes.

A survey of 300 UK human resource professionals in small to medium-sized enterprises (SMEs), commissioned by Arizona-based telecommunications company Inter-Tel, found that 40 per cent found it difficult to attract the right skills from their local market and 30 per cent thought they could attract staff if they were offered flexible working. But they also had significant reservations - with 93 per cent concerned that staff were more likely to bend the rules if they work from home. Doug Neal, research fellow at the US Computer Sciences Corporation, identifies this attitude as being at the heart of the cultural shift prompted by flexible working: "The problem is not all with the worker - it is also with the boss. Management has to find a way to measure 'results' rather than time. We have to find new ways to evaluate workers - and their bosses."

He adds that organisations must find ways to build trust between employer and employee: "How do I evaluate people when I can't see them? In formal terms, trust is the outcome of a series of beneficial transactions. You have to build a culture of trust from working together."

Although new legislation is forcing organisations to adopt flexible working practices, there are sound business reasons to give employees more flexibility. Organisations which have embraced flexible working have found that it can cut costs and improve productivity.

More importantly, it enables them to recruit staff from a much broader skill pool and retain staff. But it does mean a fundamental change in the relationship between staff and management. Both must learn to trust each other and focus on results rather than time spent in the office.

2. Look through the whole article and answer these questions.

- a) What are the main motivations for employers to introduce flexible working practices?
- b) What kind of employees are attracted to companies that embrace flexible working?
- c) What changes are necessary for flexible working to be effective?

3. Find words or expressions in paragraphs 1 and 2 that mean the following:

- a) when you first look at it
- b) an important alteration
- c) a change in approach
- d) announce
- e) the law
- f) ask for
- g) an important factor in

4. True or false (paragraph 3)?

- a) IBM introduced flexible working practices in order to attract a broader range of staff with different abilities.
- b) It is difficult for older people to work flexibly.
- c) It is important for many people who have a university degree that they have enough time for themselves outside work.
- d) At IBM, flexible working is good for business.

5. Before looking at paragraph 4 again, put a correct form of the verbs in the box into the sentences below.

Evaluate	measure	attract	prompt	find	bend	commission
----------	---------	---------	--------	------	------	------------

- a) A survey was.....by the Inter-Tel telecommunications company.
- b) The surveythat 40 per cent found it difficult to attract the right skills.
- c) 30 per cent thought they could..... staff if they offered flexible working.
- d) But 93 per cent thought that staff would.....the rules if they work from home.
- e) This is at the heart of the cultural shift.....by flexible working.
- f) Management has to find a way to.....'results' rather than time.
- g) We have to find new ways to.....workers – and their bosses.

6 Choose the best definitions for these expressions from paragraphs 5 and 6.

- a) in formal terms
 - 1. for polite deals
 - 2. correctly expressed
 - 3. on official documents
- b) beneficial transactions
 - 1. productive communicative activities
 - 2. financial arrangements
 - 3. secret talks
- c) sound business reasons
 - 1. viable, but unacceptable excuses
 - 2. words that are good to hear
 - 3. good, solid commercial arguments

7. How far have the companies in your country embraced flexible working practices?

UNIT IX

1. Read this article by Michael Skapinker from the *Financial Times* and do the exercises that follow.

Satisfying employees and customers

Ade Sodeinde, a 17-year-old Nigerian, became famous last week for making some of Britain's trains run on time. Ms Sodeinde, in her year working for Central Trains before going to university, solved the puzzle of why trains leaving the depot ran late. She found that the tracks in the depot needed upgrading and were slowing the trains' journeys to their starting platforms. Drivers and conductors also had to wait before boarding because of the time taken for safety inspections and cleaning. By refurbishing the tracks and reorganising inspection and cleaning, Central was able to eliminate the problem, potentially saving itself £750,000 (\$1.37m) a year in fines for late running - and vastly reducing passenger frustration and delay.

Ms Sodeinde will no doubt be in great demand when she graduates. But just how large, established companies persuade employees to put in that extra effort is one of management's great puzzles. Staff know where the problems and opportunities lie and there will always be employees with ideas for new products or better service. All it requires is for them to speak up and for someone to listen.

Most companies say they listen to their people - but as managers are often unhappy to have their current strategies disrupted and new ideas get trapped in corporate bureaucracy, would-be innovators become jaded, and cynical.

Yet there is a link between engaged employees, satisfied customers and corporate profitability, according to a recent study by the Forum for People Performance Management & Measurement at Northwestern University. The Forum studied 100 US companies to find out how engaged their staff were and whether this had any effect on corporate profitability. The Northwestern researchers wanted to look at employees, such as Ms Sodeinde, who did not deal directly with customers. What impact did their

attitudes have on the company's success? Well, the results were clear. The companies with the happiest and most engaged management's 30 great puzzles. Staff know where the problems and opportunities employees had the most satisfied, highest-spending customers.

So how do you make employees more engaged and content? Roger Martin, dean of the Rotman School of Management at the University of Toronto, argues that people are happiest not only when they are respected members of a team they admire but when the team and the company are respected by the world outside.

Being part of a trusted, honest group is an indispensable component of employee happiness and engagement. So is establishing ties with colleagues you respect. When groups appear to be performing, companies should hesitate before disrupting them. The vogue for forming new teams for each task may work in companies small enough for everyone to know each other. When people constantly have to establish new links of trust, customers will probably suffer. Companies should think hard, too, before they outsource the work of a functioning team. The company you outsource to may be a happy, engaged bunch, but I would not count on it

2. Look through the whole article and answer these questions.

- a) What were the problems with the trains leaving the depot?
- b) Why is it important for companies to persuade staff to put in that extra effort?
- c) What are the problems for people with good ideas?
- d) What was special about the Northwestern University research?
- e) Who needs to respect whom, for employees to be happiest?
- f) What is the danger of large companies forming new teams for each task?

3. Before looking at paragraph 1 again, put the correct verbs into the sentences below.

- a) Ade Sodeindefamous last week for making some of Britain's trains.....on time.
- b) Ms Sodeinde solved the puzzle of why trains the depot ran late.

- c) Central was able to the problem by refurbishing the tracks and reorganising inspection and cleaning.
- d) Central is potentiallyitself £750,000 a year in fines for late running - and vastly.....passenger frustration and delay.

4. Before looking at paragraphs 2 and 3 again, put the expressions in the box into the sentences below.

trapped in corporate bureaucracy
where the problems lie
in great demand
that extra effort
their current strategy disrupted

- a) Many people want to employ a person who is
- b) Many managers would love to know how to make their staff put in.....
- c) People who are familiar with an area of work know.....
- d) When managers have.....they let someone else change the way they do things.
- e) Innovative ideas that get.....are only realized very slowly, if at all.

5. Find words or expressions in paragraph 4 and 5 that mean:

- a) people who are committed to their work and their company
- b) the earning power of a whole company or group
- c) influence (two possible answers here)
- d) opinions and feelings
- e) happy and satisfied
- f) respect and approve of

6. True or false (paragraphs 4 and 5)?

- a) The Forum for People Performance Management & Measurement at Northwestern University wanted to find out whether the degree of staff commitment in a company has an influence on their profitability.
- b) They only interviewed employees who dealt directly with customers.
- c) They found that customers were more satisfied and spent more money with companies who had the most committed staff.
- d) According to Roger Martin, the happiest employees are part of a team that respects and admires its customers and the world outside.

7. Match the two halves of the following sentences to summarise paragraph 6. One of the first halves of the sentences a) to e) can be used twice.

- a) If companies want their employees to be happy and engaged, ...
- b) If a team is performing well,...
- c) If a company is so small that everyone can know each other,...
- d) The quality of customer service can go down ...
- e) You cannot always be sure that companies that you subcontract work to...
 - 1... will be happy and committed people.
 - 2... if new teams are always made up of people who do not know each other.
 - 3... the fashion for creating new teams for each task could work.
 - 4... their tasks should not be given to another company to do.
 - 5... it is not always a good idea to break it up.
 - 6... the employees should be able to work regularly with the colleagues they respect and belong to a team that is trusted and respected.

8. What can companies do in your part of the world to make their employees (even more) happy and engaged? What can they do to retain happy, engaged employees?

UNIT X

1. Read this article by Victoria Griffith from the *Financial Times* and do the exercises that follow.

The priority of safety

The US space agency grounded its three remaining space shuttles after *Columbia* disintegrated upon re-entry to Earth's atmosphere in February 2003, killing the seven crew members. Yet even today, scientists are still divided over whether the management culture at Nasa has changed enough to ensure the shuttle's safety. Behavioural Science Technology, the California-based consulting group that works with other industries such as railways on safety issues, was hired 18 months ago to help change the management culture at the agency.

Nasa set out to improve employees' relationships with supervisors to encourage dissent, emphasise teamwork and raise management credibility. Although they are still under pressure from budgets and deadlines, Nasa managers say they now take the time to listen to concerns of engineers and others on issues that may compromise safety. BST measured attitudes to safety and the work environment in February 2004, then again six months later, and says the culture at Nasa has changed. But although 40 per cent of the managers surveyed said they saw changes for the better, only 8 per cent of workers said the same.

James Wetherbee, a former shuttle commander, has in recent months questioned whether the culture at Nasa has changed enough to make safety a priority. And a report released last month from George Washington University says the pressures of getting the shuttles back into space leads the space agency to make questionable safety decisions. The study places the current chances of a catastrophic failure on the shuttle at about one in 55 for every mission. Despite Nasa spending nearly \$2bn over the past two years making safety improvements to the shuttle, the risk remains high enough to make any astronaut's heart dance at take-off and re-entry. In fact, the George Washington

researchers argue that more money and effort should be spent to come up with an alternative to the space shuttles.

In the wake of the *Columbia* disaster, an independent panel, the Columbia Accident Investigation Board, was formed to investigate the accident. Some of the findings of the CAIB report were embarrassing for Nasa. Engineers had expressed concern about the fallingjlebris, but their,fears were dismissed. The CAIB severely criticised a lax safety culture at Nasa as contributing to the disaster, and issued a check-list of 15 points to get the shuttles back up and running.

Some critics believe Nasa should be doing more to reduce the number of manned missions. Much of the cargo for the shuttle, they argue, could be transported robotically. Others have called for the space agency to adopt a more aggressive schedule in developing a replacement for the shuttle. But those are issues for the medium term. In the coming weeks, getting the shuttle safely into space and back to Earth will be the priority, and the world will be waiting with bated breath to see if *Discovery* can get off its launch pad without mishap.

2. True or false?

- a) Behavioural Science Technology was hired because many scientists believe that the management culture at Nasa has not changed enough to ensure a safe space shuttle programme.
- b) There is evidence that the new safety culture at Nasa has not filtered down from the management level.
- c) The report from George Washington University indicates that pressure to get the shuttles back into space is taking priority over safety at Nasa.
- d) The Columbia Accident Investigation Board was made up of Nasa engineers.
- e) The replacement for the shuttle will transport cargo robotically.

3. Find words in paragraph 1 that mean:

- a) did not allow an aircraft to fly
- b) fell apart

- c) not in agreement
- d) guarantee

4. Read paragraph 2 and answer these questions.

- a) What has Nasa tried to do to improve its safety culture?
- b) How are Nasa managers changing?
- c) Has the culture at Nasa changed?
- d) Has it changed enough?

5. Before you read paragraph 3 again, match the two halves of these sentences.

- a) James Wetherbee, a former shuttle commander, has questioned...
 - b) The pressures of getting the shuttles back...
 - c) The study places the current chances of a catastrophic failure on the shuttle ...
 - d) The risk remains high enough ...
 - e) The George Washington researchers argue that more money and effort should be spent to come ...
- 1... up with an alternative to the space shuttles.
 - 2... to make any astronaut's heart dance at take-off and re-entry.
 - 3... into space leads the space agency to make questionable safety decisions.
 - 4... whether the culture at Nasa has changed enough to make safety a priority.
 - 5... at about one in 55 for every mission.

6. Replace the words in *italics* in the sentences below with words or expressions from paragraph 4.

- a) *Directly after* the 'Columbia' disaster...
- b) ... an independent panel was formed to *examine* the accident.
- c) Engineers had *mentioned* their concern about the falling debris,...
- d) ... but their fears were *not considered to be important*.
- e) The CAIB severely criticised *an inadequate* safety culture at Nasa...
- f) ... as *being partly responsible for* the disaster...

g) ... and issued a check-list of 15 points to get the shuttles *back in operation*.

7. Before looking at paragraph 5 again, put the correct verbs into the following sentences.

a) Some critics believe Nasa should be..... more to reduce the number of manned missions.

b) Much of the cargo for the shuttle, they argue, could be robotically.

c) Others have for the space agency to adopt a more aggressive schedule in a replacement for the shuttle.

d) In the coming weeks the shuttle safely into space and back to Earth will be the priority ...

e) ... and the world will be....with bated breath to see if *Discovery* can get off its launch pad without mishap.

8. How important is safety in your company, or a company you know? Should it be the main priority? Why or why not?

Part II

1. Diesel

Diesel, the hip Italian clothing company, owns 30 stores and sells clothes in over 80 countries. The president of Diesel is 43 year old Renzo Rosso. His first job was as production manager for Moltex, a Venetian jean making factory.

However, his heart was not in working for someone else. After two years he became bored and lazy, despite a passion for the fashion industry. He was eventually sacked, but persuaded the owner, Adriano Goldschmied, to give him one more chance.

The owner was going to close the whole production line managed by Rosso, but was persuaded to keep it open. Rosso negotiated a three month trial period on the condition that his salary was linked to productivity. Rosso motivated his staff by sharing his own wages with them if they reached production targets. Within two months he raised his own salary from £100 to £1,300 per week.

This experience made Rosso realise that he had the expertise and inspirational skills to set up his own business. Although Rosso had reached his goal at Moltex, he was eager for more demanding objectives. In 1978 he bought 40 per cent of Goldschmied's business with £2,500 cash borrowed from his father. This enabled him to use the factory's facilities to make jeans according to his own designs. He produced unusual designs and called his brand Diesel.

He started by making small numbers of jeans, 100 or 200 pairs. He found two agents, one in Germany, the other in Sicily, who approached retailers to stock them. From day one he was unable to keep up with demand and made a profit. Rosso was quick to expand and in 1982 he opened a factory-outlet store. By 1985 he had increased staff from 28 to 40, his profit had reached £500,000 and he decided to buy Goldschmied's share of the business. He then expanded his range into other casual wear and focused the business on retailing.

In 1998 he employed 1,100 staff and made a profit in 1997 of £18 million. The success of Diesel jeans can be attributed to a number of factors. They have been described as 'cool', 'ironic' and artfully distressed'. Some have commented that Diesel

could argue convincingly to have started the revival of 70s/kitsch trends. Denim has had to find other markets in the 1990s. Younger buyers have rebelled against the trend for older people to wear jeans. However, sales to the fashionable line dancing crowd continue. Diesel also faces competition from a growing number of sources. Traditional jean manufacturers such as Wrangler and Levis have been joined by own brand manufacturers such as Next and Marks and Spencer. Even the fashion houses of Armani and Calvin Klein are represented in high streets and shopping centres.

Competing in such a competitive market is not without its difficulties. Certain Diesel advertisements have been criticised. In July 1998 the Advertising Standards Authority (ASA) told Diesel that it must stop using a poster of four young women dressed as nuns from the waist up wearing jeans and holding rosaries under the headline 'superior denim'. The ASA is a body which oversees complaints against advertising and attempts to ensure the advertisers follow a code of advertising practice.

Source: adapted from *The Sunday Times*, 1. 10.98, *The Times* 12.8.1998, *The Guardian*, 17.1.1998, 4.2.1998, 10.6.1998.

1. What classification of business activity would Diesel fall into?
2. Suggest examples of land, labour and capital that might be used by Diesel.
3. Explain why Rosso could be said to have been an entrepreneur when setting up his business.
4. Explain the types of specialisation suggested in the article.
5. What external factors in the article might have influenced Diesel's activities?
6. Explain how these external factors may have affected Diesel's business.

2. The Furniture Club

Julia Collins set up a furniture design business in 1994 after completing a design and textiles course at university. The business collapsed after 9 months because she was unable to find any buyers for her designs. However, Julia was convinced that her furniture would be popular if only manufacturers would use her designs and market the products effectively. Fortunately Julia was able to secure substantial financial backing from her grandparents and set up her own manufacturing company, The Furniture Club. Julia would own 40 per cent of the shares, with each of her grandparents owning 30 per cent. However, she was not experienced in several aspects of business so she employed a production manager, Mark Wallwork, and asked a friend of hers, Caitlin Davis, to manage the marketing of her products.

After a hesitant start the business began to flourish. Julia was right about her designs and found that there was quite a demand for her furniture, particularly in the South East. She sold her furniture range to retailers in the London area and also to the national market through mail order. In 1998 the company turned over £890,000 and made a gross profit of £320,400. This was the profit before overheads, such as wages and marketing costs, tax and directors' dividends had been taken away. Julia was extremely pleased for a number of reasons:

1. she was right about her designs;
2. Mark Wallwork proved to be highly skilled and reliable;
3. Julia's marketing friend, Caitlin, had been a revelation. It was her idea to market the furniture through mail order. Initially Julia was not keen on the idea because of the high advertising costs;
4. Julia had paid back half of the money borrowed from her grandmother and was beginning to grow quite wealthy.

At the end of 1998 Julia was confronted by Mark and Caitlin. During one of the weekly managers' meetings it became obvious that they had both grown a little jealous of Julia's success. Although Mark and Caitlin were grateful for the opportunities given to them by Julia, they felt that the financial rewards generated by the business had not

been shared fairly. Both Mark and Caitlin were being paid £27,000 a year. However, in light of the profit made in 1998 they thought that their contribution deserved rather more. They proposed that their salaries should be raised to £40,000 per year or that they should be given the chance to buy shares in the company so that they could enjoy some of the dividends.

At about the same time Julia was confronted by another problem. Some of her best customers from the retailers in London had discovered that The Furniture Club was selling products through mail order. The problem was that the mail order prices were lower than they were charging in their retail outlets. Furthermore, some shoppers had returned furniture to the stores after they had learnt about the cheaper, mail order method of purchase.

The pressures of being an entrepreneur were beginning to take their toll on Julia. She wondered whether it was time to sell the business. She consulted her grandparents who agreed that they would also be prepared to sell their share of the business. One option was to set up a management buy-out, allowing Mark and Caitlin to buy the business from the current shareholders.

1. a) Describe the features of Julia's role as an entrepreneur,
(b) What is meant by the phrase 'the pressures of being an entrepreneur'?
2. How might a management buy-out be funded if Mark and Caitlin are not able to raise the finance themselves?
3. What might be the disadvantages to Julia of allowing Mark and Caitlin to buy shares in her business?
4. Explain two examples of conflict between the stakeholders of The Furniture Club.
5. In what way does this business illustrate interdependence between different stakeholders?
6. If a management buy-out was organised, what might be the advantages to:
(a) Julia;
(b) Mark and Caitlin;
(c) employees.

3. Orange

Orange, the well known mobile telephone company, was floated on the stock market in 1996 when it became a quoted public limited company. The company was owned by two businesses - 68.42 per cent by Hutchison Whampoa and 31.58 per cent by British Aerospace. Hutchison Whampoa is one of Hong Kong's largest conglomerates.

The two principle shareholders were expected to sell around 25 per cent of Orange. 325,000,000 ordinary shares were offered for sale at a price expected to be between 175p and 205p per share.

Orange began trading in 1994 and grew very rapidly. The group's main business is the operation of the Orange digital PCN telecommunications network in the UK and the sale and marketing of Orange services. Under the brand name of 'Orange' the group offers a wide range of mobile voice and data communication services. In the late 1990s the group was one of four main operators in the industry. The others were Vodafone, One2One and Cellnet.

The total number of subscribers in the UK grew from 1.23 million in 1991 to 5.41 million before the flotation, which is around 10 per cent of the population. Orange expected to attract a huge number of new subscribers from the remaining 90 per cent of the population by the year 2000. In 1998 the total mobile phone subscribers in the UK had risen to 13 million.

The money raised from the flotation was to be used to reduce Orange's debts. About £562 million was to be repaid to the principal shareholders. A large amount of money had been used to set up the company and fund its development. Between its birth and 1996, Orange made continual losses. The company lost £91.7 million in 1994, £117.8 million in 1995, and £177.5 million in 1996 according to its published accounts. However, in 1996 it had 11.5 per cent of the mobile phone market and had seen the number of subscribers increase from 89,000 in 1994 to 785,000 in 1996.

Shares in Orange began trading on 27.6. 1996. The offer was oversubscribed many times and immediately the share price rose sharply from its final issue price of 205p. In June 1996 the share price was 245p. By March 1999 it had soared to 865.5p.

Source: adapted from Orange, Annual Report and Accounts, various; Orange Prospectus, 1996

1. (a) How were the proceeds from the flotation to be used?
(b) Suggest two other ways in which they might have been used.
2. Why do you think the main shareholders only floated around 25 per cent of Orange?
3. The shares were eventually sold for 205p. Calculate the amount of money raised from the flotation.
4. Explain why the share issue was oversubscribed even though Orange had not made a profit between 1994 and 1996.
5. Why might a company like Orange operate more successfully as a public limited company than a private limited company?
6. What problems may Orange face having gone public?

4. Kerry Foods

The direct sales division of the Kerry Group delivers chilled foods to the unsung heroes of retailing - the corner shop, the mini-mart, the petrol station and the cash and carry. The division was created when the group bought up Mattessons, Wall's, Millers and Robirch and merged them into their own delivery business. But this created a problem for Sue Camm, the personnel and development manager. After cutting a quarter of all jobs, she had to harmonise terms and conditions, and change the roles of workers from delivery drivers to sales people.

By January 1999, Sue Camm had to forge a new team ethos. In the past the organisation had often been divided and even unprofessional. There was distrust of head office, absence levels and staff turnover were high and so were customer complaints. A new culture was needed. The difference in performance between depots could not be explained by operational differences. They had the same products and the same vans. It was the atmosphere that was different.

A 'culture health check' was carried out. Staff were asked to assess their employer on factors using a questionnaire, such as fairness, respect, team spirit and trust. It was argued that the skills and motivation of the workforce were essential for developing a competitive edge. Roy Davis, head of SHL which produces such questionnaires, said: 'One key thing that senior managers must understand is the culture of the organisation, but often they don't. Anything that can be done to bring together the values of the organisation and the individual into harmony has to be good'.

The company scored 3.4 overall on this assessment. This was said to be a 'good middle of the road score'. But other surveys found employees disliked initiatives such as expanding the delivery role into sales and the use of handheld computers for stock control. Loaders disliked working at night, often alone and gave the company only 3.1. The main gripe was a lack of identification with the company. The business issued uniforms and Christmas hampers to all workers. This may sound trivial, but previously only delivery workers received hampers. A second survey raised the loaders' rating to 3.8.

Supervisors and managers that adopted an informal management style were ineffective ambassadors for head office. They would often agree with employees complaints. This caused tension. Also individuals still identified with their old companies rather than the new operation. Sue Camm decided not to use team building outdoor exercises as a quick fix solution as it was not a good indicator of behaviour back in the office. Instead managers were involved in improvement programmes involving one- to-one meetings, training courses and incentives. With 27 depots, some in remote areas, building a common team spirit and loyalty was not easy. But take the Rainham depot. It gave 3.0 in its original survey. It raised this to 4.2 after Chris Snowsill changed his management style.

He had often told them when he disagreed with head office policy and so workers did not 'work for the company'. Now he acted more like a manager. Sue Camm also introduced a number of measures to promote team spirit and encourage friendly rivalry such as:

- a) weekly and annual performance incentives;
- b) longer induction training and a three month coaching period with an experienced sales representative;
- c) staff working in teams of three;
- d) supervisors regularly working with staff to improve their work, not just when it was poor.

Sue Camm said: 'Staff now trust us. And now the business is successful we can sometimes admit we make operational decisions without thinking about individuals.' She also recognises that a culture needs to be flexible because it is a depot based business. Trying to impose exactly the same culture on Aberdeen as at Andover may not be sensible.

Source: adapted from *People Management*, 6.5.1999.

1. Explain the problems facing the business as a result of its lack of corporate culture.
2. Discuss whether: 'Anything that can be done to bring together the values of the organisation and the individual into harmony has to be good'.
3. Evaluate the methods used by Kerry Foods to introduce a strong corporate culture.

5. Inflation in Brazil

Between 1984 and 1994 Brazil had an annual average inflation rate of 900.3 per cent. Investment decisions were particularly hard to make. Planning for long term investment was impossible because it was difficult to forecast what would happen even 6 months later. Businesses aimed for long lead times in paying suppliers, but fast collection of debts. If a business could sell within 15 days, but have 30 days to pay, it could invest the money for 15 days on money markets. This was profitable because of the high interest rates at the time.

Pricing was also greatly affected by inflation. Prices of goods and services needed to be constantly kept in line with inflation rates. Too low a selling price may attract customers, but the costs of materials may rise more, leading to losses. Too high a price may allow the firm to keep pace with rising costs, but may lead to a loss of customers. Firms tended to ignore production costs and priced at the value customers would pay.

Inflationary expectations dominated negotiations. Renegotiations with suppliers about stocks and unions about wages, which took place each year in many countries, were carried out each month. For retailers with 80,000 items this could mean discussions with up to 6,000 suppliers each month.

By the late 1990s it was suggested that inflation in Brazil had been defeated. The 'Plan Real' in 1994 was designed to stabilise the economy and had created a new currency, the real. The price increases of over 2,000 per cent in 1994 had been reduced to 3.4 per cent by 1997. In 1998 foreign investment in Brazil was expected to reach \$22.5 billion. With high inflation, retailers were able to make losses on goods and

services, yet make money by delaying payments to suppliers and investing in money markets. With the curbing of inflation, this was no longer possible. Retailers were forced to make their sales operations more efficient. This meant the introduction of technology, such as bar coding and scanning at checkouts. However, despite the success in controlling inflation there was still concern about the level of government spending in 1998.

Source: adapted from the *Financial Times* and updated, 25.9.1998; *The World Development Report*.

1. How would you describe the inflation experienced in Brazil between 1984 and 1994?
2. Explain why Brazilian businesses might have wanted long lead times in paying suppliers during periods of high inflation.
3. Explain three problems faced by Brazilian businesses during periods of high inflation.
4. Explain two changes that have taken place in the operation of Brazilian businesses since inflation fell.
5. Why might Brazilian businesses be concerned about levels of government spending in 1998?
6. To what extent might expectations have played a part in leading to inflation in Brazil?

6. Unemployment in the City or not?

In 1998 Merrill Lynch, the leading US investment bank, announced 3,400 job losses, with 400 jobs lost in its City of London operations. Merrill Lynch is widely used by many analysts as a benchmark of cutbacks. The removal of 5 per cent of its workforce led to estimates at the time that as many as 80,000 jobs could be lost in the City. Even

the most conservative estimates put the cull at 30,000 job cuts or 10 per cent of the City's total workforce.

The jobs losses came in the wake of what was considered to be disastrous investments in high risk markets, with changeable demand conditions. The job losses came as the investment bank announced its first net loss in nine years of \$ 164 million for the third quarter of the year. Defending the job losses, the company said that it was looking ahead to a more challenging trading environment and, as a consequence, was implementing an energetic programme to reduce expenses and selectively resize certain business operations. It was also suggested at the time that in 1999 the world economy would only grow by 1.75 per cent, its lowest rate in six years. There was even a chance of further shocks to financial markets which could trigger a recession in the US and a substantial reduction in growth in Europe.

Experts believed that City firms may have been disguising their job losses by keeping secret the number of temporary or part time workers they were sacking. Under European rules, companies were forced to announce cut-backs if they involved 100 people or more. Banks and other financial institutions hate to admit job losses. It was suggested that most of the big City firms had been laying off their temporary employees, whose departure did not have to be made public. Others were letting high paid dealers and fund managers leave in 'dribs and drabs' to avoid being caught by EU disclosure rules. In some City firms, more than half the staff were temporary and employment agencies announced an upturn in demand for short term workers. The trend was particularly apparent over a two month period which coincided with financial market turbulence.

Source: adapted from *The Guardian*, 1998

1. Describe the two types of unemployment suggested in the article.
2. Suggest types of unemployment that temporary workers in financial firms may face in future having been made redundant.
3. Suggest types of unemployment that temporary workers in financial firms may face in future having been made redundant.
4. What might be the possible effects of job losses at Merrill Lynch on the business?
5. Explain the possible effects of increasing unemployment in the financial services industry in the City of London on:
 - (a) a sandwich making business;
 - (b) a financial services employment agency;
 - (c) an estate agency; based in the City.
6. Explain how actions by financial institutions may affect unemployment figures. 7. Why might financial institutions want to hide their redundancies?

7. Black Wednesday

In 1990 the UK joined an exchange rate agreement with other EU countries which was intended to improve trading conditions within Europe by providing exchange rate stability. Under this agreement, the UK government at the time agreed that the minimum value below which the pound sterling was not allowed to fall was $\text{£}1 = 2.78$ deutschmarks (DM). If there were signs that the pound was in danger of falling below this level, then the Bank of England would intervene on foreign exchange markets. This was done by increasing the demand for, and therefore the value of, sterling by buying appropriate quantities of it. Similarly if the pound sterling was in danger of rising above its agreed limit, then it would sell sterling on the foreign exchange, therefore increasing its supply and lowering its price.

However, there were signs that this approach was going wrong in the week beginning 14 September 1992. On the Tuesday, the moment London foreign exchange dealers began work they started selling sterling. Its value slid. The Bank of

England dug into its reserves to buy pounds. Sterling survived the day - bolstered by the Bank of England's support.

Overnight, foreign exchange dealers in New York and Tokyo were frantically selling sterling. London dealers joined in on the Wednesday morning. At 11 am, the Government increased interest rates from 10 per cent to 12 per cent. The government's message was clear: we mean business. Norman Lamont the Chancellor of the Exchequer at the time, repeated that he would 'do whatever was necessary' to maintain the value of sterling. However, pressure on sterling continued. At 2.15 pm a further interest rate rise, to 15 per cent, was announced by the government. Again it made no difference. This time, the government threw in the towel and announced that it was unable to maintain the value of the pound at the agreed rate of $\text{£}1 = 2.78 \text{ DM}$.

It has been estimated that the government spent over £10 billion on intervention to support the pound. Despite this, in just one day the value of the pound sterling fell from $\text{£}1 = 2.78 \text{ DM}$ to $\text{£}1 = 2.70 \text{ DM}$.

1. Describe the factors that were affecting the exchange rate at the time.
2. The aim of the ERM, like the single currency, was to keep exchange rates stable. Suggest three benefits of this for businesses.
3. Explain how a fall in the value of the pound after Black Wednesday might have affected:
4. UK exports; (a) UK imports; (b) the UK's balance of payments.
5. Using calculations, show the possible effects of the fall in the value of the pound from $\text{£}1 = 2.78 \text{ DM}$ to $\text{£}1 = 2.70 \text{ DM}$ on a UK firm selling ten £5,000 computer systems to Germany each week.

8. The ceramics industry

A strong pound, high interest rates, recession in key markets. These all led to a gloomy feeling in the UK ceramics and pottery industry, traditionally one of the country's strong export performers. The strength of the pound accounted for 1,000 job losses in the first four months of 1998. Half of the industry's £1.2 billion annual sales, including tiles and toilets, goes overseas. Japan is the most important market outside the US. The industry sees itself as a victim of the governments strict emphasis on meeting inflation targets. It was hoping to avoid a repeat of the job losses caused by strict monetary control in the 1980s.

There were nearly 900 job cuts at Royal Doulton and Waterford Wedgewood. Hundreds of other workers were working part time and smaller firms had gone broke. 'We haven't seen the full impact yet', said Stephen Roper, chief executive of Churchill China. Some employers feared that up to 10,000 jobs would go, nearly half the workforce, if the pound stayed where it was and the UK went into recession. 'The higher the interest rate, the stronger the pound', commented the Ceramic & Allied Trades Union.

The industry still employs one in ten wage earners in Stoke and Newcastle-under-Lyme. The leader of Newcastle Borough Council hoped that the trend was a short term thing. But he suggested that the government should pull out all the stops to save 'this important industry from declining'. Sales and exports were just about holding up, but the result had been lower profit margins. The industry warned that it was only a matter of time before exports and the contribution to the balance of payments tailed off.

An important European market for Wedgewood is The Netherlands. The pound appreciated 35 per cent against the guilder in a year and the firm's price rose 20 per cent as a result. Villeroy and Boch, one of Wedgewood's German competitors, had taken advantage of the weakness of the deutschmark to cut prices by 10 per cent. Wedgewood chief executive Brian Patterson said: 'Consumers are less likely to buy and retailers on lower margins are less likely to order, stock and sell our products'. As

for the UK, where cheap Chinese and Japanese goods have flooded the mid-price section of the market, it was vulnerable to imports.

The pottery industry has often weathered the storm better than competitors. For example, in the eighties German industry was 50 per cent bigger than the UK's. In 1998 it was around four fifths the size.

1. What difficulties were government policies causing for businesses in the ceramics and pottery industry in 1998?
2. Explain why interest rates were being kept high at the time,
3. Explain three possible effects of high interest rates on the ceramics and pottery industry.
4. Why might businesses in the ceramics industry be vulnerable to changes in the exchange rate?
5. Analyse how changes in the value of the pound and the deutschmark have affected:
(a) Wedgewood in Holland; (b) Villeroy and Boch.
6. Examine and explain three ways in which government policy might solve some of the problems of the businesses mentioned in the article.

9. Tate & Lyle

Tate & Lyle fully acknowledges the contribution it should make to the well-being of the communities in which it operates throughout the world.

We have continued to support a wide range of community projects both at home and overseas, allocating around 0.7% of profit before tax worldwide and 1% of the UK pre-tax profits based on the previous year's results (excluding exceptional items). This year our target percentage for education and youth was increased from 35% to 50% of total donations. Our total charitable donations and support amounted to £1.6 million worldwide of which £0.9 million was donated in the UK.

Below are a few examples of the range of activities.

In the UK, the major emphasis has been on education with continuing support for Reading is Fundamental® and the Newham Reading Project. As one of the main employers in the London Borough of Newham, Tate & Lyle Sugars ('TLS') works in partnership with many local bodies to benefit urban regeneration and improve educational and training opportunities for local youngsters. TLS is a partner in the Newham Consortium for 'New Deal' for the unemployed and the Newham 'Education Action Zone', a Government initiative to raise standards in local schools. We have also worked with the Royal Botanic Gardens, Kew, by sponsoring an educational pack for primary schools linked to a major environmental project to create the world's largest seed bank.

Elsewhere in Europe local sports teams, educational projects and arts-related activities are supported, including Alcantara's scholarships for promising young musicians from low-income families in Portugal.

In Australia, Tate & Lyle Bundaberg supports a number of social, environmental and cultural programmes in the rural communities where it has a presence. The Company is a major donor to a new library complex for the Central Queensland University and is continuing its support for the Queensland Youth Orchestra.

Health and welfare feature strongly in the community activities of Group companies in the developing world. At Zambia Sugar, the company runs comprehensive hygiene, health and education programmes for employees, their families and the local community. This includes mother and baby clinics, immunisation, Aids awareness and skills training programmes. UMH Group companies based in developing countries also support health and education issues such as the Tom Mboya Unit for cerebral palsy in Kenya and a children's education scheme in Guyana.

More important than any single initiative, the Group has a business culture that recognises the need to support the local community if business development is to be sustained in the long term.

ENVIRONMENT

The Group is committed to a continuing programme of monitoring the environmental impact of its operations. Investment programmes are in place at a number of

manufacturing sites to improve the quality of atmospheric emissions, liquid effluent discharges and solid waste and resource utilisation and all sites to improve their environmental performance.

Some examples of environmental improvements from around the Group:

1. At Kaba in Hungary, process control integration at the boilers has led to further air purity protection improvements.
2. At the Thames refinery in London a 10% production enhancement was achieved with no increase in emission levels.
3. At Zambia Sugar the discharge of each type of liquid effluent - suspended solids, nitrates and phosphates - has shown improvement on the previous year.

Source: adapted from Tate & Lyle, *Annual Report and Accounts*, 1998.

1. Using information from the extracts, identify and give examples of the stakeholders of Tate & Lyle.
2. Identify the factors that may have influenced the activities of Tate & Lyle mentioned in the extracts?
3. Explain how the factors you identified in (b) may have influenced the business.
4. Examine how the activities of Tate & Lyle may affect the environment.
5. Discuss whether you think that Tate & Lyle is acting in a socially responsible and ethical way.

10. Sky Travel 2000

Sky Travel 2000, a travel firm based in Bristol, was considering expanding the range of holidays which it would offer to the public in the next summer season. It already offered packages to traditional destinations such as the Greek Islands, the Costa del Sol and the Balearic Islands. It wished to expand into the long haul market, offering holidays to destinations previously out of the reach of mass tourism. Such destinations were likely to include India, Thailand and Bali.

A firm of economic consultants had been employed to provide the business with a report on future economic conditions. Before the consultants had presented the report, there had been concern expressed about the expansion plan by the firm's chief accountant, Errol Lee. He was worried about the building up of debt. He believed that economic conditions were such that it was unlikely sufficient revenue could be generated in the current year to finance expansionary plans.

Anne Doyle, the marketing director, who had been carefully researching the market for long haul flights, felt that consumer demand for long haul flights to some of these exotic locations might dry up just as quickly as it had initially grown. There was growing evidence of fickle behaviour amongst consumers of such holidays. In addition, concern about the link between sunbathing and skin cancer was leading to a trend towards taking holidays in countries with more moderate climate. The firm's personnel director, John Bryden, also expressed doubts about the extent to which staff currently employed in comfortable Mediterranean locations would cope if transferred to potentially much more difficult long haul destinations. He was particularly concerned about political unrest in Indonesia, of which Bali is a region, and the decline in the Thai economy.

At the next board meeting a number of these concerns were discussed, but the managing director, Chris Boughie, insisted that no decision could be made until the presentation by the economic consultants which was to take place the next day.

That evening, all directors watched the evening news in the comfort of their homes. The main stories were the redundancies to be made by several leading firms, rising unemployment and a large current account deficit on the balance of payments.

They arrived at work the next day in a gloomy mood. Erica Harper, a young economist working for the firm of consultants, gave the presentation. 'It could be argued that the UK faces a recession at the moment. Industrial output is down, unemployment is rising and there has been an upsurge in business failures. However, indicators suggest that the recession will "bottom out" over the next two years and government policies to stimulate growth will begin to take effect. This should lead to much improved trading conditions as incomes begin to rise. Sky Travel 2000 should

be aware that at least 70 per cent of its current and potential customers are unlikely to be influenced by the recession and will continue to take holidays once, twice or even more times a year to destinations served by the business.'

1. Identify 3 factors that may have influenced Sky Travel 2000's decision to expand its business.
2. Using evidence from the article, describe how the recession affected businesses in the economy at the time.
3. Explain the factors that may act as a constraint on the decision of the business to expand.
4. Explain why a percentage of the business's clients may not be affected by changes in the economic climate when making a decision to book holidays.
5. Advise Sky Travel 2000 on whether it should go ahead with its expansion plans.

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