

**MINASYAN EVA
MIDOVA VENERA
MASLOVA ELIZAVETA
SAHAKYAN LILIT
PONOMAREV MAXIM**

BUSINESS COMMUNICATIONS (Coursebook)



**MINASYAN EVA
MIDOVA VENERA
MASLOVA ELIZAVETA
SAHAKYAN LILIT
PONOMAREV MAXIM**

BUSINESS COMMUNICATIONS

(Coursebook)

**YEREVAN
«Van Aryan»
2019**



Հրատարակվում է Երևանի «Գլաձոր» համալսարանի գիտական խորհրդի
որոշմամբ: Published by the resolution of Yerevan Gladzor University Academic Council
Опубликован решением ученого совета Ереванского университета «Гладзор»

Դասագիրքը քննարկվել և երաշխավորվել է ԵԳՀ «Օտար լեզու» ամբիոնում:
Discussed and recommended by the Chair of Foreign Languages, Yerevan Gladzor University
Обсужден и рекомендован кафедрой иностранных языков Ереванского университета
«Гладзор»

Եվա Տ. Մինասյան, Վեներա Օ. Միդովա, Էլիզավետա Գ. Մասլովա, Լիլիթ Ս. Սահակյան,
Մաքսիմ Ա. Պոնոմարյով, **«Գործարար հաղորդակցություն» (դասագիրք), Խմբ.՝ Գ.
Մուրադյան, - Եր.: Վան Արյան, 2019. – 112 էջ: / Eva T. Minasyan, Venera O. Midova,
Elizaveta G. Maslova, Lilit S. Sahakyan, Maxim A. Ponomarev, *Business Communications*
(Coursebook), ed. G. Muradyan, «Van Aryan», Yerevan, 2019, 112p.**

«Գործարար հաղորդակցություն» դասագիրքն ունի յուրօրինակ կառուցվածք, որը ներառում է ժամանակակից բիզնես աշխարհի մասին նեղ մասնագիտական տեղեկատվություն, ուսուցանում բիզնես հմտություններ՝ մատուցելով իրական և մասնագիտական նյութ: Գիրքը նախատեսված է գործարար անգլերեն ուսումնասիրողների համար՝ ապահովելով այն գիտելիքը, հմտություններն ու կարողությունները, որոնք անհրաժեշտ են գործարար միջավայրում հաջողության հասնելու համար: Դասընթացը պարունակում է բիզնեսի հետ կապված կոնկրետ տեքստեր, ինտերակտիվ հանձնարարություններ, վիդեո և աուդիո ռեսուրսներ, ինչպես նաև խմբային աշխատանքի համար նախատեսված մասնագիտական անգլերենի և գործարար կապերի վերաբերյալ կոնկրետ դեպքեր՝ հիմնված տեղեկատվական տեխնոլոգիաների կիրառության վրա, որոնք դասընթացն առավել գրավիչ են դարձնում և նպաստում կրթական միջավայրի բարելավմանը:

«Business Communication» Coursebook is based on an exceptional design that encompasses contemporary business insights, business skills and expertise - all presented using genuine and professional input. The book is destined for Business English learners, equipping them with the language they need to succeed in a business environment. The course contains specific business-related constituents, interactive assignments, video/audio resources, and cases concerning professional English and business communication, which make Coursebook highly relevant and engaging. The materials are grounded on the use of information and communication technologies, which have become an integral part of the learning process, contributing to upgrade the educational space.

ISBN 978-9939-70-280-3

© Եվա Տ. Մինասյան, Վեներա Օ. Միդովա, Էլիզավետա Գ. Մասլովա,
Լիլիթ Ս. Սահակյան, Մաքսիմ Ա. Պոնոմարյով, 2019.

© Eva T. Minasyan, Venera O. Midova, Elizaveta G. Maslova,
Lilit S. Sahakyan, Maxim A. Ponomarev, 2019.

©Ева Т. Минасян, Венера О. Мидова, Елизавета Г.
Маслова, Лилит С. Саакян, Максим А. Пономарев

Հեղինակներ՝

Եվա Տ. Մինասյան, բ.գ.թ., դոց., Վ. Օ. Միդովա, հ.գ.թ., դոց., Է.Գ. Մասլովա, բ.գ.թ., դոց.,
Լ.Ս. Սահակյան, բ.գ.թ., դոց., Մ. Ա. Պոնոմարյով, տ.գ.թ., դոց.,

Authors

Eva T. Minasyan, *PhD in Philology*, Venera O. Midova, *PhD in Psychology*,
Elizaveta G. Maslova, *PhD in Philology*, Lilit S. Sahakyan, *PhD in Philology*,
Maxim A. Ponomarev, *PhD in Economics*, Associate Professors

Авторы

Ева Т. Минасян, к. ф.н., доц., Венера О. Мидова, к. п.н., доц., Елизавета Г. Маслова, к. ф.н., доц.,
Лилит С. Саакян, к. ф.н., доц., Максим А. Пономарев, к. э. н., доц.

Խմբագիր՝

Գայանե Հ. Մուրադյան, բ.գ.դ., ԵՊՀ դոցենտ

Edited by

Gayane H. Muradyan, Doctor of Philology, Associate Prof., Yerevan State University

Редактор

Гаяне Х. Мурадян, д. ф. н., доц., Ереванский государственный университет

Գրախոս՝

Ի.Վ. Դենիսով, տ. գ. դ., Պլեխանովի անվ. Ռուսաստանի տնտեսագիտական համալսարան

Reviewed by

I. V. Denisov, Doctor of Economics, Plekhanov Russian University of Economics

Эксперт:

И. В. Денисов, д. э. н, РЭУ им. Г.В. Плеханова

PREFACE

Business Communications (Coursebook) is a course for learners majoring in Economics with at least an Upper-intermediate/Advanced level of English (CEFL B2) who need to understand and express the key concepts of business and economics. Coursebook covers the most important areas of management, production, marketing and macroeconomics.

The course objectives are:

- To present learners with the language and concepts of business and economics found in journals, newspapers and magazines, and on websites;
- To develop their comprehension of business and economic terminology;
- To foster language competencies in the fields of business and economics;
- To provide opportunities to express business concepts both verbally and in writing, by analyzing, criticizing and discussing ideas.

The chapters contain 3 components:

LEAD-IN part introduces the core issues of the economic concept under study by giving the learners an opportunity to contemplate around these points, explore the Internet and brainstorm them in groups.

INFORMATIVE READING gives an overview of a particular topic, introduces key concepts with an abundant use of business-related vocabulary, a variety of comprehension and discussion activities.

FOLLOW-UP activities include discussions of audio-video online materials, case studies and presentations.

Coursebook is meant for both in class and individual learning and gives an opportunity to develop economic and business knowledge and acquire professional language skills.

ПРЕДИСЛОВИЕ

Данный учебник предназначен для студентов вузов экономической направленности, владеющих английским языком на уровне Upper-Intermediate/Advanced. Структурно, учебник состоит из 7 разделов-уроков, тематически соответствующих программе дисциплины «Деловые коммуникации». Каждый из них включает неадаптированные тексты по определенной теме, а также специально разработанные задания и кейсы, позволяющие закрепить материал урока и отработать навыки анализа текстов экономического содержания. Задания и кейсы предназначены для детальной отработки отдельных экономических понятий, вопросов, тенденций и т.д. Кейсы способствуют глубокому осмыслению прочитанного, усвоению и закреплению экономического материала. Особое внимание уделяется таким сложностям изучения английского языка, как правильное употребление бизнес терминов и устойчивых словосочетаний.

Цель учебника - развитие иноязычных коммуникативных и экономических компетенций в области чтения и анализа профессиональной литературы, устной речи и правильного восприятия информации в процессе делового общения. Учебник создан целенаправленно для студентов управленческих и экономических специальностей высших учебных заведений. Интересные и разнообразные по содержанию задания в учебнике представляют новое поколение учебных курсов, в полной мере учитывающих интересы современных экономистов и бизнесменов.

Данный учебник реализует системный подход к развитию речевых умений и навыков, необходимых для общения в реальных жизненных ситуациях, гармонично сочетает последние достижения теории и практики преподавания английского языка.

Авторами разделов тщательно подобраны контекст и последовательность языковых структур, которые способствуют созданию у обучающихся адекватного понимания и уверенности в общении, обеспечивая восприятие экономических понятий и адекватную коммуникацию на деловом английском. В учебнике реализуется коммуникативный подход в обучении языку. В этом русле формируются навыки реализации коммуникативной компетенции, а также лингвострановедческие знания, способствующие расширению пространства личности, контактов людей с окружающим миром, в том числе с людьми другой культуры и носителями иностранного языка, усвоение которых помогает овладевать определенной информацией и осваивать новую культуру, которая становится близкой и значимой для обучающихся.

Contents

Chapters	Lead-in	Informative Reading	Activity Bank	Online Pack	Paging
<u>Chapter 1</u> Themes: 1.1 Management 1.2 Functions of Management 1.3 Work & Motivation					8-21
<u>Chapter 2</u> Themes: 2.1 Company Structure 2.2 Organisational culture 2.3 Managing across cultures					22-31
<u>Chapter 3</u> Themes: 3.1 Recruitment & Selection 3.2 Women in Business 3.3 Business Ethics					32-45
<u>Chapter 4</u> Themes: 4.1 Production 4.2 Do It Right the First Time - DRIFT 4.3 Total Quality Management - TQM					46-56
<u>Chapter 5</u> Themes: 5.1 Marketing & Marketing Mix 5.2 Product Life Cycle Stages (PLC) 5.3 Advertising					57-72
<u>Chapter 6</u> Themes: 6.1 Market Structure & Competition 6.2 Monopoly and Oligopoly 6.3 Takeovers					73-84
<u>Chapter 7</u> Themes: 7.1 The Business Cycle & CSR 7.2 Economics and Ecology 7.3 Green Economics					85-93
Case Study Bank					94-107
References					108-109
Answer Key					110-111

Chapter 1

Topics:

1.1 Management

1.2 Functions of Management

1.3 Work & Motivation



Good leaders recognize that if they're to build productive and highly successful teams, they need to understand and look after the needs and well-being of team members.

Learning objectives

Define the manager's role.

Identify the classic and latest functions of management.

List and explain the most important motivation theories.

LEAD-IN

- In small groups surf the Internet for information about the given managers, then present to others in turn.
- Which of these five managers do you find the most interesting or impressive?

Bob Iger

Mary Barra

Tim Cook

Jack Ma

Sheryl Sandberg

1.1 MANAGEMENT

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

Drucker suggested that the work of a manager can be divided into five tasks:

planning (setting objectives),
organizing,
integrating (motivating and communicating),
measuring performance,
and *developing people*.



First of all, senior managers and directors **set objectives**, and decide how their organization can achieve or accomplish them. This involves developing strategies, plans and precise tactics, and allocating resources of people and money.



Fourthly, managers have to **measure** the performance of their staff, to see whether the objectives or targets set for the organization as a whole and for each individual member of it are being achieved.

A company's top managers also have to consider the future, and modify or change the organization's objectives when necessary, and introduce the innovations that will allow the business to continue. Top managers also have to manage a business's relations with customers, suppliers, distributors, bankers, investors, neighbouring communities, public authorities, and so on, as well as deal with any crisis that arises. Although the tasks of a manager can be analyzed and classified in this fashion, management is not entirely scientific. There are management skills that have to be learnt, but management is also a human skill. Some people are good at it, and others are not. Some people will be unable to put management techniques into practice. Others will have lots of technique, but few good ideas. Excellent managers are quite rare.

Key words:

Allocate (v) - to use something for a particular purpose, give something to a particular person etc., especially after an official decision has been made

Subordinate (n) - someone who has a lower position and less authority than someone else in an organization

Performance (n) - how well or badly a person, company etc. does a particular job or activity

Comprehension questions

- 1) What is the manager's role?
- 2) What makes an effective manager?
- 3) What qualities do you consider the most important in management?
- 4) Who is a famous *Management Guru*?
- 5) Why is it necessary for a manager to perform 5 basic managerial tasks?

1.2 FUNCTIONS OF MANAGEMENT

Four classic functions of management: planning, organizing, leading, and controlling.

Planning: running an organization is kind of like steering a ship on the ocean; to get where you want to go, you've got to have a plan or a map-that tells you where you're headed. It's the job of managers to develop the plans that determine the goals an organization will pursue, the products and services it will provide, how it will manufacture and deliver them, to whom, and at what price. These plans include creating an organizational vision and mission and specific tactics for achieving the organization's goals.

Organizing: after managers develop their plans, they have to build an organization that can put these plans into effect. Managers do this by designing organizational structures to execute their plans (often building elaborate organizational charts that divide an organization into divisions, departments, and other parts and designate the people who reside in each position) and by developing systems and processes to direct the allocation of human, financial, and other resources.

Leading: managers are expected to lead their employees, that is, to motivate them to achieve the organization's goals-quickly and efficiently. Leadership is considered by many to be the most important ingredient for a manager's success. Great leaders can make great things happen, inspiring their employees to do extraordinary things and accomplish extraordinary goals.

Controlling: to accomplish their goals and the goals of the organization, managers must establish performance standards based on the organization's goals and objectives, measure and report actual performance, compare the two, and take corrective or preventive action as necessary.

While these classic functions are still valid, they do not tell the entire story. Managers and workers are entering into a new kind of partnership that is forming the basis of a new reality in the workplace.

Today's managers are discovering that they cannot *command* an employee's best work; they can, however, create an environment that encourages employees to want to do their best work. And workers are discovering that, if they expect to survive the constant waves of change sweeping across businesses of all types, they have to find ways to contribute in their organizations in ways that they have never before been called on to do.

The ***new functions*** of management that tap into the potential of all employees are:

Energize: today's managers are masters of making things happen. The best managers create far more energy than they consume. Successful managers create compelling visions-visions that inspire employees to bring out their very best performance-and they encourage their employees to act on these visions.

Empower: empowering employees doesn't mean that you stop managing. Empowering employees means giving them the tools and the authority to do great work. Effective management is the leveraging of the efforts of your team to a common purpose. When you let your employees do their jobs, you unleash their creativity and commitment.

Support: today's managers need to be coaches, counselors, and colleagues instead of watchdogs or executioners. The key to developing a supportive environment is the establishment of a climate of open communication throughout the organization. Employees must be able to express their concerns-truthfully and completely-without fear of retribution. Similarly, employees must be able to make honest mistakes and be encouraged to learn from those mistakes.

Communicate: communication is the lifeblood of every organization. Information is power, and, as the speed of business continues to accelerate, information-the *right* information-must be communicated to employees faster than ever. Constant change and increasing turbulence in the business environment necessitate *more* communication, not *less*-information that helps employees better do their jobs, information on changes that can impact their jobs, and information on opportunities and needs within the organization.

Key words:

Vision (Organizational) (n) - the knowledge and imagination that are needed in planning for the future with a clear purpose.

Designate people (n) - to choose someone or something for a particular job or purpose.

Business environment (n) - the people and things that are around you in your life, for example the buildings you use, the people you live or work with, and the general situation you are in.

Comprehension questions

- 1) What are the classic and new functions of management?
- 2) Which function is the most efficient? Why?
- 3) Why should managers follow these functions?
- 4) What other functions of management can you think of?
- 5) What are the advantages and disadvantages of management functions

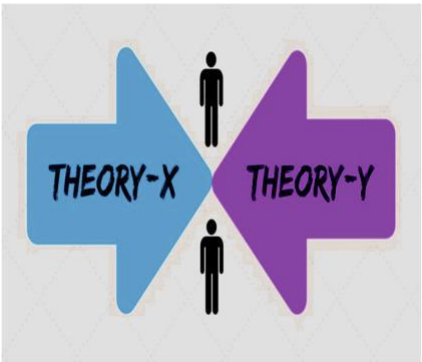
LEAD-IN

➤ **What kind of things motivates you? Set priorities and comment on them.**

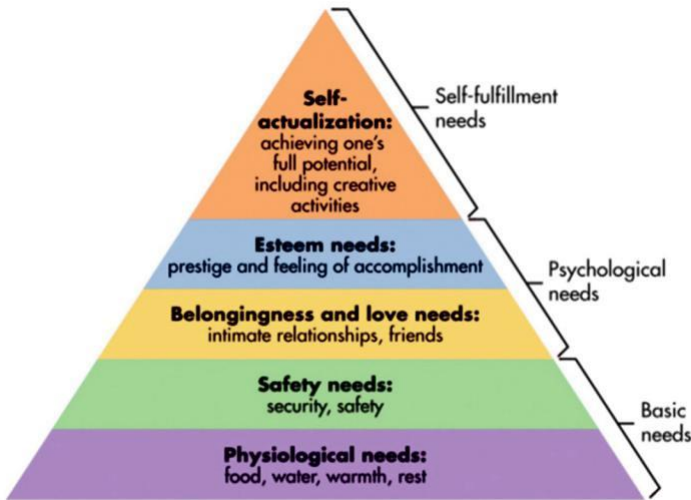
<input type="checkbox"/> Appreciation	<input type="checkbox"/> Career Plan
<input type="checkbox"/> Better Working Conditions	<input type="checkbox"/> Trust
<input type="checkbox"/> Fairness	<input type="checkbox"/> Growth and Development
<input type="checkbox"/> Good Communication	<input type="checkbox"/> Achievements
<input type="checkbox"/> Job	<input type="checkbox"/> Promotion
<input type="checkbox"/> Praise	<input type="checkbox"/> Responsibility
<input type="checkbox"/> Recognition	<input type="checkbox"/> Setting Clear Objectives
<input type="checkbox"/> Rewards	<input type="checkbox"/> Support
<input type="checkbox"/> Stability / Security	<input type="checkbox"/> Training and Development
<input type="checkbox"/> Teamwork / Team Spirit / Team Success	<input type="checkbox"/> Feeling your views are being considered / listened to
<input type="checkbox"/> Being able to use initiative	Others _____

1.3 WORK & MOTIVATION

In *The Human Side of Enterprise*, Douglas McGregor outlined two opposing theories of work and motivation. What he calls Theory X is the rather pessimistic approach to workers and working which assumes that people are lazy and will avoid work and responsibility if they can. Consequently, workers have to be closely supervised and controlled, and told what to do. They have to be both threatened, for example with losing their job, and rewarded with incentives, probably monetary ones such as a pay rise or bonuses. Theory X assumes that most people are incapable of taking responsibility for themselves and have to be looked after. It has traditionally been applied, for example, by managers of factory workers in large-scale manufacturing.



Theory Y, on the contrary, assumes that most people have a psychological need to work, and given the right conditions - job security, financial rewards - they will be creative, ambitious and self-motivated by the satisfaction of doing a good job. Theory Y is probably more applicable to skilled professionals and what Peter Drucker called 'knowledge workers' - managers, specialists, programmers, scientists, engineers - than people in unskilled jobs.



McGregor's two theories are based on Abraham Maslow's famous 'hierarchy of needs'. Theory X relates to the basic, «lower order» needs at the bottom of the hierarchy, such as financial security, while Theory Y relates to «higher order» needs such as esteem (achievement, status and responsibility) and self-actualization (personal growth and fulfilment) that can be pursued if basic needs are satisfied.

McGregor is widely considered to have laid the foundations for the modern people-centred view of management. However, Maslow spent a year studying a Californian company that used Theory Y, and concluded that there are many people who are not looking for responsibility and achievement at work. There will always be people with little self-discipline, who need security, certainty and protection against the burden of responsibility, so it is impossible to simply replace the "*authoritarian*" Theory X with the "*progressive*" Theory Y.

Another well-known theorist of the psychology of work, Frederick Herzberg, has argued that good working conditions are not sufficient to motivate people. It is logical to suppose that things like good labour relations, good working conditions, job security, good wages, and benefits such as sick pay, paid holidays and a pension are incentives that motivate workers. But in *The Motivation to Work*, Frederick Herzberg argued that such conditions - or "hygiene factors" - do not in fact motivate workers. They are merely "satisfiers" - or, more importantly, "*dissatisfiers*" where they do not exist. Workers who have them take them for granted. As Herzberg put it, "A reward once given becomes a right". "Motivators", on the contrary, include things such as having a challenging and interesting job, recognition and responsibility, promotion, and so on. Unless people are motivated, and want to do a good job, they will not perform well.

However, there are and always will be plenty of boring, repetitive and mechanical jobs, and lots of unskilled workers who have to do them. How can managers motivate people in such jobs? One solution is to give them some responsibilities, not as individuals but as part of a team. For example, some supermarkets combine office staff, the people who fill the shelves, and the people who work on the checkout tills into a team and let them decide what product lines to stock, how to display them, and so on. Other employers encourage job rotation, as doing four different repetitive jobs a day is better than doing only one.

Many people now talk about the importance of a company's shared values or corporate culture, with which all the staff can identify: for example being the best hotel chain, or hamburger restaurant chain, or airline, or making the best, safest, most user-friendly, most ecological or most reliable products in a particular field.

Key words:

Motivation (n) - eagerness and willingness to do something without needing to be told or forced to do it

Incentives (n) - something which is used to encourage people to do something, especially to make them work harder, produce more or spend more money. **Job**

security (n) - being confident that you are unlikely to lose your job.

Comprehension questions

- 1) What is *Theory X* and *Theory Y*?
- 2) Why do employees have to be closely controlled?
- 3) Why did Maslow criticize Theory Y?
- 4) What would you do to try to motivate subordinates who did not want to take responsibilities at work, and who had uninteresting, repetitive jobs?
- 5) What are the «satisfiers» and «motivators» according to Frederick Herzberg?

ACTIVITY BANK: MANAGEMENT; WORK AND MOTIVATION

1. Insert the suitable words into the gaps.

*communication confrontations career put off a
shock tackling criticizing to state*

Managers do not want to leave the other person depressed about what they have told them. They sometimes tell themselves things which they realize are not true. Most managers hate 1_____ and are unsure of how to handle them when they need to. In consequence, unpleasant situations become something to be postponed indefinitely. Most of us 2_____ warning people, reprimanding people or firing people for far longer than we should. We invent rationalizations we know to be unreal. We wait to be chivvied by our bosses into 3_____ unpleasant situations. If you never have to be chivvied, you'll create an excellent impression that can benefit your 4_____. Managers should decide what they want to achieve from talking to the other person. They should be careful not to talk nonsense when 5_____ the other person. There are good ways of handling confrontations. Firstly, control your non-verbal 6_____. Without minimizing the seriousness of the situation, smile as often as possible. Secondly, start with a simple statement. And thirdly, seek agreement. Without bullying, try hard to get the person 7_____ his or her agreement to what you have been saying. Someone who is unwilling to agree in your presence will most likely be harbouring resentments. Of course, some of the above are unnecessary, indeed irrelevant, if the other person is being fired. However much they may have been anticipating it, being fired always comes as 8_____.

2. Translate the phrases into your own native language.

- 1) *the human side of enterprise*
- 2) *to closely supervise and control*
- 3) *to reward with incentive*
- 4) *large-scale manufacturing*
- 5) *job security*
- 6) *financial reward*
- 7) *hierarchy of needs*
- 8) *modern people-centred view of management*
- 9) *esteem needs*
- 10) *self-actualization needs*
- 11) *love and belonging needs*
- 12) *safety needs*
- 13) *physiological needs*
- 14) *good labour relations*
- 15) *sick pay*
- 16) *hygiene factor*
- 17) *challenging jobs*
- 18) *office staff*
- 19) *to encourage job rotation*
- 20) *repetitive jobs*
- 21) *company's shared values*

3. Insert the suitable words into the gaps.

satisfaction repetitive subordinates dissatisfied earn satisfy
demotivated attempt

The money that people 1 _____ from working may be used to 2 _____ the physiological and safety needs but it may not satisfy the higher needs. Money alone cannot bring this 3 _____. It is important to examine how companies can 4 _____ to satisfy these higher needs. If they don't attempt to do this, the workforce may become 5 _____ and 6 _____. It is the job of a manager to try and make sure that his 7 _____ feel fulfilled at work. In situations where this is difficult to achieve, as in dull, 8 _____ work, higher pay is very important and workers may be forced to find satisfaction outside their work.

READING

1. *While reading the text find the proofs that management is not only a science but also an art.*
2. *Read the article. The following sentences have been taken out of the text. Where do you think they should go? Fill in the gaps.*

1. ... to become and remain effective.
2. ... will produce higher profits.
3. Nevertheless ...
4. ... will probably continue to function as both an art and science
5. ... is a prime requirement for a manager
6. Accordingly ...
7. ... to accomplish the work of their business.
8. Basically ...
9. ... to certain orderly principles.

Management: an Art or a Science?

Management as both *Art and Science* It has been clear from the emergence of modern business that effective management a)_____.

b)_____, managers have been highly motivated to understand the nature of their job and to improve their performance. The goal of management is to integrate the diverse elements of a business – people, machinery, money, buildings and raw materials – and direct them toward a common purpose. To do this well, a manager must combine the intuitive abilities of art with the rational methods of science. The field of management that includes the study and use of mathematical models and statistical methods to improve the effectiveness of managerial decision making is called management science.

Clearly, management is a difficult job. One factor that makes it difficult is that that the work situation – employees, technology, competition, and cost – constantly changes. All of the functions a manager must perform require dedication, persistence, intelligence, the ability to deal with concepts as well as details, and the willingness to accept stress and responsibility. Particularly in the modern world, where business operations are becoming increasingly complex, a manager must consciously develop his or her personal qualities, professional skills, and business knowledge c)_____.

An effective manager must develop and apply such qualities and skills as innovation, decision making, leadership, communication, and motivation. Managers must try to find new and better ways d)_____.

Being a manager requires a high level of innovation, or creativity to formulate new techniques, products, and approaches to business problems. Decision making is the process of selecting an alternative course of action that will solve a problem. The capacity for decision making, often with data that is incomplete or of doubtful exactness, e)_____. To produce a truly effective organization, a manager must also use leadership, which can be defined as the ability to influence the attitudes and behaviour of others through skill in personal relations and without the use of force. Nearly everything a manager does is accomplished through other people. Although psychology and sociology are making progress in describing human behaviour scientifically, most facets of personal interactions remain unclear. f)_____.

successful personal interactions in a business setting are dependent on the sensitivity of a manager. Intuition and sensitivity are also useful in the many business decisions that must be made with incomplete data. If an executive must decide whether to introduce new producthe or she will have a variety of data and the opinions of others. g)_____, much even most, of the relevant data will not be available. In order to make decisions, experienced executives must have a feel for the market and for the behaviour of the consumers. Rational and quantitative approaches are becoming even more common and successful in business. These scientific aspects of management stress the use of data gathered and measured according h)_____.

These methods are widely used not only in production and distribution, but also in the people oriented management functions, such as supervision and sales. In spite of the growing importance of these techniques, however management i)_____.

3. Answer the questions to the text.

1. What is the goal of management?
2. What is managerial science?
3. By what means can a manager become and remain effective?
4. What is creativity in managerial work?
5. Nearly everything a manager does is accomplished through other people, isn't it?
6. What does 'sensitivity of a manager' mean?
7. In which cases does a manager use intuition?

4. What do you think? Express your opinion.

1. To be successful a manager must combine the intuitive abilities of art with the rational methods of science.
2. Management is a difficult job.
3. Of all skills personal skills are the most important for a manager.
4. Being a manager requires a high level of innovation.
5. The capacity for decision making is a prime requirement for a manager.
6. It's no use to the study mathematical models and statistical methods to improve the effectiveness of business.
7. Management is both art and science.

Lean more online

- **Explore the video: *Definition of Management***

<https://www.youtube.com/watch?v=OBqwhYLEJo>

- **Present the concept of *Management* in a group.**

Chapter 2

Topics:

2.1 Company Structure

2.2 Organisational culture

2.3 Managing across cultures



Learning objectives

1. Talk about modern company structures and their differences.
2. Explain the concept of globalization and define the most vivid cultural differences in international management.

LEAD-IN

- Which department-production, finance, accounting, marketing, sales, human resources, etc. - of an organization do you think is the most interesting to work in? Why?
- Is it better to have one immediate boss or to work for more than one manager? Give reasons.
- Do you prefer to work alone or in a team? Why?

2.1 COMPANY STRUCTURE

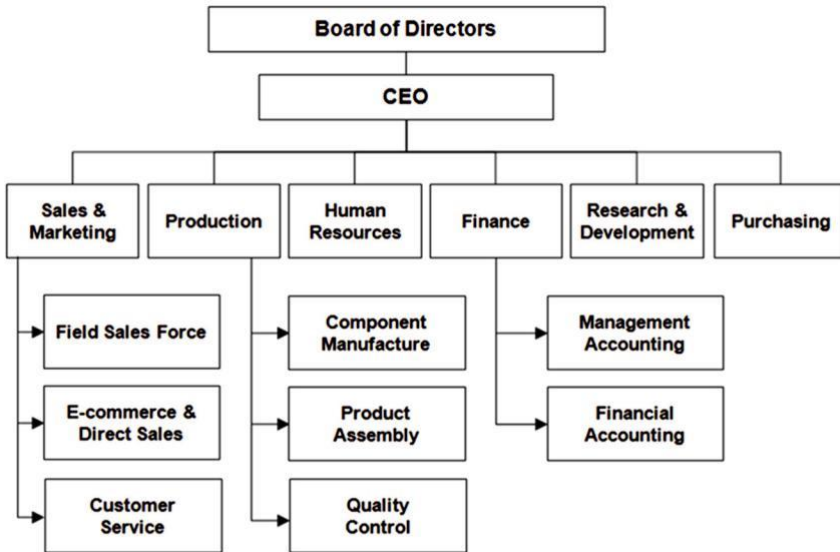
The Chain of Command

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



© Can Stock Photo - csp6331205

Functional Structure



tutor2u

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

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

Flattening hierarchies and delegating responsibility

A problem with very hierarchical organizations is that people at lower levels can't take important decisions, but have to pass on responsibility to their boss. However, the modern tendency is to reduce the chain of command, take out layers of management, and make the organization much flatter. Advanced IT systems have reduced the need for administrative staff and enabled companies to remove layers of workers from the structure.

Many companies have also been forced to cut back and eliminate jobs in recessions. Typically, the owners of small firms want to keep as much control over their business as possible, whereas managers in larger businesses who want to motivate their staff often delegate decision making and responsibilities to other people.

Matrix management

Another way to get round hierarchies is to use matrix management, in which people report to more than one superior. For example, a product manager with an idea could deal directly with the managers responsible for a certain market segment and for a geographical region, as well as managers in the finance, sales and production departments can become quite complex, so it is sometimes necessary to give one department priority in decision making.

Teams

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

Key words:

Hierarchical (adj) - if a system, organization etc. is hierarchical, people or things are divided into levels of importance; hierarchical structure/organization/system

Functional structure (n) - connected with the purpose for which something is made or used, or with the job that someone does

Matrix structure (n) - an arrangement in which some employees are responsible to managers in two or more different departments in an organization

Comprehension questions

- 1) What is the main advantage of a chain of command?
- 2) Why is it not usually possible to organize a large organization in a single hierarchy?
- 3) What factors might lead companies to flatten their hierarchies?
- 4) What kind of managers might not want to delegate decision making?
- 5) What is the potential disadvantage of matrix management systems?

2.2 ORGANISATIONAL CULTURE

The values and behaviors that contribute to the unique social and psychological environment of an organization form the organizational culture.

Organizational culture includes an organization's expectations, experiences, philosophy, and values that hold it together, and is expressed in its self-image, inner workings, interactions with the outside world, and future expectations. It is based on shared attitudes, beliefs, customs, and written and unwritten rules that have been developed over time and are considered valid. Also called corporate culture, it's shown in

the ways the organization conducts its business, treats its employees, customers, and the wider community,
the extent to which freedom is allowed in decision making, developing new ideas, and personal expression,
how power and information flow through its hierarchy,
how committed employees are towards collective objectives.

Organizational culture affects the organization's productivity and performance, and provides guidelines on customer care and service, product quality and safety, attendance and punctuality, and concern for the environment. It also extends to production-methods, marketing and advertising practices, and to new product creation. Organizational culture is unique for every organization and one of the hardest things to change.

Key words:

Culture (n) - the attitudes or beliefs that are shared by a particular group of people or in a particular organization

Unwritten (adj) - an unwritten rule, law, agreement etc is one that everyone knows about although it is not official, e.g. *unwritten rules of social behaviour*

Performance (n) - the degree to which a company, investment, financial market etc is profitable

Comprehension questions

1. How can you define an organizational culture?
2. What are the constituents of a corporate culture?
3. Why is the organisational culture so important?
4. How does it differ from company to company?
5. Who is responsible for creating a healthy corporate culture?

2.3 MANAGING ACROSS CULTURES

Managing a global multinational company would obviously be much simpler if it required only one set of corporate objectives, goals, policies, practices, products and services. But local differences - cultural habits,



beliefs and principles specific to each country or market - often make this impossible. The conflict between globalization and localization has led to the invention of the word 'glocalization'. Companies that want to be successful in foreign markets have to be aware of the local cultural characteristics that affect the way business is done.

Richard Lewis a well-known author in the field of cross-cultural communication has classified different cultures according to three «poles» representing different types of behaviour. Businesspeople in «linear-active» cultures such as Britain, the USA and Germany are generally organized and rational, try to act logically rather than emotionally, plan in advance, and like to do one thing at a time. They believe in respecting rules, regulations and contracts, and so are what the Dutch theorist Fons Trompenaars calls «universalists» - they think rules apply to everybody. They are not afraid of confrontation but will compromise when necessary to achieve a deal. They are essentially individualists.

‘Multi-active cultures’ in Southern Europe, Latin America and Africa attach more importance to feelings, emotions and intuition, and relationships and connections. People like to do many things at the same time; they are flexible, good at changing plans and happy to improvise. They believe in social or company hierarchy, and respect status. They are essentially collectivists, and also what Trompenaars calls ‘particularists’ - they believe that personal relationships and friendships should take precedence over rules and regulations.

People in ‘reactive cultures’ in Asia prefer to listen to and establish the other's position, and then react to it. They try to avoid confrontation, and don't want to ‘lose face’ or cause someone else to. They rarely interrupt speakers and often avoid eye contact. They try to formulate approaches which suit both parties.

Other countries have cultures which show combined characteristics of two of these poles, and can be represented along the sides of a triangle.

Key words:

Glocalization (n) - the idea that companies should think globally, but use methods in each particular place that are suited to it

Cross-cultural communication (n) - belonging to or involving two or more different societies, countries, or cultures → multicultural

Corporate objectives (n) - something that you are trying hard to achieve, especially in business or politics

Comprehension questions

- 1) Why is it important for companies to be aware of local cultures?
- 2) What are the differences between individualists and collectivists?
- 3) Who is more likely to think: «I'll let them speak first»?
- 4) Who is more likely to say: «Oh, you can't trust them; they wouldn't even help a friend»?
- 5) Who is more likely to say about other people: «They can't be trusted because they will always help their friends or family» - universalists or particularists?

ACTIVITY BANK: COMPANY STRUCTURE

1. Insert the suitable words into the gaps

*performed delegating distinguish take complicated carry out authority
level departments activities describe*

In business, organization structure means the relationships between positions and people who hold the positions. First of all we should 1_____ between the organizing function and organizing structure. The organizing function is the process of breaking down the overall task into small jobs along with delegated 2_____ to do those jobs and, then putting them back together in units, or 3_____, of an optimal size according to some consistent bases. Thus we can 4_____ the organizing function as dividing task into jobs, 5_____ authority, determining appropriate bases for departmentalizing jobs, and deciding the optimal number of jobs in a particular department. The 6_____ of most companies are too 7_____ to be organized in a single hierarchy. Shortly before the First World War, the French industrialist Henry Fayol organized his coal-mining business according to the functions that it had to 8_____. He is generally credited with inventing functional organization, including (among others) production, finance, marketing, sales, and personnel or staff departments. The functional type of organization structure reflects an arrangement based on the nature of the activities that must be 9_____. Related activities are grouped together in the functional areas with which they are most clearly identified. The chief executive of each area occupies a position on the second 10_____ of the organization and generally has the title Vice-President. This means, for example, that the production and marketing departments cannot 11_____ financial decisions without consulting the finance department. The functional structure allows for coordination of related activities, thereby reducing the risk of empire building by specialized areas and resulting in greater efficiency.

2. Role Play “Company Presentation”

Trade fairs are opportunities for individuals and companies to make contacts with potential customers and other professionals in the industry. While many companies hope to sign up orders for goods, most are happy to improve consumer awareness of the company and to promote the corporate image.

You are at a trade fair. Introduce your company to someone who visits your stand. Then ask the other person about his/her company. Ask about:

- company name, turnover, markets, sales growth
- name/location of a subsidiary
- number of employees
- company structure and policy
- if the company was recently involved in a major takeover.

Note: You may come up with your own ideas as well.

3. Match up the following words and definitions.

<i>collectivist / compromise / confrontation / connections eye contact / glocalization / improvise / interrupt / intuition / logic / lose face/ status</i>
A an invented word combining worldwide and regional concerns
B thought based on reason and judgment rather than feelings and emotions
C a face-to-face disagreement or argument
D reducing demands or changing opinions in order to agree
E understanding or knowing without consciously using reason
F people of influence or importance with whom you are associated
G to do something when necessary without having already planned it
H respect, prestige or importance given to someone
I believing that the group is more important than the individual
J to be humiliated or disrespected in public
K to cut into someone else’s turn to speak
L looking directly at the people you are talking or listening to

4. Insert the suitable words into the gaps.

*innovative / multi-cultural / creates / expand diversity / basis / applies / areas
diverse / goal / advantage*

Cross cultural teamwork is going to increase as businesses 1 _____ on a more global scale meaning that people from 2 _____ backgrounds interact on a regular 3 _____ as a team. Many large corporations have clients with whom they work across multiple countries and these clients look for integrated global solutions. In such a scenario the cross cultural team has a definite 4 _____ in being able to understand the needs of their clients better. The key to making the 5 _____ team work well, is focusing on the objectives of the team. The objective is the main output that a cross cultural team can potentially deliver. Team output is usually better when there is 6 _____ of experience among the team players. This 7 _____ to any team output, whether or not multicultural. The chances of drawing out 8 _____ thinking get amplified when there is diversity. This is the factor that works in favour of cross cultural teams. The problems and conflicts are certainly going to be there just as one would have conflicts and problems within teams who belong to the same market. Preemptive measures in 9 _____ like communication, information sharing, motivation drivers, and group dynamics are called for to assist in the cross cultural team process. The 10 _____ should be to try and build on the strengths of such cross cultural teams, minimize conflicts, and diffuse the occasional miscommunication that diversity 11 _____.

Lean more online

- **Explore the video: What strategies and methods are highlighted?**

Multi-cultural team management:

<https://www.youtube.com/watch?v=9-wxCH287Ws>

- **Prepare a group project: *Cultural Differences in Management***

Chapter 3

Topics:

3.1 Recruitment & Selection

3.2 Women in Business

3.3 Business Ethics



Learning objectives

1. List the main stages in the recruitment and selection process.
2. Talk about women's' managerial positions in today's world.
3. Define business ethics and talk about social responsibility.

LEAD-IN

- What is the purpose of a business, in your opinion? Is it just to make money?
- What do you understand by these phrases?
 - *business ethics*
 - *a code of good practice*
 - *a mission statement*
- Should mission statements include statements about ethics?
- Rank the professions below according to how ethical you think they are:

<input type="checkbox"/> Accountant	<input type="checkbox"/> civil servant
<input type="checkbox"/> lawyer	<input type="checkbox"/> police officer
<input type="checkbox"/> banker	<input type="checkbox"/> estate agent
<input type="checkbox"/> nurse	<input type="checkbox"/> teacher
<input type="checkbox"/> car sales	<input type="checkbox"/> executive
<input type="checkbox"/> journalist	<input type="checkbox"/> dentist
<input type="checkbox"/> taxi driver	<input type="checkbox"/> construction worker

Discuss the list of unethical activities. In your opinion, which are the worst? Are any common in your country?

- a) Avoiding paying tax.
- b) Claiming extra expenses.
- c) Using work facilities for private purposes (for example, personal phone calls).
- d) Accepting praise for someone else's ideas or work.
- e) Selling a defective product (for example, a second-hand car).
- f) Using your influence to get jobs for relatives (nepotism).
- g) Giving good references to people you want to get rid of.
- h) Employing people illegally.

3.1 RECRUITMENT & SELECTION

Recruitment and Selection Process

The process of finding people for particular jobs is *recruitment* or *hiring* (USA). Someone who has been recruited is *a recruit* or *a hire*. The company *employs* or *hires* them; they *join* the company. The recruitment and selection process is one of the most important aspects of running new and established businesses alike. The right employees can take your business to new heights. The wrong ones can hurt business by missing sales, turning customers off and creating a toxic workplace environment.



Sourcing Candidates

This is the first step in the recruitment and selection process. *Sourcing candidates* means using a variety of methods to find suitable candidates for job vacancies. Sourcing can be done via online advertising on job and career sites or professional networking and participation in trade associations. Another creative sourcing technique employment specialists utilize is monitoring employment changes at industry competitors to recruit applicants familiar with the same type of business you are operating. Companies also use outside recruiters, recruitment agencies or employment agencies. Outside specialists, called headhunters, may be called on to headhunt for very important jobs, persuading them to leave the organisations they already work for.

Tracking Applicants

The next steps in the recruitment and selection process are *tracking applicants* and applications and reviewing resumes. Applicant tracking systems (ATS) are becoming extremely helpful to employers, and this technology aids in the management of job vacancies and applications for every open position. Employment specialists use ATSs to review applications and resumes.

You or your employment specialist or assistant can then decide which applicants to interview. An ATS can be developed for organizations of any size, including small businesses. With some ATSs, applicants can track their application status, too.

Preliminary Phone Interview

Conducting a *preliminary phone interview* is essential for obtaining information about the applicant's background, work history and experience. The objective of this phone call is to determine whether or not the applicant has the requisite skills and qualifications for the job vacancy. Initial discussions will reveal those applicants who obviously do not meet the minimum requirements for the job. After the phone interview, you'll be able to narrow the field of applicants to send for consideration by the hiring manager. Or, if you will be doing the hiring, you may ask your assistant to arrange in-person interviews with the applicants you have selected. The advantage of having one person arrange all the interviews is that all candidates will receive the same information.

Face-to-Face Interview and Selection

The *interview* is the most important step in the recruitment process. Therefore, it's important to prepare for the interview in advance. For each skill required for the job, prepare one or two questions that will tell you if the applicant has this skill. By asking the same questions of all applicants, you can compare them more easily later. Make notes on their resumes in advance of any issues you want to clarify. During the interview, make notes as well so you will remember the candidates. After all interviews have been conducted, narrow/ shortlist the field of candidates by removing the resumes of those who don't have the needed qualifications. You may want to conduct an additional interview of the finalists, or perhaps send them on to colleagues to interview for a second opinion.

Extending an Employment Offer

Once you have decided which candidate is most suitable for the job vacancy, it's time to make *the job offer*. You'll also inform the candidate of pre-employment matters, such as background inquiries, drug tests, licensing information or any other tests or information you require.

When recruiting for positions where you negotiate the terms of employment, compensation and benefits, and other issues, a draft employment offer may change hands back and forth from you to the candidate until both are in agreement. An employment offer should always be in writing to document the terms of your agreement with your prospective employee.

Key words:

Recruitment agency (n) - a business that works for organizations to find people for jobs when the organizations need them

Workplace (environment) (n) - the room, building etc. where you work **Offer (employment) (n)** - a statement saying that you are willing to do something for someone or give them something

Comprehension questions

1. Define the Recruitment & Selection process. Why is it vital for companies?
2. What is meant by the 1st step – ‘sourcing candidates’?
3. How does the ‘tracking applicants’ process work?
4. Why is it important to conduct first ‘preliminary phone interview’ and then ‘face-to-face interview’?
5. How should ‘the employment offer’ be conducted?

3.2 WOMEN IN BUSINESS

Women who apply for jobs in middle or senior management have a higher success rate than men, according to an employment survey. But of course far fewer of them apply for these positions. The study, by recruitment consultants NB

Selection, shows that while one in six men who appear on interview shortlists get jobs, the figure rises to one in four for women. The study concentrated on applications for management positions in the \$ 110,000 salary range and found that women are more successful than men in both the private and public sectors.



Dr. Elisabeth Marx from London-based NB Selection described the findings as encouraging for women, in that they send a positive message to them to apply for interesting management positions. But she added: “We should not lose sight of the fact that significantly fewer women apply for senior positions in comparison with men.”

Reasons for higher success rates among women are difficult to see. One explanation suggested is that if a woman candidate manages to get on a shortlist, then she has probably already proved herself to be exceptional candidate. Dr. Marx said that when women apply for positions they tend to be better qualified than their male counterparts but are more selective and conservative in their job research. Women tend to research thoroughly before applying for positions or attending interviews. Men, on the other hand, seem to rely on their ability to sell themselves and to convince employers that any shortcomings they have will not prevent them from doing a good job.

Managerial and executive progress made by women is confirmed by the annual survey of boards of directors carried out by Korn International. This year the survey shows a doubling of the number of women serving as non-executive directors compared with the previous year. However, progress remains painfully slow and there were still only 18 posts filled by women out of total of 354 non-executive positions surveyed. Hilary Sears, a partner with Korn International, said: “Women have raised the level of grades we are employed in but we have still not broken through barriers to the top.”

In Europe a recent feature of corporate life in the recession has been the de-layering of management structures. Sears said that this has halted progress for women in as much as de-layering has taken place either where women are working or in layers they aspire to. Sears also noted a positive trend from the recession, which has been the growing number of women who have started up on their own.



In business as a whole, there are a number of factors encouraging the prospect of greater equality in the workforce. Demographic trends suggest that the number of women going into employment is steadily increasing. In addition a far greater number of women are now passing through higher education, making them better qualified to move into management positions.

Organisations such as the European Women's Management Development Network provide a range of opportunities for women to enhance their skills and contacts. Through a series of both pan-European and national workshops and conferences the barriers in women employment are being broken down. However, Ariane Berthoin Antal, director of the International Institute for Organisational Change of Archamps in France, said that there is only anecdotal evidence of changes in recruitment patterns. And she said: "It's still so hard for women to even get onto shortlists - there are so many hurdles and barriers. 'Antal agreed that there have been some positive signs but said: 'Until there is a belief among employers, until they value the difference, nothing will change."

Key words:

Survey (n) - a set of questions that you ask a large number of people in order to find out about their opinions or behavior

Shortlist (n) - a list of the most suitable people for a job or a prize, chosen from all the people who were first considered.

Managerial (progress) (adj) - connected with the job of being a manager.

Comprehension questions

- 1) What factors in business life suggest better chances for women?
- 2) What does the annual employment survey show?
- 3) What things slow down the progressive changes in women's employment?
- 4) Why are success rates among women difficult to see?
- 5) What opportunities do women have to enhance their management skills and contacts?

3.3 BUSINESS ETHICS

Ethics is difficult to define in a precise way. In a general sense, ethics is the code of moral principles and values that govern the behaviours of a person or group with respect to what is right or wrong. The source of these principles and values may be tradition, religion, or

reasoned judgments about what is best for the individual and society as a whole. Ethics sets standards as to what is good or bad in conduct and decision-making. An ethical issue is present in a situation when the actions of a person or organization may harm or benefit others. Business ethics is the group of rules of conduct applied specifically to business activities.



Ethics is not the same as law. Many ethical beliefs are formally reinforced by law, but many are not. In practice, ethics is expressed and felt as a combination of pressures that direct one to take or not to take certain actions. Decisions must be acceptable to many different elements of society. An ethically acceptable decision is both legally and morally acceptable to the larger community. Social responsibility is management's obligation to make decisions and take actions that will contribute to the welfare and interests of society as well as to the organisation's. Total corporate social responsibility can be subdivided into four criteria – *economic, legal, ethical, and discretionary* responsibilities.

Economic responsibilities: The business institution is the basic economic unit of society. Its responsibility is to produce goods and services that society wants and to maximize profits for its owners and shareholders. *Legal responsibilities:* Businesses are expected to fulfill their economic goals within the legal framework. *Ethical responsibilities:* To be ethical, organization decision makers should act with equity, fairness, and impartiality, respect the rights of individuals, and provide different treatment of individuals only when relevant to the organisation's goals and tasks. *Discretionary/Optional responsibilities:* It is purely voluntary and guided by a company's desire to make social contributions not mandated by economics, law, or ethics.

Because ethical standards are not codified, disagreements and dilemmas about proper behaviour often occur. An *ethical dilemma* arises in a situation when each alternative choice or behaviour is undesirable because of potentially harmful ethical consequences. Right or wrong cannot be clearly identified.

THERE IS
NO RIGHT WAY
TO DO
A WRONG THING.

Most ethical dilemmas involve a conflict between the individual versus the organization, or the organization versus society as a whole. The individual who must take an ethical choice in an organization is the *moral agent*. Most people believe that

individuals make ethical choices because of individual integrity, which is true, but it is not the whole story. The values held in the larger organisation also shape ethical behaviour. Personal needs, family influence, and religious background all shape a manager's value system. Corporate culture can exert a powerful influence on behaviour in organizations.

In most companies, employees believe that if they do not go along with the ethical values expressed, their jobs will be in jeopardy or they will not fit in. Managers must take active steps to ensure that the company stays on an ethical footing.

Management methods for helping organizations be more responsible include *leadership by example*, *codes of ethics*, *ethical structures*, and *supporting whistle-blowers*. *Leadership by example*: The chief executive officer and senior managers must give constant leadership in renewing the ethical values of the organization. *Codes of ethics*: They state the values or behaviours that are expected and those that will not be tolerated, backed up by management's action. *Ethical structures*: They represent the various systems, positions, and programmes a company can undertake to implement ethical behaviour. *Whistle-blowing*: Employee disclosure of illegal, immoral, or illegitimate practices on the employer's part is called whistle-blowing. Whistle-blowers must be protected if this is to be an effective ethical safeguard; otherwise, they will suffer and the company may continue its unethical or illegal activities.

Key words:

Ethics (n) - moral rules or principles of behaviour that should guide members of a profession or organization and make them deal honestly and fairly with each other and with their customers

Social responsibility (n) - the idea that a company's role is not just about producing goods, but that it has a duty to help people in society and protect the environment

Discretionary (adj) - not controlled by strict rules, but decided on by someone in a position of authority: discretionary award/grant/fund etc.

Comprehension questions

1. What is ethics? What is there in common between law and ethics? What is the difference?
2. What is an ethically acceptable decision?
3. What is social responsibility? What are the criteria of total corporate social responsibility?
4. Why do most ethical dilemmas involve a conflict?
5. What do individuals rely on to make ethical choices?
6. Which methods are used to help organizations be more responsible? What are they?

ACTIVITY BANK

1. Insert the suitable words into the gaps

*recruitment vacancy a profile interviews internal a job description
skills a list of candidates standard agency recruitment process
advertisements*

In order to fill a key 1_____, a company will usually follow the same 2_____ procedure. First, it will produce 3_____, then it produces 4_____ of an ideal candidate, which is a list of 5_____, experience, attributes and so on. Having produced this profile, the company should then decide on the best 6_____ method to get a candidate with this profile.

This might be an 7_____ advertisement or an advertisement in a newspaper, on the Internet, even an 8_____ or perhaps a headhunter. After the 9_____ are placed or the headhunter contacted, 10_____ will then be drawn up to be put through the company's 11_____. This might be 12_____, psychometric tests or even handwriting analysis. This should produce the ideal candidate for the company.

2. Insert the suitable words into the gaps

*flexibility manage challenge aware make corporate board
priorities pool to trust critically*

Nowadays we can see that the greatest 1_____ to women in business is having access to the opportunities, to fill positions, to contract opportunities, to open 2_____ seats. Women, who are successful, need to do more to let other women know when they're 3_____ of opportunities. It's only fair that women be in the 4_____ in relevant numbers. The crucial issue for businesswomen is the balance between their business and their family life. Many women believe that being a boss may give them some 5_____ as they themselves are able to decide what the 6_____ are. However, when a woman has her own business, clients are 7_____ important, and sometimes she has to 8_____ difficult decisions, like to not attend her child's school event, or whatever. somehow, businesswomen 9_____ to survive. The key thing to be prosperous for a woman is 10_____ her instincts.

3 A. Study the meaning of the following easily confused words.

- ✓ *ethics* (n.): the study of moral standards and how they affect conduct (takes a singular verb), and a system of moral principles governing the appropriate conduct for an individual or group (takes a plural verb).
 - ✓ *ethical* (adj.): consistent with agreed and more objectively defined principles of correct moral conduct (e.g. the conduct of doctors, lawyers, and people in business).
 - ✓ *moral* (adj.): suggests a rather subjective code of right and wrong.
 - ✓ *morale* (n.): the general level of confidence or optimism felt by a person or group of people, especially as it affects discipline and willingness.
- Morals (n. pl.): principles of right and wrong as they govern standards of general or sexual behaviour.

3 B. Complete the following sentences with the appropriate word from the list below.

ethics / ethical / moral / morale / morals

1. The whole issue of ____ is a very complex one as we are all different and belong to different cultures and nationalities. 2. As a result of their training in a highly ____ family, the children were brought up with a strong sense of responsibility. 3. I always knew she was a person with no _____. 4. I can't leave her in such a deplorable situation. This is my ____ duty to give her my hand. 5. Nowadays we are witnessing a great depreciation of the standard of ____ among the people. 6. Christianity can never be reduced to a mere code of _____. 7. ____ in the modern society is at rock bottom. 8. Nowadays we observe a complete dissolution of the ____ principles by which society coheres.

4. Use the words given in capitals at the end of each line to form a word that fits in the space in the same line.

1. Legal documents give the present ... a legitimate hold on the property.
OWN
2. The criterion of repeatability of experiments is not FULFILMENT
3. Jim's father was respected for his FAIR
4. So take a long, hard look at your ... to the company before you go throwing around ultimatums. CONTRIBUTE
5. Where the employee refuses suitable ... employment unreasonably he will lose all rights to redundancy monies. ALTER
6. The director thinks that the firm can charge off its success to his
LEADER
7. MPs called for public ... of the committee's findings. DISCLOSE
8. The workplace is usually the most ... place to rehabilitate injured workers.
EFFECT

5. Read the article. Afterwards, answer the questions.

1. Does Peter Eigen think the Third World is more corrupt than the developed countries? What reasons does he give for his opinion?
2. According to the article, what are the results of corruption?
3. Where does Transparency International get its information from?
4. According to Peter Eigen, what information is missing from the survey?

Britain Moves Higher In Bribery League

(From "Roger Boyes in Bonn")

Britain is seen as more corrupt than seven other European countries, including Germany, according to an authoritative annual league table released yesterday by the Berlin-based Transparency International group. Transparency International is a private group, set up in 1993 to fight corruption, and bases its information on seven international surveys of business people, political analysts and the public.

The cleanest countries this year were Denmark, Finland and Sweden, which moved New Zealand from the top position. Britain came relatively low, in 14th position, its image apparently damaged by stories of sleaze. It was overtaken by Germany, although the Germans still tolerate companies which hand out bribes to foreign contractors.

Germany has been under pressure, especially from the United States, to plug legal loopholes which allow German businessmen to write off bribes abroad against tax. Yet both Britain, and even the United States, which has strict legal barriers against international bribery, are behind the Germans.

In part, this is probably because of the nature of the survey, which does not track such areas as company-to-company bribery.

The most corrupt countries this year are regarded as Nigeria, followed by Bolivia, Colombia and Russia. Pakistan has improved its position, earning only one out of ten for honesty last year but 2.53 this year. The chairman of Transparency International, Peter Eigen, issued a warning against focusing on Third World corruption.

Corruption is perceived to be greatest there, but I urge the public to recognise that a large share of the corruption is the product of multinational corporations, headquartered in leading industrialised countries, using massive bribery and kickbacks to buy contracts in the developing world and the countries in transition. The Third World, in other words, would be less corrupt if developed states stopped offering bribes.

Indeed, the most revealing standings are buried deep in the table. Belgium, for example, is now regarded as more corrupt than Mediterranean nations such as Portugal, Spain and Greece.

"Every day that the poor scores in the Corruption Perception Index are not being dealt with means more impoverishment, less education and less

healthcare," said Dr Eigen. Money was diverted from development into overpriced contracts.

A study by Harvard associate professor Shang-Jin Wei found that a rise in corruption levels had the same effect on foreign investments as raising the marginal tax rate by more than 20 percent.

'Awareness is a first step to fighting or reducing corruption," he said.

Source: *The Times*

Lean more online

- **Explore the Video: How effective do you consider these tips?**

Recruiting and Hiring Tips:

<https://www.youtube.com/watch?v=tHku154y1nY>

- **Present the current Recruitment trend**

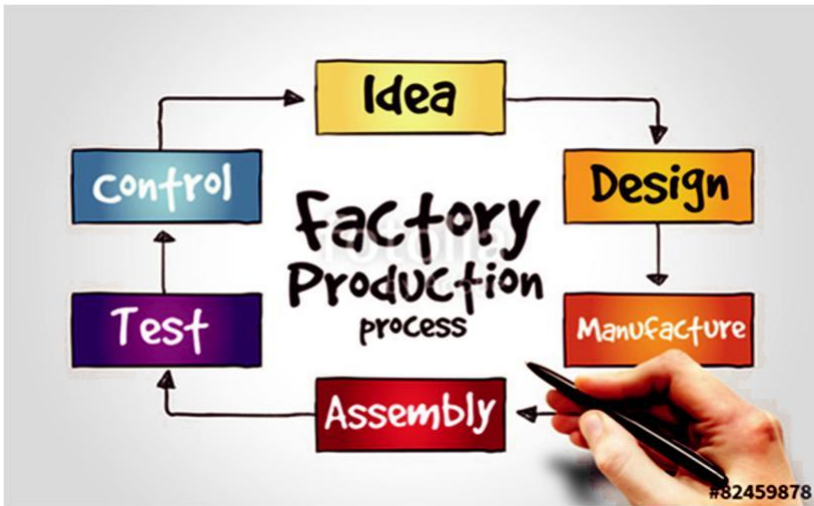
Chapter 4

Topics:

4.1 Production

4.2 Do It Right the First Time - DRIFT

4.3 Total Quality Management - TQM



Learning objectives

1. Explain the concept of five M's and its relation to planning and control.
2. Define the DRIFT concept.
3. Describe TQM process.

LEAD-IN

- Read the E.S. Buffa's definition of production management and match the 4 objectives with explanations.

E.S. Buffa defines production management as, "Production management deals with decision making related to production processes so that the resulting goods or services are produced according to specifications, in the amount and by the schedule demanded and out of minimum cost."

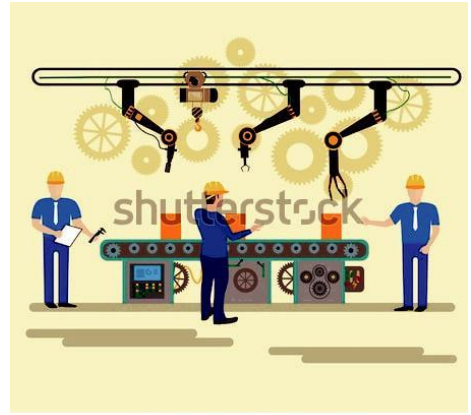
Objectives of Production Management

1. RIGHT QUALITY	A. Timeliness of delivery is one of the important parameter to judge the effectiveness of production department. So, the production department has to make the optimal utilization of input resources to achieve its objective.
2. RIGHT QUANTITY	B. Manufacturing costs are established before the product is actually manufactured. Hence, all attempts should be made to produce the products at pre-established cost, so as to reduce the variation between actual and the standard (pre-established) cost.
3. RIGHT TIME	C. The manufacturing organization should produce the products in right number. If they are produced in excess of demand the capital will block up in the form of inventory and if the quantity is produced in short of demand, leads to shortage of products.
4. RIGHT MANUFACTURING COST	D. The quality of product is established based upon the customers' needs. The right quality is not necessarily best quality. It is determined by the cost of the product and the technical characteristics as suited to the specific requirements.

4.1 PRODUCTION

The objective of the production management is ‘to produce goods services of right quality and quantity at the right time and right manufacturing cost’.

Production management also called operations management, planning and control of industrial processes to ensure that they move smoothly at the required level. Techniques of production management are employed in service as well as in manufacturing industries. It is a responsibility similar in level and scope to other specialties such as marketing or human resource and financial management. In manufacturing operations, production management includes responsibility for product and process design, planning and control issues involving capacity and quality, and organization and supervision of the workforce.



The “five M’s”

Production management’s responsibilities are summarized by the “five M’s”: men, machines, methods, materials, and money. “Men” refers to the human element in operating systems. Since the vast majority of manufacturing personnel work in the physical production of goods, “people management” is one of the production manager’s most important responsibilities.

The production manager’s responsibility for materials includes the management of flow processes—both physical (raw materials) and information (paperwork). The smoothness of resource movement and data flow is determined largely by the fundamental choices made in the design of the product and in the process to be used.

The manager’s concern for money is explained by the importance of financing and asset utilization to most manufacturing organizations. A manager who allows excessive inventories to build up or who achieves level production and steady operation by sacrificing good customer service and timely delivery runs the risk that overinvestment or high current costs will wipe out any temporary competitive advantage that might have been obtained.

Planning and control

Although the five M's capture the essence of the major tasks of production management, control summarizes its single most important issue. The production manager must plan and control the process of production so that it moves smoothly at the required level of output while meeting cost and quality objectives. Process control has two purposes: first, to ensure that operations are performed according to plan, and second, to continuously monitor and evaluate the production plan to see if modifications can be devised to better meet cost, quality, delivery, flexibility, or other objectives. For example, when demand for a product is high enough to justify continuous production, the production level might need to be adjusted from time to time to address fluctuating demand or changes in a company's market share. This is called the "production-smoothing" problem. When more than one product is involved, complex industrial engineering or operations research procedures are required to analyze the many factors that impinge on the problem.

Inventory control is another important phase of production management. Inventories include raw materials, component parts, work in process, finished goods, packing and packaging materials, and general supplies. Although the effective use of financial resources is generally regarded as beyond the responsibility of production management, many manufacturing firms with large inventories (some accounting for more than 50 percent of total assets) usually hold production managers responsible for inventories. Successful inventory management which involves the solution of the problem of which items to carry in inventory in various locations, is critical to a company's competitive success. Not carrying an item can result in delays in getting needed parts or supplies, but carrying every item at every location can tie up huge amounts of capital and result in an accumulation of obsolete, unusable stock. Managers generally rely on mathematical models and computer systems developed by industrial engineers and operations researchers to handle the problems of inventory control.

To control labour costs, managers must first measure the amount and type of work required to produce a product and then specify well-designed, efficient methods for accomplishing the necessary manufacturing tasks. The concepts of work measurement and time study introduced by Taylor and the Gilbreths, as well as incentive systems to motivate and reward high levels of worker output,

are important tools in this area of management. In new operations particularly, it is important to anticipate human resource requirements and to translate them into recruiting and training programs so that a nucleus of appropriately skilled operators is available as production machinery and equipment are installed. Specialized groups responsible for support activities (such as equipment maintenance, plant services and production scheduling, and control activities) also need to be hired, trained, and properly equipped. This type of careful personnel planning reduces the chance that expensive capital equipment will stand idle and that effort, time, and materials will be wasted during start-up and regular operations.

The effective use and control of materials often involves investigations of the causes of scrap and waste; this, in turn, can lead to alternative materials and handling methods to improve the production process. The effective control of machinery and equipment depends on each machine's suitability to its specific task, the degree of its utilization, the extent to which it is kept in optimum running condition, and the degree to which it can be mechanically or electronically controlled.

Key words:

Production control (n) - an action taken by a company to manage its production efficiently

Overinvestment (n) - the act of investing more money in something than is needed

Inventory (n) - the process of making sure that supplies of materials, goods being produced and finished goods are managed correctly, also *STOCK CONTROL*

Comprehension Questions:

1. What is production management and how does it function?
2. What 5Ms constitute product management's responsibilities?
3. Why is it vital to plan and control production process?
4. Describe the Inventory control phase.
5. How can managers control labour costs?

4.2 DO IT RIGHT THE FIRST TIME - DRIFT

What is 'Do It Right the First Time - DRIFT'

Do It Right The First Time (DRIFT) is a theory from managerial accounting that relates to just-in-time (JIT) inventory where a company only receives goods as they are needed to cut down on inventory costs and production management. The idea behind DRIFT is that management wants all of the processes that make up the JIT philosophy to be done correctly and efficiently, so there are no delays in the production process.

'Do It Right the First Time - DRIFT'

The importance of Do It Right the First Time (DRIFT) arises from the fact that a JIT production system is heavily reliant on the movement of parts and information along the production process. Subsequently, if there is the slightest error at one of the stages of production, the whole production process will be affected. By "doing it right the first time" a company is able to run a smooth production process without the need to carry excessive inventory, which will help diminish the costs of production.

DRIFT, JIT and Potential Hazards

While a company may realize greater gross margins from DRIFT, there are potential hazards in this production strategy. First, with no back stock of inventory or materials, any supply chain issue or unexpected surge in demand for the finished product can lead to delivery delays to end customers. Second, a JIT buyer gives up purchasing economies of scale that typically enables quantity-based discounts. The business may pay more per item because it makes smaller, more frequent orders that do not qualify for price breaks. Finally, additional shipping and handling charges that accompany more frequent ordering may erode profit margins that the DRIFT production method is meant to boost to begin with.

Key words:

Gross (profit) margin (n) - the difference between the price that a product or service is sold for and the cost of producing it, without including OVERHEADs (=general costs not related to particular products or services)

Delivery (n) - the act of bringing goods, letters etc. to a particular person or place, or the things that are brought, also *SHIPPING*

Erode (v) - to gradually reduce something such as someone's power or confidence

Comprehension Questions:

1. What is "Do It Right the First Time"?
2. What is the idea behind it?
3. What is JIT inventory?
4. What is the importance of "Do It Right the First Time (DRIFT)"?
5. What are some potential hazards in DRIFT strategy?

4.3 TOTAL QUALITY MANAGEMEN - TQM

What is 'Total Quality Management - TQM'

Total Quality Management (TQM) is the continual process of detecting and reducing or eliminating errors in manufacturing, streamlining supply chain management, improving the customer experience, and ensuring that employees are up to speed with their training. Total quality management aims to hold all parties involved in the production process accountable for the overall quality of the final product or service.

TQM was developed by William Deming, a management consultant whose work had great impact on Japanese manufacturing. While TQM shares much in common with the Six Sigma improvement process, it is not the same as Six Sigma. TQM focuses on ensuring that internal guidelines and process standards reduce errors, while Six Sigma looks to reduce defects.

'Total Quality Management - TQM'

Total Quality Management (TQM) is a structured approach to overall organizational management. The focus of the process is to improve the quality of an organization's outputs, including goods and services, through continual improvement of internal practices. The standards set as part of the TQM approach can reflect both internal priorities and any industry standards currently in place. Industry standards can be defined at multiple levels, and may

include adherence to various laws and regulations governing the operation of the particular business. Industry standards can also include the production of items to an understood norm, even if the norm is not backed by official regulations.

Primary Principles of Total Quality Management

TQM is considered a customer-focused process and aims for continual improvement of business operations. It strives to ensure all associated employees work toward the common goals of improving product or service quality, as well as improving the procedures that are in place for production. Special emphasis is put on fact-based decision making, using performance metrics to monitor progress. High levels of organizational communication are encouraged, for the purpose of maintaining employee involvement and morale.

Industries Using Total Quality Management

While TQM originated in the manufacturing sector, its principles can be applied to a variety of organizations. With focus on long-term change over short-term goals, it is designed to provide a cohesive vision for systemic change. With this in mind, total quality management is used in many industries, including, but not limited to, manufacturing, banking and finance, and medicine.



These techniques can be applied to all departments within an individual organization as well. This helps ensure all employees are working toward the goals set forth for the company, improving function in each area. Involved departments can include administration, marketing, production and employee training.

Key words:

Streamline (v) - to make something such as a business, organization etc work more simply and effectively

Organisation's output (n) - the amount of goods or work produced by a person, machine, factory

Short-term (adj) - continuing for only a short time, or relating only to the period that is not very far into the future

Comprehension Questions:

1. What is 'Total Quality Management'?
2. Who was TQM developed by?
3. What is the focus of TQM?
4. What are the primary principles of TQM?
5. Is TQM typical solely to the manufacturing sector? Where can its principles be applied to?

ACTIVITY BANK:

1. Insert the suitable words into the gaps (two words are odd).

*to arise export refining wholesale developing credit hoarding
developed insurance input to grow boom*

A natural crisis

The problem of rising food costs and grain supply issues has become urgent. Costco, a popular American 1 _____ grocer, is asking California consumers to limit rice purchases in an effort to reduce 2 _____. Economists continue to explore the roots of the crisis. So far, the list of culprits includes bad weather, 3 _____ restrictions, growing demand, and biofuel production. That last item has come in for particular scrutiny in America, where government incentives have led to a 4 _____ in ethanol production and have helped to tie movements in energy costs to those in food markets. But the connection between energy and food prices doesn't stop there. Petroleum is an 5 _____ to farm machinery, and dear petrol adds to the cost of food shipments. And fertiliser is overwhelmingly produced from natural gas. Petroleum 6 _____ also comes to industrial use of

natural gas in the United States. With booming energy costs, fertilizer manufacturers are opting to close their doors and instead sell their natural gas supplies. Interestingly, this creates another link between biofuel production and food costs. Fields planted repeatedly in corn require an especially large dose of nitrogen fertiliser. Nitrogen fertilisers deserve much of the 7_____ for the modern boom in food production, which has enabled humanity 8_____ to 6,5 billion. Ultimately food demand will prove more inelastic than energy demand, suggesting that markets will eventually reallocate more natural gas back to fertilisers. But advanced nations can take high food prices much more easily than the poor in food-importing 9_____ nations. The process of pushing food and energy prices up high enough to reduce 10_____ nation consumption is extremely painful for those already devoting a huge share of their annual incomes to food.

2. Insert the suitable words into the gaps.

*contaminate / purity / came up / swiftly / concerned / held up / bid / solution
attribute / substandard / responsible / emerged / automotive / conclusively*

As far as the third question is 1_____— what can it learn from other recalls — history offers little comfort. An episode in 1982 when Johnson & Johnson reacted 2_____ after some Tylenol painkillers were found to have been laced with cyanide is often 3_____ as a model. Every bottle of the capsules was pulled from the shelves and the firm quickly 4_____ with tamper-proof packaging. But Johnson & Johnson was seen as the victim rather than the author of the crisis and the 5_____ to it was relatively simple. Another famous example, that of Perrier 20 years ago, whose fizzy mineral water was found to be 6_____ with benzene, is a better analogue for Toyota today. The company recalled all its bottles, but its explanation for what had gone wrong kept changing. Two years later, weakened, it succumbed to a hostile 7_____ from Nestlè, but neither its sales nor its brand, which had once stood for 8_____, ever fully recovered. Toyota is not in that kind of danger yet. But its failure to nail down the cause of the accidents 9_____ and the fact that quality has been the outstanding 10_____ of its brand is a toxic combination. Ford's reputation was damaged by the exploding petrol tanks of its Pinto compact in the 1970s when it 11_____ that a safer design had been rejected on cost grounds, and then again nearly 20 years later when its Explorer SUV equipped with Firestone tires was involved in a spate of rollovers that were 12_____ for 42 deaths.

The buying public concluded that Ford in particular and Detroit in general was guilty of cynically supplying 13_____ vehicles, a perception that Toyota exploited to become the biggest-selling car brand in America. Ironically, it is a newly confident Ford that now stands to gain most from Toyota's humbling. Unless Toyota can get the cow out of the ditch quickly, and keep it out, what was once the most valuable 14_____ brand in the world will never look quite the same again.

Lean more online

- **Explore the video:** What exactly is the Toyota Production System and how do end-users and customers benefit?

The Toyota Production System:

<https://www.youtube.com/watch?v=P-bDIYWuptM>

- **Create a group video on production process of any product or service.**

Chapter 5

Topics:

5.1 Marketing & Marketing Mix

5.2 Product Life Cycle Stages (PLC)

5.3 Advertising



Learning objectives

1. Define the concept of marketing mix and identify its main elements.
2. Define the product life cycle and identify its stages.
3. Speak about viral marketing

LEAD-IN

- What is marketing according to you?
- What do you think are the most important skills in succeeding in sales?
Choose at least 3 skills.
 - *the ability to adjust your approach to different people and situations*
 - *the ability to ask the right questions and listen careful*
 - *the ability to deal with disappointment and rejection*
 - *the ability to stay motivated with a high energy level*
 - *the ability to plan and prepare*
 - *the ability to influence and persuade*
 - *the ability to negotiate and reach agreement*

5.1 MARKETING

What is 'Marketing'?

Marketing refers to the activities of a company associated with buying and selling a product or service. It includes advertising, selling and delivering products to people. People who work in companies' marketing departments try to get the attention of target audiences using slogans, packaging design, celebrity endorsements and general media exposure.

Marketing is everything a company does to gain customers and maintain relationships with them. Even the small tasks like writing thank-you letters, playing golf with a prospective client, returning calls promptly and meeting with a past client for coffee are marketing. The goal of marketing is to match a company's products and services to the people who need and want them to ensure profitability.

The Four P's of Marketing are *Product, Place, Price* and *Promotion* (Marketing Mix)

Product refers to an item or items a business intends to sell. When examining a product, a company should ask questions such as, "What product is being sold?," "What differentiates the product from its competitors?," "Can it market the product with a secondary product?" and "Are there substitute products in the market?"

Price refers to how much the company will sell the product for. When establishing price, companies must give considerations to the unit cost price, marketing costs and distribution expenses.

Place refers to distribution of the product. Key considerations include whether the company will sell the product through a physical store, online or through both distribution channels?



Finally, **promotion** refers to the integrated marketing communications campaign. Promotional activities may include advertising, personal selling, sales promotions, public relations, direct marketing, sponsorship and guerrilla marketing. Promotions are likely to vary depending on what stage of product life cycle the product is in. Marketers must know consumers associate a product's price and distribution with its quality, and would be prudent to take this into account when devising the overall marketing strategy.

The Extended 7 Ps

- ▶ **People** - All companies are reliant on the people who run them from front line Sales staff to the Managing Director. Having the right people is essential because they are as much a part of your business offering as the products/services you are offering.
- ▶ **Processes** - The delivery of your service is usually done with the customer present so how the service is delivered is once again part of what the consumer is paying for.

- **Physical Evidence** - Almost all services include some physical elements even if the bulk of what the consumer is paying for is intangible.

For example, a hair salon would provide their client with a completed hairdo and an insurance company would give their customers some form of printed material. Even if the material is not physically printed (in the case of PDFs) they are still receiving a “physical product” by this definition.

Online Marketing

As of 2015, approximately 70 percent of U.S. adults shop online at least monthly, and 33 percent shop online every week. Experts expect online sales in the United States to increase from \$445 billion in 2017 to over \$600 billion in 2020 and over \$1 trillion by 2027.



Taking these statistics into consideration, it is vital for marketers to use online tools such as social media and digital advertising, both on website and mobile device applications, and internet forums. Considering an appropriate distribution channel for products purchased online is also an important step. Online marketing is a critical element of a complete marketing strategy.

Key words:

Marketing (n) - the activity of deciding how to advertise a product, what price to charge for it etc., or the type of job in which you do this

Product endorsement (n) - when a well-known person says in an advertisement how good they think a product is

Media exposure (n) - the attention that someone or something gets from newspapers, television, also *PUBLICITY*

Comprehension Questions:

1. What is Marketing and what activities does it include?
2. Define the 7 P's of Marketing Mix. Provide examples of Extended 7 Ps.
3. How has Online Marketing changed the whole marketing strategy?
4. Comment on the vital importance to use online tools?
5. Explain the link between online marketing and a complete marketing strategy.

5.2 PRODUCT LIFE CYCLE STAGES (PLC)

Managing the Product Life Cycle

After having been launched, a product should enjoy a long and happy life. But each product has a product life cycle (PLC) - the product's life is not infinite.

In order to cover all the effort and risk that went into launching a product, the company wants to earn a decent profit. The company must be aware that the product will not sell forever: it goes through the product life cycle stages.

Definition of Product Life Cycle (PLC)

Before discussing the product life cycle stages, it is wise to explain what the product life cycle actually is. The product life cycle (PLC) is the course of a product's sales and profits over its lifetime.

Product Life Cycle Stages

There are five distinct product life cycle stages:

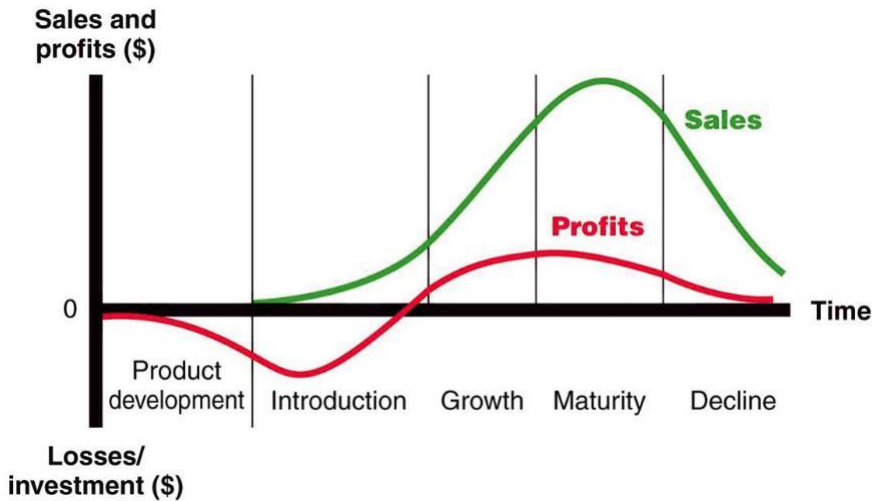
Product Development. When the company finds and develops a new product idea, product development starts. During product development, sales are zero, and the company's investment costs increase.

Introduction. Sales slowly grow as the product is introduced in the market. Profits are still non-existent, because the heavy expenses of the product introduction outweigh sales.

Growth. The growth stage is a period of rapid market acceptance and increasing profits.

Maturity. In the maturity stage, sales growth slows down because the product has achieved acceptance by most potential buyers. Profits level off or decline because marketing outlays need to be increased to defend the product against competition.

Decline. Finally, sales fall off and profits drop.



Different Products – Different Product Life Cycle Stages

Not all products follow all five stages of the product life cycle. While some products are introduced and die quickly afterwards, others stay in the mature stage for a very long time. Some are cycled back into the growth stage after reaching the decline stage through strong promotion or repositioning. In fact, a well-managed brand could live forever if wise strategies are applied. Examples include Coca-Cola, Gillette, American Express, which still live on after more than 100 years.

Key words:

PLC management (n) - the management of the work needed to get the most profit from a product during the time when it is being sold

Maturity (n) - when an industry or market has stopped growing as fast as before, and there are fewer competitors

Decline (v) - if an industry or country declines, it becomes less profitable, productive, wealthy, etc.

Comprehension Questions:

1. What is the Product Life Cycle? Which are PLC's main stages?
2. Do all products follow all five stages of the product life cycle?
3. Bring some examples of products that still live on five stages of the product life cycle.

5.3 ADVERTISING

Definition of 'Advertising'

Advertising is a means of communication with the users of a product or service. Advertisements are messages paid for by those who send them and are intended to inform or influence people who receive them, as defined by the Advertising Association of the UK.

Advertising is always present, though people may not be aware of it. In today's world, advertising uses every possible media to get its message through. It does this via television, print (newspapers, magazines, journals etc), radio, press, internet, direct selling, hoardings, mailers, contests,



sponsorships, posters, clothes, events, colours, sounds, visuals and even people (endorsements).

The advertising industry is made of companies that advertise; agencies that create the advertisements, media that carries the ads, and a host of people like copy editors, visualizers, brand managers, researchers, creative heads and designers who take it the last mile to the customer or receiver. A company that needs to advertise itself and/or its products hires an advertising agency. The company briefs the agency on the brand, its imagery, the ideals and values behind it, the target segments and so on. The agencies convert the ideas and concepts to create the visuals, text, layouts and themes to communicate with the user. After approval from the client, the ads go on air, as per the bookings done by the agency's media buying unit.

What is ‘Viral Marketing’?

Viral marketing refers to a technique in marketing a product or a service where users help in spreading the advertiser’s message to other websites or the users create a scenario which can lead to multi-fold growth.

Viral in literal sense means anything which spreads fast (across users). This term is symbolically used in context with the web or mobile domain. Viral marketing is described as a marketing strategy which inspires users to spread or share the message to other users which can lead to multi-fold growth. It could be a simple message on your smartphone related to a product which was recently launched, a news piece (example – *India winning the world cup*), or a YouTube video that individuals share with different users.

Hotmail was a classic example, but later Gmail took it to a new level, when it launched its free web-based email service. The email was by invitation only at first which helped create curiosity among the users. But, when it was made live for everyone, most of the people migrated to Gmail to create their own free account. The users who got a Gmail account could then send an invite to other users to create an account, and the chain continued.

There are various elements required for effective marketing strategy which can make viral. Firstly, product or services should be ‘free’ for all, and should have easy accessibility. By doing this the marketing team is able to get enough attention from users across the globe, although it might not lead to any profit.

The next important element is the transferability part, which simple means that the message can be easily transferred or shared via email, WhatsApp, networking websites, etc. The message should be simple to understand and at the same time it should be short. Example – *Get professional email for your business @yourcompany.com, 50GB of storage.*

The other element is that the message should be interesting and intelligently placed. Users should be able to identify with the message. If any influential person (such as celebrity) endorses your message or product on the website or on their social media or networking site, it can become viral.

Key words:

Advertisement (n) - (also ad informal, advert British English) a picture, set of words, or a short film, which is intended to persuade people to buy a product or use a service, or that gives information about a job that is available, an event that is going to happen etc.

Sponsorship (n) - (also sponsorships) financial support given to pay for a sports or arts event, training etc., in exchange for advertising or to get public attention

Viral marketing (n) - a type of advertising used by Internet companies in which computer users pass on advertising messages or images through email, sometimes without realizing that they are doing this

Comprehension Questions:

1. What is Advertising?
2. How does Advertising industry work?
3. What does Viral marketing mean?
4. Comment on various elements required for effective marketing strategy which can make viral.
5. What are other types of Advertising and how do they work?

ACTIVITY BANK:

1. Insert suitable words into the gaps.

options customers access controlled shop loyalty about offering are obtain purchased

A revolution in buyer behavior

In the past, sellers were in charge. They 1_____ the purchase progression by controlling information 2_____ the product: the product itself, when and where a product could be 3_____, and whether or not a customer could 4_____ credit. When 5_____ had to go to their local bank branch during business hours, banks controlled when and where people could 6_____ their own money. Before the Internet, a car dealership may have been the best or only place to get information about cars.

Today, buyers 7_____ in control. Technology has given buyers access to products and information, which has in turn led to sellers 8_____ more choice. This combination of technology and choice has brought customer 9 _____ to an end. The Internet offers buyer 10_____ and a way to quickly and easily compare prices from a variety of sellers. As a result, buyers are empowered and no longer care where they 11_____. Consumers care about making a good decision and getting their needs met. Therefore, sellers can still win customers by understanding the emotions behind a purchase.

2. Choose the right variant out of the two given in brackets.

Market pricing

(1) Marketing should (*include / conclude*) pricing analysis. Several major (*facts / factors*) influence the pricing for a product or service. Strategic goals greatly influence pricing. For example, if the business really wants to (*get / achieve*) into a new market, then it might (*sell / charge*) lower than usual prices in order to generate (*more / much*) customers who (*sell / buy*) the service. The business might consider changing pricing if the demand for its products (*are / is*) very high or low. Competitor pricing (*too / also*) has a great effect. If competitors are charging much less, then the business might do well to (*low / lower*) prices. Similarly, if the competitor is charging (*much / many*) more, then the business might consider increasing its own prices.

Define your customer before marketing

(2) Don't make the mistake of (*market / marketing*) your product or service before you've defined your customer or client. If you do, you're just throwing your marketing money (*away / out*). Marketing isn't just a matter of placing ads. It's a method of attracting new (*business / businesses*). Before you can hope to achieve this, you (*have / must*) to know exactly who you want to target with your marketing. You need (*know / to know*) your target (*marketing / market*) before you can reach them.

Define your customer by getting to know everything you possibly can about him or her. Think carefully about your product or service. Exactly who would want to purchase it? How old is this person? What is her (*married / marital*) status? Where does she live? How does she like to (*waste / spend*) her spare

time? What are her hobbies? What other products does she buy? Where does she go on vacation?

You need to develop your target market as specifically as possible if you're going *(to market / marketing)* your product or service effectively. So think of your "ideal" client or customer as a person. Visualize him or her in detail. "See" what he or she does, thinks and wants.

3. Insert the suitable words into the gaps.

*require advantage most research business permanent
department need skills degree*

Most entry-level professional and managerial positions in advertising and public relations services require a bachelor's 1_____, preferably with broad liberal arts exposure.

Beginners in advertising usually enter the industry in the account management or media 2_____. Occasionally, entry-level positions are available in the market 3_____ or creative departments of an agency, but these positions usually 4_____ some experience. Completing an advertising-related internship while in school provides an 5_____ when applying for an entry-level position; in fact, internships are becoming a necessary step to obtaining 6_____ employment. In addition to an internship, courses in marketing, psychology, accounting, statistics, and creative design can help prepare potential entrants for careers in this field.

Assistant account executive positions — the entry-level account management occupation in 7_____ firms — requires a bachelor's degree in marketing or advertising, although some firms require a master's degree in 8_____ administration.

Bachelor's degrees are not required for entry-level positions in the creative department. Assistant art directors usually 9_____ at least a 2-year degree from an art or design school. Although assistant copywriters do not need a degree, obtaining one helps to develop the superior communication 10_____ and abilities required for this job.

READING

- Learn more about *Marketing & Advertising* in groups and present by visualizing your speech.

1. 'Ambient Advertising'

Definition: Ambient Advertising is about placing ads on unusual objects or in unusual places where you wouldn't usually expect to have an advertisement.

Description: Ambient advertising evolved as a concept because it has a lasting impact on the minds of consumers which makes it more effective. Ambient advertising is all about creativity, and how effectively the advertiser is able to communicate the message to the consumers.

The term 'ambient' means placing the ad at unusual places or unconventional places where you wouldn't expect an advertisement. Ambient advertising can be done along with traditional means of advertisement or as a standalone form of communication. The idea behind ambient advertising is to surprise consumers with its placement. For example, advertising behind a car is not unusual, but using wiper as a part of advertising will look something different and will throw an element of surprise in the minds of consumers.

Ambient advertising makes an impact because it is intelligently placed, has a wow factor to it, makes a direct impact on the mind of consumers, effective way of communicating the message across to target consumers etc.

The first thing that will catch your eye when you are looking at an ambient advertisement would be its unusual location. The second characteristics of such an advertising is the fact that there is no repetition.

Another thing which is important is the execution. How well the ad is being executed, or does it really create an impact that was required for effective communication. Does it really have a wow factor? All these things are taken into consideration while designing an ambient advertising campaign.

2. 'Ambush Marketing'

Definition: Ambush marketing, a term first coined by marketing guru Jerry Welsh, has not really been rigorously defined. However, it broadly refers to a situation in which a company or product seeks to ride on the publicity value of a major event without having contributed to the financing of the event through sponsorship. It is typically targeted at major sporting events - like the Olympic Games or the world cups in various games - and is a strategy adopted by rivals of the official sponsors.

Description: What forms does ambush marketing typically take? In its more crude forms, ambush marketing could involve unauthorised use of logos or designs associated with the event. More often, however, ambush marketing involves more subtle forms of confusing or misleading the public about who are actually sponsoring the event.

3. 'Advertorial'

Definition: An advertorial is a form of advertisement in a newspaper, magazine or a website which involves giving information about the product in the form of an article. Usually, a brand pays the publisher for such an article.

Description: Advertorials are advertisements that appear in the media, be it magazines, newspapers or websites. Advertorials are paid content.

They are used by marketers to educate prospective consumers about the features of a product. It can be used to target a specific set of people by choosing the right medium to publish the advertorial.

For example, an advertorial in a business newspaper would involve educating a set of people who are more interested about economy, markets or financial products. It is an effective medium for a company to connect with its consumers through a story, unlike a traditional print ad in a magazine, newspaper or on a website as a banner ad.

An advertorial is more detailed than an advertisement and thus helps consumers understand more about the product. Advertorials are usually written by an ad agency or the client itself. They then purchase the ad space on the website or in a newspaper or a magazine.

It is important to note that as a rule of most publications, the word "advertisement" is mostly printed in small letters at the top or bottom of your advertorial. Some newspapers or magazines chose to push these advertorials in special sections.

4. 'Endorsements'

Definition: Endorsements are a form of advertising that uses famous personalities or celebrities who command a high degree of recognition, trust, respect or awareness amongst the people. Such people advertise for a product lending their names or images to promote a product or service. Advertisers and clients hope such approval, or endorsement by a celebrity, will influence buyers favourably. For example, Sachin Tendulkar endorsing motorcycles and biscuits can influence young men or children who look to him as role model.

Description: Such advertising connects with a lot more people than ordinary advertising can, because people will notice celebrities, famous personalities and role models even from a vast clutter of noise, people or products. Such ads work well for aspiration products or lifestyles.

Endorsements can confer on a brand a larger-than-life image, and if the advertising follows the current celebrities and personalities, the endorsement can last quite long. Lux is an example, which is endorsed by all the leading actresses of the generation, helping greatly to keep Lux a relevant and attractive brand even as consumers change.

The more famous or celebrated the endorser, the more expensive can it be to use that personality for a product.

5. 'Unique Selling Proposition'

Definition: Unique Selling Proposition or USP is the one feature or the perceived benefit of a good which makes it unique from the rest of the competing brands in the market. It is that very reason which motivates a buyer to purchase that product even though it might be costlier than other products.

Description: Unique Selling Proposition or USP is a very important concept used during the time when a company promotes its product through its advertisements in both TV as well as print media which eventually attracts a consumer to buy a particular product. The key to boost the sales of the product effectively through advertising is to highlight the USP of the product prominently. Unless you highlight the USP, consumers will not be tempted to buy your product. Every product should have its own USP, which makes it stand apart from other products in the similar category.

USP is different for different products. Let's take an example of a restaurant which is very famous across the world for its quick Subway Sandwiches. The company makes the sandwiches healthier for consumers. Consumers who are looking for a quick meal can walk into any subway outlet and get a quick sandwich made, which contains nutritional value. In this way the company is able to create its own niche market across town in India. The USP of the product is a nutritious sandwich at an affordable price. USP is a very important component in developing the product.

A strong unique selling proposition makes you stand apart and also plays an important role in branding your product. But, USP alone can guarantee to a product's success. Superior product quality and at par service, both before and after-sale are very important in creating the foundations of a market for a product. Always remember, with a distinct USP, the company doesn't even have to bother about competition because if you have developed something which has not been developed by others, then you are the only player or a market leader in that specific product category (Example – iPod by Apple).

6. 'Promotions'

Definition: Promotions refer to the entire set of activities, which communicate the product, brand or service to the user. The idea is to make people aware, attract and induce to buy the product, in preference over others.

Description: There are several types of promotions. Above the line promotions include advertising, press releases, consumer promotions (schemes, discounts, contests), while below the line include trade discounts, freebies, incentive trips, awards and so on. Sales promotion is a part of the overall promotion effort.

There are also:

1. **Personal selling:** one of the most effective ways of customer relationship. Such selling works best when a good working relationship has been built up over a period of time.

This can also be expensive and time consuming, but is best for high value or premium products.

2. **Sales promotions:** this includes freebies, contests, discounts, free services, passes, tickets and so on, as distinct from advertising, publicity and public relations.

3. **Public relations:** PR is the deliberate, planned and sustained effort to establish and maintain mutual understanding between the company and the public.

Lean more online

- Explore the article: What is video marketing and how does it work?

The 3 Unexpected Benefits of Video Marketing for Your Business:

<https://videotoorder.com/blog/benefits-of-video-marketing/>

- Watch the video: **What is the Marketing Mix?**

<https://www.youtube.com/watch?v=MLmsJEz3GD4>

- Present in a group the Marketing Mix of a product or a service.

Chapter 6

Topics:

6.1 Market Structure & Competition

6.2 Monopoly and Oligopoly

6.3 Takeovers



Learning objectives

1. Identify and characterise the forms of market structure.
2. Speak about monopolistic competition.
3. Explain the process of takeover.

LEAD-IN

- **Match the following descriptions with the appropriate market structure:**

Perfect competition __,

Monopolistic competition __,

Oligopoly __, *Monopoly* __.

- a) *An industry with significant barriers to entry and a single supplier*
- b) *A highly concentrated market with just a few interdependent firms*
- c) *A highly competitive market with slightly differentiated products*
- d) *A highly competitive market where firms are price takers*

- **Which of the following is the most or the least competitive market structure?**
- **In which form of market structure would price be the key factor when competing?**

6.1 MARKET STRUCTURE & COMPETITION

Economists make the assumption that there are a large number of different buyers and sellers in the marketplace for each good or service available. This means that we have competition in the market, which allows price to change in response to changes in supply and demand. For example, if the price of a good is very high and some firms are making extra profits in that sector, other firms will be induced to start producing that same good – in competition with the others – which will increase supply and reduce the selling price. Furthermore, for almost every product there are substitutes, so if one product becomes too expensive, a buyer can choose a cheaper substitute instead (recall the section on elasticity). In a market with many buyers and sellers, both the consumer and the supplier have equal ability to compete on price.

Forms of Market Structure:

On the basis of competition, a market can be classified in the following ways:

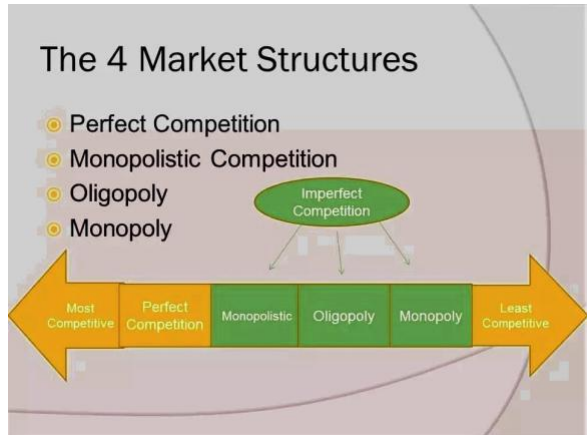
1. *Perfect Competition*
2. *Monopoly*
3. *Duopoly*
4. *Oligopoly*
5. *Monopolistic Competition*

Economists call this assumption about competitive producers as **perfect competition**. Perfect competition is characterized by

many buyers and sellers, many products that are similar in nature and, as a result, many substitutes. Perfect competition means there are few, if any, barriers to entry for new companies, and prices are determined by supply and demand. Thus, producers in a perfectly competitive market are subject to the prices determined by the market and do not have any leverage. For example, in a perfectly competitive market, should a single firm decide to increase its selling price of a good, the consumers can just turn to the nearest competitor for a better price, causing any firm that increases its prices to lose market share and profits. Take for example corn farmers. Many hundreds of farmers all produce an identical product: corn. Buyers do not care which farmer sells them their corn, and so buyers' only concern is the price of corn. Therefore, the lowest priced corn seller will sell the majority of corn. If a corn seller cannot compete because his cost of production is too high, he will be forced to find ways to lower his costs or risk going out of business.

Perfect Competition Market:

A perfectly competitive market is one in which the number of buyers and sellers is very large, all engaged in buying and selling a homogeneous product without any artificial restrictions and possessing perfect knowledge of market at a time. In the words of A. Koutsoyiannis, "Perfect competition is a market structure characterised by a complete absence of rivalry among the individual firms."



According to R.G. Lipsey, “Perfect competition is a market structure in which all firms in an industry are price- takers and in which there is freedom of entry into, and exit from industry.”

Characteristics of Perfect Competition:

The following are the conditions for the existence of perfect competition:

- (1) *Large Number of Buyers and Sellers:*
- (2) *Freedom of Entry or Exit of Firms:*
- (3) *Homogeneous Product:*
- (4) *Absence of Artificial Restrictions:*
- (5) *Profit Maximisation Goal:* Every firm has only one goal of maximising its profits.
- (6) *Perfect Mobility of Goods and Factors:* Another requirement of perfect competition is the perfect mobility of goods and factors between industries. Goods are free to move to those places where they can fetch the highest price. Factors can also move from a low-paid to a high-paid industry.
- (7) *Perfect Knowledge of Market Conditions:* This condition implies a close contact between buyers and sellers. Buyers and sellers possess complete knowledge about the prices at which goods are being bought and sold, and of the prices at which others are prepared to buy and sell. They have also perfect knowledge of the place where the transactions are being carried on. Such perfect knowledge of market conditions forces the sellers to sell their product at the prevailing market price and the buyers to buy at that price.

Under perfect competition, the costs of advertising, sales-promotion, etc. do not arise because all firms produce a homogeneous product.

Key words:

Marketplace (n) - the activities involved in buying and selling a particular type of goods or services, in competition with other companies

Substitute (n) - something new or different that can be used instead of something else

Supply and demand (n) - the relationship between the quantity of goods for sale and the quantity of goods that people want to buy, especially the way it influences prices

Comprehension Questions:

1. What is a *marketplace*?
2. Which are the key forms of market structure?
3. How can you define *Perfect competition market*?
4. What are the main characteristics of perfect competition?
5. Do the costs of advertising, sales-promotion, or any other factors arise because all firms produce a homogeneous product? Does it have any correlation with perfect competition?

6.2 WHAT IS MONOPOLISTIC COMPETITION?

Monopolistic competition characterizes an industry in which many firms offer products or services that are similar, but not perfect substitutes.

Barriers to entry and exit in the industry are low, and the decisions of any one firm do not directly affect those of its competitors.

All firms have the same, relatively low degree of market power; they are all price makers.

In the long run, demand is highly elastic, meaning that it is sensitive to price changes. In the short run, economic profit is positive, but it approaches zero in the long run.

PERFECT COMPETITION

"Perfect competition prevails when demand for the output of each producer is perfectly elastic."
-Mrs. John Robinson

Firms in monopolistic competition tend to advertise heavily.

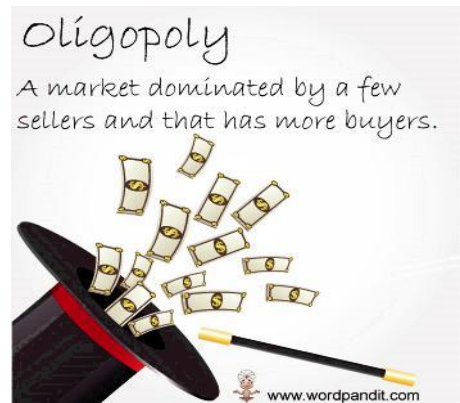
Examples include restaurants, hair salons, clothing and consumer electronics. To illustrate the characteristics of monopolistic competition, we'll use the example of household cleaning products.

Monopoly and Oligopoly

In some industries, however, we find that there are no good substitutes and there little competition. In a market that has only one or few suppliers of a good or service, the producer(s) can control price. Consequently, consumers do not have much choice.

A **monopoly** is a market structure in which there is only one producer and seller for a product. In other words, the single business is the entire producer in the industry. Entry into such a market can be restricted due to high costs or other impediments, which may be economic, social or political that keep potential competitors out. For instance, a government can create a monopoly over an industry that it wants to control, such as electricity. Another reason for the barriers against entry into a monopolistic industry is that oftentimes, one entity has the exclusive rights to a natural resource. For example, in Saudi Arabia the government has sole control over the oil industry. A monopoly may also form when a company has a copyright or patent that prevents others from entering the market. Pfizer, for instance, had a patent on Viagra. Most economists agree that monopolies are inefficient since without competition, they can keep prices artificially high.

In an **oligopoly**, there are only a few firms that make up an industry. This select group of firms has control over the price and, like a monopoly, an oligopoly has high barriers to entry to keep out potential competitors. The products that the oligopolistic firms produce are often nearly identical and, therefore, the companies, which are competing for market share, are interdependent as a result of market forces. Assume, for



example, that an economy needs only 100 widgets. Company X produces 50 widgets and its competitor, Company Y, produces the other 50. The prices of the two brands will be interdependent and, therefore, similar. So, if Company X starts selling the widgets at a lower price, it will get a greater market share, thereby forcing Company Y to lower its prices as well. In certain cases, types of oligopolies (for example cartels) are illegal.

Duopoly:

Duopoly is a special case of the theory of oligopoly in which there are only two sellers. Both the sellers are completely independent and no agreement exists between them. Even though they are independent, a change in the price and output of one will affect the other, and may set a chain of reactions.

A seller may, however, assume that his rival is unaffected by what he does, in that case he takes only his own direct influence on the price.

If, on the other hand, each seller takes into account the effect of his policy on that of his rival and the reaction of the rival on himself again, then he considers both the direct and the indirect influences upon the price. Moreover, a rival seller's policy may remain unaltered either to the amount offered for sale or to the price at which he offers his product. Thus the duopoly problem can be considered as either ignoring mutual dependence or recognising it.

Key words:

Barrier (n) - a rule, problem etc that prevents people from doing something, or limits what they can do

Elastic (adj) - a system or plan that is elastic can change or be changed easily

Exclusive (adj) - an exclusive agreement, contract, or right is one that a single person or organization has and no one else has

Comprehension Questions:

1. What is *monopolistic competition*?
2. How does monopoly operate?
3. Define duopoly and oligopoly.
4. What are the differences between duopoly and oligopoly?
5. Provide authentic examples of monopoly, duopoly and oligopoly from your own context.

6.3 TAKEOVER

What is a 'Takeover'?

A takeover occurs when an acquiring company makes a bid in an effort to assume control of a target company, often by purchasing a majority stake in the target firm. If the takeover goes through, the acquiring company becomes responsible for all of the target company's operations, holdings, and debt.



When the target is a publicly traded company, the acquiring company makes an offer for all of the target's outstanding shares.

'Takeover'

A *welcome takeover*, such as an acquisition or merger, generally goes smoothly because both companies consider it a positive situation. In contrast, an *unwelcome* or *hostile takeover* can be quite aggressive as one party is not participating voluntarily. Under a hostile takeover, the acquiring firm can use unfavorable tactics, such as a dawn raid where it buys a substantial stake in the target company as soon as the markets open, causing the target to lose control of the company before it realizes what is happening. The target firm's management and board of directors may strongly resist takeover attempts by implementing tactics such as a poison pill, which allows the target's shareholders purchase more shares at a discount to dilute the acquirer's holdings and make a takeover more expensive.

Reasons for a Takeover

A takeover is virtually the same as an acquisition, except the term "takeover" has a negative connotation, indicating the target does not wish to be purchased. A company may act as a bidder by seeking to increase its market share or achieve economies of scale that help it reduce its costs and, thereby, increase its profits. Companies that make attractive takeover targets include those that have a unique niche in a particular product or service; small companies with viable products or services but insufficient financing; a similar company in close geographic proximity where combining forces could improve efficiency; and otherwise viable companies that are paying too much for debt that could be refinanced at a lower cost if a larger company with better credit took over.

Key words:

Takeover offer (n) - an occasion when one company offers to buy another company, or the amount of money involved, also *ACQUISITION* **Acquire**

(v) - to obtain something by buying it or being given it

Bidder (n) - someone who offers to do work or provide services for a particular amount of money, in competition with others

Comprehension Questions:

1. What is a *takeover*?
2. Which are the main types of takeover deals?
3. What is *welcome takeover*?
4. Define *unwelcome* and *hostile takeover*.
5. What are the main reasons for a takeover?

ACTIVITY BANK:

1. Insert the suitable words into the gaps.

*structural differential free market competition innovation competitive
promotional existing consumer-based products services*

~~To people not in business competition may be just a word. To those in~~
marketing it represents a matter of business life or death. It is a basic life-style of 1___ economies and has many dimensions (economic, legal, ethical, psychological and political). It is more intense in a 2___ economy than in the planned and controlled environment of the former communist countries. Even here however there could be intense 3___ among managers to secure the resources needed to run their own empires. Competition emphasizes changing profit opportunities and stresses the need for greater 4___, especially in relation to the 5___ advantages in a firm's markets. It enhances the primacy of objectives, planning and innovation on a continuous basis so that a firm's offerings to its markets can be adjusted to match the changing 6___ situation. It should stimulate the development of new products and 7___, new applications and markets and technological advances. In these situations 8___ activities, personal selling, merchandising, packaging and price are all competitive weapons to be used by any firm. Attempting to remain competitive by replacing 9___ products with new versions will not help an organization whose 10___ are already obsolete, and this raises a vital problem for management. This is to distinguish between a weakening of a competitive position within a market and a 11___ change in the market itself.

2. Insert the suitable words into the gaps

effectiveness terms hostile takeover

altered are armed hostile offer

economic penalties offers purchase provide

The two modern defensive weapons that can be “show-stoppers” are the poison pill and the state takeover laws. The term “poison pill” describes a family of “shareholder rights” that are triggered by an event such as a 1_____ or the accumulation of voting stock above a designated threshold (usually 15 percent of outstanding stock) by an unfriendly buyer. When triggered, poison pills 2_____ target shareholders (other than the hostile bidder) with rights 3_____ additional shares or to sell shares to the target on very attractive 4_____. These rights impose severe 5_____ on the hostile acquirer and usually also dilute the voting power of the acquirer's existing stake in the firm. Although poison pills are considered to be absolute deterrents to a 6_____, they can almost always be cheaply and quickly 7_____ or removed by target management if they have not been irrevocably triggered. Therefore, they almost always are the subject of strenuous state-court litigation in takeover battles, and their practical 8_____ as an absolute deterrent has been decided in court more often than not. Today, the majority of large public companies 9_____ with poison pills of one type or another. State courts have allowed target managers to use pills to buy time (up to several months) to search for better third-party 10_____ or develop value-creating corporate restructurings.

3. Insert the suitable words into the gaps

*blame be in the office contribute come from debate earn end up
federal deficit performance personal savings praise reflect save
ups and downs*

Can a president tame the business cycle? Today Americans 1_____ less and 2_____ a lower minimum wage than at nearly any other time since 1950. David Backus, an economist at N.Y. University, recently has written that while presidents may 3_____ to long-term 4_____, the normal 5_____ of the business cycle have more of an effect on the economy in the short term.

“There is some 6 _____ about where the business cycles 7 _____ but the President’s actions are rarely on the list,” he wrote. Changes in income, jobs and home-prices 8 _____ this cyclical behavior, while other indicators, like 9 _____ have shown a gradual decline over decades. If there is a president to 10 _____ or 11 _____ for longer-term trends, he is probably not 12 _____ now. “Given the current condition of the economy the president can 13 _____ running trillions of dollars in 14 _____ over the next several years whether he likes it or not”, said Kevin Felters, associate director of the Jerome Levy Forecasting Centre in Mount Kisco, N.Y.

READING

- **Learn more about Market structure and Competition. Brainstorm in groups.**

1. Bertrand Competition Definition of Bertrand Competition

A market structure where it is assumed that there are two firms, who both assume the other firm will keep prices unchanged. Therefore, each firm has an incentive to cut prices, but this actually leads to a price war. If products are perfect substitutes this assumes the price will be driven down to marginal cost. This is allocatively efficient ($P=MC$) but firms may not cover their fixed costs.

Criticisms of Bertrand Competition

It assumes firms do not learn from their mistakes. The initial assumption is that the other firm will keep prices constant, but when they see they also cut their price, they may change their behaviour.

Firms in a duopoly should be able to make high profits. It depends on the degree of barriers to entry.

With two firms, there is a possibility of tacit collusion – or at least a quiet industry which avoids a price war.

It depends on the objectives of firms, for example, is it to profit maximise or increase market share. Bertrand Competition may be more likely if they are seeking to maximise sales.

Consumers are not just motivated by buying the cheapest good. Their choices will reflect factors, such as brand loyalty, convenience, ease of purchase and quality of the good.

2. Takeover Case

ConAgra initially attempted a friendly sale to acquire Ralcorp in 2011. When initial advances were rebuffed, ConAgra intended to work a hostile takeover. Ralcorp responded by using the poison pill strategy. ConAgra responded by offering \$94 per share, which was significantly higher than the \$65 per share price Ralcorp was trading at when the takeover attempt began. Ralcorp denied the attempt, though both companies returned to the bargaining table the following year.

The deal was ultimately made as part of a friendly takeover with a per-share price of \$90. By this time, Ralcorp had completed the spinoff of its Post cereal division, resulting in the price offered by ConAgra being significantly higher than the offer the previous year.

Lean more online

➤ **Explore the videos:**

1. *Perfect Competition - Four Market Structures:*

<https://www.youtube.com/watch?v=atgMawWsKKI>

2. Watch and the do the quiz:

<https://www.econedlink.org/resources/competition-and-market-structure-video-and-quiz/>

➤ **Present in a group your country with its dominant Market Structures.**

Chapter 7

Topics:

7.1 The Business Cycle & CSR

7.2 Economics and Ecology

7.3 Green Economics



Learning objectives

1. Identify the phases of the business cycle.
2. Speak about CSR.
3. Define the concepts of green economics and ecological economics.

LEAD-IN

- Do the CSR quiz and brainstorm answers.

What is greenwashing?

- *When a company uses entirely green energy*
- *When a company implements environmental controls into all areas of the business*
- *When a company spends more time claiming to be green than actually being green*
- *When a company repeatedly achieves green targets*

What does ISO 14001 help you to manage?

- *Global issues*
- *Environmental issues*
- *Local issues*
- *Health and safety issues*

Which one of these actions shows your business is being transparent?

- *Admitting when you have and haven't met targets*
- *Acting to improve global working conditions*
- *Using sustainable and recyclable materials*
- *Improving employee welfare*

Who has overall responsibility for ensuring the CSR strategy is integrated into the business?

- *The managers*
- *The local authority*
- *The employees*
- *The CEO*

7.1 PHASES OF THE BUSINESS CYCLE

The Business Cycle & CSR, Economics and Ecology

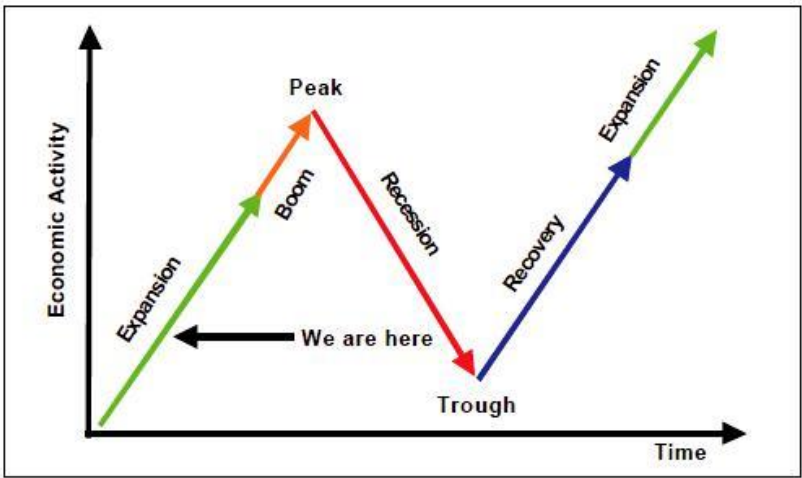


The entire financial industry rests on the fundamental concept of the market economy, which means you should be armed with some basic economic theory when you walk into the testing room.

The first concept you need to know is the business cycle, the series of fluctuations in the level of economic activity.

The timing and degree of these fluctuations are notoriously unpredictable; however, there is a pattern that seems to recur with these gyrations.

Phases of the Business Cycle



A hypothetical business cycle is comprised of the following phases:

Peak: Economic activity is growing rapidly and production facilities are operating at full capacity.

Contraction (Recession, Depression): Economic growth slows or the economy actually shrinks; sales decline and unemployment rises. This phase follows the peak.

There are also different classifications of contractions:

A *recession* is a contraction in which gross domestic production (explained below) declines for two consecutive quarters.

A *depression* is a prolonged, severe recession.

Trough: Economic activity is at its lowest point in the cycle.

Recovery: Sales, employment levels and other measures of economic activity rebound and eventually reach a new peak. This phase follows the trough.

Key words:

Business cycle (n) - a cycle in which business activity increases, decreases, then increases again

Fluctuation (n) - the movement of prices, income, rates etc as they increase and fall

Gross domestic production (GDP)(n) - the total value of goods and services produced in a country's economy, not including income from abroad

Comprehension Questions:

1. Present the Phases of the Business Cycle. How do they work?
2. What is *peak* as an economic activity?
3. Define *contraction*. What is the difference between *recession* and *depression* as different classifications of contractions?
4. What is *trough*? Economic activity is at its lowest point in the cycle.
5. What happens when sales, employment levels and other measures of economic activity rebound and eventually reach a new peak?

7.2 CORPORATE SOCIAL RESPONSIBILITY

What is 'Corporate Social Responsibility' (CSR)?

Corporate social responsibility (CSR) is a self-regulating business model that helps a company be socially accountable — to itself, its stakeholders, and the public. By practicing corporate social responsibility, also called corporate citizenship, companies can be conscious of the kind of impact they are having

on all aspects of society including economic, social, and environmental.

To engage in CSR means that, in the normal course of business, a company is operating in ways that enhances society and the environment, instead of contributing negatively to it.



'Corporate Social Responsibility (CSR)'

Corporate social responsibility is a broad concept that can take many forms depending on the company and industry. Through CSR programs, philanthropy, and volunteer efforts, businesses can benefit society while boosting their own brands. As important as CSR is for the community, it is equally valuable for a company. CSR activities can help forge a stronger bond between employee and corporation; they can boost morale and can help both employees and employers feel more connected with the world around them.

In order for a company to be socially responsible, it first needs to be responsible to itself and its shareholders. Often, companies that adopt CSR programs have grown their business to the point where they can give back to society. Thus, CSR is primarily a strategy of large corporations. Also, the more visible and successful a corporation is, the more responsibility it has to set standards of ethical behavior for its peers, competition, and industry.

CSR in Action — Starbucks

Long before its initial public offering (IPO) in 1992, Starbucks was known for its keen sense of corporate social responsibility, and commitment to sustainability and community welfare. Starbucks has achieved CSR milestones such as reaching 99 percent ethically sourced coffee; creating a global network of farmers; pioneering green building throughout its stores; contributing millions of hours of community service; and creating a groundbreaking college program for its partner/employees. Going forward, Starbucks's goals include hiring 10,000 refugees across 75 countries; reducing the environmental impact of its cups; and engaging its employees in environmental leadership.

Key words:

Accountable (adj) - responsible for the effects of your actions and willing to explain or be criticized for them

Stakeholder (n) - a person who is considered to be an important part of an organization or of society because they have responsibility within it and receive advantages from it

Morale (n) - the level of confidence and positive feelings among a group of people who work together

Comprehension Questions:

1. What is 'Corporate Social Responsibility' (CSR)?
2. How can businesses benefit society while boosting their own brands?
3. How can corporate social responsibility change depending on the company and industry?
4. How can CSR activities contribute to employee and corporation?
5. Comment on CSR in Action based on Starbucks' Case.

7.3 GREEN ECONOMICS

What is 'Green Economics'?

Green economics is a methodology of economics that supports the harmonious interaction between humans and nature and attempts to meet the needs of both simultaneously. Green economic theories encompass a wide range of ideas all dealing with the interconnected relationship between people and the environment. Green economists assert that the basis for all economic decisions should be in some way tied to the ecosystem, and that natural



capital and ecological services have economic value.

Broadly speaking, supporters of this branch of economics are concerned with the health of the natural environment and believe that actions should be taken to protect nature and encourage the positive co-existence of both humans and nature.

The way that these economists advocate for the environment is by making an argument that the environment plays a pivotal role in the economy, and that the health of any good economy is essentially determined by the health of the environment it is an essential part of.

Green Economics and Ecological Economics

In many ways, green economics is closely related to ecological economics in the way that it views natural resources as having measurable economic value and in how they focus on sustainability and justice. But when it comes to the application of these ideas, advocates of green economics are more politically focused. Green economists advocate for a full cost accounting system in which the entities (government, industry, individuals, etc.) that do harm to or neglect natural assets are held liable for the damage they do.

There are a few different definitions of a Green Economy or Green Economics. In 2012, the International Chamber of Commerce (ICC) stated in their *Guidebook to the Green Economy* that a green economy is one "in which economic growth and environmental responsibility work together in a mutually reinforcing fashion while supporting progress and social development." Some of the ways that green economics has made its way into the mainstream has been by way of consumer-facing labels indicating a product or a business' degree of sustainability.

Key words:

Ecosystem (n) - all the animals and plants in a particular area, and the way in which they are related to each other and to their environment

Sustainability (n) - able to continue without causing damage to the environment

Reinforce (v) - to give support to an opinion, idea, or feeling, and make it stronger

Comprehension Questions:

1. What are 'Green Economics' and 'Ecological Economics'?
2. How are green economic theories related to people and the environment?

- 3. What is the correlation between this branch of economics and the health of the natural environment?
- 4. How is Green Economics related to ecological Economics?
- 5. What is the conflict arisen by advocates of green economics?

ACTIVITY BANK:

1. Insert the suitable words into the gaps

surveyed integrate issues taking on respond to driver impact
external values rationale retain

The concern over climate change probably is the biggest single 1_____ of growth in the CSR industry of late. The great green awakening is making company after company take a serious look at its own 2_____ on the environment. It is no surprise, therefore, that 95% of CEOs 3_____ last year by McKinsey, a consultancy, said that society now has higher expectations of business 4_____ public responsibilities than it did five years ago. Investors too are starting to show more interest. Some of the big banks, including Goldman Sachs and Ubs, have started to 5_____ environmental, social and governance 6_____ in some of their equity research. Which means that private equity itself is having to 7_____ public pressure. As well as these 8_____ pressures, firms are also facing strong demand for CSR from their employees, so much so that it has become a serious part of the competition for talent. Ask almost any large company about the business 9_____ for its CSR efforts and you will be told that they help to motivate, attract and 10_____ staff. “People want to work at a company where they share the 11_____ and the ethos,” says Mike Kelly, head of CSR at the European arm of KPMG, an accounting firm.

2. Insert the suitable words into the gaps

spectacular environment-friendly at threat desertification's
shriveling deterioration quantify remedied thrive reverted

Desertification does not so much refer to the spread of existing deserts as the creation of new ones, through the reduction of productivity of vulnerable dryland areas by soil 1_____ and erosion as well as the long-term 2_____ of natural vegetation.

All these lead to the loss of soil productivity, degradation of life-support services provided by nature and put 3_____ international stability. The expected climatic change scenarios as projected by the recently published report of the IPCC give an additional dark shade to an already gloomy picture. However it is difficult to properly 4_____ the number of environmental migrants and the migration routes. Nevertheless, one-third of all people on Earth (about 2 billion in number) are potential victims of 5_____ creeping effect. And, left unchecked, the number of people at risk of displacement due to severe desertification is an estimated 50 million over the next 10 years — a sweep of migrants worldwide equal in number to the entire population of south Africa or south Korea. because dryland desertification can be 6_____ or even reverted by using appropriate land management techniques, monitoring and forecasting areas most at risk are essential, moreover, there are some 7_____ examples which show how these lands can be 8_____ into fertile areas. Israel is the only country worldwide that has successfully restored marginal lands. Forests 9_____ in places where trees never took root before, commercial fishponds dot the desert and algae grow abundantly for use in pharmaceuticals and health food. All these achievements were possible due to the successful 10_____ agricultural projects. In the analyses UN experts iteratively demand for necessity of turning the disadvantages of the desert to its benefits, outlining a multi-point prescription for policy reform at every level of the government.

Lean more online

- **Explore the video: What steps are suggested to create Sustainable Cities?**
- ***Creating Sustainable Cities:***
<https://www.youtube.com/watch?v=fcDDUSUbq9A>
- **Present your own ideas / approaches to improve your city.**

CASE STUDY BANK

Case Study 1

Management Functions

- *Read the case and answer the following questions.*

1. What management function was most lacking in the case?
2. In order to have a target so that the cost of films would not be too high, what should United Artists have done for each film?
3. What was a key missing ingredient between the management of United Artists and its then parent company, Transamerica Corporation?

A Long Wait for Heaven's Gate One of the worst movie flops of all time occurred in 1981. It was Heaven's Gate, produced for United Artists' Corporation by Michael Cimino. Estimated originally to cost \$12 million, the film cost almost triple that figure. Then it turned out to be the box office poison. Heaven's Gate was only the most dramatic boo-boo by United Artists. Of ten films produced in 1980, seven cost twice as much as they drew from rentals. Experts in the industry criticized United for not having the expertise to select, coordinate, and monitor difficult firm projects.

United, unlike other film companies, did not have a full staff of production-liaison executives closely monitoring costs as a film was being shot. In fact, most films were not planned with a specific cost limit in mind. United Artists at the time was a company owned by another giant corporation, Transamerica Corporation. (Later Transamerica sold United Artists to Metro-Goldwyn-Mayer.) Insiders in the industry said that Transamerica's management was never aware of how bad the situation was with Heaven's Gate. Otherwise, they would have cut off funds early on.

Over to you...

- After reading and hearing about management, do you think you have the right skills to be a manager? Would you be able, for example, to set objectives, motivate and coordinate the staff, and manage a department store, or a computer manufacturer?

CASE STUDY 2

Work & Motivation

- *Read the case and answer the following questions.*

1. *What do you think of Sam's conclusion about what he should do?*
2. *What are some of the influences outside the company that may have caused the changes in employee attitude and behaviour?*
3. *If you were Sam, how would you approach this problem?*

Sam Spates, manager of the records department in a major insurance company, was puzzled by the apathy of his work force. When the firm had moved to its rural location a couple of decades ago, employees had appeared to be careful, energetic, and compliant. Gradually, however, their attitudes and work behaviour had changed. Or so it seemed to Sam. Whereas in the past a simple order to move an employee from one work station to another was never questioned, it now seemed to induce endless arguments. The pay scale, which was once regarded by local people as unbelievably high, was now the subject of bitter complaints. Then there was the matter of misfiling. Ten years ago, more than 1 percent of misfiled records was considered intolerable. Now, no matter how hard Sam stayed on the back of his clerical crew, their apparent carelessness and indifference resulted in a missing rate of more than 3 percent.

Sam reviewed the situation this way: —These employees have better than average working conditions. Their pay, if not exceptional, is more than adequate. The employment record here at the company shows them that they have secure jobs. What more could they possibly want? Finally, at clock-out time after a particularly discouraging day, Sam came to this conclusion. —This situation has gotten out of hand. If ever I'm going to correct it, I'll have to really crack down on this bunch of malcontents. Tomorrow, I'll begin putting it to them.

Case Study 3

Business Strategy

- *Read the case and answer the following questions.*

1. Could Richard have avoided the situation he now finds himself in? If so, how?
2. What should he do now?
3. What advice would you give him about how to run the company in the future?
4. What problems can arise when someone starts up a high-technology enterprise?

Richard Thomas, a brilliant electronics engineer, decided to set up his own business. He felt there was a gap in the market for low-priced computer components. The start-up capital for the firm, Computex, was provided by the bank (an overdraft facility of £25,000) and Richard's savings of £15,000. He began by hiring another person to help him develop the components. Six months later they built up a good supply of components and tried to sell them. But many potential customers were suspicious of the low prices. It was over a year before Richard got his first order. By that time, he had an overdraft of £40,000. He was spending all his time advertising the products, running round to meet customers and trying to persuade them to buy. Three months later, three things happened. First, a few large orders were received, but Richard had to wait three months or so before being paid. Second, the bank decided to call in the overdraft within a month. Third, Richard received offers from two venture capital companies. The first was prepared to invest £200,000 in return for an 80% share of Richard's business; the second was willing to put up £250,000 for a 90% share. This was the situation facing Richard Thomas fifteen months after he had set up his high-technology enterprise.

Case Study 4

Organizational culture

▪ *Brainstorming...*

Here are some ideas for creating a good working environment. Which do you consider a) crazy? b) good for motivating staff?

- | | |
|--|---|
| ✓ <i>singing at meetings</i> | ✓ <i>encouraging managers to invite staff home for dinner</i> |
| ✓ <i>dressing in strange clothes at meetings</i> | ✓ <i>buying birthday presents for staff</i> |
| ✓ <i>having no individual offices</i> | ✓ <i>keeping animals and birds at head office</i> |
| ✓ <i>unisex toilets</i> | ✓ <i>supplying flowers regularly for all offices</i> |
| ✓ <i>organizing company holidays</i> | ✓ <i>having no dress code</i> |

▪ *Read the case. Which of the ideas above are used by the Finnish company SOL?*

Smart in yellow uniforms, staff hurry about in Finland's \$60 million-a-year SOL cleaning company carrying laptops and the latest Nokia mobile phones, as well as heavy-duty vacuum cleaners. This is a company in which people work when they like, and flexibility is being strongly tested. It is one that Dr. Joseph Juran, the management guru based in New York, considers to be the future. SOL's owner, Liisa Joronen, a slim, charismatic brunette of 50, back from a 90-mile keep-fit cross-country ski run in Lapland, says that she has thrown out traditional management styles and hierarchies in favour of people motivation and the strict auditing of targets. She has brought fun to the workplace in a nation noted for its engineering innovation, but also for its people's shyness and introversion. This most extrovert of Scandinavian business leaders sometimes dresses as a sunflower and sings at sales meetings if it will help.

The company’s name is from the Spanish for sun, and its sun logo has a curved line turning it into a smile. The key words around SOL are freedom, trust, goals, responsibility, creativity, joy of working and lifelong learning, Ms Joronen says.

People’s creativeness is restricted by routine and traditional office hours. As work becomes more competitive, so we need more flexible, creative and independent people. To help staff towards independence of mind, Liisa has abolished territorial space, such as individual offices and desks, and organized a communal area similar to a social club. It has a colourful playground, with trees, caged birds and small animals, a nursery, a billiard table, sofas, modern art and kitchen corners. Staff sit anywhere. There is not a secretary in sight. The boss makes the tea if everyone is on the phone to the field teams. Headquarters can be empty in the day and busy in the evenings and weekends. One headquarter’s worker, keen to go to midweek tango classes, was switching tasks with a colleague. The person supervising the cleaning of Helsinki’s metro was working from home. Flying the country Economy Class, Liisa tells 3,500 staff at 25 branches to kill routine before it kills you. At SOL Days, Japanese-style motivation sessions, she has the whole hall dancing, and urges staff: *The better you think you are, the better you will become*. Half the country sees Liisa as a revolutionary boss, and several television programmes have been devoted to her. The other half thinks she is crazy. (From *The Times*)

- **Work in two groups.**
Group A completes the information file on Liisa Joronen.
Group B completes the information file on her company, SOL.
When you have finished, check each other’s files.

A. Liisa Joronen	B. SOL cleaning company
Age:	Location:
Position:	Number of staff:
Physical appearance:	Number of brunches:
Personality:	Logo:
Leadership ideas/style:	Working conditions/practices:
Public image:	

Case Study 5

Organizational structure

- **Read the case and answer the following questions.**

1. What is the name of the reporting system that the chief executive officer of the Thomas National Group originally set up for the organization? What were some of its shortcomings?
2. What was the form of departmentalization originally chosen? What were some of its limitations?
3. What new form of departmentalization was added to the old structure?
4. Is the new organization structure more centralized or less centralized than before? What are its advantages and disadvantages?

When Tom Barrea, chief executive officer, set up an organization structure for his company, he did it all by the book. The Thomas National Group would provide data processing services to other companies for a fee. The company would be relatively small, with about 100 employees. As chairperson, Tom had three vice presidents reporting to him. Each was in charge of a separate function – marketing, programming, and data processing. In turn, each of these vice presidents had a number of specialized managers reporting to them. Under this system, when someone down the line had a problem, the employee would bring it to his or her manager for an answer. If it couldn't be resolved at that point, the problem would be relayed up the line to the next level for solution.

Work had been delegated so that each person knew the limits of responsibility and authority and who his or her boss was. Problems began, however, when this vertical system kept the company's relatively small staff of people from communicating with one another across functions. If a programmer got an idea, for example, it would have to pass up the line to the president before getting the benefit of the thinking in, say, the data processing department. The company was also adding new services to be offered to its customers. Under the original organization system, there would have to be a specialist for the new service in each department.

Gradually, communications in the company broke down. Problems took forever to be solved. Management was increasingly indecisive. Finally, Barrea changed the company's organization structure. Instead of a narrow, vertical pattern, he created a broader, horizontal one. Now Barrea has only the three functional vice presidents reporting to him, he also has an executive vice president to coordinate administrative affairs and three vice presidents who head up the new special services. Each vice president has been given greater authority to deal with problems in his or her area. Barrea is in constant touch with all seven vice presidents. He encourages communications between departments. And even the lowest-ranking person in the organization has only a level or two to get to the top.

Case Study 6

Leadership

Read the case and answer the following questions.

1. What kind of leadership would you say is now being used at this plant?
2. What kinds of motivational attractions does the EI process have for employees?
3. Why didn't the workers do something about the productivity problem earlier by themselves?
4. What is the implication of calling EI a process' rather than a program'?

The Factory That Turned Itself Around

In 1979, Ford Motor Company was about to shut down its stamping plant in suburban Cleveland. The plant was at the bottom of the productivity pile among nine plants in the division. Communications between management people and hourly employees was almost nil. Production departments were quarrelling endlessly with the staff support departments. Then a near miracle occurred. By 1981, the plant improved its productivity dramatically. It established a reputation for management and employees cooperation. And Ford decided to keep the 3,000-employee plant open.

Credit for the progress goes to a process known at Ford as Employee Involvement, or simply EI. Ford does not call it a program, but simply a process. The change in employee attitudes was preceded, says Ford, by a new attitude on the part of the Ford Motor Company – and of the plant's management. Three words describe the new management attitude: respect, trust, and confidence. With that attitude in place, the EI operates on the basis of employee participation in identifying and in solving problems associated with their work. The EI process was spearheaded by appointing new plant management which met with work groups throughout the factory. The meetings provided factual information about the critical productivity problems.

The new managers acknowledged the mistakes that had been made by a totally autocratic, production-driven Ford management. Under EI, 36 voluntary groups

of employees and supervisors were created. They met regularly on company time to uncover and dig into problems of all sorts. There was no game playing. The focus was always on accepting mutual responsibility for a problem and solving it. As one example, the daily rate of rejection for dash panel stampings had been 150. An EI suggestion for changes in the stamping tools reduced the rejection rate to 40. Typical employee comments sounded like these: ‘There’s only one thing wrong with EI. It’s 25 years late. It’s had a tremendous impact on attitudes here.’ When guys on the line see something going wrong, they want it fixed right away. Before EI, they let it happen so that they could take an extra rest break.’ Three or four years ago when a boss came down on the floor, nobody would really talk to him. Now, if we have something to say, we spit it out. And he’s listening.’

Human Resources Management

- *Read the case and make the decisions on the questions below.*

- 1 . What are the implications for the personnel department of new legal rulings against firing for unjust cause?
2. If you were an employer, would you put more effort into screening and training employees, given these rulings? Who may benefit?
3. The trend in handling wrongful discharge cases has been to call in an arbitrator such as the ones that Montana demands. What benefits do you see from arbitration versus suing employers?

The Dangers of Firing Employees

The common law has previously maintained the right of an employer to fire an employee under something called the employment-at-will doctrine. But lately this doctrine has come under attack because of recent legal rulings. Employers can still fire people, but they may incur some expensive consequences if employees sue. California employees have won jury verdicts of \$10 million and more. In recent years, state courts in some 46 states have made it legal for employees to sue their employers for wrongful discharge. This has resulted in backlog of some 25,000 such cases. Such companies, in response, are forcing employees to sign statements saying that they can be fired at any time. Fired employees tend to sue anyway. A different approach to such problems is to go to arbitration. In Montana, one cannot fire an employee without —just cause, and liability awards are limited. The state also requires employers to go to outside arbitration when cases arise of alleged wrongful discharge. In the past, more than 50 percent of all discharge cases taken to arbitration are decided against the employer (80 percent in California). Corporate personnel manuals are getting more detailed to protect against legal action. For example, the Del E. Webb Corporation stuck the word permanent from employee descriptions. NAS Insurance Services, Inc., in California, offers insurance for companies sued for wrongful discharge. It has been estimated that only 2 out of every 1,000 employees is fired unjustly, but that amounts to some 55,000 workers a year.

Answer the following questions.

1. What do you think of Sam's conclusion about what he should do?
2. What are some of the influences outside the company that may have caused the changes in employee attitude and behaviour?
3. If you were Sam, how would you approach this problem?

Sam Spates, manager of the records department in a major insurance company, was puzzled by the apathy of his work force. When the firm had moved to its rural location a couple of decades ago, employees had appeared to be careful, energetic, and compliant. Gradually, however, their attitudes and work behaviour had changed. Or so it seemed to Sam. Whereas in the past a simple order to move an employee from one work station to another was never questioned, it now seemed to induce endless arguments. The pay scale, which was once regarded by local people as unbelievably high, was now the subject of bitter complaints. Then there was the matter of misfiling. Ten years ago, more than 1 percent of misfiled records was considered intolerable. Now, no matter how hard Sam stayed on the back of his clerical crew, their apparent carelessness and indifference resulted in a missing rate of more than 3 percent.

Sam reviewed the situation this way: —These employees have better than average working conditions. Their pay, if not exceptional, is more than adequate. The employment record here at the company shows them that they have secure jobs. What more could they possibly want? Finally, at clock-out time after a particularly discouraging day, Sam came to this conclusion. —This situation has gotten out of hand. If ever I'm going to correct it, I'll have to really crack down on this bunch of malcontents. Tomorrow, I'll begin putting it to them.

CASE STUDY 8

Microsoft

- **Read the case and answer the following questions.**

1. What is Gates' method of implementing the four functions of management when launching a new product?
2. How does Microsoft reflect Gates' management skills, as described in this case?
3. Describe some of the roles Gates plays at Microsoft. Are they typical of management activities? Discuss.
4. From the text find as many words as possible that are attributed to B.

Gate's successful implementation of the four management functions.

Microsoft owner William H. Gates has been called many things: whiz-kid, cut-throat salesman, computer cult figure, capitalist brigand, and the richest man in America. But while others have tried to pin down a label, Gates has worked hard and Microsoft has emerged as the single most important force in the computer industry.

Launched in 1978, Microsoft employed only 13 workers and sold \$1 million worth of software. It now employs more than 11,800 people worldwide and sold \$2.76 billion worth of software in 39 languages. In an industry of incredible dynamics, where Microsoft leads, others follow.

Gates amassed a personal fortune of more than \$7 billion by foreseeing the pervasiveness of the personal computer. His first deep shot came when IBM decided to use Microsoft's MS-DOS operating system in 1980. Today the system is in 100 million PCs.

Despite the company's phenomenal growth, Bill Gates remains the single most important influence in Microsoft's corporate culture. Gates strives to maintain a sense of connectedness among employees and to avoid big company pitfalls. Whether in programming or marketing, group size is limited and may be divided into subgroups, ensuring task manageability and full participation. When new products are developed, Gates selects a team of approximately 10 people from engineering and marketing, set goals, and divides up work.

Gates willingly delegates authority, but can be pernickety about how it is used. He meets with the group every two weeks to review progress and iron out problems, and it is here that Gates can be incisive, sarcastic and often intimidating.

Gates is not above employing competitors' successful techniques. He learned from IBM that large companies are better at keeping development projects on track, a rarity for most start-up companies. He emulated the IBM meeting schedules for new product teams and laid down strict parameters and deadlines.

Gates has followed another simple rule: hire smart people, challenge them to think, be committed; and work hard. The average worker puts in 60 to 80 hours a week, yet the company typically receives more than 120,000 resumes in a year, and many recruits turn down higher paying offers with other companies in favour of Microsoft's performance bonuses and stock ownership options.

Meanwhile Gates, who envisioned bringing computing power to the masses well before his time, is pressing relentlessly forward with Windows NT, the latest evolution in graphic interface software. His product strategy of determining where the future lies and betting the ranch on getting there first M has been vindicated. He combines a rare blend of characteristics: business sense and intellectual depth, go-power and technical expertise. His excellent planning brings in the type of professional upper management he needs and entices the best young technical minds in the nation to jump on board. He exhibits phenomenal staying power in an industry known for high burnout.

CASE STUDY 9

A Long Wait for Heaven's Gate

- *Read the Case and answer the following questions.*

1. What management function was most lacking in the case?
2. In order to have a target so that the cost of films would not be too high, what should United Artists have done for each film?
3. What was a key missing ingredient between the management of United Artists and its then parent company, Transamerica Corporation?

One of the worst movie flops of all time occurred in 1981. It was Heaven's Gate, produced for United Artists' Corporation by Michael Cimino. Estimated originally to cost \$12 million, the film cost almost triple that figure. Then it turned out to be the box office poison. Heaven's Gate was only the most dramatic boo-boo by United Artists. Of ten films produced in 1980, seven cost twice as much as they drew from rentals. Experts in the industry criticized United for not having the —expertise to select, coordinate, and monitor difficult firm projects.

United, unlike other film companies, did not have a full staff of production-liaison executives closely monitoring costs as a film was being shot. In fact, most films were not planned with a specific cost limit in mind. United Artists at the time was a company owned by another giant corporation, Transamerica Corporation. (Later Transamerica sold United Artists to Metro-Goldwyn-Mayer.) Insiders in the industry said that Transamerica's management was never aware of how bad the situation was with Heaven's Gate. Otherwise, they would have cut off funds early on.

- *After reading about management, do you think you have the right skills to be a manager? Would you be able, for example, to set objectives, motivate and coordinate the staff, and manage a department store, or a computer manufacturer?*

References

1. Ian MacKenzie English for business Studies. 3rd Edition, Student's Book, 2010 (CUP)
2. Е. В. Крылов, Е. С. Пристром, и др. ENGLISH for Business Managers, БГУ, 2010 (CB2)
3. Т. А. Барановская, Т. И. Ласточкина, А. В. Захарова Английский для профессионалов, ВШЭ, 2013 (WB)
4. Courtland L. Bovée, John V. Thill, Business in Action, Seventh Edition, Pearson. 2015.
5. D. Cotton, R. Owen. New Agenda Business English through case studies, Student's Book, 2010.
6. MacKenzie Ian. English for business studies: A course for business studies and economics students. Cambridge University Press; 3 edition, 2010.
7. Tonya Trappe, Graham Tullis. Intelligent Business Upper-Intermediate: Coursebook, Pearson-Longman, 2006
8. Bill Mascull. Business Vocabulary in Use. Advanced, Cambridge Univ. Press., 2010
9. D. Cotton, D. Farley, S. Kent “3rd Market Leader upper-intermediate” Pearson, 2013
10. Guy Brook-Hart «Business Benchmark» Cambridge University Press, 2013

Dictionaries

1. Longman Business English Dictionary', Longman, 2011.
2. Oxford Business English Dictionary', OUP, 2010.
3. Oxford Basic American Dictionary for Learners of English Oxford University Press 2011
4. The Oxford Advanced Learner's Dictionary Oxford Eighth edition University Press 2010
5. Longman Dictionary of Contemporary English. 5th edition DVD-ROM. Pearson Education, 2010

Online resources

<https://cb.hbsp.harvard.edu/cbmp/pages/content/hbrcasestudy> - кейсы Harvard business review.

<http://businesscasestudies.co.uk/case-studies/by-company/#axzz4AMIPdh5q> кейсы международных компаний.

www.longman.com/cuttingedgewww.longman.com/grammarexpress - лексико-грамматические задания и тренинги.

www.parapal-online.co.uk/resources/essays - рекомендации и образцы написания эссе.

www.euronews.net - электронные ресурсы веб-сайта euronews.

<http://www.macmillandictionary.com/> - интерактивный лексико-грамматический словарь.

<http://www.onestopenglish.com/> - электронный ресурс для самостоятельных занятий английским.

www.themoscowtimes.ru - веб-сайт газеты 'The Moscow Times'.

www.cambridge.org (Cambridge Journals Digital Archive) - электронный архив журналов.

www.harvard.edu - электронные ресурсы сайта Гарвардского университета.

www.bizmove.com - электронные ресурсы по деловому и профессиональному языку.

www.businessweek.com - электронный архив журнала «Business Week».

www.ft.com - электронный архив газеты «Financial Times».

www.economist.com - электронные ресурсы журнала «Economist».

www.businessenglish.com - электронные ресурсы по деловому и профессиональному языку.

www.mindtools.com - электронный архив статей по экономике.

www.managementstudyguide.com - электронный архив статей.

www.12manage.com - электронный архив экономических статей.

www.economicstimes.indiatimes.com - электронный архив статей.

www.youtube.com - электронный архив видео уроков.

www.ted-ed.com - электронный архив видео материалов.

www.investopedia.com - электронный архив статей.

ANSWER KEY

Chapter 1.

1. (1) confrontation, (2) put off, (3) tackling, (4) career, (5) criticizing, (6) communication, (7) to state, (8) a shock

3. (1) earn, (2) satisfy, (3) satisfaction, (4) attempt, (5) dissatisfied /demotivated or (6) demotivated/dissatisfied, (7) subordinates, (8) repetitive

READING: *Management: an Art or a Science?* Ex. 2 a-2, b-6, c-1, d-7, e-5, f-8, g-3, h-9, i-4

Chapter 2.

1. (1) distinguish, (2) authority, (3) departments, (4) describe, (5) delegating, (6) activities, (7) complicated, (8) carry out, (9) performed, (10) level, (11) take

3. (1) I, (2) D, (3) C, (4) F, (5) L, (6) A, (7) G, (8) K, (9) E, (10) B, (11) J, (12) H

4. (1) expand, (2) diverse, (3) basis, (4) advantage, (5) multi-cultural, (6) diversity, (7) applies, (8) innovative, (9) areas, (10) goal, (11) creates

Chapter 3.

1. (1) vacancy, (2) standard, (3) a job description, (4) a profile, (5) skills, (6) recruitment, (7) internal, (8) agency, (9) advertisements, (10) a list of candidates, (11) recruitment process, (12) interviews

2. (1) challenge, (2) corporate board, (3) aware, (4) pool, (5) flexibility, (6) priorities, (7) critically, (8) make, (9) manage, (10) to trust

3. **B** (1) ethics, (2) ethical, (3) morals, (4) moral, (5) morals, (6) ethics, (7) Morale, (8) moral

4. (1) owner, (2) – fulfilled, (3) fairness, (4) contribution, (5) altering, (6) leadership, (7) disclosure, (8) effective

Chapter 4.

1. (1) wholesale, (2) hoarding, (3) export, (4) boom, (5) input, (6) refining, (7) credit, (8) to grow, (9) developing, (10) developed, (odd — to arise, insurance)

2. (1) concerned, (2) swiftly, (3) held up, (4) came up, (5) solution, (6) contaminated, (7) bid, (8) purity, (9) conclusively (10) attribute (11) emerged, (12) responsible, (13) substandard, (14) automotive

Chapter 5.

1. (1) controlled, (2) about, (3) purchased, (4) obtain, (5) customers, (6) access, (7) are, (8) offering, (9) loyalty, (10) options, (11) shop

2. (1) include, factors, get, charge, more, buy, is, also, lower, much (2) marketing, away, business, have, to know, market, marital, spend, to market

3. (1) degree, (2) department, (3) research, (4) require, (5) advantage, (6) permanent, (7) most, (8) business, (9) need, (10) skills

Chapter 6.

1. (1) free market, (2) consumer-based, (3) competition, (4) innovation, (5) differential, (6) competitive, (7) services, (8) promotional, (9) existing, (10) products, (11) structural

2. (1) hostile offer, (2) provide, (3) to purchase, (4) terms, (5) economic penalties, (6) hostile takeover, (7) altered, (8) effectiveness, (9) are armed, (10) offers

3. (1) save, (2) earn, (3) Contribute, (4) Performance, (5) ups and downs, (6) debate, (7) come from, (8) reflect, (9) personal savings, (10) praise, (11) blame, (12) in office, (13) end up, (14) federal deficit

Chapter 7.

1. (1) driver, (2) impact, (3) surveyed, (4) taking on, (5) integrate, (6) issues, (7) respond to, (8) external, (9) rationale, (10) retain, (11) values

2. (1) deterioration, (2) shriveling, (3) at threat, (4) quantify, (5) desertification's, (6) remedied, (7) spectacular, (8) reverted, (9) thrive, (10) environment-friendly

MINASYAN EVA
MIDOVA VENERA
MASLOVA ELIZAVETA
SAHAKYAN LILIT
PONOMAREV MAXIM

BUSINESS COMMUNICATIONS (Coursebook)

«Деловые коммуникации» (учебник)

«Գործարար հաղորդակցություն» (դասագիրք)

ISBN 978-9939-70-280-3

Ստորագրված է տպագրության / Подписано 10.01.2019թ.

Չափս/Размер 70x100 1/16:

Տպագրությունը՝ օֆսետ: Ծավալը՝ 7 տպ. մամուլ:

Печать: офсет Объем 7 п. Листов/

Տպաքանակը՝ 150:

Տպագրվել է «ՎԱՆ ԱՂՅԱՆ» հրատարակչատանը

Опубликовано в издательстве «ВАН АРЬЯН»

Երևան, Բաղրամյան 3 / Ереван, Баграмяна 3 Հէն./

Телефон +374 91 415 418

Էլ. Փոստ / Электронная почта - vanaryan1996@yahoo.com

