

# **Market Leader Advanced Semester 4 Manual Units 7-12**

*Tomankova Groups*

*contains selected chapters of Business Vocab in Use*

# UNIT SEVEN – FINANCE AND BANKING

## Finance, Banking

**TASK** Complete the gaps with the most suitable words. The first letters are always given.

### Personal banking

1. Banks send to their clients **m**\_\_\_\_\_ **s**\_\_\_\_\_ listing recent sums of money going out, called **d**\_\_\_\_\_, and sums of money coming in, called **c**\_\_\_\_\_.
2. Banks transfers include **s**\_\_\_\_\_ **o**\_\_\_\_\_, i.e. instructions to bank to pay fixed sums of money from a client's account to another account, and **d**\_\_\_\_\_ **d**\_\_\_\_\_ where the payment date and the amount vary.
3. Some banks offer **o**\_\_\_\_\_, which allow customers to **o**\_\_\_\_\_ an account, i.e. withdraw from an account more money than there is actually on it.
4. **M**\_\_\_\_\_ are long-term loans on which the property (house, flat) bought acts as **c**\_\_\_\_\_ or a guarantee for the bank. If the borrower doesn't repay the **m**\_\_\_\_\_, the bank can **r**\_\_\_\_\_ the property, i.e. takes it back from the buyer and sells it.

### Commercial and retail banking

1. The capital a bank has and the loans it has made are its **a**\_\_\_\_\_. The customers' deposits are **l**\_\_\_\_\_ because the money is owed to somebody else.
2. Banks have to keep a certain percentage of their assets as **r**\_\_\_\_\_ for borrowers who want to **w**\_\_\_\_\_ their money. This is known as the **r**\_\_\_\_\_ **r**\_\_\_\_\_.
3. Before lending money, a bank has to **a**\_\_\_\_\_ or calculate the risk involved.
4. Banks have to find a balance between **l**\_\_\_\_\_ – having cash available when **d**\_\_\_\_\_ want it – and different **m**\_\_\_\_\_ – dates when loans will be repaid. They also have to balance **y**\_\_\_\_\_ – how much money a loan pays – and risk.

### Central banking

1. Some central banks are responsible for **m**\_\_\_\_\_ **p**\_\_\_\_\_ – trying to control the rate of inflation to maintain financial stability.
2. In many countries, the central bank **s**\_\_\_\_\_ and **r**\_\_\_\_\_ the banking system and the whole financial sector. It also prints and **i**\_\_\_\_\_ currency – putting banknotes into **c**\_\_\_\_\_.
3. The **r**\_\_\_\_\_ - **a**\_\_\_\_\_ ratio is the minimum percentage of its deposits a bank has to keep in its reserves.
4. If depositors think a bank is unsafe, they might all try to **w**\_\_\_\_\_ their money. This is called a **b**\_\_\_\_\_ **r**\_\_\_\_\_.
5. Central banks can act as lender of **l**\_\_\_\_\_ **r**\_\_\_\_\_, which means lending money to financial institutions in difficulty, to allow them to make payments.

### Interest rates

1. An amount of money which is lent or invested to earn interest is called **p**\_\_\_\_\_.

- The **d**\_\_\_\_\_ rate is the rate that the central bank sets to lend short-term funds to commercial banks. When this rate changes, the commercial banks change their own **b**\_\_\_\_\_ rate, the rate which they charge their most reliable customers.
- Banks make their profits from the difference, known as **m**\_\_\_\_\_ or **s**\_\_\_\_\_, between the interest rates they **c**\_\_\_\_\_ borrowers and the rates they **p**\_\_\_\_\_ to depositors.
- The rate that borrowers pay depends on banks' **c**\_\_\_\_\_, also known as credit standing or credit rating.
- Leasing or **h**\_\_\_\_\_ **p**\_\_\_\_\_ (HP) are agreements where a consumer makes a series of monthly payments to buy **d**\_\_\_\_\_ goods (a car, furniture).

### Islamic banking

- Islamic banking is **i**\_\_\_\_\_ **-f**\_\_\_\_\_ banking.
- Islamic banks do **n**\_\_\_\_\_ pay interest to depositors or charge interest to borrowers. Instead they invest in companies and share the profits with their depositors. Investment financing and trade financing are done on a **p**\_\_\_\_\_ and **l**\_\_\_\_\_ **s**\_\_\_\_\_ (**PLS**) basis.

### Stocks and shares 1

- Stocks and shares are **c**\_\_\_\_\_ representing part **o**\_\_\_\_\_ of a company.
- The word **e**\_\_\_\_\_ (sg) or **e**\_\_\_\_\_ (pl) is also used to describe stocks and shares.
- A successful existing company wants to expand, and decides to **g**\_\_\_\_\_ **p**\_\_\_\_\_, i.e. to change from a private company to a **p**\_\_\_\_\_ **l**\_\_\_\_\_ company (PLC) by selling shares to **o**\_\_\_\_\_ investors for the first time.
- The company makes a **f**\_\_\_\_\_ or **i**\_\_\_\_\_ **p**\_\_\_\_\_ **o**\_\_\_\_\_ (IPO).
- An investment bank **u**\_\_\_\_\_ the stock issue, i.e. guarantees to buy the shares if there are not enough other buyers.

### Stocks and shares 2

- Major stock Exchange, such as New York and London, have a lot of requirements about publishing financial information for shareholders. Most companies use **o**\_\_\_\_\_ **-the-** **c**\_\_\_\_\_ (OTC) markets, such as NASDAQ in New York and the Alternative Investment Market (AIM) in London, which have fewer regulations.
- The **n**\_\_\_\_\_ **v**\_\_\_\_\_ of a share – the price written on it – is rarely the same as its market price. This can change every minute during **t**\_\_\_\_\_ hours, because it depends on **s**\_\_\_\_\_ and **d**\_\_\_\_\_ – how many sellers and buyers there are. Some stock Exchange have computerized automatic trading systems that match up buyers and sellers. Other markets have **m**\_\_\_\_\_ **m**\_\_\_\_\_: traders in stocks who quote **b**\_\_\_\_\_ (buying) and

o \_\_\_\_\_ (selling) prices. The spread or difference between these prices is their profit or m \_\_\_\_\_ -u \_\_\_\_\_.

3. Companies that require further capital can issue new shares. If these are offered to existing shareholders first it is known as r \_\_\_\_\_ issue. Companies can also choose to capitalize part of their profit or r \_\_\_\_\_ e \_\_\_\_\_ (nerozdělený zisk), i.e. to turn their profits into capital by issuing new shares to existing shareholders instead of paying them a d \_\_\_\_\_. There are various names for this process, including scrip issue, capitalization issue or bonus issue.

## Bonds

1. Bonds are loans to local and national governments and to large companies. The holders of bonds generally receive fixed interest payments and get their money, known as the p \_\_\_\_\_, back on a given m \_\_\_\_\_ date.

2. B \_\_\_\_\_, the company issuing bonds, are given credit ratings. This means they are graded according to their ability to r \_\_\_\_\_ the loan to bondholders

## BUSINESS RECOVERY; reading, p. 64

TASK Find the words in the text which mean the following:

1. \_\_\_\_\_ = a person who is chosen by a court to manage the financial affairs of a company that is bankrupt, to sell its assets in order to pay its debts, and to close it:  
**The \_\_\_\_\_ said he had the legal duty to obtain the best price for the business.**
2. to wind up = to close a company, sell its assets and pay its debts:  
**The court ordered the \_\_\_\_\_ of the company.**
3. handful = a very small number of people or things, the quantity of something that you can hold in your hand

## Marconi repays £669 m of debt; reading, p. 64

TASK Complete the gaps with the correct forms of the following verbs:

Par 1-2 : FOLLOW (3X), TAKE, GRANT, ANTICIPATE, EMERGE, CASH IN

Par 3-5: RUN, STAVE OFF, BE, WIPE OUT, DROP, WRITE OFF, LEAVE, BURST, DRY UP

1 Struggling telecoms equipment maker Marconi today **A)** \_\_\_\_\_ a giant step towards recovery as it announced the early repayment of £669 m of debt **B)** \_\_\_\_\_ its restructuring last year. The money was paid well ahead of the 2008 deadline set by creditors, and will save Marconi £55,8 m in annual

interest Charles. “The early paydown of all our restructuring debt is an excellent achievement, “ Mike Parton, the Marconi chief executive, said. “We have **C)** \_\_\_\_\_ with a strong balance sheet, and can now fully focus our efforts on growing our business.”

2 Today’s repayments **D)** \_\_\_\_\_ better-than-**E)** \_\_\_\_\_ returns from the sale of businesses and improved trading performance at the company. **F)** \_\_\_\_\_ an increase in confidence among telecoms customers, Marconi announced its first quarterly profits for three years in May. Last month, the improved



trading performance enabled three directors, including Mr Parton, to raise almost £9 m from **G.** stock options **H.** after they met performance targets, including those for debt reduction.

3 Marconi **D** \_\_\_\_\_collapse in May last year thanks to a restructuring in which banks and bondholders agreed to **D** \_\_\_\_\_most of the company's debt in return for control. Shareholders saw their holdings virtually **K** \_\_\_\_\_.

4 The near-collapse of the company was one of the most spectacular in British corporate history. Formely GEC, Marconi was an industrial giant built up by Arnold Weinstock, one of Britain's premier industrialists. At its zenith, it **L** \_\_\_\_\_worth more than £30bn. Problems began when Lord Weinstock's successor, Lord Simpson, decided to focus \_\_\_\_\_ on telecommunications, selling profitable defence business and **M** \_\_\_\_\_the name GEC in favour of Marconi.

5 Marconi **N** \_\_\_\_\_into trouble three years ago when the hi-tech bubble **O** \_\_\_\_\_. Demand for its products from customers such as BT **P** \_\_\_\_\_, and it **Q** \_\_\_\_\_with huge debts after an ill-timed acquisition spree. Thousands of jobs were lost, and Marconi currently employs one third of its 12,400 global workforce at UK sites in Coventry, Beeston in Nottingham, Liverpool and Chelmsford.

*Stave off = to stop sth from happening (odvrátit, zažehnat)*

*Spree = a short period that you spend doing only one activity, especially something enjoyable such as spending money or drinking alcohol:*

*a shopping/spending/buying spree*

1. Who is Marconi? What have they achieved recently?
2. How does its CEO comment on their future prospects?
3. Did the early repayment of the debt come unexpectedly?
4. How would you comment on Marconi's business performance last month?
5. How did Marconi manage to avoid collapse in May last year? How did it affect shareholders?
6. Why does the article label the near-collapse of the company as one of the most spectacular ones in British history?
7. Describe the situation of Marconi 3 years ago.

## US Airways vows to rise again; reading, p. 65

TASK In the text find the translation of the following:

1. zdůraznit své rozhodnutí = \_\_\_\_\_
2. požádat o ochranu v době konkurzu = \_\_\_\_\_
3. navzdory naléhavému varování = \_\_\_\_\_
4. věštit zánik podniku = \_\_\_\_\_
5. ukončit plány = \_\_\_\_\_
5. zůstat v konkursním řízení = \_\_\_\_\_

TASK 2 – Wordformation:

1. The management team isn't here to \_\_\_\_\_ over a \_\_\_\_\_.  
**(PRESIDENT, LIQUIDATE)**
2. The company said it was entering \_\_\_\_\_ in order to \_\_\_\_\_ cash as it struggles with high fuel costs and competition from low-cost carriers. **(BANKRUPT, CONSERVATION)**

**Listening; 7.5., p. 67**

**TASK** Listen and complete the gaps with the words you hear:

We've had **1.** \_\_\_\_\_ **(2 words)** nine months this year. If we look at this chart, you can see our segment net revenue, which is all of our stations **2.** \_\_\_\_\_ **(2 words)**. In year one, revenue almost **3.** \_\_\_\_\_ **(1 word)** between the third and fourth quarters to 40 million dollars. That **4.** \_\_\_\_\_ **(1 word)** our revenue for year one **5.** \_\_\_\_\_ **(1 word)** 119 million dollars. In year two, our revenue rose by nearly 16 per cent to 138 million dollars. Now, as you can see here, segmented revenue for the first quarter **6.** \_\_\_\_\_ **(1 word)** the first quarter in year one. It rose to 40 million in the second quarter. Then revenue in the third quarter **7.** \_\_\_\_\_ **(4 words)** 25 million and grew to 47 million in the fourth quarter. Last year was another successful year, with revenue reaching **8.** \_\_\_\_\_ **(4 words)** 176 million dollars. That's 27.5% growth. **9.** \_\_\_\_\_ **(2 words)** were the **10.** \_\_\_\_\_ **(1 word)** in the second and fourth quarters **11.** \_\_\_\_\_ **(1 word)** 48 million and 62 million dollars **12.** \_\_\_\_\_ **(1 word)**. This year, we're expecting another great year. Revenue for the first quarter reached 48 million. It **13.** \_\_\_\_\_ **(1 word)** again in the second quarter **15.** \_\_\_\_\_ **(2 words)** the fourth quarter of last year. In the third quarter, it **16.** \_\_\_\_\_ **(3 words)** 46 million, and we're expecting to reach **17.** \_\_\_\_\_ **(4 words)** 70 million in the fourth quarter of this year.

**GRAPH MOVEMENT**

**TASK** Classify the following verbs into the below groups, according to the kind of movement they express:

*crash; reach a peak; remain stable; shoot up; jump; increase; be a little stronger; rocket; slip; reach a low point; gain; pick up; finish slightly firmer; plummet; remain constant; recover; decrease; fall; top out; slump; level off; peak; bottom out; hit a low; plunge; stay at the same level; stabilize; take off; be slightly weaker; rise; stagnate; soar; to sink*

<i>to rise after previously falling</i>		<i>to fall a little</i>	
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<i>to rise a little</i>		<i>to fall a lot</i>	
<i>to rise a lot</i>		<i>to reach the lowest level</i>	
<i>to reach the highest level</i>		<i>not to change</i>	

### Listening; 7.1. , p. 63

TASK Complete the information with the most appropriate words from the listening exercise (not direct tapescript).

1) Four major factor which have \_\_\_\_\_ (**1 word**) international banking in recent years are:

- globalisation
- new \_\_\_\_\_ (**2 words**)
- new technology aspects
- \_\_\_\_\_ (**3 words**) capital markets

2) If something is \_\_\_\_\_ (**2 words**) as well as \_\_\_\_\_ (**2 words**), the **chances** (**1 word**) are that this will become a new financial instrument. Markets use nowadays very powerful \_\_\_\_\_ (**2 words**) which allow banks and corporations to transfer money \_\_\_\_\_ (**6 words**).

3) Banking services which have \_\_\_\_\_ (**3 words**) advanced technology include \_\_\_\_\_ (**1 word**) like electronic letters of credit, electronic direct debits or even international \_\_\_\_\_ (**2 words**) where paper doesn't travel anymore.

4) Today companies need more \_\_\_\_\_ (**1 word**) banking services such as bond issues, mergers and acquisitions, corporate restructuring \_\_\_\_\_ (**4 words**). We've seen a substantial increase in investment banking services, \_\_\_\_\_ (**3 words**) the traditional banking services of the past.

**Listening, 7.2. , p. 63**

**TASK Complete the gaps with the words you hear.** (Direct tapescript of one part of the text)

I: And what are going to be the new **1.** \_\_\_\_\_ ? You mentioned Internet banking previously.

J: Yes, we've gone from a **2.** \_\_\_\_\_ to a new, banking based on Internet. We've gone from what we call a '**3.** \_\_\_\_\_' retail banking to either '**4.** \_\_\_\_\_' banking or a '**5.** \_\_\_\_\_' banking. The '**6.** \_\_\_\_\_' banking is a sort of banking where you are combining both the branches, the retail branch network, with powerful Internet banking services. But then you have banks which only operate through Internet , this is what we call the '**7.** \_\_\_\_\_' sort of banking \_\_\_\_\_ activities.

# REVIEW TEST

## PJI4A

### Market Leader: Unit 7 – Finance and banking

Name:			
Teacher:		TOTAL (60 points to pass)	MARK
Number of points (max. 100 points)			
I. Listening:			
III. Grammar:			
II. Vocabulary:		IV. Translation:	

**I. Listening:** (max. 20 points)  points

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**II. Vocabulary:** (max. 34 points)  points

**A. Translate the following expressions into English:** (2 points each)

podat žádost o ochranu před věřiteli u konkurzního soudu – \_\_\_\_\_

předběžné výsledky zahrnuté ve finančních výkazech – \_\_\_\_\_

regulační rámce ovlivňující restrukturalizaci podniků – \_\_\_\_\_

splatit jistinu a úrok držitelům dluhopisů – \_\_\_\_\_

ochrana schválená soudem, věřiteli, akcionáři a správcem daně – \_\_\_\_\_

odečíst splatný úrok ze zisku před zdaněním – \_\_\_\_\_

odepsat dlužníkům pasiva kvůli snížení dluhu – \_\_\_\_\_

účetní hodnota zásob a odepisovaných aktiv – \_\_\_\_\_

**B. Write expressions the following definitions refer to:** (2 points each)

1. the relationship between the amount of money that a company owes (debts) and the value of its shares (equity):

2. something that a company has and that benefits it but does not exist physically, for example

a brand or the company's reputation:

**C. Complete the sentence with one of the following phrases; translate the selected phrase.** (2 points each)

#### **PROFIT AND LOSS ACCOUNT, STOCK OPTION, OVERDRAFT, ZENITH, CASHFLOW CONTROL, OPERATING PROFIT, LETTER OF CREDIT**

1. Because of its bad \_\_\_\_\_, the firm doesn't have enough money available.

*In Czech or Slovak:* \_\_\_\_\_

2. The banks offers the possibility to use a(n) \_\_\_\_\_ if you want to withdraw more money that you have in your account.

*In Czech or Slovak:* \_\_\_\_\_

3. Unfortunately, this program has reached its \_\_\_\_\_ and now its quality will decrease.

*In Czech or Slovak:* \_\_\_\_\_

**D. Complete the sentences with correct forms of the following verbs; some verbs are not used:** (1 point each)

#### **DIP – CONSERVE – WIND UP – OVERVALUE – BACK AWAY TERMINATE – CASH IN – OUTPERFORM – ACCOMPLISH**

1. Many investors want to \_\_\_\_\_ their investments in a crisis period because they regard money safer than shares.

2. The hi-tech bubble was caused by irresponsible and unfounded \_\_\_\_\_ the shares of technological companies.

3. Our sales are higher than rivals' so we hope \_\_\_\_\_ them in the next quarter.

4. NBC's turnover \_\_\_\_\_ a little last year but it is expected to rise again this year.

**E. Complete each sentence with a word made from the word given in brackets.** (1 point each)

1. It is not wise to invest in \_\_\_\_\_; you should invest in commodities instead. (**SECURE**)

2. Deferring a payment is the last \_\_\_\_\_ our company is willing to offer to you. (**CONCEDE**)

3. The \_\_\_\_\_ show us that our profit will fall by 20% this year.

(PROJECT)

4. Low-cost \_\_\_\_\_ have an advantage over national airlines. (CARRY)

III. Grammar: (max. 30 points)

\_\_\_\_\_ points

A. Fill in the gaps with a suitable preposition or adverbial, if necessary: (1 point each)

- 1. Ford has staved \_\_\_\_\_ bankruptcy thanks to an additional financial help.
- 2. Mr Palmer is going to preside \_\_\_\_\_ the next committee meeting.
- 3. All out sources of money have dried \_\_\_\_\_, so we'll have to declare bankruptcy.
- 4. The firm's bankruptcy has wiped \_\_\_\_\_ all my investment.
- 5. I wonder how the annual meeting is going to determine the dividends \_\_\_\_\_ share.
- 6. The government pays percentage interest \_\_\_\_\_ bonds it issued.

B. Rewrite the sentences with the given words and use the passive voice: (3 points each)

- 1. The OAK bank will repay all its debts. It will have done it by next December.  
The OAK bank's \_\_\_\_\_ by next December.
- 2. The company Jeff works for should have paid all his expenses.  
Jeff \_\_\_\_\_ by the company he works for.
- 3. I think it was not necessary for the company to raise, announce publicly and postpone the labor costs.  
I think the labor costs needn't \_\_\_\_\_  
\_\_\_\_\_.

C. Put the VERBS and other words in brackets into their correct forms, add prepositions, particles or auxiliary verbs if necessary. You may need to use the passive forms of the verbs: (1 point each)

Money transfers \_\_\_\_\_ (BELIEVE, DECREASE) soon as the financial crisis \_\_\_\_\_ (FORCE, consumers, STOP, BUY) as many things as a few months ago. Banks \_\_\_\_\_ (late, DECIDE, AVOID, PROVIDE) risky credits because they \_\_\_\_\_ (COULD, ACCUSE, BE) reckless by their shareholders. Banks' managers think it's not worth \_\_\_\_\_ (RISK, EXPOSE) the lack of cash, and therefore their policy of \_\_\_\_\_

\_\_\_\_\_ (ENABLE, enterprises, ASK) loans has become very strict. Businesspeople, on the other hand, \_\_\_\_\_ (COMPLAIN, DENY) financial means by banks. Some governments \_\_\_\_\_ (MAKE, their banks, PROVIDE) loans by law recently, which these banks strongly \_\_\_\_\_ (OBJECT).

D. Choose suitable words or phrases that can complete each sentence. The number of correct answers is 0 – 4. (2 points each)

- 1. When are you going to \_\_\_\_\_?  
A: let your room painted  
C: get your car repaired  
B: have cleaned the jacket  
D: have your new house built
- 2. The CEO \_\_\_\_\_ in a car accident.  
A: has had his wife killed  
C: might been injured  
B: should have been killed  
D: is going to be found dead
- 3. The company \_\_\_\_\_ its biggest rival.  
A: is believed to have been sold to  
C: is expected to be taken over by  
B: was said to be bought from  
D: was known to be resisting to

IV. Translation: (max. 16 points)

\_\_\_\_\_ points

Translate the following sentences into English:

Své finanční výsledky jsou firmy povinny každoročně zveřejnit ve výroční zprávě, která se skládá z několika finančních výkazů. V současné době je však stabilní finanční situace mnoha firem ohrožená a zdá se, že některé z nich buď požádají u soudu o ochranu, nebo zbankrotují. V takovémto případě by firma začala být řízena správcem konkurzní podstaty, který by dohlížel na ukončení všech činností firmy, splacení dluhů věřitelům a zlikvidování firmy.

\_\_\_\_\_

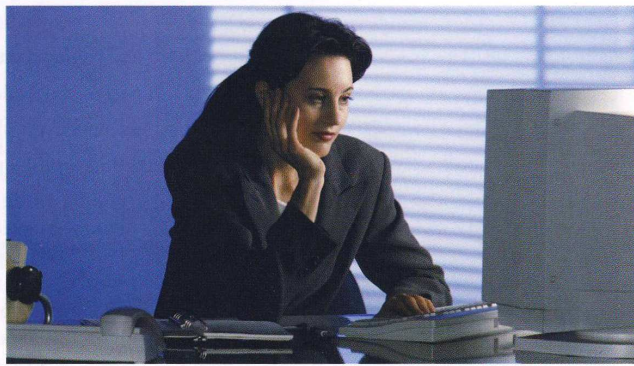
\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## A Financial reporting



Maria Malone is the chief finance officer of a large international media company, based in the UK, with activities in television and publishing. She's talking to new trainees in the finance department:

'As with all companies, investors and analysts want to know how the company is being run and how their money is being used. Each year we produce an **annual report** with three key sets of figures:

- profit and loss account
- balance sheet
- cashflow statement

These are the three key **financial statements** in **financial reporting**. They give the basic information about our **financial results**.' (They are covered in Units 34–37.)

## B The financial year

'Our **financial year** ends on March 31st, although other companies choose other dates. Soon after this, we publish **preliminary results**, or **prelims**. The **full report and accounts** are published a few months later. As a UK company, we also publish **interim results** or **interims** after the first six months of our financial year.'

**Note:** US companies publish their results every **quarter**.

## C Shareholders, bondholders and lenders

'We use **shareholders**' money to operate and invest in the business. Some of the profit we make is paid out to them, usually in the form of **dividends** in relation to the number of **shares** that they each hold. Our shares are **traded** on the London **stock market**.

We also borrow money in the form of **bonds**. We pay percentage **interest** on those bonds and then later repay the **principal**, the amount of money originally lent to us. Our bonds are traded on **bond markets**.

And we borrow money from banks in the form of **loans**, on which we also pay interest.

Of course, our shareholders, **bondholders** and **lenders** all take a keen interest in our accounts!

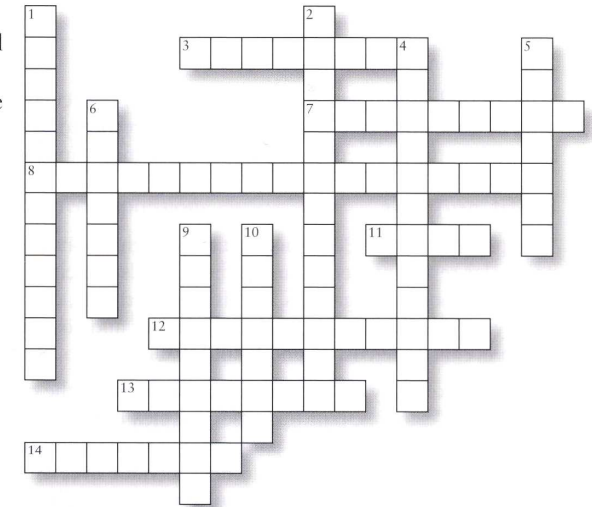
The results we publish can affect share prices: good results cause prices to rise, if the market believes the company is **undervalued**. However, poor results often cause a drop in share price, as investors feel the company is **overvalued**.'

BrE: shareholder;  
AmE: shareholder / stockholder

33.1 Complete the crossword with appropriate forms of expressions from A, B and C opposite.

### Across

- 3 Reports that are not for the full year. (8)
- 7 and 6 down What investors are basically interested in. (9,7)
- 8 One of the three key financial statements. (8,9)
- 11 Money lent by a bank. (4)
- 12 People and institutions that own bonds. (11)
- 13 The money you pay on a loan. (8)
- 14 See 2 down.



### Down

- 1 Another of the three key financial statements. (7,5)
- 2 and 14 across Another of the three key financial statements. (6,3,4,7)
- 4 Together, these people and institutions are the owners of the company. (12)
- 5 Period of three months. (7)
- 6 See 7 across.
- 9 The publication of results: financial ..... (9)
- 10 Banks and others that loan money. (7)

33.2 Complete the table with words from B and C opposite and related forms. Put a stress mark in front of the stressed syllable in each word of more than one syllable. (The first one has been done for you.)

Verb	Noun – thing	Noun – person/organization
'borrow	'borrowing	'borrower
finance		
lend		

33.3 Complete the sentences with appropriate forms of 'finance'. (There are two possibilities for one of the gaps.)

- 1 A millionaire ..... donated a large sum to the charity.
- 2 The ..... for the project is coming from two different sources: bank loans and a new share issue.
- 3 The company must keep a careful control on its ..... this year in order to avoid making a loss.

### Over to you



Obtain the annual report of an organization you are interested in. (Many are available on the Internet at [www.carol.co.uk](http://www.carol.co.uk). You can also use this source for other units on Company Finance.) Identify the profit and loss account (or the income statement), the balance sheet and the cashflow statement. What other information does the report contain?



# 34 Profit and loss account

## A Accruals accounting

Maria Malone continues:

'The **accruals principle** means that events in a particular **reporting period**, for example sales of goods or purchases of supplies, are recorded in that period, rather than when money is actually received or paid out; this may happen in a later period.'

## B Profit and loss

'The **profit and loss (P&L) account** records the money we make (or lose!) during a particular reporting period, using the accruals principle. In our case, our accounts record **sales** from books, magazines, television advertising, etc. during the period – this is the money received from sales, minus the labour and cost of materials used to produce them, which is called the **cost of goods sold (COGS)**.

Then we take away **selling and general expenses** – the costs related to making these sales – employees' salaries, rent for buildings, etc. There is also the cost of **depreciation** – this is not an actual sum of money paid out, but is shown in the accounts to allow for the way that machinery wears out and declines in value over time and will have to be replaced. (See Unit 35) This leaves us with our **operating profit**.

Then we subtract the **interest payable** on money we have borrowed in the form of bonds and bank loans. This gives the **profit on ordinary activities before tax**, or **pre-tax profit**.

Sometimes there are **exceptional items** to report, for example the cost of closing a particular operation, but fortunately this does not happen very often.

Of course, we pay tax on our profits and in the UK this is called **corporation tax**.

**Note:** Sales are also referred to as **turnover** in BrE. The profit and loss account is called the **income statement** in the USA.

## C Earnings

'From the **profit after tax**, also referred to as **earnings**, we usually pay **dividends** to shareholders, and you can see the figure for **dividends per share**. However, when business is bad, we may not do this – we may **omit**, **pass** or **skip the dividend**.

Naturally, we don't pay out all our profit in dividends. We keep some to invest in our future activities – these are **retained earnings**, or **reserves**.

You can look at profitability in terms of **earnings per share (EPS)**, even if some of these earnings are retained and not paid out in dividends.'

34.1 Match the words in the box to make expressions from A, B and C opposite. (The first one has been done for you.)

accruals	periods	exceptional	earnings	items	account
interest	payable	operating	P&L	profit	
reporting	retained	expenses	principle	selling and general	

Now complete each sentence with the correct expression.

- 1 Our financial year runs from 1 April to 31 March and is made up of two six-month .....
- 2 The company's ..... has increased by 10 per cent this year.
- 3 We have decided to keep £25,000 from our profits as ..... and not distribute this to the shareholders.
- 4 One of the ..... in the profit and loss account this year related to the restructuring costs of our operations in Korea.

34.2 Read the profit and loss account for a UK company. Then look at A, B and C opposite and say if the statements below are true or false. All figures are pounds sterling.

Paradigm Manufacturing		Profit and loss account for the year ended 31 March 20__	
Sales	900,000		
Cost of goods sold		560,000	
Selling and general expenses		120,000	
Depreciation		18,000	
Operating profit			202,000
Interest payable		15,000	
Pre-tax profit			187,000
Exceptional items*		57,000	
Corporation tax		60,000	
Profit after tax			70,000
Dividends		25,000	
Retained earnings			45,000

There are 100,000 ordinary shares. Earnings per share: 70 pence. Dividends per share: 25 pence.  
\*This is for costs related to the closure of our offices in Stockholm.

- 1 The £120,000 for selling and general expenses includes the salaries of the salesforce.
- 2 The £18,000 for depreciation represents an actual amount of money paid out to suppliers.
- 3 The company has a bank loan and/or is paying interest to holders of its bonds.
- 4 £57,000 for exceptional items is probably paid out every year.
- 5 The company has paid out more to shareholders this year than it has kept for future investment and/or future payouts.

### Over to you

Obtain the annual report of an organization you are interested in. Relate what you find in the profit and loss account or income statement with the items in the table above. Then compare the figures with those for the previous year. What differences can you see?



# 35 Balance sheet 1

## A Assets

A company's **balance sheet** gives a 'snapshot picture' of its assets and liabilities at the end of a particular period, usually the 12-month period of its financial year. But the snapshot could be taken on any day of the year.

An **asset** is something that has value or the power to earn money for a business. Assets include:

### 1 current assets:

- **cash** at the bank.
- **securities:** investments in other companies.
- **stocks, of raw materials, unfinished goods and finished goods,** that are going to be sold.
- **debtors:** money owed to the company by customers.



fixed assets

- 2 **fixed or tangible assets:** equipment, machinery, buildings, land.
- 3 **intangible assets:** for example, **goodwill**, the value that the company thinks it has as a functioning organization with its existing customers, and in some cases **brands** (see Unit 26), because established brands have the power to earn it money, and would have a value for any potential buyer of the company.

However, there are some things of value that are never shown on a balance sheet, for example the knowledge and skills of the company's employees.

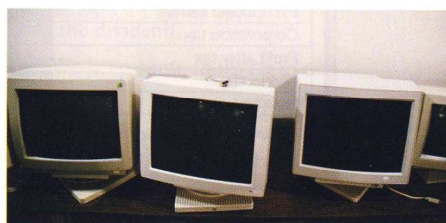
BrE: stocks, AmE: inventories; BrE debtors, AmE accounts receivable / receivables

## B Depreciation

Of course, some assets such as machinery and equipment lose their value over time because they **wear out** and become **obsolete** and out of date. Amounts relating to this are shown as **depreciation** or **amortization** in the accounts. For example, some computer equipment is **depreciated** or **amortized** over a very short period, perhaps as short as three years, and a **charge** for this is shown in the accounts. The value of the equipment is **written down** or reduced each year over that period and **written off** completely at the end.

The amount that is shown as the value of an asset at a particular time is its **book value**. This may or may not be its **market value**, i.e. the amount that it could be sold for at that time. For example, land or buildings may be worth more than shown in the accounts because they have increased in value. Equipment may be worth less than shown in the accounts because its value has not been depreciated by a realistic amount.

**Note:** The terms 'depreciate' and 'depreciation' are usually used in the UK; 'amortize' and 'amortization' are more common in the USA.



Computer equipment is usually depreciated over three years.

35.1 Complete the assets table for a UK company with expressions from A opposite, and the relevant figures, using the following information:

- Paradigm has goodwill, in the form of hundreds of satisfied customers, worth an estimated £15,000. This is its only intangible asset.
- It has investments of £6,000 in other companies.
- It has raw materials, unfinished goods and finished goods together worth £3,500.
- It owns equipment and machinery with a book value of £9,000.
- It owns land with a book value of £31,000.
- It has £11,000 in its accounts at the bank.
- It owns offices and factories with a book value of £94,000.
- Various people and organizations, including customers, owe £7,500.

Paradigm Manufacturing Balance sheet at 31 March 20__			
ASSETS			
Cash			
	6,000		
<b>Total current assets</b>		<b>28,000</b>	
	94,000		
<b>Total fixed assets (book value)</b>		<b>134,000</b>	
<b>Total intangible assets</b>		<b>15,000</b>	
<b>TOTAL ASSETS</b>			<b>177,000</b>

35.2 Using the information in B opposite and in the table above, decide if these statements about Paradigm's assets are true or false.

- 1 The figure for equipment and machinery is the price it was bought for, written down by an amount for depreciation.
- 2 The figure for equipment and machinery shows that it has been written off completely.
- 3 The figure for land and buildings is the exact amount they could definitely be sold for.
- 4 The figure for goodwill is an objective value of the customer base that a buyer of the company would definitely agree to pay.

Over to you



Think of an organization you are interested in. What are its main assets? Which of them could be shown on its balance sheet?



# 36 Balance sheet 2



## A Liabilities

A company's **liabilities** are its debts to suppliers, lenders, bondholders, the tax authorities, etc.

**Current liabilities** are debts that have to be paid within a year, for example:

- **creditors:** money owed to suppliers etc.
- **overdrafts:** when the company spends more money than it has in its bank accounts.
- **interest payments** that have to be paid in the short term.
- **tax payable.**

**Long-term liabilities** are debts that have to be paid further into the future, for example long-term **bank loans** and **bonds**.

BrE: creditors;  
AmE: accounts payable or payables

## B Shareholders' funds

When you deduct a company's **liabilities** (everything it owes) from its assets (everything it owns), you are left with **shareholders' funds**<sup>1</sup>. In theory, this is what would be left for shareholders if the business stopped operating, paid all its debts, obtained everything that was owed to it and sold all its buildings and equipment.

Shareholders' funds as shown in a company's accounts includes:

- The **share capital**<sup>2</sup> the shareholders have invested.
- The profits that have not been paid out in dividends<sup>3</sup> to shareholders over the years, but have been kept by the company as **retained earnings**, also called **reserves**.

BrE: shareholders' funds  
AmE: shareholders'/owners' equity

**36.1** This is the other half of the balance sheet in Unit 35. Complete the assets table with expressions from A and B opposite, and the relevant figures, using the following information:

- Paradigm has a bank loan of £20,000 to be repaid in three years.
- It has issued £100,000 worth of shares.
- It has issued bonds for £30,000 that it will have to repay in seven years.
- It has retained earnings of £10,500.
- It has to pay £3,500 in interest on its bank borrowing and bonds.
- It owes £5,000 in tax.
- It owes £6,000 to suppliers and others.
- On one of its bank accounts, Paradigm has spent £2,000 more than it had in the account.

paradigm Manufacturing Balance sheet at 31 March 20__			
LIABILITIES			
	6,000		
	5,000		
<b>Total current liabilities</b>		<b>16,500</b>	
Bank loan repayable in 3 years			
<b>Total long-term liabilities</b>		<b>50,000</b>	
<b>Shareholders' funds</b>		<b>110,500</b>	
<b>TOTAL LIABILITIES PLUS SHAREHOLDERS' FUNDS</b>			<b>177,000</b>

**36.2** Using the information in B opposite and in the table above, decide if these statements about Paradigm's liabilities are true or false.

- 1 The creditors item includes debts that will have to be paid in two or three years.
- 2 Overdrafts are a form of long-term loan.
- 3 In the coming year, Paradigm will have to pay more tax than it pays out in interest on its loans.
- 4 Paradigm has borrowed more in the form of bonds than in the form of bank loans.
- 5 Share capital of £100,000 is the current value of Paradigm's shares on the stock market.
- 6 Retained earnings is the total of all the dividends that have been paid out to shareholders over the years.

Over to you



Obtain the annual report of an organization you are interested in. Relate where possible the items on the liabilities side of its balance sheet with the items in the table above.

## UNIT EIGHT - CONSULTANTS

### Listening; 8.3. , p. 74

First of all, **1.** \_\_\_\_\_ **(2 words)**: if potential buyers know that you have the power to make big concessions on your own, then they may get angry if they can't get what they want. If you say: ' I'm sorry, I'm going to have to **2.** \_\_\_\_\_ **(3 words)** my boss, ' then if you refuse the concession, some anonymous authority will be responsible, not you. You should maintain a good relationship, so that you can either continue to negotiate or come back to them at a later day. Next we have avoiding endless negotiations, where you **3.** \_\_\_\_\_ **(5 words)**. **4.** \_\_\_\_\_ **(1 word)** negotiators will usually start out with small concessions, like a one-per-cent discount, and then **5.** \_\_\_\_\_ **(1 word)** to large ones. But this just makes the buyer feel as the concessions get bigger, there's more to come. Even if it all ends, the customer will feel there was more they **6.** \_\_\_\_\_ **(3 words)**. They don't feel good about negotiations. Professional negotiators, however, give their biggest concession first. As the negotiation continues, the concessions that they grant will get smaller and smaller. When it's over, the buyer feels they've got you **7.** \_\_\_\_\_ **(5 words)**. Keep in mind that in **8.** \_\_\_\_\_ **(2 words)** negotiations, you want the customer to feel as though they're a winner, too. You also want to avoid long discussions that are a waste of everybody's time. Then there is the negotiation's **9.** \_\_\_\_\_ **(2 words)**. What do you know about your **10.** \_\_\_\_\_ **(1 word)** needs, wants and problems? What is your original asking price? Is it high enough? What is your bottom line or walk-away number?

Your bottom line is the **11.** \_\_\_\_\_ **(2 words)** that you were anticipating. It's sometimes called BATNA, the **12.** \_\_\_\_\_ **(6 words)**. BATNA represents the point at which **13.** \_\_\_\_\_ **(9 words)**. So, if you have to go below your bottom line, it's time to walk away. The real secret of good sales negotiations is **14.** \_\_\_\_\_ **(3 words)** in advance what you can ask for **15.** \_\_\_\_\_ **(3 words)** a price cut. Remember that buyers, like everyone else, tend not **16.** \_\_\_\_\_ **(1 word)** value anything they get for free or can get easily.

### Listening; 8.1. , p. 70

**TASK** Complete the sentences with the words/phrases from the listening exercise.

1. Once a company has identified a problem, consultants can \_\_\_\_\_ **(3 words)** the exact task of consultancy.
2. Consultants need to establish objectives and principles. Here they often \_\_\_\_\_ **(2 words)** SMART which stands for \_\_\_\_\_ **(4 words)** and \_\_\_\_\_ **(1 word)**. Clients need to establish a \_\_\_\_\_ **(1 word)**, a budget and a \_\_\_\_\_ **(1 word)**.
3. To choose the best consultant, you come up with a \_\_\_\_\_ **(1 word)** and ask them to \_\_\_\_\_ **(3 words)**.
4. Once you have \_\_\_\_\_ **(1 word)** one of these consultants, you need to \_\_\_\_\_ **(2 words)** a written contract.
5. The contract needs to contain information about \_\_\_\_\_ **(1 word)**, i.e. the goods and services that are going to be delivered.

6. Fees usually \_\_\_\_\_ (2 words) one or two types. The main \_\_\_\_\_ difference \_\_\_\_\_ lies \_\_\_\_\_ in \_\_\_\_\_ the \_\_\_\_\_ (6 words).

7. \_\_\_\_\_ (3 words) contract the consultant \_\_\_\_\_ (3 words).

8. The company hiring consultants has to make sure the \_\_\_\_\_ (1 word) between them and the consultant is right.

### Listening; 8.2. , p. 71

**TASK** Complete the gaps with prepositions if necessary.

1. What about overseeing \_\_\_\_\_ the work?
2. What deliverables have you agreed \_\_\_\_\_ ?
3. What problems are consultants coming \_\_\_\_\_ ?
4. It's best if the consultant reports \_\_\_\_\_ just one person.
5. Some staff are resistant \_\_\_\_\_ change.
6. Some critics say consultants just snoop \_\_\_\_\_ and only produce a report telling you something you already know.

*snoop* / B *snu:p* / A *verb* [intransitive]; *čmúchat, slídít*

1 to secretly try to get information that someone would not want you to have:

*She's been snooping round asking questions.*

*Somebody went snooping through my desk while I was gone.*

2 *snoop on* to watch someone secretly in order to learn about their personal

*life or business:*

*I hear they use detectives to snoop on employees.*

– *snooper* noun [count] – *fízl*

### Reading; p. 73

**TASK** Based on the text answer the following questions:

1. Explain the expressions a) "money for an old rope", b) jack in their ordinary jobs
2. Which industries tend to spend most money on consulting services? What do they expect from consultants?
3. As consultancy business is relatively young, it tends to be less competitive than other businesses. T/F
4. Which employee target groups do consultancy companies usually try to attract and how? What do they want in return?
5. What strategies may some consultants be using to get more business?
6. Explain the expressions "unscrupulous" and "with hindsight".
7. How do clients sometimes put pressure on consultants?
8. Explain the expression: some companies are "high maintenance".
9. Why can an inexperienced client find himself in a situation where they are paying a huge fee for substandard services from consultants? How does the industry protect itself from underperforming consultants? Why is the existing protection still insufficient?
10. What general tendency in business today has made it easier for consultancy business to thrive?
11. It's not easy for a client company to choose a suitable consultant. T/F
12. Give an example of consultancy service which worked extremely well and failed in two projects assigned by the same company.

# REVIEW TEST

## PJ14A

### Market Leader: Unit 8 – Consultants

Name:				
Teacher:			TOTAL (60 points to pass)	MARK
Number of points (max. 100 points)				
I. Listening:		III. Grammar:		
II. Vocabulary:		IV. Translation:		

**I. Listening:** (max. 20 points)  points

-----

**II. Vocabulary:** (max. 34 points)  points

**A. Translate the following expressions into English:** (2 points each)

propracovaná procedura jmenování generálního ředitele – \_\_\_\_\_

problém odvíjející se od shody se specifikacemi – \_\_\_\_\_

ustoupit ve způsobu měření manažerského výkonu – \_\_\_\_\_

milníky obsažené v časovém rámci – \_\_\_\_\_

amatérští a úmyslně bezohlední vyjednaváči – \_\_\_\_\_

ostranění odchylek s přesností na zlomek milimetru – \_\_\_\_\_

nadbytečná, ale uspokojivá požadovaná cena – \_\_\_\_\_

instrukce obsažené ve smlouvě za pevně stanovenou cenu – \_\_\_\_\_

**B. Write expressions the following definitions refer to:** (2 points each)

3. the act of balancing two things that you need or want but which are opposed to each other:

4. something that you allow or do, or allow somebody to have, in order to end an

argument or to make a situation less difficult:

**C. Complete the sentence with one of the following phrases; translate the selected phrase.** (2 points each)

**COMMITMENT – MONEY FOR OLD ROPE – CUSTOMER DELIGHT – HINDSIGHT  
MONEY SPINNER – RETAIL BANKING – INCREMENTAL IMPROVEMENTS**

4. Writing up the report was very easy, so it was \_\_\_\_\_ for me.

*In Czech or Slovak:* \_\_\_\_\_

5. The Windows operating system has been a \_\_\_\_\_ for Microsoft because so many people use it on their computers.

*In Czech or Slovak:* \_\_\_\_\_

6. Let's focus on \_\_\_\_\_ of our computer systems rather than doing everything from the beginning.

*In Czech or Slovak:* \_\_\_\_\_

**D. Complete the sentences with correct forms of the following verbs; some verbs are not used:** (1 point each)

**WALK AWAY – CONCEDE – TOUT FOR – TAKE OUT – GRANT  
HOLD BACK – PARE BACK – APPOINT – JACK IN – TAKE ON**

5. My friend has promised me \_\_\_\_\_ an additional business which could bring me more money.

6. The bad economic situation forces us \_\_\_\_\_ our organizational structure and dismiss several workers.

7. Stop \_\_\_\_\_ the process of restructuring – we need to start the production as quickly as possible.

8. Toyota is considering \_\_\_\_\_ the development of their new model because the demand seems to be falling rapidly.

**E. Complete each sentence with a word made from the word given in brackets.** (1 point each)

5. Removing levels of management is sometimes referred to as \_\_\_\_\_. (**LAYER**)

6. Every decision you make is subject to the boss's \_\_\_\_\_. (**APPROVE**)

7. Don't forget to mention all the \_\_\_\_\_ the project includes. (**DELIVER**)
8. There are many young and ambitious \_\_\_\_\_ in this company. (**ACHIEVE**)

**III. Grammar:** (max. 30 points)

points

**A.** Fill in the gaps with a suitable preposition or adverbial, if necessary: (1 point each)

7. Stop holding back \_\_\_\_\_ producing your reports, we need them.
8. Our commitment \_\_\_\_\_ change is obvious and well visible.
9. A trade-\_\_\_\_\_ means offering something in exchange for something else.
10. I'm not going to fulfill your needs one \_\_\_\_\_ one.
11. Let me run this \_\_\_\_\_ my superior and then I'll let you know.
12. This project will not get \_\_\_\_\_ the ground because it is too costly.

**B.** Rewrite the sentences with the given words and use conditional clauses: (3 points each)

4. It is unfortunate that they didn't offer me the job a month ago.  
I wish I \_\_\_\_\_.
5. Unfortunately, the financial crisis didn't start two months later. It wouldn't be necessary for us to dismiss 200 workers in these days.  
If \_\_\_\_\_,  
we \_\_\_\_\_.
6. Fortunately expense reports are filed via the intranet, so they can be paid within 48 hours.  
If expense reports \_\_\_\_\_, they \_\_\_\_\_.

**C.** Put the **VERBS** and other words in brackets into their correct forms, add prepositions, particles or auxiliary verbs if necessary. You may need to use the passive forms of the verbs: (1 point each)

The consultants \_\_\_\_\_ (late, **POSTPONE**, **DEAL**) the major issues of their client. Instead of \_\_\_\_\_ (**RECOMMEND**, **WRITE**) a report on the development of production, the consultants \_\_\_\_\_ (**URGE**, the client, **LEAK**) some confidential information about their foreign operations. The consultants \_\_\_\_\_

(**TRY**, **MAKE**, their employees, **GIVE OUT**) this information, which \_\_\_\_\_ (**CONSIDER**) unethical behavior by the management. Managers \_\_\_\_\_ (**DISAPPOINT**, **HEAR**) such news and have reacted quickly. They \_\_\_\_\_ (**REFUSE**, **GO ON**, **COOPERATE**) the consultancy. They \_\_\_\_\_ (**AVOID**, **PROPOSE**, **SUE**, they) because settlement out of court \_\_\_\_\_ (**SEEM**, **BE**) a better idea.

**D.** Choose suitable words or phrases that can complete each sentence. The number of correct answers is 0–4. (2 points each)

4. If I \_\_\_\_\_ you, I \_\_\_\_\_.  
A: was ... would accept the offer                      B: had been ... would have gone there  
C: were ... would have sold the car                      D: was ... could do it
5. If you \_\_\_\_\_ a ball, it \_\_\_\_\_ because of gravity.  
A: drop ... will fall    B: will drop ... will fall  
C: had dropped ... would fall                                      D: drop ... falls
6. If Jack \_\_\_\_\_, he \_\_\_\_\_.  
A: had been born earlier ... could vote now  
B: hadn't been killed ... wouldn't be dead now  
C: was clever ... would have passed the entrance exam  
D: was a woman ... couldn't have been interested in football

**IV. Translation:** (max. 16 points)

points



## A Defining quality

## Staying in the lead means continually raising the bar

In 1980, a television documentary in the US entitled *If Japan Can, Why Can't We?* announced that it had discovered the secret of Japanese competitive success: quality. Japanese companies were successfully dominating world markets because they had a **quality system** that allowed them to produce better products than their US rivals.

What was more, the documentary said, the Japanese had learned this

quality system from US experts such as W Edwards Deming and Joseph Juran. What US and other western businesses had to do now was relearn the techniques of **quality management**.

The central problem revolves around an understanding of what 'quality' is and how far the concept can be applied across the organisation. Definitions can vary, but it is generally accepted that the three elements which constitute

quality are **fitness of the design, conformity to specification and satisfying customer needs**.

Today, quality is most often defined by the reaction of the customer who buys and uses the product. If the customer is satisfied, so the theory goes, the product is of sufficient quality. However, a strategy based on no more than meeting customer expectations is a dangerous one, as it opens the door to rivals that may produce better products.

*Financial Times*

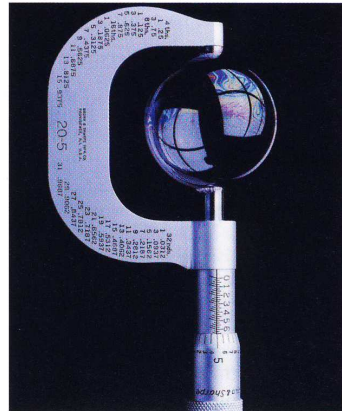
**Note:** Specifications are referred to informally as specs.

## B Quality in manufacturing

Gordon Greer is head of quality at a car component company:

'The design for each component embodies the intentions of its designer. So conformity to specification means putting these intentions into practice when we make the components. Put another way, this is **elimination of variation**.

We pay great attention to **accuracy**. The components must be made to very strict **tolerances** – the measurements must be not more or less than particular limits to within a fraction of a millimetre.'



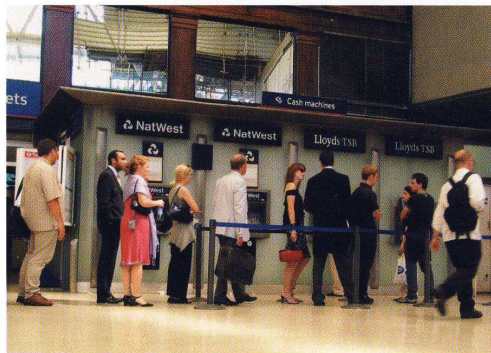
A micrometer

## C Quality in services

Serena Togliatti is customer relations manager at a large bank:

'In services, there is a parallel situation to the one in manufacturing. The service received by the customer must be exactly what is planned and intended, and annoying mistakes, for example in their accounts, must be avoided.

From the customer's point of view, quality could be defined in terms of **customer approval**, that is, recognition that we are satisfying customer needs and **customer expectations**. And if we exceed those expectations, there may even be **customer delight**.' (See Unit 23)



10.1 Look at A and B opposite and answer the questions. Which expression refers to:


- 1 the idea of following a designer's intentions?
- 2 the work of making sure that the principles of quality are applied?
- 3 approaching quality in a logical way?
- 4 keeping customers happy?
- 5 how good a design is for the purpose of the product it relates to?

10.2 Complete the table with words from A, B and C opposite and related forms. Put a stress mark in front of the stressed syllable in each word of more than one syllable. (The first one has been done for you.)

Verb	Noun
a'pprove (of)	a'pproval
conform (to)	
	delight
eliminate	
expect	
fit	
	satisfaction
specify	
	tolerance
vary	

Now use correct forms of the expressions above and opposite to replace the underlined words and phrases in this memo from the head of a package holiday company.

## Memo

CLUB SOLEIL 


From: Jacqueline Toubon

To: All hotel managers

Buying a family holiday is a big investment for a lot of people, both financially and emotionally. So, we don't just want (1) them to be happy with what they get; we want (2) them to be extremely happy.

We want to avoid the situation where things are different from what customers were expecting and instead we want (3) standards to be exactly as described. When the hotel does not come up to the description in the brochure, our clients are extremely angry. This means (4) avoiding changes or differences in relation to what we promise.

Customers may find that things are better than they thought they would be, for example, the food may be better or the rooms more comfortable. Although this may be a way of going beyond (5) what customers were hoping for, it is important to keep control of costs. To use a comparison with manufacturing industry, we have to keep standards within certain (6) limits.

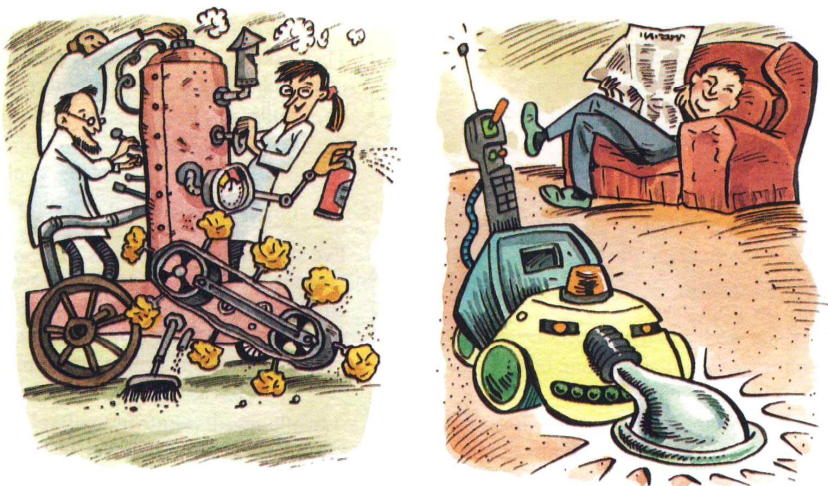
Over to you 

What are the criteria for quality in your organization or one you would like to work for?



# 14 The management of change

## A Business process re-engineering



In the 1990s, **business process re-engineering**, or **BPR**, emerged. Inspired by a book by Michael Hammer and James Champy<sup>1</sup>, consultants told companies not to bother with incremental improvements, but to abolish everything, **go back to the drawing board** and **redesign** all the business processes involved in producing something, whether a product or a service. They said that this redesign should be:

- **fundamental:** asking basic questions about what a process is meant to achieve
- **radical:** going to the root of things and ignoring completely how things were done before. 'like starting again with a new sheet of paper'
- **dramatic:** bringing about very big and sudden changes.

In the eyes of critics, BPR often meant **delayering** – removing **management layers**, perhaps resulting in **job losses**.

## B The benefits of BPR

For its supporters, these are some of the strengths of BPR:

- leadership:** strong leadership is important; changes are imposed from above; there is visible **commitment** from leaders for change
- people management:** fewer **management layers** mean larger, more challenging jobs
- policy and strategy:** clearer **fit** between the organization and its declared purpose and goals
- processes:** managers and employees gain improved awareness and understanding of key processes
- customer satisfaction:** clear **focus** of processes on the customer for existing products and services
- business results:** dramatic improvements for companies in crisis.

(The headings are from the EFQM Model – see Unit 13)

<sup>1</sup> *Re-engineering the Corporation: A Manifesto for Business Revolution* (Nicholas Brealey 2001)

14.1 Gordon Greer, production manager at a car components manufacturer (see Unit 10) is talking about a car company that he supplies called Autoco. Replace the underlined words and phrases with expressions from A opposite. Pay attention to the grammatical context.

'One example of (1) restructuring that I know was quite (2) basic: Autoco, one of our customers, wanted to simplify its supplier payments system.

Before, there were three documents relating to every delivery. We got a purchase order from Autoco, a delivery note accompanied the goods when they were delivered to them, and then we sent an invoice. There were 300 employees in their accounts department. Within the department there were sub-departments, each dealing with payments for different groups of suppliers, and each with its own head.

The accounts payable department at Autoco checked that copies of the three documents matched before making payment – there were often problems with documents, and this delayed payment, which caused us problems.

Autoco made a (3) very big and sudden change, one that was (4) designed to go to the root of things. When goods were received, this was entered on Autoco's computer system, and the goods were paid for automatically – we no longer had to send invoices, and were paid promptly.

The number of people in the accounts payable department at Autoco was reduced to 15. There was (5) a reduction in the number of management layers as the sub-department heads were no longer needed, but the company was expanding elsewhere, and the people who were no longer needed were given new jobs within the company, so there were no (6) employees made redundant.'

14.2 Look at these criticisms (1–6) that have been made of BPR. Match each criticism to one of its claimed benefits (a–f) in B opposite.

- 1 Results may be harmed by the chaos and confusion that BPR brings to the organization.
- 2 People can be left demotivated and demoralized by radical change.
- 3 Smooth, gradual, incremental introduction of completely new processes is not possible.
- 4 If the company is in crisis, there can be a tendency to concentrate too much on the internal workings of the organization and lose sight of the actions of competitors, and the success/failure of the organization's strategy.
- 5 The need for BPR implies bad earlier management, but the existing senior managers hardly ever want to re-engineer themselves out of a job.
- 6 There can be a tendency to concentrate too much on the existing products/services of the organization, ignoring new customer needs.

### Over to you



You have been asked by the mayor of your town or city to re-engineer one of its services. Which service most needs improving? How would you restructure it? (Money is no obstacle!)



## UNIT NINE - STRATEGY

### Reading, p. 80

**TASK** Complete the terms/words/phrases defined by the following. The items appear in the same order as in the text.

1. \_\_\_\_\_ = an improvement on the quality, price, etc. of a product
2. \_\_\_\_\_ = to use all the money, resources, etc. that someone or something has available
3. \_\_\_\_\_ = someone who other people respect and go to for advice about a particular subject
4. \_\_\_\_\_ = searching for something that you have lost, need, or want
5. \_\_\_\_\_ = to encourage strong emotions or behaviour in people  
*Newspaper articles have \_\_\_\_\_ fears of the new tax policies.*
6. \_\_\_\_\_ = famous, known and admired for
7. \_\_\_\_\_ = additional objects, equipment, decorations etc that make something more useful or attractive
8. \_\_\_\_\_ = able to judge people and situations very well and make good decisions,  
*a \_\_\_\_\_ marketing strategy*
9. \_\_\_\_\_ = to completely change the way something is done, thought about, or made
10. \_\_\_\_\_ = very cheap  
*high quality goods at \_\_\_\_\_ prices*
11. \_\_\_\_\_ = to make you start feeling or thinking about something that you have not felt or thought about for a long time  
*This journey has \_\_\_\_\_ some old memories for me.*
12. \_\_\_\_\_ = to claim that sth is true  
*Critics of the school system \_\_\_\_\_ not enough emphasis is placed on creativity.*
13. \_\_\_\_\_ = (in the text you have the noun form of this adjective) next to or near something else  
*The site of the new building is \_\_\_\_\_ the park.*

14. \_\_\_\_\_ = to make something seem less good, attractive, or important  
*We should not allow her personal difficulties to \_\_\_\_\_ her public achievements.*
15. \_\_\_\_\_ = a thick strong upright post that supports part of a building; someone who is important and respected within a group  
*Mr Henderson is a \_\_\_\_\_ society.*
16. \_\_\_\_\_ = a careless or embarrassing mistake  
*Officials were accused of making a huge administrative \_\_\_\_\_.*
17. \_\_\_\_\_ = to not happen in the way that was hoped or planned
18. \_\_\_\_\_ = something that gets your attention and prevents you from concentrating on something else  
*We have work to do and it is essential that there are no \_\_\_\_\_.*
19. \_\_\_\_\_ = something that makes something else develop or progress more slowly  
*High interest rates are \_\_\_\_\_ the housing market.*
20. \_\_\_\_\_ = very large
21. \_\_\_\_\_ = to stretch over or across something in an ugly and untidy way
22. \_\_\_\_\_ = a substance that allows some electricity to pass through it, used for making electronic equipment such as computers
23. \_\_\_\_\_ = a small or unimportant position in a place, organization, or activity that you hope will help you to get a better one
24. \_\_\_\_\_ = a short period that you spend doing only one activity, especially something enjoyable such as spending
25. \_\_\_\_\_ = less healthy or happy than you were in previous times:

**TASK** Complete the gaps with the words you hear:

It's clear from the feedback that I got from our customers that we have a problem with our brand image. They see us as **1.** \_\_\_\_\_ . What's more, they say that our catalogues are unattractive and they feel just, well, **2.** \_\_\_\_\_ by the number of products we offer. There could be a **3.** \_\_\_\_\_ reducing the range of products. Let's face it, we have a lot of lines that really aren't great **4.** \_\_\_\_\_ . We could **5.** \_\_\_\_\_ many items, as well, by producing more global and, uh, fewer regional products. As you can also see in my report, our customers often complain about the poor quality of our products and they say there's a lack of interesting new lines. Then we have what our sales reps **6.** \_\_\_\_\_ . I really discovered **7.** \_\_\_\_\_ the types of obstacles our reps **8.** \_\_\_\_\_ - and I'm talking about very basic things like, uh, not being able to **9.** \_\_\_\_\_ popular items and not receiving the correct items ordered. We definitely have to work on our **10.** \_\_\_\_\_ and distribution systems. And our ordering procedures are as oldfashioned as our image! I mean what's with those 40-page order forms you gotta **11.** \_\_\_\_\_ and mail to the office? Our own estimates show that orders aren't properly filled 30% of the time! It makes it difficult for agents to increase their sales, and, uh, **12.** \_\_\_\_\_ and for us to, uh, keep our reps. For me, recruiting and retaining sales reps has got to be a priority. Now, I'd appreciate your feedback on my **13.** \_\_\_\_\_-....

# 16 Strategic thinking

## A Strategy



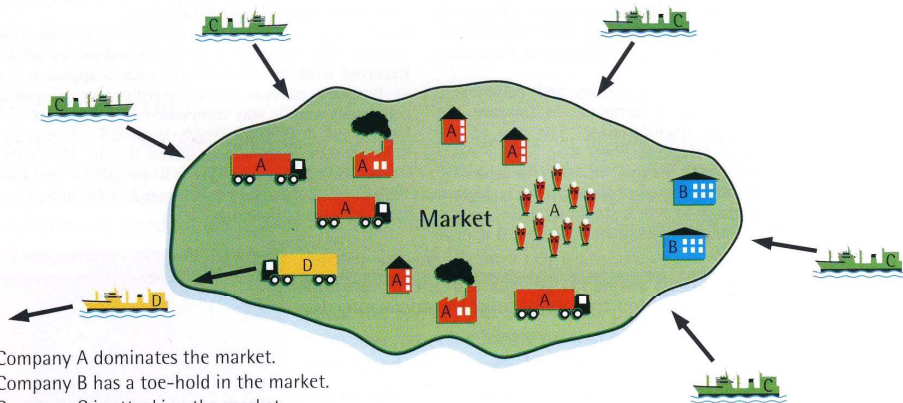
A **strategy** (countable noun) is a plan or series of plans for achieving success. **Strategy** (uncountable noun) is the study of the skills, knowledge, etc. required to make such plans. **Strategic** success in a commercial organization is often measured in terms of **profitability**, the amount of money it makes in relation to the amount invested.

An important part of **planning** is **resource allocation**. This is the way finance, people and assets – equipment, buildings, know-how, etc. – are going to be used to achieve a particular **objective**.

A company's senior executives make **strategic decisions** or **formulate strategy**. Sometimes an organisation will publicly state its main overall objective or **vision** in its **mission statement**.

Companies sometimes form **strategic partnerships**, working together to achieve a specific **strategic goal**. For example, MG Rover entered a partnership with a Chinese car manufacturer to enable it to produce and sell cars in China. A company may also make a **strategic move**, such as acquiring a competitor, designed to increase their market share.

## B Companies and markets



Company A dominates the market.  
 Company B has a toe-hold in the market.  
 Company C is attacking the market.  
 Company D is withdrawing from the market.

When a company ...		
a <b>defends</b>		tries to prevent competitors from being successful in it.
b <b>attacks</b>		starts selling in it for the first time.
c <b>establishes a foothold/toehold in</b>	a market, it	occupies a small part of it first in preparation for gaining a larger part.
d <b>invades</b>		starts to be very successful in it.
e <b>dominates</b>		is the biggest competitor in it.
f <b>withdraws from</b>		stops selling in it.

16.1 Look at the questions from shareholders at the annual meeting of Topaz, a car company. Complete the chief executive's answers with appropriate forms of expressions from A opposite.

- 1 Why has the company bought out its rival, Rivera? This was a ..... to broaden our customer base.
- 2 Some of Topaz's plants have very low productivity. What are you doing about this? We have taken steps to ensure that our ..... are used more effectively. This is an important part of our strategic ..... process.
- 3 Why are you closing one of the plants? This is an issue of ..... . We don't have infinite financial resources and we want to concentrate investment on the most productive plants.
- 4 Was this the only goal that was considered? Did you also look at the possibility of being a mass producer of vehicles? We looked at a number of different ..... and decided that the hi-tech option was the best one to follow.

16.2 Match the underlined phrases below to the expressions in B opposite that refer to the same idea.

Coffeeway (CW) is a successful American chain of coffee shops. It wanted to (1) aggressively enter the Chinese coffee shop market, with shops all over China. CW signed an agreement with a partner, Dragon Enterprises (DE). CW and DE decided to (2) start by opening just one coffee shop in Shanghai in order to test the market. This was very successful, so CW and DE decided to open shops all over China. It took CW and DE five years to (3) be the biggest in the market, with a 70 per cent market share among coffee shop chains in China. One of their competitors, California Coffee, tried to (4) protect its market share by cutting prices. But this strategy did not work, and California Coffee later sold its outlets to CW/DE and decided to (5) leave the market.



### Over to you

Think about your organization or one you would like to work for. Look at its website and find its mission statement. If it doesn't have one, what would you suggest?



# 19 Key strategic issues

## A Industries and their players

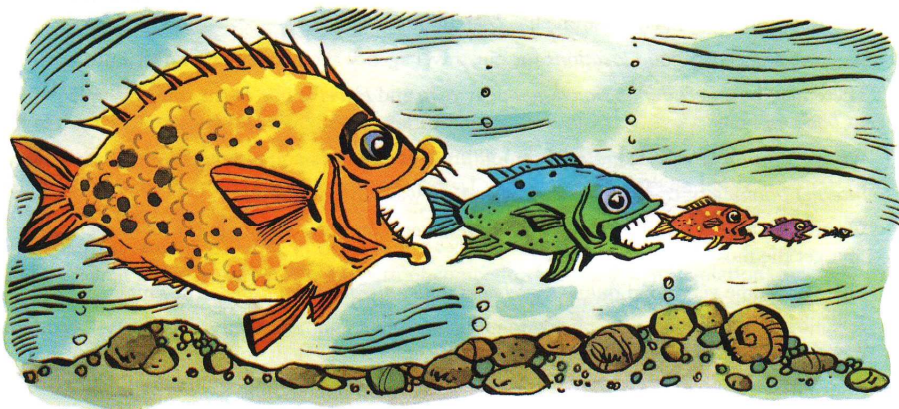
In some industries, like steel or tyres, there are few companies: these industries are **concentrated**. Other industries are **fragmented**: for example there are millions of restaurants worldwide, and even the largest chain, McDonalds, only has a **market share** of less than one per cent in terms of all restaurant meals served worldwide.

Some industries have **low entry barriers** – anyone with a small amount of capital can open a restaurant.

If an industry has low entry barriers and is **attractive** because of its high potential **profitability**, there will always be new **entrants**. This was the case for Internet service providers at the turn of the century with a lot of companies offering this service.

Other industries, like steel, require massive investment in equipment, know-how, etc. – these are **high entry barriers** and new entrants to the industry are rare.

## B Mergers and acquisitions (M&A)



Some companies are very **acquisitive**, buying competitors in their industry or companies in other industries in a series of **acquisitions** or **takeovers**, which it may refer to as **strategic acquisitions**. Or a company may merge or combine as an equal with another company of similar size.

A company may also buy its suppliers and customer companies in a process of **vertical integration**.

The result of this may be an **unwieldy conglomerate**, a holding company with a large number of **subsidiaries**, which may not be easy to manage profitably as a group.

## C Make or buy?

Recent strategic thinking holds that conglomerates are not good. Many conglomerates have **disposed of** or **divested** their **non-core businesses**, selling them off in order to **concentrate on** their **core business**. This is related to the **make or buy decision**, where companies decide whether to produce particular components or perform particular functions **in-house** or to buy them in from an outside supplier. (See Unit 4)

Note: The nouns relating to 'dispose' and 'divest' are 'disposal' and 'divestment'. They can be both countable and uncountable nouns. (Compare "divestment" with "investment".)

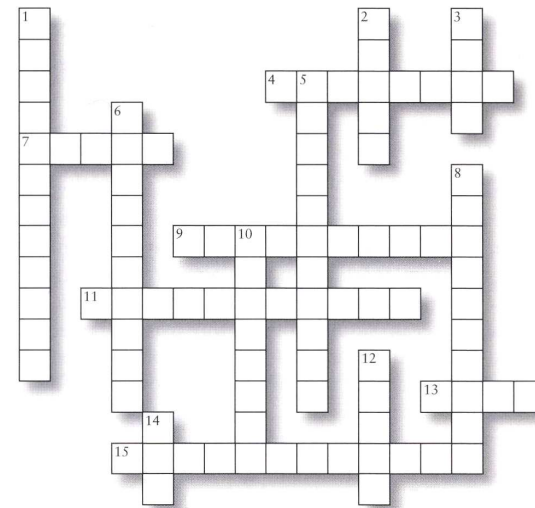
19.1 Complete the crossword with appropriate forms of expressions from A, B and C opposite.

### Across

- 7 and 4 Things that make it difficult to get into an industry. (5,8)
- 9 When a company sells a business activity. (10)
- 11 See 10 down.
- 13 If an industry is difficult to get into, entry barriers are ..... (4)
- 15 A large group of different businesses. (12)

### Down

- 1 A large industry with not many companies is ..... (12)
- 2 When two companies join as equal partners, they ..... (5)
- 3 A company's most important business activity: its ..... business. (4)
- 5 A company that buys a lot of other companies is ..... (11)
- 6 A large industry with lots of small competitors is ..... (10)
- 8 A profitable industry that companies want to get into is ..... (10)
- 10 and 11 across When a company buys its suppliers or customers (8, 11)
- 12 In a fragmented industry, each competitor only has a small market ..... (5)
- 14 If an industry is easy to get into, entry barriers are ..... (3)



19.2 An executive in a consumer goods company is talking. Complete what she says with expressions from A and B opposite. (There are two possibilities for one of the gaps.)

'We make a wide range of consumer goods. Over the years we have made a number of (1) ....., buying companies that fit in with our long-term plan of being the number one consumer goods company in Europe. These (2) ..... mean that we now own a large number of (3) ....., each with its own brands. We have become an (4) ....., and all this is very difficult to manage. So we are now reducing the number of brands from 300 to 100, and getting each unit of the company to concentrate on our long-term goal, which is increased (5) ..... and therefore better results for our shareholders. And our increased power will certainly dissuade new (6) ..... from coming into the industry, so our position will be further strengthened.'

Over to you



Think of a recent merger or takeover. What benefits were claimed for it at the time? Have they materialized?



# 20 Innovation

## A Innovation and the development process

Enrique Sanchez is head of new product development at a large consumer products company:

'We want to **foster creativity** and **innovation** – the development of new ideas. Ours is a large company, but we want to avoid becoming **bureaucratic**, with slow decision making. (See Unit 1)

We encourage **corporate venturing** and **intrapreneurship**, where employees develop **entrepreneurial** activities within the organization, working on their own projects outside the usual frameworks; we allow them to spend 15 per cent of their time on this. We set up **skunk works**, away from the main company sites and outside the usual structures, to work on innovations. This is the way we do our **new product development**. The most famous example of this was IBM, when it developed its PC away from the company's main **research and development** sites.

We firmly believe that companies have only two basic functions: innovation – developing new products and services – and marketing them. Our marketing people are heavily involved in new product development. They get the reactions of **focus groups** – groups of consumers who say what they think of the product – at a very early stage in the **development process**.'

## B Pioneers and followers



'One problem is to know whether to introduce a product or service before anyone else, or to wait for others to introduce similar products. Some say that if you **bring a product to market** first, you have **first mover advantage** – you can influence the way the market develops. These companies are **trendsetters** or **innovators**. Others say that it's better to be a **follower** and learn from the mistakes of the **pioneers**.'

**Note:** 'Pioneer' is also a verb.

## C Shakeout and consolidation

A new or **emerging industry**, perhaps one based on a new **technology**, can be **attractive** – the future **structure** of the industry is not yet **established** and there is room for many competitors. But as growth in the new market slows, smaller competitors with higher costs can no longer compete. They **drop out** or are bought by the larger companies in a process of **shakeout and consolidation**, leaving the larger companies with the resources to **dominate** the industry, which is now **mature**.



20.1 This article contains words from A opposite. Complete it by choosing the best phrase (a–d) below to go in each of the gaps (1–4).

### INTRAPRENEURSHIP

Increased global competition is forcing large companies to consider more venturesome ways of stimulating product ideas

As a theory, intrapreneurship, where large established companies turn to internal 'entrepreneurs' for breakthrough innovations, sounds like a good idea. On the surface, nothing can be more efficient than (1) .....

In practice, things have not been that easy. (2) ..... many companies which have ventured into the world of intrapreneurship have failed to reap any benefits. After its birth in the

1960s, the concept fell out of favour in the mid-1980s. Fostering different cultures in the same organization has proven to be difficult, while remuneration has also been a problem.

Intrapreneurship seems to have been perceived to be more effort and pain than it was worth. There is an increasing recognition that (3) ..... Most of the corporate venturing activity in the past has been centred around US companies, and the concept never really caught on in the UK. But increased competition in global markets and the pressure for

innovation is forcing Britain's large companies to look for methods to stimulate ideas for new products.

(4) ..... companies through corporate venturing and intrapreneurship may be given new life in the UK. 'Too many UK companies used to lack global ambition, but now, those who want to compete internationally realize that they need to innovate,' says Jim Martin, director of technology investment at 3i, the venture capital group.

*Financial Times*

- a The push for innovation among large
- b encouraging innovation among employees so that they come up with mould-breaking products and ensure the company's survival.
- c the nature of big companies is to stifle innovation and entrepreneurship, hampering their performance in the global arena.
- d Apart from a few examples of success,

20.2 Complete the sentences with appropriate forms of expressions from B opposite.

- 1 The alliance put ARM in partnership with Psion, the early ..... of pocket-sized computers.
- 2 Freeserve was the first Internet service provider to drop upfront charges and, with this ....., came to dominate the UK market.
- 3 But when one company ..... a successful business, competition inevitably intensifies. Consumers benefit from the resulting cuts in prices and improvements in quality.
- 4 So far Taiwan has always been a ....., making things invented elsewhere more cheaply.

20.3 Look at the following facts about the development of the market for online book sales. (They are not in chronological order.) Complete the facts with appropriate forms of expressions from C opposite.

- 1 Some smaller companies stopped selling altogether: they ...
- 2 There is a trend towards fewer and bigger companies in the market, a trend towards ...
- 3 Amazon and a few others lead the industry: they ... it.
- 4 The market is no longer young: it is now ...

### Over to you



Is it always difficult for large organizations to come up with innovative ideas and products? How does your organization, or an organization you would like to work for, produce new ideas?

## UNIT TEN – DOING BUSINESS ONLINE

### Listening; 10.1., p. 90

**TASK** Complete the text with the words you hear. There are always two words per gap.

1 It's so convenient. There is virtually no queuing any more, especially if I only have hand luggage. I just put my credit card in a machine when I get to the terminal, and, er, it prints out a **a)** \_\_\_\_\_, and then I go straight through the **b)** \_\_\_\_\_.

2 It makes sense, I think, to download this stuff from the Internet. It's so easy to update my anti-virus scan. I've had to buy a **c)** \_\_\_\_\_, too, because my computer was working so slowly. Their customer service isn't good, though. It's really frustrating sometimes, not being able to phone a real **d)** \_\_\_\_\_ about a problem. You have to read **e)** \_\_\_\_\_ and send e-mails that never get answered.

3 I live a long way from home, and it's always been a **f)** \_\_\_\_\_ stuff to people. But thanks to this website, I can now choose something I think they'll like.... and there are lots of recommendations on the site, **g)** \_\_\_\_\_ and **h)** \_\_\_\_\_. The danger is I always **i)** \_\_\_\_\_ getting myself something, too, and spending more than I planned to.

### Reading, p. 92-93

**TASK** Find in the text expressions defined by the following:

1. \_\_\_\_\_ = from the [Greek](#) κυβερνήτης (kybernētēs, steersman, governor, or pilot) — is the global domain of electro-magnetics accessed through electronic technology and exploited through the modulation of electromagnetic energy to achieve a wide range of communication and control system capabilities.

2. \_\_\_\_\_ = a business that sells goods to the public on the Internet

3. \_\_\_\_\_ = sth which makes you unable to concentrate on sth

4. \_\_\_\_\_ = smoothly, fluently

\_\_\_\_\_ = **a line along which two edges, esp of cloth, are joined or sewn together**

5. \_\_\_\_\_ = a) watching or controlling sb/sth, supervision, b) unintentional failure to notice sth

6. \_\_\_\_\_ = often changing, not constant

7. \_\_\_\_\_ = ready and willing to forget about sth bad which has been done to you, ready to stop being bitter towards sb or about sth, ready to stop blaming or wanting to punish sb

8. \_\_\_\_\_ = never having happened, been done or been known before

9. \_\_\_\_\_ = (cause sb to) go away or separate from sb

10. \_\_\_\_\_ = to add up to or total sth, to be equal or the equivalent of sth

**The cost \_\_\_\_\_ £250.**

**Our information doesn't \_\_\_\_\_ much.**

11. \_\_\_\_\_ = when everything else has been taken into consideration

\_\_\_\_\_ **the new manager is no better than the previous one.**

12. (in) stock = the goods that a business has for sale at a particular time

**We have a fast turnover of \_\_\_\_\_.**

**That particular model is not currently in \_\_\_\_\_.**

**I'm afraid we're temporarily out of \_\_\_\_\_.**

13. \_\_\_\_\_ = to put or take sth somewhere quickly and suddenly

\_\_\_\_\_ = **to make a brief visit**

14. \_\_\_\_\_ = the lowest point

**Prices have reached \_\_\_\_\_.**

**p. 93**

15. \_\_\_\_\_ = a) (of accommodation) having no shared facilities, and usually having its own private entrance, b) (of a person) not needing the company of others, reserved
16. \_\_\_\_\_ = a) the basic systems and services that are necessary for a country to run smoothly, for example buildings, transport, and water and power supplies, b) the systems or equipment that an organization needs in order to be able to operate efficiently
17. \_\_\_\_\_ = a) structure giving shape and support, b) social order or system, c) set of principles or ideas used as a basis for one's judgement, decisions, etc.
18. \_\_\_\_\_ = the part of a business that does not meet and deal directly with customers
19. \_\_\_\_\_ = become or make sth/sb ready for sth
20. \_\_\_\_\_ = tiny glowing particle thrown off from sth burning or produced when two hard substances (metal, stone) are struck together
21. \_\_\_\_\_ = a company which which buys and sells goods through the mail
22. \_\_\_\_\_ = the main road in a town, where the shops/stores, banks
23. \_\_\_\_\_ = a) to modernize, b) to give the latest information
24. \_\_\_\_\_ = a building where large quantities of goods are stored, especially before they are sent to shops/stores to be sold
25. \_\_\_\_\_ = (of work) requiring skill or tact, (of people) crafty, deceptive

**Listening; 10.5., p. 96**

**TASK** Complete the text with the words you hear.

E: So, Larry, I **1.** \_\_\_\_\_ (**2words**) you have there the online sales figures for the **2.** \_\_\_\_\_ (**2words**) on Audio Wire?

L: Ah, yeah, it's not looking good, Ed. Um, really bad **3.** \_\_\_\_\_ (**3words**). Very few users are returning to purchase. High **4.**

\_\_\_\_\_ (**5word s**) like, um ...49%.

E: Yeah, well, there're obviously **5.** \_\_\_\_\_ (**2words**) in the checkout process. If the customer wants to make changes, say ten earphones not five, it's difficult. And they get you to register before you can purchase.

K: Yeah, and the **6.** \_\_\_\_\_ (**1word**) is really confusing. It took me forever to find the earphones I wanted.

E: What about content and design, Kirstie?

K: Well, they have some nice images, but they are, like, you know, just way too big. I mean this one on the homepage should be a third of the size.

E: Uh-huh. Anything else?

K: The product pages have ... um... again too many **7.** \_\_\_\_\_ (**2words**) photos that take up space and you get no idea of the actual product.

E: You mean there is not enough product information.

K: Exactly.

E: So, what's the **8.** \_\_\_\_\_, \_\_\_\_\_ (**2words**)?

L: I'd say, **9.** \_\_\_\_\_ (**3words**) the whole thing.

K: Yup.

E: OK, er, let's look at what we can **10.** \_\_\_\_\_ (**3words**) in four weeks. Er, deliverables? Larry?

L: Oh, um, improve the online checkout process, reduce clicks. We've really gotta persuade the user to purchase.

E: Yeah, I think they need a **11.** \_\_\_\_\_  
**(4words)** to view all their product selections. It should include, er pricing, delivery and payment information.

K: But we need to keep some of those photos of the earphones!

E: Well, OK, as long as you **12.** \_\_\_\_\_  
**(4words).**

K: I'll make them **13.** \_\_\_\_\_ **(1word)**. What about the copy? Some of it really **14.** \_\_\_\_\_ **(1word)**.

E: Well, we can recommend some **15.** \_\_\_\_\_ **(1word)** for copy. It's gotta be **16.** \_\_\_\_\_ **(3words)**.

Can you take care of that and design, Kirstie?

K: Sure.

E: Let's just go over our deliverables. I say we send them a **17.** \_\_\_\_\_ **(3words)** of the current site with our recommendations. We're saying we'll improve the navigation and content for every page in the buying process, from the home page through checkout, right? I want both of you to work on that.

K: Yep.

L: Uh-huh.

E: And Kirstie, you say you can do a rewrite of some of the copy? Include the **18.** \_\_\_\_\_ **(2words)** of how Audio Wire should describe its earphones.

K: Yeah, but what are you doing, Ed?

E: Me? I gotta write the proposal. Oh, Larry, could we **19.** \_\_\_\_\_  
**(9words)?**

K: Oh, great.



# 29 Internet security

## A Attack and defence



Melissa Vorster is a consultant on Internet security:

'I work with companies to try to prevent **hackers** from penetrating their computer systems in order to steal or destroy the information on them. Hackers are people who may write programs designed to **overload** an organization's system with requests for information so that users cannot access it. We call this a **denial of service attack**, and it causes huge inconvenience for customers and lost business for companies.

Another problem is **viruses**. A virus is a small program designed to make computers malfunction, despite the **firewalls** and **anti-virus programs** that we **install** as the technical defences against them.'

## B Cybercrime

'Some companies that I work with sell goods and services over the Internet and need to reassure their customers that their credit card details are safe and will not be stolen by hackers. Credit card details and other confidential information to be transmitted is **encrypted**, or coded, so that it cannot be read by others. Companies that sell on the Internet will display the level of **encryption** that users of their site benefit from.

This is a defence against one form of **cybercrime** – criminal activity on the Internet.'

## C Privacy and confidentiality

'When someone uses the Internet, they leave an **electronic trail**, a record of the sites they visit, and if they buy something, their personal details. This raises issues of **privacy** and **confidentiality**. Who should have the right to access and analyze this information?

This is all part of the debate about the powers of **surveillance** (the powers to watch and examine the activities of private individuals) that **law enforcement agencies**, such as the police, should have. Critics call this **snooping**, and there are big issues of **human rights law** and **civil liberties** at stake because these are freedoms that ordinary people should be able to enjoy.'



29.1 Replace the underlined phrases in the headlines with expressions from A and B opposite.

- 1 **Badly-intentioned intruders** penetrate Pentagon computers
- 2 Xenon's system down for 5 hours in **action designed to exclude access**
- 3 Companies' **system defences** withstand latest attack (2 possibilities)
- 4 Latest methods of **translating to 'code'** make confidential messages unreadable by outsiders
- 5 **Illegal internet activity** increases three-fold
- 6 **Programs designed to slow computer functions** found in attachments to company emails

29.2 Complete the article with expressions from C opposite. (Two expressions are used twice.)

### Snooping system is illegal, say police

(1) ..... powers allowing law enforcement agencies to access the communications records of telephone and Internet users are in such a legal mess that they are untenable, one of Britain's most senior police officers will today tell a parliamentary inquiry. Jim Gamble, assistant chief constable of the national crime squad and head of the association of chief police officers' data communications group, will admit to MPs that the current system to access web, email and phone logs is illegal under (2) .....

....., the Guardian has learned. He will also complain that legal difficulties with the legislation passed to resolve this problem are "leaving the communications industry uncertain of the legal position". His astonishing intervention on behalf of the UK law enforcement community piles pressure on ministers to rethink their raft of (3) ..... measures. These will require communications providers to stockpile customers' records for long periods and allow (4) ..... to access them without need for a judicial or executive warrant.

Richard Allan, Liberal Democrat home affairs spokesman and the inquiry's joint chair, said: "Jim Gamble's submission reflects a climate change in the Home Office and the police. They have now realised that this is a matter of major public interest and are trying to strike a better balance between catching criminals and protecting the (5) ..... of innocent citizens."

At the moment, companies store data only for as long as necessary for their own purposes, such as billing and marketing. (6) ..... are able to access an individual's records only if they can convince the service provider that they should be exempt from data protection laws because there is enough evidence to believe the person is involved in wrongdoing.

*The Guardian*



29.3 Find words or phrases in the article above that mean:

- 1 not able to be legally enforced
- 2 series of actions
- 3 keep large numbers of
- 4 formal statement
- 5 change in attitude
- 6 take a fairer approach to
- 7 not included in

### Over to you

Consider these ways of communicating confidential information, such as credit card details, to a company:

- speaking on the phone.
- sending a fax.
- completing a form on the Internet.
- posting a written form.
- sending an email.

Which do you feel is most secure, and which least? Why?



## A

## Old economy, new economy

In the late 1990s companies raised vast amounts of money from investors for e-commerce Internet sites, both **business-to-consumer (B2C)** and **business-to-business (B2B)**. B2B, where businesses obtain supplies using the Internet, is also referred to as **e-procurement**.

Commentators talked about the **old economy**, with companies doing business in traditional ways, and the **new economy**, with companies doing business over the Internet. This was the **dotcom frenzy**, the period of large numbers of **Internet start-ups**, many promising riches for investors, some of whom believed that the usual laws of economics no longer applied. However, most of the sites from that time have now disappeared.



## B

## B2C

In business-to-consumer e-commerce, sites were set up selling everything from pet food to clothes. Among the survivors, there are companies like Amazon, **pure-play** (exclusively) **online sellers**, with no traditional shops – no **bricks-and-mortar outlets**. This is **pure e-tailing**.

Other retail organizations are **clicks-and-mortar** ones, combining e-commerce with sales through traditional outlets. Some old-economy companies, like the UK supermarket group Tesco, use e-commerce in conjunction with its existing operations – it did not have to invest in a whole new expensive **infrastructure** of new computer systems, warehouses, etc. to take care of its **e-fulfilment**, processing and delivering orders.

BrE: e-fulfilment;  
AmE: e-fulfillment

## C

## B2B

In **business-to-business e-commerce**, groups of companies can set up **public exchanges**. For example, the WorldWide Retail Exchange allows companies to bid to supply participating retailers in a **reverse auction** on the Internet – the supplier offering the lowest price gets the contract.

There are also **private exchanges**, where a single company deals with suppliers in this way. Some companies prefer to use this form of e-commerce because they do not want to indicate their requirements to their competitors, thus revealing their current activities.

Both public and private exchanges are also referred to as **e-marketplaces**, **trading hubs** or **trading platforms**.

30.1 Match the two parts of these sentences containing expressions from A opposite.

- |   |  |
|---|--|
| 1 B2B e-commerce can cut firms' costs because   | a the low prices they promised consumers meant that the scale of their business had to be enormous.                  |
| 2 The company operates four e-commerce sites,   | b but I felt more comfortable investing in a fund whose core holdings are large multinationals.                      |
| 3 There was a huge temptation for me to follow the dotcom frenzy  | c it reduces procurement costs, both by making it easier to find the cheapest supplier and through efficiency gains. |
| 4 Management theorists agreed that old-fashioned command-and-control management styles would not work   | d selling books, CDs, DVDs and computer games.   |
| 5 There has been a trend for investors to shift funds out of the technology, media and telecoms sectors | e in the new economy, where creativity and innovation are everything.  |
| 6 As the early web firms were addressing the business-to-consumer market,                               | f back into old economy companies such as oil and car producers.   |

30.2 Complete the sentences with appropriate forms of expressions from B and C opposite.

- Retailer A sells clothes in shops and also over the Internet: it has .....- .....- ..... outlets.
- Retailer B sells books and CDs on the Internet and has no shops: it has no .....- .....- ..... , so it's involved in .....- .....- .....
- Retailer B has built massive warehouses and developed sophisticated computer systems: it has invested in the ..... necessary for .....- .....- .....
- Household goods manufacturer C has set up a .....- .....- ..... where it asks for bids from suppliers.
- Defence companies D, E, F and G have got together to form a .....- .....- ..... in order to get competitive bids from a range of suppliers.
- Suppliers to D, E, F and G submit prices for particular projects in a .....- .....- ..... , and the supplier offering the lowest price wins the contract.
- Manufacturer C and Companies D, E, F and G run different kinds of .....- .....- ..... (-) .....- .....- ..... (three possible expressions)

## Over to you



Have you ever bought something over the Internet? If so, what was your experience of the website, delivery of goods, time taken etc.

## UNIT ELEVEN – NEW BUSINESS

### Reading; p. 101

#### TASK 1

##### Par 1

1. \_\_\_\_\_ = injury caused by a blow to the body or a fruit, discolouring the skin but not breaking it.

2. \_\_\_\_\_ = an idea or activity, especially in politics or business, that suddenly becomes very popular or fashionable, so that a lot of people want to be involved in it:

*His recent poll victory could start an ultra-nationalist \_\_\_\_\_ rolling.*

jump on/climb on/join the bandwagon: *Every business was trying to jump on the 'dot-com' \_\_\_\_\_.*

3. \_\_\_\_\_ = climb or crawl quickly, usu over rough ground or with difficulty

4. \_\_\_\_\_ = element in sb's personality, distinguishing characteristic

##### Par 2

1. \_\_\_\_\_ = a private investor or a financial business that invests money in new companies, which may involve a lot of risk and bring good profits

2. \_\_\_\_\_ = an investor who helps new companies develop by lending them their own money, which may involve a lot of risk

3. \_\_\_\_\_ = to have a tendency to do sth, to have sth; likely to be sth, to do sth

*The car \_\_\_\_\_ to stall when it's cold outside.*

to stall = (of an engine) to stop suddenly because of insufficient power or speed

4. \_\_\_\_\_ = not very good, second-rate

5. \_\_\_\_\_ = to put a lot of weight on sth

6. \_\_\_\_\_ = a mark left on the skin by a wound, sore, etc.

7. tissue = mass of cells forming the body of an animal or a plant;

*The \_\_\_\_\_ have been destroyed and a scar has formed.*

8. \_\_\_\_\_ = valuable or useful quality or skill

9. \_\_\_\_\_ = expected to be or to occur, future or possible

##### Par 3

1. \_\_\_\_\_ = to depend on

2. \_\_\_\_\_ = possibility, likelihood

##### Par 4

1. \_\_\_\_\_ = a company that is formed to develop and use the results of research done at a university or college

\_\_\_\_\_ = the act of forming a new, independent company from part of an existing one; a company formed in this way

2. \_\_\_\_\_ = advantage

have an/the \_\_\_\_\_ on/over sb/sth = have a slight advantage over sb/sth

*The young tennis player definitely had the \_\_\_\_\_ on his older opponent.*

3. \_\_\_\_\_ = someone who enters a competition, market or examination

4. \_\_\_\_\_ = the fact or state of continuing to live or exist, especially in difficult conditions

##### Par 5

1. \_\_\_\_\_ = a series of actions or events that together show how things normally happen or are done; a set of lines, shapes, or colours that are repeated regularly

2. \_\_\_\_\_ = to notice something or someone

trainspotting = the activity of watching trains and writing down their numbers and names

3. \_\_\_\_\_ = based on your feelings rather than on facts or evidence

##### Par 6

1. \_\_\_\_\_ = a way of thinking or behaving that is based on the belief that important political and social changes are necessary

2. \_\_\_\_\_ = a particular area of activity or life

3. \_\_\_\_\_ = causing difficulties that interrupt something or prevent it from continuing

4. \_\_\_\_\_ = to make someone experience something unpleasant

5. \_\_\_\_\_ = the control of trade in particular goods or the supply of a particular service by a small group of companies; the type of goods or service that is controlled in this way; the companies that control the trade

*The North American market will ultimately turn into an \_\_\_\_\_ of five or six companies.*

*Oligopoly is formed from the words \_\_\_\_\_ ( a small group of people who control a business, an organization, a country, etc. for a long time and are unwilling to let other people share power; the business, organization or country that they control) and monopoly.*

6. \_\_\_\_\_ = to gradually damage the surface of rock or land so that it begins to disappear, or to be gradually damaged in this way; to gradually reduce the strength, importance or value of something, or to be gradually reduced in this way

7. \_\_\_\_\_ = the situation when companies of the same type join together; the act of joining two or more things together; the act of making your power, success, knowledge, etc. stronger

*The training focuses on the \_\_\_\_\_ of skills.*

### Par 7

1. \_\_\_\_\_ = opposite in amount or position to another thing (*in the text this word is in the adverbial form*)

*There is an \_\_\_\_\_ relationship between shares and the dollar (= the value of one goes up as the value of the other goes down).*

*The gold price often moves \_\_\_\_\_ to the dollar. E-business knowledge is \_\_\_\_\_ proportional to age and height in the organization.*

### **in inverse proportion to**

if one thing is in inverse proportion to another, the more of one thing there is, the less there is of the other:

*The attractiveness of a city tends to be in inverse proportion to its economic productivity. The size of demand is in inverse proportion to the price (= if one is high the other is low and if one is low the other is high).*

### Par 8

1. \_\_\_\_\_ = honestly or in a sincere way

2. \_\_\_\_\_ = noticing that something exists or is happening and realizing that it is important

3. \_\_\_\_\_ = to receive or obtain something from something else

4. \_\_\_\_\_ = concentrating on a particular aim and not wasting time or energy on other things; clear

5. \_\_\_\_\_ = someone or something that has the same job or purpose as another person or thing, but in a different country, time, situation, or organization

### Par 9

1. \_\_\_\_\_ = using new methods or achieving new results

2. \_\_\_\_\_ = an amount, level, standard etc that you can use for judging how good or bad other things are

3. \_\_\_\_\_ = the possibility to develop or achieve something in the future

### Par 10

1. \_\_\_\_\_ = a senior official at a college or university

### TASK 2 Within the context of the article try to translate the following:

1. .. many are failing to prepare thoroughly before scrambling on the bandwagon

\_\_\_\_\_

2. .. the most widespread trait

\_\_\_\_\_

3. They attach a lot of importance to what they term "scar tissue" – evidence that the person has learned from experience.

\_\_\_\_\_

4. spin-outs have a survival edge in the market over other entrants, as the result of a combination of entrepreneurial flexibility and inherited knowledge

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

5. Ultimately, though, what distinguishes successful entrepreneurs is their ability to spot commercially exploitable patterns where other cannot.

\_\_\_\_\_

\_\_\_\_\_

6. Innovation erodes the profits and position of old companies.

\_\_\_\_\_

7. It is frequently inversely related to the real potential of an opportunity.

8. Consumers have become more value-conscious and less brand-loyal, while retailers have become increasingly powerful.

9. Popular bechmars include an annual growth potential of at least 20%.

10. the ability to create post-entry barriers

11. demonstrable value

### Listening; 11.6., p. 96

#### TASK Complete the gaps with the words you hear.

D: Hello?

W: Hello, Darren, this is Wendy Taylor from Fenwick Plastics. I´m phoning about **1.** \_\_\_\_\_ (**2 words**) on two of our invoices.

D: Ah, right, yeah. Um.... could you give me the invoice numbers?

W: Yes, sure. There´s 16987, dated 28 May, and 17124, dated 8 June. I also sent you a written **2.** \_\_\_\_\_ (**2 words**) on 10 July.

As you know, our **3.** \_\_\_\_\_ (**2 words**) are 30 days, and payment is now **4.** \_\_\_\_\_ (**1 word**).

D: Yeah, sure. I.... I must apologise for the delay, Wendy, you know what it´s like in a busy office. I´ll **5.** \_\_\_\_\_ (**1 word**) payment as soon as possible.

W: I understand. Could you tell me when that will be?

D: Uh.... on the last banking day of the month.

W: I´m sorry, but we´d expect payment sooner. We´d have to consider **6.** \_\_\_\_\_ (**1 word**) credit terms if these invoices **7.** \_\_\_\_\_ (**3 words**) seven days.

D: Look, I´m... I´m sure we can sort this out, Wendy. I can make an exception and settle the invoice for 28 May this week but the other invoice will be paid as part of our normal monthly **8.** \_\_\_\_\_ (**2 words**). Would that be acceptable?

W: Well, we would prefer payment of the **9.** \_\_\_\_\_ (**1 word**) invoice within 15 days.

D: Fine, I..I think we can work with that.

W: OK, Darren. I´ll **10** \_\_\_\_\_ (**3 words**) you on 30 July if we haven´t received both payments.

D: Yeah, of course, Wendy. Bye.

## UNIT TWELVE –PROJECT MANAGEMENT

### Reading; p. 109

**TASK** Find the words in the text defined by the following:

#### **Par 1**

1. \_\_\_\_\_ = to show publicly that you feel sad or disappointed about something
2. \_\_\_\_\_ = to take action to deal with a difficult situation
3. \_\_\_\_\_ = a written or spoken statement in which someone says they are not satisfied with something
4. \_\_\_\_\_ = to examine or discuss a subject, idea etc thoroughly

#### **Par 2**

1. \_\_\_\_\_ = to make someone feel happy and satisfied
2. \_\_\_\_\_ = to give money, equipment, staff, etc. to sth/sb for a particular purpose; to give sb a particular job to do
3. \_\_\_\_\_ = to decide officially that sth will be used for a particular purpose; to give sth officially to a particular person or thing; (accounting) to decide which department, product, etc. (cost centre) a particular cost relates to
4. \_\_\_\_\_ = the number of workers needed or available to do a particular job

#### **Par 3**

1. \_\_\_\_\_ = as part of the normal way of doing something
2. \_\_\_\_\_ = to praise sb or sth
3. \_\_\_\_\_ = to complain continuously in an annoying way
4. \_\_\_\_\_ = comments about how well or how badly someone is doing something, which are intended to help them do it better
5. \_\_\_\_\_ = making you feel pleased and satisfied

#### **Par 5**

1. \_\_\_\_\_ = a group of experts providing official approval of an organization, worker, or course of study
2. \_\_\_\_\_ = the subjects that students study at a particular school or college

#### **Par 6**

1. \_\_\_\_\_ = strictly limiting or controlling someone or something
2. \_\_\_\_\_ = a period of time when someone is not where they should be or where they usually are; the fact of something not existing or being present
3. \_\_\_\_\_ = not working normally

## REVISION EXERCISES U1-12

### **POSE/PRESENT, UNDERMINE, EARN, WAX, ADJUST, FUND, ESTABLISH**

1. Sometimes it's difficult to \_\_\_\_\_ trust and \_\_\_\_\_ good business relationships in this country.
2. Please \_\_\_\_\_ the pace of your delivery to reflect what the audience is used to.
3. He was \_\_\_\_\_ lyrical in a classroom on what happens in a business environment without having the first hand experience himself.
4. In India more and more people will have to start working early and \_\_\_\_\_ their own education due to increasingly higher education costs.
5. The arrival of big multinational companies is \_\_\_\_\_ virtues such as loyalty, hierarchy and discipline.
6. These \_\_\_\_\_ a mortal threat to the country's continued expansion.

### **SEE, FILE FOR, STAVE OFF, WRITE OFF, JACK IN, PRESIDE OVER**

7. The company \_\_\_\_\_ collapse last year thanks to a restructuring in banks and bondholders agreed to \_\_\_\_\_ most of the company's debt.

8. The year 2005 \_\_\_\_\_ a massive decrease in investment activity.
9. Yesterday they \_\_\_\_\_ bankruptcy protection.
10. The Czech Republic \_\_\_\_\_ the EU now.
11. He \_\_\_\_\_ his job and became self-employed.

**DECLARE, TAP OUT, MINIMIZE, BIND, TOUT FOR, SOLICIT FOR,  
TAP INTO, BE RENOWNED, WHIP UP, GO**

12. Sometimes consultants resort to using risky strategies like \_\_\_\_\_ business from clients in whose offices they're currently working.
13. Anybody can set up their own business and \_\_\_\_\_ work.
14. The professional code will \_\_\_\_\_ the chances of an assignment \_\_\_\_\_ wrong.
15. Members of this institute \_\_\_\_\_ a professional code of conduct.
16. Traditional sources of revenue have been kartely \_\_\_\_\_. There is an urgent need to find new alternatives.
17. Companies try to \_\_\_\_\_ investors' enthusiasm with ambitious growth plans.
18. This company \_\_\_\_\_ its ability to \_\_\_\_\_ new areas of growth.
19. In 2000 the company reported a mammoth loss and \_\_\_\_\_ bankruptcy.

**WORDBUILDING**

1. These issues set the stage for communication difficulties and potential \_\_\_\_\_. **/UNDERSTAND/**
2. It's the most \_\_\_\_\_ and \_\_\_\_\_ book on the issue. **/COMPREHEND, AUTHORITY/**
3. These are all ripe areas for \_\_\_\_\_ and irritation. **/INTERPRET/**

4. The \_\_\_\_\_ made a few serious mistakes in the speech \_\_\_\_\_. **/LECTURE, DELIVER/**
5. This is not a tax-\_\_\_\_\_ item. **/DEDUCT/**
6. She didn't manage to finish the research so the impact of her work will be \_\_\_\_\_. **/SIGNIFY/**
7. Allow the other person to finish her/his \_\_\_\_\_ or \_\_\_\_\_ without interrupting. **/RESPOND, CONTRIBUTE/**
8. It's been \_\_\_\_\_ talking to you. **/PLEASE/**
9. The \_\_\_\_\_ are having an \_\_\_\_\_ meeting with their line managers. **/APPRAISE, APPRAISE/**
10. The university won \_\_\_\_\_ from other \_\_\_\_\_ education \_\_\_\_\_. **/RECOGNISE, PRESTIGE, PROVISION/**
11. We talked in strict \_\_\_\_\_ about the issue. This is a sensitive matter. **/CONFIDE/**
12. Instructors become \_\_\_\_\_ and mentors. **/FACILITATE/**
13. We need to improve the \_\_\_\_\_ of the board to shareholders. **/ACCOUNT/**
14. One effect of \_\_\_\_\_ in the industry has meant that it is now not \_\_\_\_\_ for companies to purchase from any one source. **/DEREGULATE, OBLIGE/**
15. Choose your words \_\_\_\_\_. A \_\_\_\_\_ word can lose you \_\_\_\_\_. **/CARE, USE, CREDIBLE/**
16. They are \_\_\_\_\_ and feel \_\_\_\_\_ about why calls are recorded. **/HOSTILITY, SUSPECT/**
17. Here is some \_\_\_\_\_ feedback. **/REPRESENTATION/**
18. We have \_\_\_\_\_ our larger rivals. **/CONSISTENT, PERFORM/**
19. The position is for four months to cover \_\_\_\_\_ leave. **/??MOTHER/**
20. He is our most \_\_\_\_\_ consultant. **/KNOW/**
21. They stopped using it \_\_\_\_\_. **/GRADE/**
22. He specializes in \_\_\_\_\_ planning. **/SUCCEED/**
23. Mr Smith's \_\_\_\_\_, Mr Simpson decided to diversify into electrical \_\_\_\_\_. **/SUCCEED, APPLY/**

24. They are not going to be granted any\_\_\_\_\_.  
**/CONCEDE/**
25. It was an example of\_\_\_\_\_. **/CONTRACT, FAIL/**
26. Written contracts should also include fees and\_\_\_\_\_.  
**/DELIVER/**
27. The problem is the test can draw \_\_\_\_\_, \_\_\_\_\_ or even damaging \_\_\_\_\_. **/ACCURACY, LEAD, CONCLUDE/**
28. The market is becoming\_\_\_\_\_ .  
**/INCREASE, COMPETE/**
29. They have the cheek to ask for huge fees for \_\_\_\_\_ work. **/STANDARD/**
30. Finding a new source of \_\_\_\_\_ is very difficult.  
**/GROW/**
31. Was it \_\_\_\_\_ that caused Swissair's \_\_\_\_\_ and baggage handling to \_\_\_\_\_, hurting business, and its \_\_\_\_\_ in the world's more \_\_\_\_\_ airlines to prove an \_\_\_\_\_ drag on its finance?  
**/DISTRACT, PUNCTUAL, WORSE, INVEST, MARGIN, ADD/**
32. Companies are moving away from large \_\_\_\_\_ of scale.  
**/ECONOMICS/**
33. Unfortunately he is very \_\_\_\_\_ to get the job. There are other excellent\_\_\_\_\_. **/LIKE, APPLY/**
34. You need to put \_\_\_\_\_ on important words. **/EMPHASIZE/**
35. Send them a second \_\_\_\_\_ letter. **/REMIND/**



# 15 Striving for perfection

## A Benchmarking and best practice

**Benchmarking** is the idea that a firm should find out which company performs a particular task best and model its **performance** on this **best practice**.

Companies talk about carrying out a **benchmarking exercise**. To do this, they **benchmark themselves against** other companies.

Large companies can measure the performance of different departments in relation to each other in an **internal benchmarking** exercise. **Competitive benchmarking** involves looking outside the company at how other companies in the same industry do things.

**Functional benchmarking** looks at how the same function such as manufacturing or personnel recruitment is done by non-competitors. Companies can learn a lot from firms who are not their direct competitors. For example, a train company has learned how to organize the cleaning of its trains better by looking at how an airline organizes the cleaning of its planes.

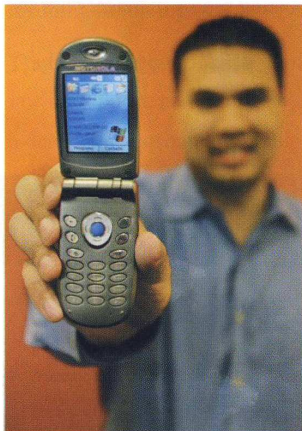
One way of seeing how a competitor's product is made is by **reverse engineering** – taking the product apart to see how it is made. The same principle can also be applied to services. This technique can also be used in benchmarking.

**Note:** 'Best practice' is usually uncountable, but you can also talk about 'the best practices' in a particular area.



## B Six sigma quality

Quality can be measured in terms of the number of **defects per million** parts, operations, etc. For example, **one sigma** equals 690,000 defects per million parts and two sigma means 45,000 defects per million. Even with **two sigma quality**, the chances of a manufactured product being defective are quite high.



Motorola was the first company to aim for **six sigma quality**. In manufacturing, six sigma quality is when there are fewer than 3.4 defects per million components. This idea can also be applied in areas outside manufacturing. In invoicing, for example, it means fewer than three or four mistakes per million transactions.

**Six sigma quality** has been taken up by several other companies.

And the ultimate goal is **zero defects** – no defects at all.

15.1 Complete the sentences with appropriate forms of expressions from A opposite.

- 1 The manufacturers' association wants companies to improve manufacturing ..... , so it's offering a new service designed to help companies ..... themselves against the best in their industries.
- 2 Engineers made replacement parts for the cars by copying the shape and dimensions of the original parts, a process known as .....
- 3 Internal ..... looks for internal ..... and tries to establish them throughout the organization.
- 4 We use ..... to evaluate the effectiveness of your website against those of your competitors.
- 5 Look outside your industry! ..... can teach you a lot, and as the companies you are asking to give you advice are not your competitors, they may be more willing to help.

15.2 Read the article relating to the ideas in B opposite. Then answer 'yes' or 'no' to the questions below about the vocabulary used in the article.

## When quality is not enough

Quality improvement programmes come in many different flavours. The most common are Total Quality Management (TQM), Six Sigma and the Baldrige system promoted by the government-backed National Institute of Standards and Technology (NIST).

There are more similarities than differences between them. The common belief is that companies should aim for 'zero defects' in all aspects of their operations, achieved by relentless improvements in business processes. Common techniques include a team-based approach to problem-solving and a highly quantitative approach to measuring results.

Motorola, maker of microprocessors and cellphones, developed Six Sigma as a technique to improve the competitiveness of its manufacturing. The aim of the strategy is to reduce defects to fewer than 3.4 for every million repetitions of any process. But despite achieving Six Sigma quality in many areas of its business – and being the first large company to win a Baldrige quality award from the NIST – Motorola has often struggled. It is now

engaged in a painful restructuring programme.

Given this mixed experience, why are many US companies now adopting Six Sigma? Fashion and the influence of General Electric are big factors. Jack Welch, GE's recently retired chairman and chief executive, was introduced to Six Sigma in the mid-1990s by Larry Bossidy, a former GE colleague who at the time was running Allied Signal. Mr Bossidy had, in turn, picked up the idea from Motorola, with which Allied Signal did business.

Quality was at the time an unfashionable management concept. The TQM fad of the 1980s had run out of steam. Received wisdom was that more radical approaches such as business process re-engineering were required if companies were to stay competitive.

Undeterred, in 1996 Mr Welch declared Six Sigma quality to be his next group-wide initiative for GE. By the end of the decade he was declaring it a spectacular success: his 1999 letter to shareholders attributed '\$2bn in benefits' to the Six Sigma programme.

Financial Times

- 1 If something is *promoted* by a particular organization, does it have that organization's support?
- 2 If improvements are *relentless*, do they keep on happening?
- 3 Does a *quantitative* approach to something depend on general descriptions and feelings about it?
- 4 If restructuring is *painful*, is it easy?
- 5 If an organization *adopts* an approach, does it accept it and use it?
- 6 Do *former* colleagues still work together?
- 7 Is a *fad* a genuine and important change that will last?
- 8 If a movement *runs out of steam*, does it continue and develop?
- 9 Is a *spectacular* success a very big one?

Over to you



Think about your organization or one you would like to work for. How much do you know about how its competitors do things? Do you think it's useful to know how effective they are in different areas?

